

31 January 2018

Ms Carolyn McNally
Secretary
NSW Department of Planning and Environment
GPO Box 39,
Sydney NSW 2001

Dear Ms McNally

Amendment to SEPP70 – Affordable Housing (Revised Schemes)

Thank you for the opportunity to provide comments on proposed changes to the state policy governing affordable rental housing to expand provisions to apply to five new councils, being Randwick City, Inner West, Northern Beaches, City of Ryde and City of Canada Bay.

We need a strategic approach not piecemeal action

Premier Berejiklian rightly identified the need to improve housing affordability in NSW, in particular Sydney, as a key priority for her on becoming Premier twelve months ago. In June 2017, the NSW Government subsequently released a comprehensive package of reforms aimed at improving affordability, particularly for first home buyers, with the emphasis rightly on driving the supply of new dwellings to meet unmet demand.

SEPP70 (State Environmental Planning Policy No. 70 Affordable Housing (Revised Schemes)) involves addressing the other end of the housing spectrum; generating a supply of rental dwellings for moderate to very low income households. Significantly, the need for SEPP70 arguably exists because housing is unaffordable to buy or rent in the private market for a significant portion of moderate to very low income households (i.e. housing affordability is a problem). The operation of SEPP70 relies on a strong housing development market, to enable local councils to collect levies on new developments. Inherent in SEPP70 is a contradiction - the problem of a lack of housing being solved with a tax on new housing.

The Property Council believes that ultimately the NSW Government should develop a *NSW Affordable Housing Policy* governing not only how local councils apply affordable housing levies but exploring potential incentives, state and local, to stimulate the supply of affordable housing through a range of planning and/or taxation measures (including supporting Build to Rent).

Randwick City, Inner West, Northern Beaches, City of Ryde and City of Canada Bay are undeniably areas where housing affordability is an issue. Similar conditions likely exist across many other local government areas in NSW, especially Sydney, for households on moderate to very low incomes. Acknowledging that affordable housing is needed in these part of Sydney, should not, however, pave the way for piecemeal action which is concentrated on adding costs to new construction. Councils and communities need to assist in providing a solution, accepting that achieving more affordable housing requires building more houses in their neighbourhoods.

A robust, transparent and consistent policy

The NSW Government needs a robust, transparent and consistent affordable housing policy to regulate what is an otherwise piecemeal, ad hoc and uncertain approach applied by local councils using Voluntary Planning Agreements (VPAs). Ideally, the NSW Government should not expand access to SEPP70 until it has designed a contribution scheme model, informed by the work of the Greater Sydney Commission (GSC), to guide councils in the development and design of these schemes.

The Property Council does not believe that inclusionary zoning is an effective solution to generate affordable housing, however, we are cautiously willing to support the expansion of SEPP70 as means to better regulate the application of local government affordable housing schemes. SEPP70 enables the NSW Government oversight of local government affordable housing schemes, and as such it provides a mechanism through which these could be improved and aligned. Ideally, local councils' affordable housing schemes should be informed by the work of the Greater Sydney Commission which proposed establishing 5-10% affordable housing targets across metropolitan Sydney, applied to land yet to be rezoned, and subject to market feasibility testing.

SEPP70 currently enables individual councils to establish their own levies for affordable housing, but offers no consistent approach to way these levies should be established or applied. There are no minimum and maximum acceptable mandates imposed by SEPP70, nor is there a common methodology to be used by councils to assess the need and/or impact of the levies. There are also differences in the application of levies, some councils proposing to levy on uplift GFA, whereas others suggest a council-wide levy on all residential development. This has the potential to create vast inconsistency across NSW, making it extremely difficult for industry to make investment decisions, decisions which underpin the provision of new housing supply.

In addition to being well designed, the introduction of any new policy that establishes additional levies on development needs to be implemented to avoid unintended consequences that would undermine its overall objective; in this case to increase the supply of housing. Accordingly, any changes to the contributions regime, such as an affordable housing levy, should be phased in with sufficient time for industry to adapt to the changes. An absence of adequate transition arrangements would otherwise undermine investment decisions and the feasibility of projects.

Furthermore, SEPP70 does not currently provide an incentive for the private sector to play a role in the ownership and management of affordable rental housing, with the preference generally being dedication to local council. The NSW Government could, through SEPP70, provide leadership in this space by enabling and incentivising ways for the private sector to play a greater role in the delivery of affordable rental housing.

Assessing and managing the cumulative cost

The Property Council is extremely concerned that no one person or agency is responsible for monitoring and advising the NSW Government in regard to the cumulative impact of existing and emerging taxes and charges imposed on housing development. Good policy made in the absence of complete knowledge of the industry's operating environment does not amount to an overall well-regulated or functioning industry.

Housing development in NSW faces the following imposts - stamp duty, land tax, council rates, GST, planning approval application, section 94 developer contributions (recently uncapped) or voluntary planning agreements, special infrastructure contributions (emerging), a range of utility provider charges (e.g. RMS, Sydney Water, Ausgrid), biodiversity offsets and potentially affordable housing

levies. Before investment occurs, these costs need to be known and factored into a project to test its feasibility. This is simply not possible.

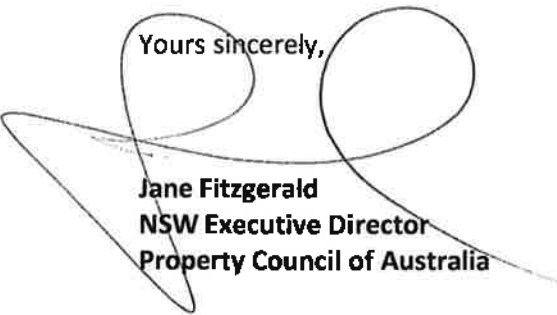
All of the above taxes, levies and charges add to the cost of dwelling production, in many cases they result in development projects being unable to be delivered by the market resulting in no additional supply of private or subsidised housing. The GSC in its Draft Greater Sydney regional plan highlighted the importance of the consideration of other development levies in the formulation of affordable housing schemes.

Many of these levies are developed and imposed by levels of government and different statutory authorities making it impossible to understand the feasibility impacts. The system needs to be streamlined, and a hierarchy of costs established. Ideally one centralised levy should be developed to give land owners, developers, governments and the community certainty regarding costs, benefits and revenue flows.

We acknowledge that this issue, the need to consider the cumulative cost, is beyond the scope of this proposal. However, unless the cumulative issue is addressed, the expansion of SEPP70 risks exacerbating an already deteriorating situation, and could ultimately undermine the achievement of the objective – to improve housing affordability, including access to affordable housing. \

Thank you one again for the opportunity to provide feedback. Please do not hesitate the NSW Deputy Executive Director Cheryl Thomas on 9033 1907 or cthomas@propertycouncil.com.au, if you would like to discuss any aspect of this letter further.

Yours sincerely,



Jane Fitzgerald
NSW Executive Director
Property Council of Australia