



Fixing housing affordability in NSW

A 5-point plan to improve housing affordability – and the recommendations that can make it happen

March 2017



PROSPERITY | JOBS | STRONG COMMUNITIES

THE PURPOSE OF THIS DOCUMENT

This document has been developed by the Property Council of Australia, the representative of the property industry in the context of the critical housing affordability issues facing NSW, and particularly the greater Sydney area.

Its aim is to outline the essential components of a housing affordability plan for NSW – and the next steps needed to convert the issue from a conversation to concrete actions.

It also seeks to explain why it is so difficult to bring new stock to market at \$500,000 and under, as well as set out a list of recommendations that will make this aspiration much more likely.



WHY HOUSING AFFORDABILITY MATTERS

Good housing choices knit together cities and communities. They offer people the option to live and work where they wish, to match housing options to their lifestyle and family needs, and the comfort of having the security of a good home.

Getting this right matters because:

- people need housing choice and affordable options as they move through life.
- access to housing in the right location opens up economic opportunities for individuals and families.
- connecting housing and work reduces congestion and boosts the productivity and liveability of cities.
- cities need diverse communities and a mix of workers to keep their economies strong.
- strong household balance sheets and a strong housing industry underpin so much of our economy.

The property industry underpins the \$6 trillion in value that comprises Australia's housing markets. We create the stock: the new housing to own and rent, as well as specialist housing like seniors' living and student accommodation.

The industry is also inherent to the success of our cities – creating and owning most of the spaces where we live, work, shop and play.

The property industry has a long-term stake in the health of our cities. We are keen to see them thrive as appealing places to live and work. Strong and stable housing markets are a core element of good cities. We want our cities to succeed and foster greater housing choice for people.



THE CONTEXT

There is a growing recognition among policy makers that housing affordability matters – and that more policy levers need to be pulled to improve it.

The Commonwealth Government has identified housing affordability as a key issue that requires attention leading into the Federal Budget and beyond.

In addition, the NSW Government has grasped the need to bring new and urgent solutions to the table to give homebuyers a greater shot at the Australian dream.

This culminated in the new Premier of NSW, the Honourable Gladys Berejiklian MP, identifying housing affordability as her highest priority in January this year.

NSW faces particular challenges. In 2016, the housing deficit in NSW was still around 100,000 dwellings despite improvements in housing completions over the past two years.

And on top of that deficit, the Greater Sydney Commission has identified that by 2036 a minimum of 725,000 new dwellings will be needed in Sydney alone, that equates to approximately 36,000 new dwellings being needed each year.

The causes of the unaffordability are myriad but there are discernible differences between NSW and other states and particular markets within them which underpin the NSW specific problem, for instance between Sydney and Melbourne and Sydney and Brisbane. According to property industry stalwarts, the problem starts with the lack of land for housing in the greater Sydney area. Ultimately, this means land in Sydney can be twice the price of similar land in the greater Melbourne area, for current developments \$600 sqm in Melbourne as opposed to \$1200 sqm in Sydney.

As a development passes through the NSW planning system this differential is exacerbated. The system is slow and full of hidden and explicit costs. According to Property Council research, it remains the worst in the country. In practice that means it will take five years to deliver an apartment to a first home buyer in NSW – double that of other states.

Thus, the renewed focus from political leaders is very welcome. We need to ensure policies are put in place that target the actual problems, do no collateral damage and convert the positive conversation into concrete plans for action.

A mix of supply and demand side solutions – set within a coherent framework – is needed.

**"I WANT TO MAKE SURE THAT EVERY AVERAGE, HARD-
WORKING PERSON IN THIS STATE CAN ASPIRE TO OWN
THEIR OWN HOME"**

NSW PREMIER GLADYS BEREJIKLIAN

JANUARY 2017

HOUSING AFFORDABILITY DEFINED

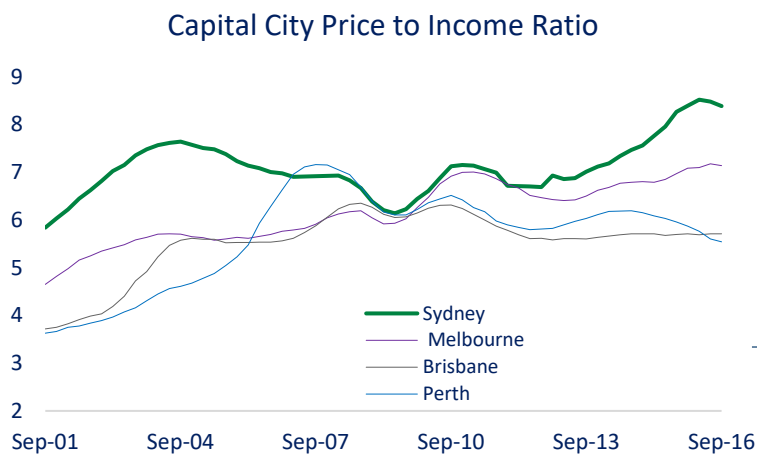
Housing affordability spans a diverse range of concepts, measures and metrics.

In short, affordability means enabling people to make a housing choice that suits their needs – regardless of whether it involves renting, ownership or having options as they age.

There are many possible ways to measure housing affordability. We have chosen four:

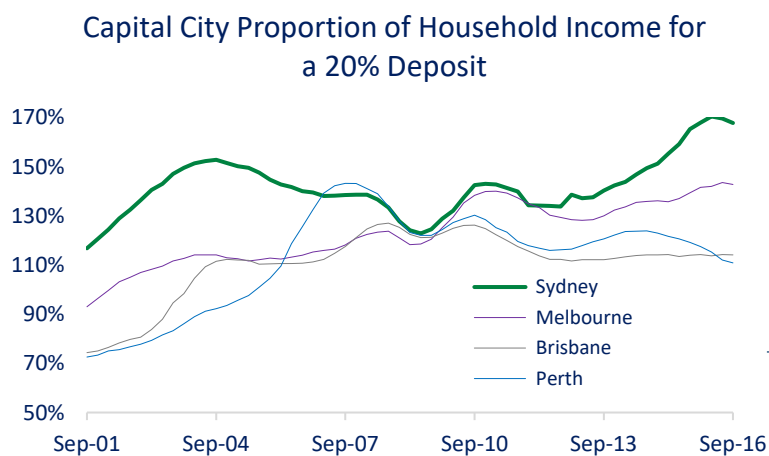
1. How expensive is housing in relation to a person's income?
2. How easy is it to bridge the 'deposit gap' when saving to buy a home?
3. How easy is it to service a mortgage on a home?
4. How expensive are rents in relation to a person's income?

The following charts developed by Core Logic highlight these affordability metrics over time to better define the housing affordability challenge for policy makers.



A median priced dwelling in Sydney costs 8.4 times the median annual household income. Nationally, the average dwelling price is only 6.9.

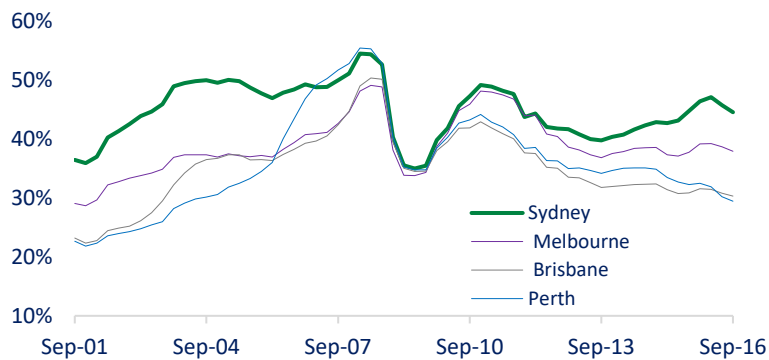
Source: Core Logic, 2016



Nationally a 20% deposit equates to 138.9% of annual income. In Sydney, the median deposit is now \$157,000 equating to 168% of annual income.

Source: Core Logic, 2016

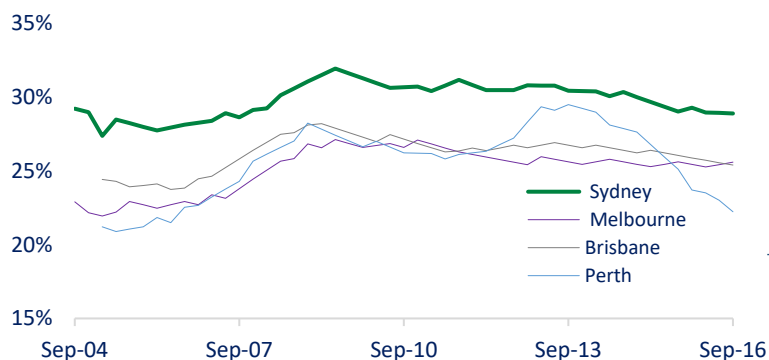
Capital City Proportion of Household Income to Service an 80% LVR



The challenge of servicing a mortgage for an average home is broadly the same as it was in 2004- approximately 44.5% of household income.

Source: Core Logic, 2016

Capital City Proportion of Household Income to Rent a Home



Renters spend 28.9% of their household income on rent in 2016, with little change over the previous decade. Five years ago renters paid 31.2% indicating that renting is more affordable.

Source: Core Logic, 2016

A different story is played out in regional New South Wales where the median dwelling costs 6.6 times the median annual household income – the same proportion that was required five years ago. The percentage of annual income to service an 80 per cent LVR mortgage or pay rent have both declined to 35.2 per cent and 29.9 per cent respectively.

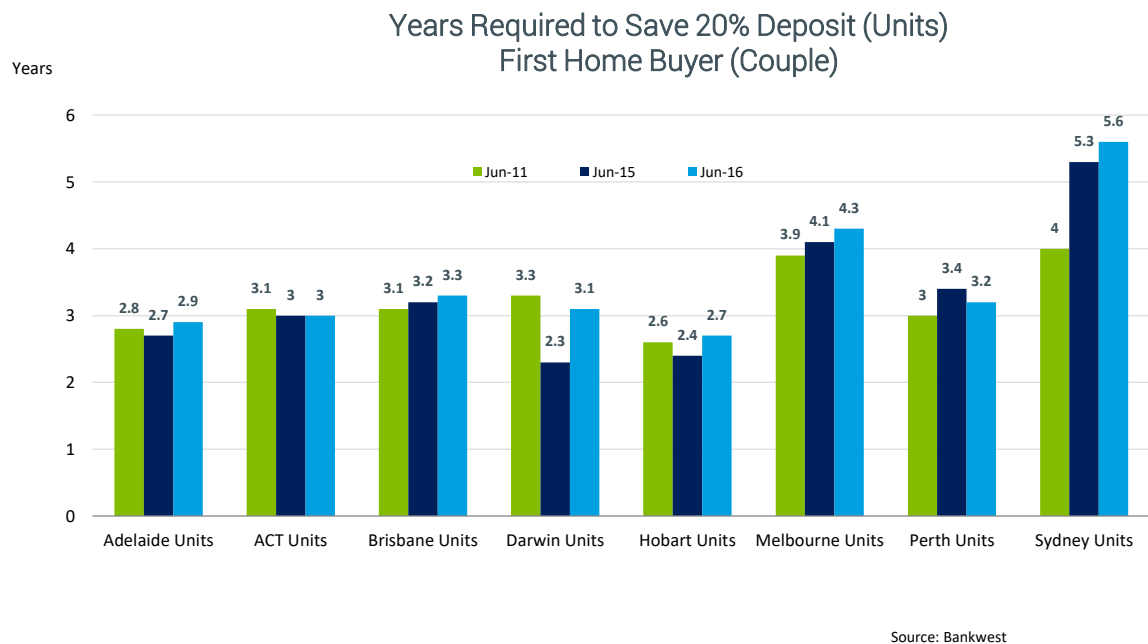
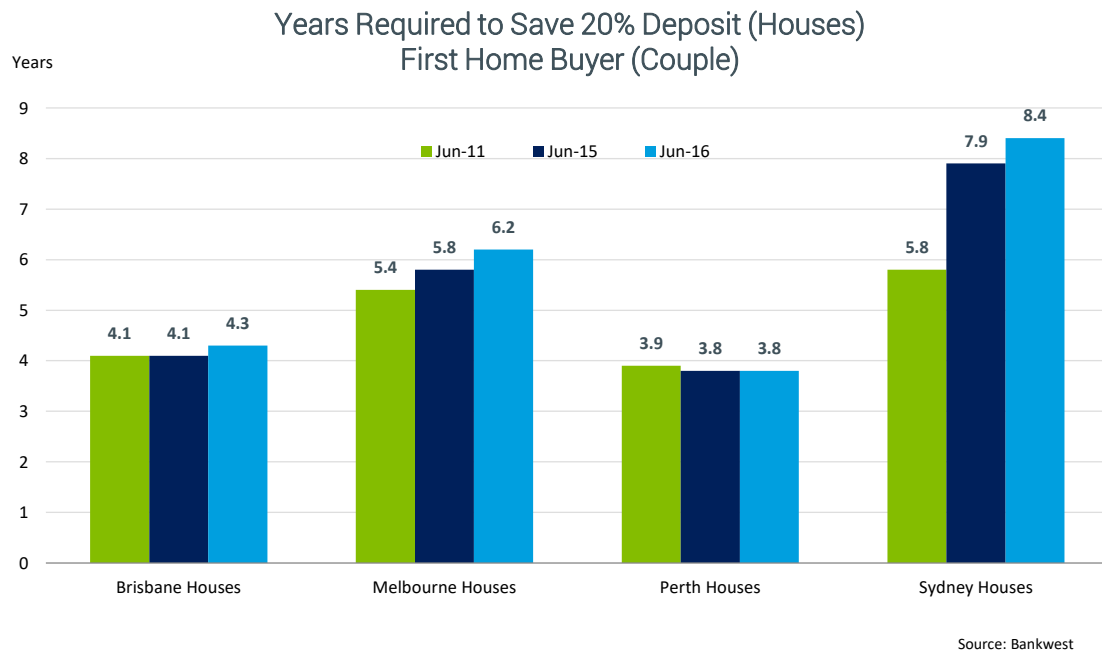
For those entering the market, however, the 20 per cent deposit now costs \$81,000 equating to 133 per cent of annual household income.

Several conclusions can be drawn from this analysis:

1. Sydney experiences greater challenges in supporting housing affordability than regional New South Wales.
2. The imminent challenge is not servicing mortgage requirements - the proportion of household income required is the same as in 2004.
3. Nor is the challenge one of rental cost, where growth has largely kept pace with incomes. If anything, this measure demonstrates the importance of adequate rental supply under existing tax policy to meeting the housing affordability challenge.
4. The housing affordability challenge is one of buying a home; in particular, acquiring a deposit sufficient to buy a first home.

Measures to ease the cost of buying a new home and bridging the deposit gap need to be the key focus of policy makers to address housing affordability.

The following charts from Bankwest show the particular challenge in relation to saving a 20 per cent deposit in Sydney, relative to other capital cities.



WHY THE URGENCY?

Australia's population is growing strongly and people are settling increasingly in our biggest cities.

Infrastructure Australia estimates that 75 per cent of our population growth to 2031 will occur in just our four largest cities. Sydney, Melbourne, Brisbane and Perth are expected to collectively grow by around 45 per cent over this time.

The situation in NSW has dramatically worsened in recent times despite a renewed focus on housing supply since 2011. In the 12 months to November 2016, more than 33,000 homes were completed in NSW. This is an almost 40-year record but still well short of the 36,000 dwellings needed each and every year for the next 20 years to meet the Greater Sydney Commission's 2036 target of 725,000. And, as MacroPlan Dimasi noted in the *Missing the Mark* Report prepared for the Property Council in 2015, this figure is not discounted for the 3,000 to 5,000 homes that are 'knocked down' and rebuilt each year meaning that there is still a great way to go – a deficit of up to 10,000 per annum still – to meet the growth target set by the GSC.

Regardless of the measure, the metrics are extreme.

- According to Core Logic, NSW homebuyers now need 168 per cent of their household income to afford a 20 per cent deposit on the average Sydney home.
- In just one month, February 2017, the cost of a home in Sydney went up more than the average wage has in a whole year.
- And according to UBS, stamp duty on the average home accounts for 38 per cent of a household's annual income.

Housing affordability will continue to deteriorate if we fail to address the root cause: ensuring that the supply of new housing and land is sufficient to meet demand. This is particularly true in the greater Sydney region and in larger urban areas across the state where land is scarce, the cost of land is twice that of Melbourne, and the planning system mitigates against a timely and cost effective delivery of housing.

The NSW Government should also be aware that financial markets and lending conditions which have helped provide much of the credit behind Sydney's current construction boom are shifting sharply. Macro prudential guidance means the banks are tightening the availability of finance - both to developers and purchasers.

Long-standing second tier developers are having to secure finance from secondary lending sources - meaning the cost of capital is far higher.

And the market for lending to investors is thinning substantially as banks apply the new rules coming from APRA. All of this adds to the pressing need for a comprehensive response from all levels of government to ensure the dream of buying a home is not beyond the reach of the average Australian.

DRIVERS OF RISING HOUSE PRICES

Over the past 30 years, Australian housing prices have increased on average by 7.25 per cent per year. The median house price in Sydney in 1987 was \$120,025. In 2017, it is over \$1 million. As at February 2017, according to CoreLogic 14 per cent of Sydney suburbs had a median price of more than \$2 million with only eight per cent having a median under \$600,000.

"THE SUPPLY-SIDE HAS HAD TROUBLE KEEPING UP WITH STRONG POPULATION GROWTH, HOUSING PRICES ARE STILL RISING QUICKLY."

PHILIP LOWE, GOVERNOR, RESERVE BANK

FEBRUARY 2017

In the short run, cyclical factors can play a significant role in driving house price growth. Monetary policy and stability of employment have an especially strong effect on the housing market, both in the established market through higher activity and in the new dwelling market by encouraging investment.

Strong economic performance and strong population growth in Sydney and Melbourne means this pressure is much more prevalent than other markets in Australia.

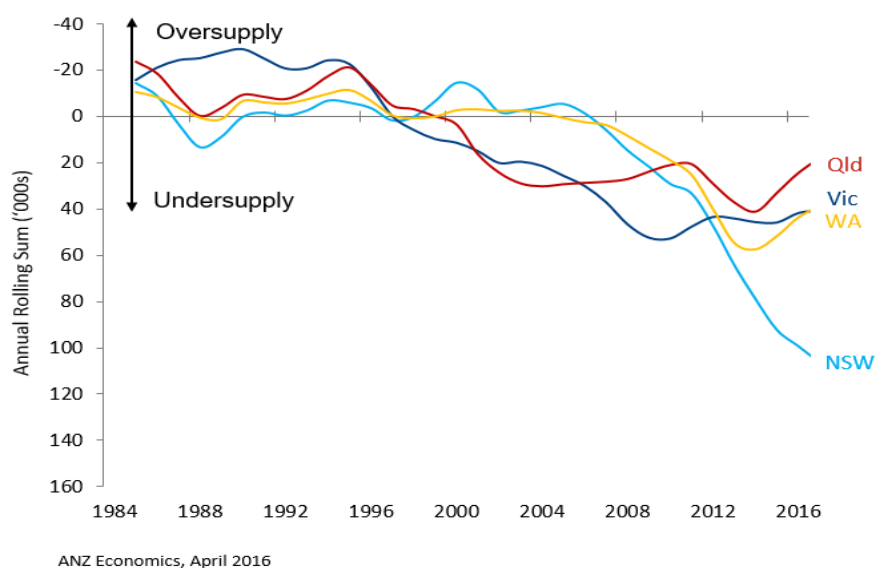
The impact of increased demand on the price of housing depends on whether the volume of supply is able to meet this demand.

However, housing supply is lagging and cannot respond quickly to market signals, reflecting the complexity of the planning process, development approvals and infrastructure funding arrangements, before construction can even commence.

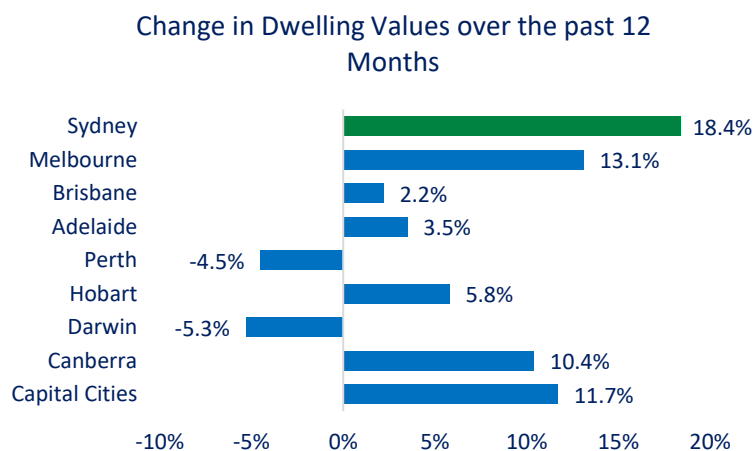
From the 2000s, strong population growth - coupled with smaller households - led to an increase in underlying demand exceeding the supply of new dwellings.

When compared with a range of underlying demand estimates, the number of new dwelling approvals makes clear that over the past decade, the supply side has been slow, or unable, to respond to the significant increases in underlying demand.

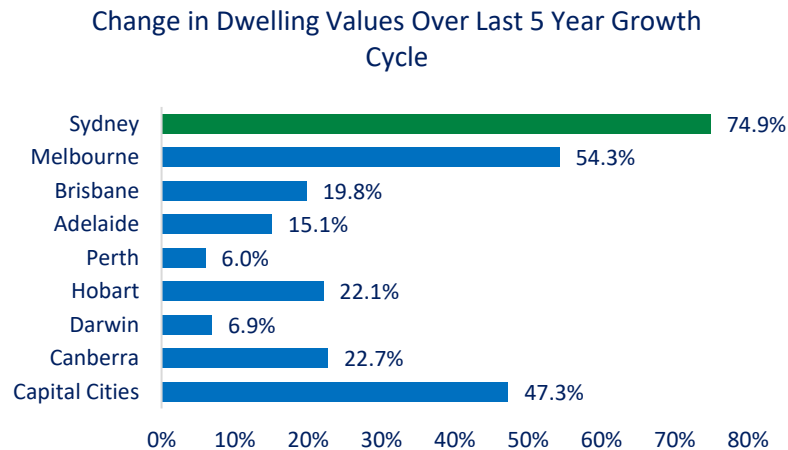
A decade of undersupply relative to increasing demand is driving price growth



Government policies that influence the supply response therefore have an acute impact on the cost of housing.



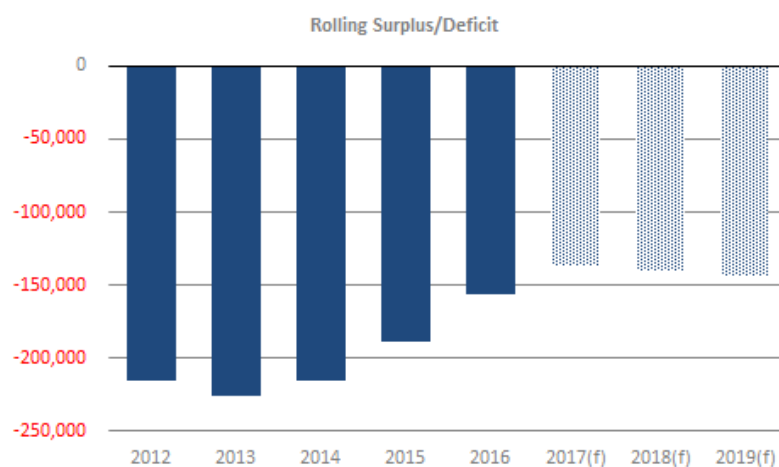
Source: CoreLogic, 2017



Source: CoreLogic, 2017

Ensuring that the supply of new housing and land is sufficient to meet demand is an urgent challenge as, even with record levels of housing approvals, there remains a significant deficit in housing. Major NSW developers report that the lack of available, appropriately zoned land is a significant factor driving up costs in NSW relative to other jurisdictions.

Record levels of national housing approval, there remains a significant deficit in housing



Source: Formation and completions applied to the 2010 National Housing Supply Council Undersupply

Thus, in relation to rezoning – or once land is rezoned – delay costs money. Urbis has recently examined this and has found that reducing the impact of delays in the system, using the Reserve Bank of Australia cost of borrowing for large business loans (3.75 per cent at 16 March 2017), would reduce the cost of a home. Urbis estimates that a six-month delay in receiving planning approval would add \$2,344 to the cost of each apartment, or 0.5 per cent to cost.

However, many developers report delays of five years for such apartments to be common. This increases the cost of delay per unit to \$23,438, or 4.7 per cent.

Conversely, code assessment reduces costs. According to research conducted by Deloitte in 2012 for the NSW Government, code assessment at that time would have been able to reduce the cost of building a home by at least \$7000. Five years on, this figure would be higher than that.

Currently, there are a large number of houses "caught" in the planning system some of which would be offered for sale for under \$500,000. One major Sydney developer has provided the details in the following table:

Location	Approx. Yield	Stage	Cause for Delay	Time Delay	Dwellings below \$500K?
Cawdor	5000	Planning Proposal	Delays caused by indecision re M9 corridor location, and lack of co-ordination in planning between Council and State Government with original Planning Proposal	60 months	Yes
Edmondson Park Town Centre – Site adjacent to rail	1800 + 40,000m2 retail	S75w amendment to Part 3A, prior to DA	DPE took 5 months to put application on notification, which has resulted in a 5 to 6 month delay to the delivery program. Process still unresolved.	6 months	Yes
Macquarie Park – Site adjacent to rail	1300	Planning Investigations of brown field precinct	Exhibition of Plan has been delayed	12 months	No
	8100				

Construction costs in Sydney for apartment blocks are currently at twice the level of those in Victoria, due to a shortage of supply.

The Rider Levett Bucknall Cost Report for 2017 reports east coast capital city construction cost ranges for multistorey residential apartments as follows.

Table 1 – Multistorey residential Construction costs per square metre, Q4 2016

	Low	High
Sydney	2,460	4,560
Melbourne	2,245	3,570
Brisbane	2,000	3,200

This suggests that costs in Sydney at the high end of observed outcomes are double those of Melbourne at the low end, or 27 per cent higher when comparing high against high.

With construction costs accounting for around 50 to 60 per cent of the final cost of the dwelling, a reduction in those costs would make a significant difference to improving affordability.

Building enough homes to keep up with our growing population – particularly in Sydney – is central to addressing housing affordability.

The role of supply supporting housing affordability is best illustrated by the response of Melbourne and Sydney to strong population growth.

THE TALE OF TWO CITIES

Why are average Melbourne house prices 30 per cent cheaper than those in Sydney?

Same interest rate environment. Same negative gearing and capital gains tax policies. Same proportion of investors in the market, and the same number of foreign purchasers of newly constructed housing.

While Sydney is the bigger city, Melbourne has been growing faster. Over the last 10 years to 2016, Melbourne has added 832,124 people, while Sydney added 703,407. In the year to 2016 Melbourne's population grew by 91,593 people, while Sydney grew by 83,309.

So why is the average home in Melbourne just \$566,000, but \$785,000 in Sydney?

The answer is supply.

Put simply, Melbourne has been far better in planning for and delivering new housing than Sydney for nearly two decades.

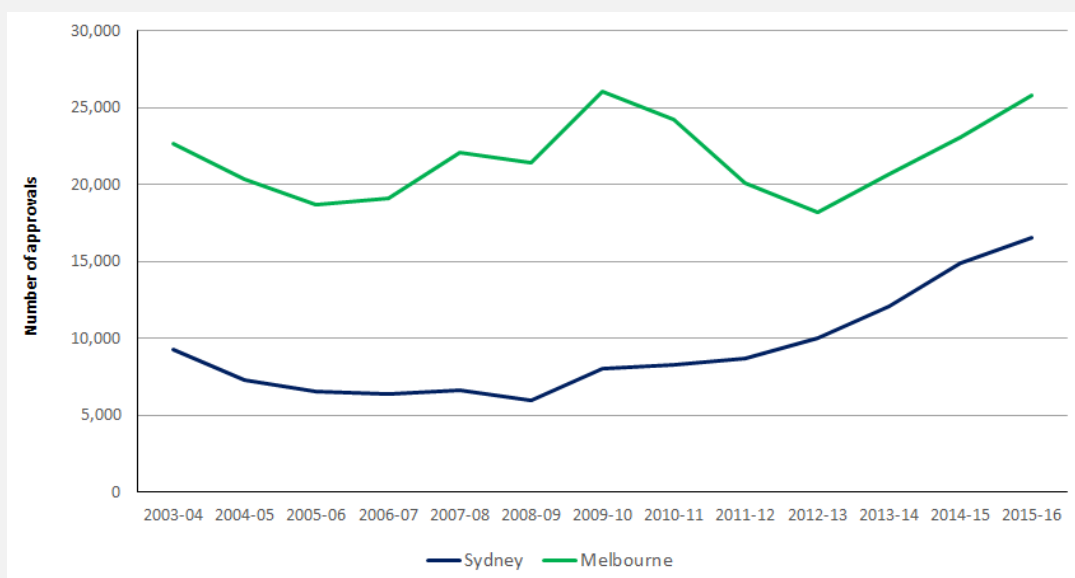
"[HOUSING SUPPLY] IS THE BEST WAY TO ADDRESS HOUSING AFFORDABILITY BUT THE GOVERNMENT MUST DO MORE."

GLADYS BEREJIKLIAN, NSW PREMIER

JANUARY 2017

Melbourne is far from perfect. But this tale of two cities points to the power of housing supply in addressing housing affordability.

Housing Approvals in Sydney and Melbourne



Source: ABS Approvals data

THE AFFORDABILITY CHALLENGE

The challenge of housing affordability is complex but, at its core, it is as a story of demand and supply.

To address this challenge, it is critical that we understand why supply is constrained and what variables influence demand.

Only then can policy responses be developed.

SUBPAR STRATEGIC PLANNING

Failure of strategic plans to account for their population trajectory in major cities.

AD HOC DEVELOPER FEES & CHARGES

Ad hoc and inequitable infrastructure charges are baked into the cost of new housing.

TAX TREATMENT OF HOUSING

The mix of taxes – on land acquisition by developers, infrastructure and other statutory charges during development, land tax over the development cycle and charges on the final purchaser – are all baked into the cost for homebuyers.

NOT ENOUGH LAND

Limited capacity in city strategies and will at the local level to deliver land for housing – inner city density, middle ring urban renewal and new greenfield land development.

SLOW PACED REFORM

The pace of planning reform to support housing affordability is lacklustre with a need to increase the pace and depth of reform.

COMPLEX PLANNING SYSTEMS

Slow development approval processes and outdated rezoning processes constrain the supply response.

SUPPLY SIDE PROBLEMS



MEETING THE AFFORDABILITY CHALLENGE



DEMAND SIDE PROBLEMS

INCREASING TRANSACTION COSTS

Transaction costs lead to an inefficient allocation of stock, create barriers for new entrants and lock people into inappropriate housing.

GROWING DEPOSIT GAP

Property prices are surging and it is becoming increasingly difficult to save for a deposit considering minimal household income growth.

DEMAND FOR HOUSING OPTIONS

Potential home owners and renters are increasingly demanding choice in size, location, proximity to employment and amenity. Renters are also demanding long-term rental solutions to provide housing security.

DO NO HARM

Policy makers need to settle on real solutions that will both unlock opportunities now to improve access to housing, but also position markets to function better over the cycle – and respond to the long-term growth of our cities.

That's why a 'no-harm' approach needs to underpin any response, and the reach for quick fix answers avoided- in particular, policies which reduce housing supply and make the affordability situation worse.

We urge resistance to:

New taxes

taxes on foreign investment or other new taxes on housing development - that purport to help with affordability, when in fact they act as a tax on investment and supply.

Deflecting responsibility

where different tiers of government fail to work towards a singular plan and don't take responsibility for outcomes.

Flying blind

where the mere act of legislative or regulatory change is seen as an end in itself, rather than focusing on the outcomes that need to be achieved.

Compromised planning

where policy decisions are made without understanding the true state, dynamics and drivers of housing markets due to an absence of informed data.

Regulatory creep

where incremental additions to the process of producing housing are viewed in isolation, not through the lens of a collective cost.

FIVE WAYS TO IMPROVE HOUSING AFFORDABILITY IN NSW

1

TURBOCHARGE HOUSING SUPPLY THROUGH INCREASED LAND SUPPLY AND PLANNING REFORM

Cities require good strategic plans that map and service growth and deliver the right volume and diversity of housing choice.

To deliver the right number of homes, first and foremost they need a supply of appropriately zoned land, at a realistic price.

In NSW, through the Greater Sydney Commission (GSC), the former has started to be addressed but land supply is nowhere near where it needs to be to deliver affordable homes where people want to live.

The GSC has been established to lead, develop and implement District Plans across the greater metropolitan area and to integrate them with local environmental plans and *A Plan for Growing Sydney*.

The District Plans should include an identified and sustainable pipeline of land – serviced by infrastructure – across new release areas, urban renewal sites and appropriate existing suburbs. Rolling annual targets should be set, and transparent reporting on progress is required.

This also requires fine-grain work by local councils through contemporary and market-sensitive planning controls to deliver housing choices. Sydney needs higher densities in appropriate locations if the next generation is to be able to afford to buy a home.

And the task of depoliticising the development approvals process should be embedded and expanded to ensure projects are judged exclusively on their merits.

Code assessment already applies in other states and territories and works well. It offers an additional development assessment pathway that injects improved certainty and consistency in decision making and is much better equipped to deliver more housing, more quickly.

Embedding 20-year Infrastructure Delivery Schedules within Regional Plans for the Hunter, Illawarra and Central Coast – and handing responsibility for implementation to a specific government agency – would give investors the confidence to undertake greenfield residential development on the urban fringes and in sub-regional centres.

REFORM STATE PROPERTY TAXES AND REDUCE FEES, CHARGES AND RED TAPE

2

Government taxes, charges and regulatory costs can add up to 50 percent to the cost of new housing. In NSW, the property industry contributes over \$8 billion in stamp duty alone and is the State's single largest source of revenue.

The mix of taxes – on land acquisition by developers, infrastructure and other statutory charges during development, land tax over the development cycle and charges on the final purchaser – are all baked into the cost for homebuyers.

In NSW, this situation was worsened in the 2016 budget with new surcharges on foreign suppliers of housing stock, including Australian-based developers.

But regulatory measures add to pricing too.

Charges incurred through the planning process, compliance costs for regulation and holding costs due to slow planning approvals all increase the cost of new housing.

Governments should measure the collective costs its own rules impose on housing production and set clear targets for progressively easing the burden.

Stamp duty remains a substantial hurdle to homebuyers – as well as a drag on the broader economy.

Stamp duty is a handbrake on transaction activity and locks people into housing which is not appropriate for their needs.

Stamp duty costs have escalated by 750 per cent in NSW over the past 20 years. The average bill in Sydney is now around \$40,000.

Stamp duty needs to be targeted for progressive removal as part of broader plans to improve the efficiency of the tax system and boost economic growth.

3

BETTER COOPERATION BETWEEN ALL LEVELS OF GOVERNMENT

Competition policy can anchor reforms to housing markets and planning systems. This has real potential to drive real performance improvements in the time and cost of housing production.

An incentives-based approach between the Commonwealth, state, territory and local governments can be used to prioritise reforms that will unlock supply. Research shows a \$3 billion annual boost to GDP from improving housing and planning systems.

Under a new incentives model, states and territories would receive incentive payments to reform their planning systems, turbocharge housing supply pipelines and deliver affordable housing solutions.

Backed by a clear set of targets on system design and performance, the model can remove the regulatory barriers that block new housing.

The mix of measures can include:

- reforming legislative and regulatory regimes that demonstrably improve the efficiency of planning systems,
- clear outcomes that reduce housing costs, including rezoning and DA approval times, and land servicing costs, and
- market-based measures such as median house prices and the proximity and mix of housing to jobs and infrastructure.

Governments need to be informed as they make choices about sound housing policy. The former National Housing Supply Council served a crucial role in mapping supply, demand, affordability and other essential metrics prior to its abolition. NSW should support its restoration at a national level.

- Improved data collection and monitoring on housing markets will lead to better long-term policy development.
- A comprehensive understanding of market performance and its response to policy choices is foundational in instituting a successful incentives-based model to fix housing supply and improve the diversity of housing offered.

4

BRIDGE THE DEPOSIT GAP AND SUPPORT FIRST HOME BUYERS BETTER

Keystart is a Western Australian program that provides low deposit home loans for owner-occupiers looking to access the market where other lenders cannot provide assistance. Over 85,000 people have used it to secure homeownership.

Through a strict risk assessment of rental and employment history, as well as other criteria, Keystart has a proven record of financial stability, defaults below the market average and allowing borrowers to migrate to conventional bank loans.

Stamp duty is a particular burden on those seeking to get into the housing market with the average stamp duty bill in NSW adding up to \$40,000 to the cost of a home. Targeted relief, and a reworking of the thresholds would give first time buyers a leg up into the market.

SUPPORT THE RENTAL MARKET AND FOSTER INNOVATIVE, AFFORDABLE RENTAL PRODUCT

The private rental market is underpinned by investors –over 2 million Australians. And investors help move projects from concept to construction.

Current rental vacancy rates in Sydney, in particular, are well below a balanced rental market. The view put forward by some commentators, that off-shore investors are restricting the supply of housing, is wrong. In fact more investors are needed to maintain the supply of the private rental market.

The NSW Government should make it clear to the Commonwealth Government that negative gearing and the capital gains tax discount are essential components of the private rental market in NSW. Retention of negative gearing – and carefully canvassing any changes to the capital gains discount – are essential to the continual supply of rental accommodation.

We also need to bring new product into the market to meet the growing appetite for affordable rental housing, particularly for key workers.

Targeted incentives can help induce institutional-scale capital into affordable rental housing to accelerate investment in new stock. Large scale, affordable rental stock provision could be made viable if the cost of the land was dramatically lower via a significant discount on government held land.

Alongside existing proposals like the use of bonds to improve the financing of existing affordable housing providers, we can start to close the supply gap and in doing so, ease the pressure on government balance sheets.

5

5-POINT HOUSING AFFORDABILITY PLAN FOR THE NSW GOVERNMENT

Addressing housing affordability requires a well thought out plan, not quick fixes.

This comprehensive Five-Point Plan does just that and will make significant inroads in addressing the housing affordability challenge.

1. Turbocharge housing supply through increased land supply and planning reform

Governance and oversight

- 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.
- 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.
- 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.

Real targets and real deadlines

- 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.
- 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.
- 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.

- Make it compulsory for Councils to meet the dwelling approval targets within transparent timeframes and if they are not met, give the Housing Delivery Unit the power to appoint the Greater Sydney Commission to make a Local Environmental Plan that meets the target.
- 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.

Legal and regulatory changes

- 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.
- Take other meaningful steps to allow greater development in the areas identified in *A Plan for Growing Sydney* 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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 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.
- Ensure that the measures detailed herein, that require legislative reform, are included in the Bill to amend the *Environmental Planning and Assessment Act 1979* 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.

More code assessment

- 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.
- Examine how the missing middle code could be extended and amended to ensure broader application, including in growth centres.
- Implement code assessable development for apartments, including high-rise and mixed use 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.
- 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.
- 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.
- 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.
- 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.

Infrastructure delivery

- 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.
- Permit developers (in transparent VPAs with the relevant planning authority) to deliver/forward fund State Government "needs" (e.g. roads, schools).
- 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.

Reduce red tape and ensure there are enough resources to do the job

- 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.
- Ensure Voluntary Planning Agreement (VPA) reform is directed towards increasing flexibility and transparency and does not inadvertently entrench the worst aspects of the current system that legitimise poor council practice and increase the hidden costs of delivering housing.
- 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.

Regional initiatives

- 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.
- Fast-track the commitment to investigate the establishment of a Hunter Commission.
- Ensure the newly established Regional Infrastructure Coordinator has a mandate, clear targets and a plan to fund and deliver the infrastructure needed in regional NDSW to unlock land to increase housing supply.

2. Reform state property taxes and reduce fees, charges and red tape

- 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.
- 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.
- 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.
- 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.
- 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.

3. Better cooperation between all levels of government

- 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.
- Support the reintroduction of the National Housing Supply Council to measure market performance and provide independent advice to support competition policy payments.
- 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.
- Ensure that housing supply measures are appropriately recognised in the new Western Sydney City Deal and any other city deals implemented in NSW.
- Finish implementing the *Fit for the Future* plan to strengthen local government across the state and ensure councils are equipped to efficiently and effectively operate local planning systems and supply local infrastructure.
- 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.
- 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.

4. Bridge the deposit gap and support first home buyers better

- 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.
- Increase the threshold for stamp duty concessions for first home buyers. Currently, those concessions are only available for purchasers of properties valued below \$650,000 which is of little assistance in Sydney where the median house price is close to \$1 million.
- Consider the viability of implementing a deferred program for stamp duty payments to spread the payment load over a longer period of time.
- Examine the shared equity schemes being implemented in other jurisdictions for their transferability to the NSW context as yet another means of helping first home buyers get a foot in the door.

5. Support the rental market and foster innovative, affordable rental product

- Ensure the five to 10 per cent targets for affordable housing in the draft District Plans are incentives rather than disincentives to increasing supply by ensuring they operate as an FSR and height bonus and not based on currently 'under-zoned' land.
- 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.
- 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.
- 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.
- 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.
- 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.
- Amend the Affordable Rental Housing SEPP so:
 - 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;
 - 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.
- 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.
- Fast-track the roll out of the Communities Plus Program 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.

This Five-Point Plan lays out concrete action to put in place a mix of supply and demand side solutions –to allow people to make the housing choice that suits their needs regardless of whether it involves renting, ownership or having options as they age.

ABOUT THE PROPERTY COUNCIL OF AUSTRALIA

Property is the nation's biggest industry – representing one-ninth of Australia's GDP and employing more than 1.1 million Australians. In NSW, the industry creates more than \$66 billion in flow on activity, generates more than 361,000 jobs and provides around \$20 billion in wages to workers and their families.

Our members are the nation's major investors, owners, managers and developers of properties of all asset classes. They create landmark projects, environments and communities where people can live, work, shop and play.

The property industry shapes the future of our cities and has a deep long-term interest in seeing them prosper as productive and sustainable places.

That is why the Property Council has commissioned research and championed ideas to improve housing affordability including:

- producing regular scorecards and recommendations on the best ways to improve the performance of planning systems in the states and territories
- quantifying the rising burden from stamp duty, and recommending reforms to the tax system that would eliminate a high hurdle to home ownership, as well as drag on the economy
- crafting a framework for the application of national competition policy style principles to fix housing markets and planning systems
- studying the fees, charges and infrastructure taxes that progressively add to the cost of new housing in Australia
- exploring new models to bring institutional scale capital into the affordable rental market
- using CityDeals as a vehicle to engender economic growth, improve strategic planning and infrastructure choices, and boost housing supply.

All these reports and more can be obtained via www.propertycouncil.com.au or contacting:

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