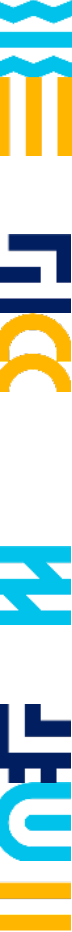


NSW Housing Summit Outcomes Report

Outcomes from the Property Council of Australia
and The McKell Institute NSW Housing Summit

September 2023





About The McKell Institute

The McKell Institute is an independent, not-for-profit research organisation dedicated to advancing practical policy solutions to contemporary issues. www.mckellinstitute.org.au

About the Property Council

The Property Council is the voice of the Australian property industry, championing a strong, thriving sector that leaves a positive legacy for all Australians.

The Property Council of Australia was founded in 1969. Today, we are a passionate team of 120 professionals across every capital city, plus Newcastle and Wollongong, that facilitates industry advocacy, research, events, professional development, and connection.

We are respected champions for reforms that deliver strong benefits to the community. Governments, stakeholders and the public respect the important economic and social contribution of our industry.

Our 2,300 member companies are the nation's major investors, owners, managers and creators of properties and places that matter: homes, retirement villages, shopping centres, offices, industrial areas, education, research and health precincts, tourism and hospitality venues, and more.

Property is the largest industry and biggest employer in Australia, representing 13 per cent of Australia's GDP, employing 1.4 million Australians and generating more than \$106 billion in tax revenues to fund community services. An essential industry in its own right, it's also the backbone of the nation's business and industrial sectors: the factories and logistics facilities that enable mining and manufacturing; the workplaces and hotels that enable business and tourism; the shops and retail centres that enable small business and connection; the schools and sports facilities that enable education and recreation.

A thriving property industry is core to our nation's prosperity. We are privileged to lead the sector and connect the industry to speak with a united, powerful voice.



Acknowledgement of Country

This report was written on the lands of the Darug and the Eora Nations. The Property Council and the McKell Institute acknowledge Aboriginal and Torres Strait Islander peoples as the Traditional Owners of Country throughout Australia and their continuing connection to both their land and seas.

About this report

This report has been prepared by the McKell Institute with support from the Property Council of Australia, New South Wales.





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Foreword

On 28 June 2023, the Property Council of Australia and the McKell Institute convened a Housing Summit – a landmark event that brought together leading experts from across the property industry, government and civil society to discuss the challenges of housing supply and affordability in Australia.

The summit was held in response to our state’s acute housing crisis – against a backdrop of rising house prices, increasing homelessness, rental stress, and concerns about the future of home ownership.

The housing crisis has seen homelessness services stretched to breaking point, but it has also galvanised governments across the country into action. The political ground in NSW is shifting away from polarising NIMBY debates to a more fruitful discussion about how we can best provide homes for people across NSW.

In his address, the NSW Premier Chris Minns made clear his government is putting housing firmly at the centre of the agenda. This commitment was further demonstrated in the keynote addresses of Minister for Planning and Public Spaces, Paul Scully, who outlined recent NSW Government planning reforms to enable industry to deliver more housing, and Minister for Housing and Homelessness, Rose Jackson, who underscored the scale of the affordable and social housing shortages and the role of the property sector in partnering with government to deliver solutions.

While the drivers of the housing crisis are complex, the policy solutions are clear. Key to navigating this housing crisis – and laying the foundations to prevent the next one – are collaboration and consensus among key stakeholders in the sector, particularly those dedicated towards offering housing solutions for the most vulnerable in the state.

This Outcomes Report summarises the discussions held at the NSW Housing Summit and collates the suite of solutions presented by a broad and diverse collection of expert stakeholders.

It offers a range of insights and ideas that highlight the roadblocks standing in the way of policy progress, and the solutions aimed at helping more people attain housing.

Access to a safe and stable place to live is a fundamental building block for an inclusive, harmonious, and prosperous society. But too many people in this state are not afforded the security that comes with having a roof over their head. This Outcomes Report aims to stimulate action to ensure everyone in NSW has access to a home that they can afford and meets their needs.





Executive Summary

On 28 June 2023, the McKell Institute and the New South Wales Division of the Property Council of Australia, convened the 2023 Housing Summit.

The summit brought together stakeholders from across the NSW property industry, government and civil society to identify barriers to housing attainment for the people of NSW and chart a course forward.

This report captures the key outcomes from the June Summit. The Summit featured five panel discussions:

1. Property Leaders Panel
2. Planning Leaders Panel
3. Investment Leaders Panel
4. Tax and Infrastructure Contributions Panel
5. Affordable and Social Housing Panel.

These five panel discussions complemented keynote addresses from the NSW Premier and responsible ministers: the NSW Planning Minister Paul Scully and the NSW Housing and Homelessness Minister Rose Jackson, with addresses from other key stakeholders.

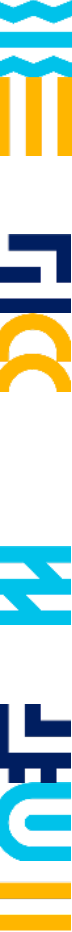
Two clear themes of the day were the sense of urgency to address the human impact of housing supply and affordability challenges, and the importance of all levels of government, industry and community working together in a more coordinated way. Speakers struck an optimistic note in acknowledging the new NSW Government's clear commitment to the area, as well as a shared sense of purpose across all parts of industry to deliver high-quality housing and retain community confidence in the property sector.

In the planning sphere, participants emphasised that planning reform is a necessary pre-condition of unlocking housing supply and that gaining community support to increase density relied on a coordinated rollout of supporting infrastructure.

While planning's role in enabling housing supply has been a prominent feature of public discussion around housing, investment leaders cautioned against forgetting the role of taxation settings, and that investors of all types needed a degree of regulatory certainty, with more consistent, investor-friendly regulations required.

There was a focus on keeping people at the centre of housing policy discussions, including ensuring that a diversity of stock was available on the market to meet people's needs at various life stages, including accommodating preferences like multi-generational living.

Community housing providers and investors described a sector in crisis, with levels of homelessness increasing and a lengthening social and affordable housing waitlist, with additional resources needed to support providers to deliver on the ground services.



This report provides an overview of these important discussions, with 13 key recommendations drawn from these conversations to inform the forward policy agendas of the NSW and Australian Governments:

1. Develop a Transit Oriented Development SEPP to support delivery of more high and medium-density housing around transport hubs.
2. Improve built form quality and accountability through the NSW Building Reform Agenda.
3. Set ambitious but achievable housing targets and embrace a 'carrot and stick' approach to delivery.
4. Augment council planning capacity to expedite approvals.
5. Embrace new technologies to expedite the planning and approvals process.
6. Work with the Australian Government to create the correct settings for institutional investment in housing stock.
7. Work with Australian Government to address disincentives for capital investment in at-scale developments.
8. Introduce annual indexation on the minimum value of housing before stamp duty is applied for first home buyers.
9. Expedite the appeals process for land valuations.
10. Commit to a Social and Affordable Housing Target and establish a dedicated funding stream to ensure delivery.
11. Prioritise public housing solutions in the disposal of NSW Government land.
12. Reconsider income thresholds required to access affordable housing.
13. Increase financial support for homelessness service providers.



Recommendations

1. Develop a Transit Oriented Development SEPP to support delivery of more high and medium-density housing around transport hubs.

The NSW Government should create a Transit Oriented Development (TOD) SEPP to support expansion of sustainable development around key transport hubs, including Sydney Metro, existing heavy and light rail stations, and rapid bus interchanges. A SEPP of this kind could be applied to an area/site/precinct that the meets the criteria for state planning significance due to the presence of a transport hub, corridor, or other enabling network asset. The SEPP would allow a transport site and surrounding landholdings to be rezoned with new planning controls applied.

The Minister for Planning and Public Spaces could have sole approval over planning proposals and development applications within the designated transport precinct (as it would meet the criteria for State Significant Development). Critically, the Minister can detail the relevant planning controls in the SEPP, which override existing provisions in environmental planning instruments, such as Local Environmental Plans (LEPs). This would allow the TOD SEPP to prevail in the event of any inconsistency with another environmental planning instrument – ensuring it cannot be repealed.

2. Improve built form quality and accountability through the NSW Building Reform Agenda.

Summit participants noted a need to sustain high-quality development standards to ensure industry retains its social license. Strengthening accountability through the Construct NSW reform agenda was viewed as a critical step in restoring consumer confidence in the built product in NSW.

3. Set ambitious but achievable housing targets and embrace a ‘carrot and stick’ approach to delivery.

Under the National Housing Accord, there has been a welcome commitment to build 1.2 million homes over the next five years. NSW will be required to deliver close to 377,000 new homes over this period, representing around 75,000 homes per year. In Greater Sydney, housing completions over the last 12 months to March 2023 were well below this target at 23,779. To support delivery, the NSW Government should introduce firm housing targets across the Six Cities Region, supported by a robust incentive and penalty regime.

The NSW Government should establish a Housing Incentive Fund to reward local councils that meet their housing targets. Under this program, local councils who meet housing completion targets will be able to access an incentive-style payment over and above normal funding arrangements with the NSW Government. Incentive payments should be aligned to housing targets set out under the Greater Cities Commission’s timeframes and complement the payments under the Australian Government’s \$500 million Housing Support Program. In addition, the NSW Government should switch to a model of “minimum housing targets” and strengthen the commitment to deliver on additional supply through a red card model. This will allow the state government to step in to take planning consent away from councils that consistently fail to meet these targets.



4. Augment council planning capacity to expedite approvals.

Roadblocks in the planning approvals process were noted as a key issue by summit participants. The NSW Government should expand council capacity to manage expedited approvals process by building on existing initiatives and deploying more state planners to at-need or underperforming councils to support delivery of housing targets. This targeted investment should complement the Australian Government's own funding initiatives under the National Planning Reform Blueprint.

5. Embrace new technologies to expedite the planning and approvals process.

The NSW Government should work with the university sector to support research initiatives aimed at alleviating planning assessment timeframes through deployment of novel technologies, including consideration of the use of artificial intelligence.

6. Work with the Australian Government to create the correct settings for institutional investment in housing stock.

Institutionalising the market involves creating certainty, aligning regulations and incentives, and providing a clear path for returns. The speakers mentioned the importance of proving the model and establishing clear settings that accommodate both opportunistic funds and more conservative capital seeking stable, long-term returns. Creating a liquid market for all types of housing requires long-term objectives and consistent regulations that transcend changes in government. Stability, certainty, appropriate inputs, and consistency in tax regimes, planning, construction costs, and labour are essential for attracting investor interest in the housing market.

7. Work with the Australian Government to address disincentives for capital investment in at-scale developments.

The impact of the combined tax burden from both Federal and State governments and in how it is acting as a barrier for developers and investors wanting to create more housing is insufficiently understood. There is a need to leverage the state and federal tax codes to further incentivise the types of development that will see housing shortfalls addressed, particularly in projects that include high levels of affordable and social housing. The recognition that these projects may be harder for investors and developers to make viable under existing tax regimes should be considered, with appropriate adjustments made.

Superfund investment in housing could result in underperforming the index, which can be risky for the fund's reputation and sustainability. Compared to other investment options such as infrastructure or fixed income, housing returns have generally been lower, making it less attractive for super funds. As such, the NSW Government should work with the Australian Government to address regulatory factors, such as benchmarking against indices that lack residential exposure and the inclusion of stamp duty in reporting costs.



Furthermore, while the Property Council of Australia supports the stated objectives of the Treasury Laws Amendment Bill 2023 (Thin Capitalisation) without qualification, there is a divergence of policy intent and drafted outcomes. The government's original policy announcement and Second Reading Speech were addressed to tax integrity measures to prevent base erosion. Base erosion is not typically a problem in the institutional property space. Most importantly, it has not been asserted to be a problem with Australian property trusts. As such, amendments are needed to the tabled legislation to allow Trust Structures to gain access to genuine third-party debt deductions the same way consolidated groups can access deductions.

8. Introduce annual indexation on the minimum value of housing before stamp duty is applied for first home buyers.

The reduction in stamp duty payable by first home buyers is important in assisting NSW residents to enter the property market. First home buyers currently pay no stamp duty on properties valued at \$800,000 or under, with a reduced transfer duty on properties between \$800,001 and \$1,000,000. The NSW Government should consider indexing this threshold in line with property price inflation.

9. Expedite the appeals process for land valuations.

Land taxes are levied based on the valued cost of land in NSW. At times, the valuations identified are contested by landowners. The process associated with appealing a land valuation has been described as burdensome and slow. Improvements to this system could expedite resolutions and speed up project commencement and completion.

10. Commit to a Social and Affordable Housing Target and establish a dedicated funding stream to ensure delivery.

The NSW Government should consider formalising a firm social and affordable housing stock target, and design and work with the community housing sector to develop a strategy to achieve it by 2030. In addition, the NSW Government should establish a four-year, \$3 billion Social and Affordable Housing Innovation Fund, which leverages Australian Government funding and not-for-profit and private sector investment, to deliver a sustainable pipeline of social, affordable, and key worker housing projects across NSW. A \$3 billion investment could support the delivery of up to 13,000 additional homes, equivalent to 20% of the current social housing waiting list.

11. Prioritise public housing solutions in the disposal of NSW Government land.

The disposal of government-owned land should give priority consideration to projects that add to social and affordable housing stock. The NSW Government's policy which sets a 30 per cent target for affordable housing on public lands was noted as a step in the right direction.

12. Reconsider income thresholds required to access affordable housing.

The escalating price of housing in Sydney and across New South Wales has expanded the number of New South Wales residents who require affordable housing. Under the current Housing SEPP, affordable housing is defined within gross income ranges. This has proved to be an overly complicated definitional model for developers to calculate the impact of affordable housing on broader feasibility and requires simplification. Specifically, there is lack of certainty on income to be generated out of affordable housing stock. On this basis, it is recommended the Department consider amending the Housing SEPP to adopt a simple discount to market rent approach to provide more certainty around the expected reduction in income, in consultation with the Build-to-Rent and Community Housing Provider sectors.

13. Increase financial support for homelessness service providers.

While short to medium term reforms addressing housing supply are critical, more immediate action is required to reduce homelessness in NSW. A recent rise in homelessness has collided with inflationary pressures constraining the capacity of the homelessness sector to provide the necessary support. The NSW Government should consider an urgent surge in support for the state's homelessness sector through temporary funding initiatives in the upcoming state Budget.



Panel 1: Unpacking the Development Landscape

Panellists

- Stuart Penklis, CEO, Development, Mirvac
- Andrew Whitson, Group Executive and CEO – Communities, Stockland
- Ranisha Clarke, Managing Director, Communities, Lendlease
- Raynuha Sinnathamby, Managing Director, Springfield City Group
- Francesca Muskovic, National Policy Director, Property Council of Australia (Moderator)

"If you didn't see the housing crisis coming, it's like being mugged by tortoise. You should have seen that coming up a long, long time ago".

Key takeaways

- Improving productivity in the construction sector will expedite project delivery.
- Housing solutions need to be creative and reflect the demand for a diversity of housing stock.
- Practical reforms need to coincide with a culture shift within the industry to eliminate planning and development roadblocks.

Summary

This panel explored the challenges facing NSW housing supply at large, noting a lack of supply was the pre-eminent issue facing the sector. Amid concern about the significance of the challenge, there was optimism that the page was being turned in terms of government and industry focus.

The panel made the case for a diversity of housing stock – including purpose-built student accommodation and retirement living – recognising that the culture had shifted beyond quarter acre blocks either owned or rented, and that governments and industry needed to develop diverse housing products to meet consumer appetite and alleviate housing affordability issues.

The speakers emphasised the importance of aligning housing and infrastructure delivery, particularly in high-demand areas and locations near rail or metro lines, backing in key ideas advanced by the NSW Government prior to the 2023 State Election.

Recommendations

- Develop a Transit Oriented Development SEPP to support delivery of more high and medium-density housing around transport hubs.
- Improve built form quality and accountability through the NSW Building Reform Agenda.



Panel 2: Rethinking our Planning Frameworks

Panellists

- Kiersten Fishburn, Secretary, NSW Department of Planning and Environment
- Alexander Wendler, CEO, Landcom
- Tom Goode, Director & National Residential and Seniors Living Lead, Ethos Urban
- Michelle Mason, Head of Planning, Development, Lendlease (Moderator)

"Getting [the housing] mix right is just as important and getting the supply right, because people have different aspirations and a good system should provide for those aspirations".

Key takeaways

- Unlocking housing supply and enacting planning reform go hand in hand.
- Achieving necessary urban density requires detailed coordination with supporting infrastructure.
- There is more need for collaboration, respect and collective problem-solving among all stakeholders in the planning system.

Summary

The panel discussion focused on the concept of optimising infrastructure, particularly transport infrastructure, and the role of urban density in addressing the housing supply challenge. The panellists discussed the need for coordination between land use planning and transport planning to achieve effective urban uplift, expressing optimism about the current political will and the opportunities presented by the collaboration between various stakeholders.

The panel also discussed the practicality and achievability of housing targets in New South Wales, emphasising that longer-term targets are more meaningful for shaping strategic planning and emphasised the need for collaboration between different levels of government.

There was a focus on need for rebalancing growth across Sydney, particularly in the eastern suburbs, and the potential for greenfield development. The panel discussed the importance of sustainability and access to land in greenfield developments, as well as the diversity of housing options. The panel acknowledged the government's policy of aiming for 30 per cent social and affordable housing on government land.

Recommendations

- Set achievable but ambitious housing targets and embrace a 'carrot and stick' approach to delivery.
- Augment council planning capacity to expedite approvals.
- Embrace new technologies to expedite the planning and approvals process.



Panel 3: Exploring the Power of Private Capital

Panellists

- Chris Sprangers, Managing Director and Head of Investment Solutions – Brookfield Asset Management
- Michelle McNally, CEO, Aware Real Estate
- Claire van Schaik, Head of Capital Raising, Australia, Lendlease Australia
- Antony Knep, Executive Director Capital Markets, Property Council of Australia (Moderator)

“What we need is all these regulations and incentives to point in the right direction, which is to encourage investment into housing”.

Key takeaways

- There is need for consistent, investor-friendly regulations.
- Need a degree of regulatory certainty for investment to flourish.
- There is a need to balance attractiveness of housing vs infrastructure investment for private and institutional investors.

Summary

This panel explored the ways in which capital could be better deployed into alleviating the pressure on NSW's housing crisis. It was noted that different pools of capital, including domestic, institutional, and offshore capital, are affected differently by government regulations, and there was a need to streamline tax arrangements to better target investment into housing stock.

The panellists discussed the perspective of super funds regarding investments in the housing sector. They highlighted the challenges faced by super fund trustees, CEOs, and CIOs, who are concerned about their members' retirement savings. Taking on investments in housing involves taking tracking error and potentially underperforming the index, which can be risky for the fund's reputation and sustainability. Compared to other investment options such as infrastructure or fixed income, housing returns have generally been lower, making it less attractive for super funds.

Recommendations

- Work with the Australian Government to create the correct settings for institutional investment in housing stock.
- Work with the Australian Government to address disincentives for capital investment in at-scale developments.



Panel 4: Shaping the Future of Taxation & Contributions Reform

Panellists

- Elizabeth Brearley, Head of Tax, Investa
- Joanne Seve, Solicitor & State Taxes Consultant
- Toby Long, General Manager, Residential Development NSW, Mirvac
- Nathan Deveson, Partner, MinterEllison (Moderator)

"If we're wanting to really encourage affordable housing, we need to think about what the right tax rate on affordable housing is, because at the moment, there is very little incentive in the Australian tax system to encourage affordable housing".

Key takeaways

- Reducing complexity is essential to incentivise affordable housing investments.
- Subsidies aren't necessarily contributing to more affordable housing on their own.
- The tax code needs to be leveraged to incentivise investment into a diversity of housing stock.

Summary

This panel explored ideas around improving tax arrangements in NSW and federally to address the housing crisis. It explored issues around stamp duty and its imposition on first home buyers, arguing first home buyer stamp duty exemptions should be indexed. It also explored how investors consider total tax, without distinguishing between the federal and state spheres. Therefore, addressing inefficiencies at both levels is necessary. Secondly, investors seek certainty regarding their tax implications.

Delays in legislation further contribute to this uncertainty, negatively impacting investment. The panellists agreed tax policy must be competitive with other jurisdictions and consistent in delivering the expected tax assumptions for underwriting models.

There was an acknowledgement that returns may not stack up if there is a high proportion of affordable housing in certain developments suggesting that the Australian tax system lacks sufficient incentives for affordable housing. The speakers proposed exploring lower tax rates on affordable housing to encourage investment and simplifying the tax system to promote more investment in affordable housing.

Recommendations

- Introduce annual indexation on the minimum value of housing before stamp duty is applied for first home buyers.
- Expedite the appeals process for land valuations.



Panel 5: Partnering for Good Growth

Panellists

- Rebecca Pinkstone, CEO, Bridge Housing and Chair, CHIA
- Trina Jones, CEO, Homelessness NSW
- Michele Adair, CEO, Housing Trust
- John Engler, CEO, Shelter NSW
- Michael Player, NSW Policy Manager, Property Council of Australia (Moderator)

“There are currently 57,000 households on the New South Wales social housing waiting list...at the current rate of investment it will actually take over 80 years to have enough homes for everybody waiting for a safe place”.

Key takeaways

- The discourse around social and affordable housing needs to evolve.
- Homelessness and affordable housing issues must be tackled urgently.
- The government needs to take urgent action to provide immediate support on the ground for providers of services.

Summary

This panel convened amidst a backdrop of enormous strain on the community housing sector. Demand for community housing has never been higher, and providers of this type of housing are facing considerable pressure. The panellists discussed how this situation unfolded, before detailing various initiatives the sector had taken which require further support. There was an emphasis on the scale of the crisis, and how government funding and interventions around issues like access to public land for affordable and social housing projects, were vital. There was a consensus that the focus of the new NSW Government in this space had been commendable. There was also an emphasis on language and tone change in the conversations around public and social housing. It was noted that the stigma around social housing was wrong, and that it needs to change.

Recommendations

- Commit to a Social and Affordable Housing Target and establish a dedicated funding stream to ensure delivery.
- Prioritise public housing solutions in the disposal of NSW Government land.
- Reconsider income thresholds required to access affordable housing.
- Increase financial support for homelessness service providers.



Participants

The Property Council and The McKell Institute would like to thank the following participants for their involvement in the NSW Housing Summit:

- The Hon Chris Minns MP, NSW Premier
- The Hon Rose Jackson MLC, Minister for Housing, Minister for Homelessness
- The Hon Paul Scully MP, Minister for Planning and Public Spaces
- Kiersten Fishburn, Secretary, NSW Department of Planning and Environment
- Alexander Wendler, CEO, Landcom
- Michael West, Metropolitan Local Aboriginal Land Council
- Stuart Penklis, CEO, Development, Mirvac
- Andrew Whitson, Group Executive and CEO – Communities, Stockland
- Nathan Dal Bon, CEO, NHFIC
- Steve Gatt, Acting CEO, Property Industry Foundation
- Michelle McNally, CEO, Aware Real Estate
- Trina Jones, CEO, Homelessness NSW
- Michele Adair, CEO, Housing Trust
- John Engler, CEO, Shelter NSW
- Rebecca Pinkstone, CEO, Bridge Housing and Chair, CHIA
- Ranisha Clarke, Managing Director, Communities, Lendlease
- Raynuha Sinnathamby, Managing Director, Springfield City Group
- Paul Altree-Williams, Director, Ethos Urban
- Tom Goode, Director & National Residential and Seniors Living Lead, Ethos Urban
- Michelle Mason, Head of Planning, Development, Lendlease & Chair, NSW Planning Committee
- Chris Spranfers, Managing Director, and Head of Investor Solutions – Brookfield Asset Management
- Claire van Schaik, Head of Raising, Australia, Lendlease Australia
- Elizabeth Brearley, Head of Tax, Investa
- Joanna Seve, Solicitor & State Taxes Consultant
- Toby Long, General Manager, Residential Development NSW, Mirvac
- Nathan Deveson, Partner, MinterEllison
- Simone Dyer, General Manager of Mixed Use and Origination, Stockland