The Premier State

NSW Budget 2024-25 submission

February 2024

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Introduction and executive summary

The NSW Division of the Property Council of Australia is pleased to present our submission to the NSW Budget process, which details evidence-based recommendations to ensure NSW maintains its nation-leading position.

As Australia's peak representative of the property and construction industry, which employs more Australians than any other sector, the Property Council's members include investors, owners, managers and developers of property across all asset classes across NSW.

Home to almost a third of Australia's population and the powerhouse of the nation's economy, NSW offers unmatched opportunity for business and growth. A sustainable future where everyone can share in this prosperity, including our regions, is at the centre of our advocacy.

The NSW Government's first year has been defined by welcome planning reform and a commitment to ambitious housing targets under the National Housing Accord. Reform highlights have included major changes to the Social and Affordable Housing Bonus Provisions under the Housing SEPP, the introduction of a Transit Oriented development program, establishment of Building Commission NSW, Low and Mid Rise planning reforms and the passing of the *Building Legislation Amendment Bill 2023*.

The critical statewide housing shortage means we have placed a strong emphasis on addressing the supply, diversity and affordability of homes. With NSW required to build around 76,000 new homes each year for the next five years – more than double the current delivery projections – the scale of this task is not underestimated by our industry.

With Sydney adding just 32,600 new dwellings in 2023, this submission outlines the policy reforms and funding required to give NSW the best possible chance of meeting the national housing targets.

With a supply deficit of social, key worker and at-market housing across the country, a more strategic and accountable system for delivering the housing Australians need is required, and the supply of infill, brownfield and greenfield land remains the most important factor in driving down purchasing and rental costs.

Our submission also highlights the need to accelerate planning reform and reducing fees, charges and taxes to boost economic activity and create jobs. This includes ensuring that while we deliver much-needed housing, in parallel we also address the chronic industrial land shortage, as well as maintain a strong public infrastructure pipeline and vibrant city centres.

While the NSW economy continues to be one of the most resilient in the nation, both NSW residents and the building and construction sector remain under pressure. An escalating interest rate environment, cost of living pressures, labour shortages, increasing cost of materials and supply chain challenges mean that the NSW Government's fiscal repair imperative must be balanced with prudent, well-targeted investment in critical infrastructure projects to support future growth and accommodate projected population increases. To support this, the Property Council has identified the need for a renewed focus on infrastructure sequencing, as well as highlighting the current taxation and regulatory settings in NSW that will impede growth.

We look forward to working with the NSW Government to implement these critical measures and deliver long-term benefits for the state.

Recommendations summary

Policy priority	Recommendations		
01 Unlocking new housing supply across NSW	**1.1**	Create a Housing Incentive Fund to reward local councils for housing delivery	Investment
	1.2	Streamline and resource new residential SSD Assessment pathways	Investment
	1.3	Clear the backlog of residential development applications at a state and local council level	Investment
	1.4	Change GST charges on land and development to support build-to-rent	Investment
	1.5	Create a red card planning model to penalise underperforming local councils	Policy reform
	1.6	Expand the scope of the Tier Two Transit Oriented Development Program	Policy reform
	1.7	Align Infrastructure NSW with the Department of Planning, Housing and Infrastructure	Policy reform

Key: Investment Policy reform

Policy priority	Recommendations	
02 Maintaining NSW as an investment destination	**2.1** Deliver sustainable and efficient tax reform	Investment
	2.2 Work with industry to assess and reduce the cost base for residential, commercial and industrial development in NSW	Investment
	2.3 Re-sequence the infrastructure pipeline to support employment and industrial land supply	Investment
	2.4 Complete infrastructure contributions reform, including effective governance provisions to improve performance monitoring of Sydney Water	Investment
	2.5 Deliver a fair and fit-for-purpose equitable Emergency Services Levy model	Investment
	2.6 Rule out further use of value capture mechanisms for transport projects	Investment
	2.7 Establish a NSW Government position on precinct governance	Policy reform
	2.8 Convene a CBD recovery and revitalisation industry partnership	Policy reform
03 Supporting industry leadership to deliver a net-zero built environment	**3.1** Accelerate the shift to high-performance buildings with targeted incentives and innovative financing	Investment
	3.2 Establish a co-funded scheme to drive all-electric home retrofits	Investment
	3.3 Set a long-term strategy for zero-carbon-ready buildings	Policy reform
	3.4 Commit to achieving zero-carbon-ready new and existing government-owned and leased buildings by 2030	Policy reform

Key: Investment Policy reform

Introduction and executive summary

Policy priority	Recommendations	
04 Investing in growing regions Hunter, Central Coast, Illawarra and Western Sydney	**4.1** Unlock housing and industrial land supply in the Hunter region, including a $500 million infrastructure fund for the Hunter to provide critical infrastructure that will enable delivery of housing	Investment
	4.2 Expand funding and commitment to progress delivery of Hunter Park and Broadmeadow Place Strategy, including funding commitment for expansion of light rail to Broadmeadow and Callaghan	Investment
	4.3 Reinstate Newcastle Mines Grouting Fund to enable delivery of growth across the city	Investment
	4.4 Deliver an in-fill agenda for the Central River City	Policy reform
	4.5 Create an Aerotropolis roads package to boost local employment	Investment
	4.6 Locate safe places for housing and invest in flood evacuation infrastructure	Investment
	4.7 Support the economic expansion of the Illawarra and Shoalhaven region, especially at Port Kembla, the Wollongong CBD and key health precincts in the Illawarra	Policy reform
	4.8 Provide funding for Southwest Illawarra Rail Line, the proposed Illawarra Sports and Entertainment Precinct and City Deal	Investment

Key: Investment Policy reform

Policy priorities and recommendations

Section 01

Unlocking new housing supply across NSW

Recommendations

1.1	Create a Housing Incentive Fund to reward local councils for housing delivery	Investment
1.2	Streamline and resource new residential SSD Assessment pathways	Investment
1.3	Clear the backlog of residential development applications at a state and local council level	Investment
1.4	Change GST charges on land and development to support build-to-rent	Investment
1.5	Create a red card planning model to penalise underperforming local councils	Policy reform
1.6	Expand the scope of the Tier Two Transit Oriented Development Program	Policy reform
1.7	Align Infrastructure NSW with the Department of Planning, Housing and Infrastructure	Policy reform

Key: Investment Policy reform

The 2023-24 NSW Budget provided a welcome $3.1 billion housing and planning investment package to confront the state's housing supply and affordability crisis. Since the release of its first Budget, the NSW Government has delivered a wave of landmark planning reforms, including major changes to the Social and Affordable Housing Bonus Provisions under the Housing SEPP, the creation of a Transit Oriented Development (TOD) program, alongside planning changes for low- and mid-rise housing.

While these changes represent a welcome step forward, further work is needed to maintain and grow a diverse housing supply pipeline. The recommendations contained in this chapter seek to build on existing improvements and capitalise on the potential of the state's planning reforms.

1.1 Create a Housing Incentive Fund to reward local councils for housing delivery

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 consent targets would be able to access an incentive-style payment over and above normal funding arrangements with the NSW Government. Incentive payments should be aligned to the state's housing targets over the National Housing Accord period and be awarded based on development consents.

The design of an incentive-based program would need to include an assessment of appropriate conditions, the size of payments, alongside the suitable schedule of payments to local councils. The NSW Government should also seek to leverage the Australian Government's $3 billion New Home Bonus, which will deliver funding to jurisdictions that achieve more than their share of the National Housing Accord targets. Capitalising on the Commonwealth program will help bolster the power of the financial incentive offered to local councils.

An incentive regime would have the added benefit of igniting a 'competitive localism' between councils by increasing the flow of funding to infrastructure and related projects within a given Local Government Area (LGA). This fund could consolidate grant funding under existing programs already initiated by the NSW Government to support housing supply, including the Accelerated Infrastructure Fund, the Housing Acceleration Fund, and the Regional Housing Strategic Planning Fund into a new Housing Incentive Fund that is primarily outcomes-based.

A successful incentive-based program would need to be efficiently administered and accessible and supported by transparent monitoring and reporting arrangements (including compliance checks) that provides the NSW and Australian Governments with certainty that the program is meeting its intended outcome: accelerating housing supply.

1.2 Streamline and resource new residential SSD Assessment pathways

The implementation of the Transit Oriented Development Precinct program and in-fill social and affordable housing bonus provisions will also require important accompanying changes to the State Significant Development (SSD) Assessment process, alongside additional assessment resources, to ensure the planning system can respond effectively and efficiently to the new wave of development applications to be initiated under these programs.

SSD processes in NSW are lengthy compared with other states and territories. The Property Council recommends efficiencies in the process be found to target a six-month assessment timeframe (or 40 days from lodgement of Response to Submissions). Significant time is currently spent in the pre-lodgement phase, as well as processes such as consistency reviews and agency referrals. While the pre-lodgement phase is largely applicant dependent, the NSW Government can also target improvements in the Design Review and SEARs process to accelerate planning approval timeframes.

Alongside these changes, the Property Council recommends the NSW Government increase the number of staff in assessment roles within the Department of Planning, Housing and Infrastructure to manage the influx of additional SSD applications. The funding should be aligned to the National Housing Accord period (2024-2029) and be attached to discrete planning programs under the state's Housing Reform Package, including the TOD Program and Infill Social and Affordable Housing Bonus Scheme. This approach will ensure the Department has the resources it needs to deliver on the potential of these landmark reforms.

To complement this approach, the NSW Government should establish a panel of planning consultants that the Department (or councils) could use as a surge assessment resource. It is critical that these efficiency and resourcing improvements are delivered through the 2024-25 NSW Budget to assist the state in meeting its National Housing Accord targets.

1.3 Clear the backlog of residential development applications at a state and local council level

The Victorian Housing Statement identifies a range of initiatives to assist in clearing the backlog of planning applications stuck in the system. The NSW Government should fund a similar program to clear residential development applications that have been lodged with councils or the state government for more than six months. The Planning Delivery Unit could work with project proponents, local councils, and referral agencies to resolve issues delaying council decision-making — to avoid projects ending up in Land and Environment Court. If decisions continue to lag, the Department should deploy its step-in powers to directly assess residential development applications to assist in meeting our National Housing Accord targets.

1.4 Change GST charges on land and development to support build-to-rent

Build-to-rent (BTR) housing, like purpose-built student accommodation and retirement living, is an important part of the housing equation and provides tenants with long-term security of tenure, superior amenities, and professionally managed properties. Despite its proven effectiveness as a housing solution in the US and UK, Australia's BTR market is new and small, and NSW is lagging, with less than half the number of BTR projects in the pipeline compared to Victoria.

BTR developers are unable to claim the GST input tax credits for land, construction, consultant costs and operations. This effectively makes BTR projects 10 per cent more expensive to construct and operate than build-to-sell projects (in which input tax credits can be claimed).

This extra cost also results in a competitive disadvantage against build-to-sell developers when bidding for development sites, which is not seen in any other country with an active BTR market.

The Property Council is calling on the NSW Government to work with the Australian Government to allow BTR developers to claim GST by removing the irrecoverable GST expense on land and development costs. This change will help to level the playing field with commercial assets and open the pathway for more institutional investment in BTR housing in NSW which will increase the supply of quality, purpose-built rental accommodation for NSW families.

1.5 Create a red card planning model to penalise local councils who underperform against housing targets

While many local councils are working tirelessly to deliver on their housing targets, particularly in the Hunter, Illawarra and Western Sydney, more needs to be done to ensure all councils are delivering their fair share of additional housing supply. Housing targets agreed to as part of state metropolitan/regional plans need to be delivered as part of a minimum standard expected for local councils. Every year of anaemic housing growth works to compound a city's housing affordability crisis, so responsive monitoring that tracks this in a consistent way is essential.

There are already a range of 'step-in' options available to the government. Elements of a red card model could include the creation of State Environment and Planning Policies, which can be applied to individual councils or precincts on a case-by-case basis, deploying Secretary or Ministerial step-in powers, or in certain cases, appointing an administrator to local councils. Under a red card model, the government could identify underperforming councils and precincts, and use the existing tools available in the planning system to encourage delivery.

1.6 Expand the scope of the Tier Two Transit Oriented Development Program

Under the Tier Two Transit Oriented Development (TOD) Program, the NSW Government will undertake 'snap rezonings' of 31 locations across the Sydney, Hunter, Central Coast and Illawarra regions to make residential flat buildings permissible within 400m of train stations in the selected locations.

While the Property Council welcomes the renewed focus on TOD, in its current form the Tier Two program will only deliver 11,400 homes over the Housing Accord period (2024-2029). To take advantage of this generational opportunity and fully leverage the state's catalytic investment in transport infrastructure across Greater Sydney and the regions, we recommend the NSW Government amend the scope of the program to maximise its benefit.

The Property Council recommends the site area under the Tier two program be expanded to match the 1.2km radius that applies under Tier One, or 800 metres at a minimum, with a graduated reduction in density. In addition, we recommend maximum building heights permitted under the program are increased in consultation with industry. The NSW Government should also provide greater clarity over future sites under the TOD Program to allow industry to better orientate its capital, labour and planning to the forward in-fill residential pipeline.

1.7 Align Infrastructure NSW with the Department of Planning, Housing and Infrastructure

The Property Council welcomed the NSW Government's Machinery of Government (MoG) announcement in August confirming the Department of Planning and Environment will be split into two new separate entities — the Department of Climate Change, Energy, the Environment and Water, and the Department of Planning, Housing and Infrastructure — from 1 January 2024.

The creation of a dedicated Department will improve integrated land use planning and help to facilitate the efficient delivery of more homes in NSW. To ensure this MoG change fully delivers on this objective, we recommended Infrastructure NSW (INSW) be moved into the same portfolio as the Department of Planning, Housing and Infrastructure.

Bringing INSW alongside the Department will support the strategic reorientation of the government's key agencies and ensure the development of the state's forward infrastructure program unlocks a great supply of well-located and diverse housing.

Policy priorities and recommendations

Section 02

Maintaining NSW as an investment destination

Recommendations

2.1	Deliver sustainable and efficient tax reform	Investment
2.2	Work with industry to assess and reduce the cost base for residential, commercial and industrial development in NSW	Investment
2.3	Re-sequence the infrastructure pipeline to support employment and industrial land supply	Investment
2.4	Complete infrastructure contributions reform, including effective governance provisions to improve performance monitoring of Sydney Water	Investment
2.5	Deliver a fair and fit-for-purpose equitable Emergency Services Levy model	Investment
2.6	Rule out further use of value capture mechanisms for transport projects	Investment
2.7	Establish a NSW Government position on precinct governance	Policy reform
2.8	Convene a CBD recovery and revitalisation industry partnership	Policy reform

Key: Investment Policy reform

NSW is in a nation-leading position due to its growing population and industry scale, and the state continues to attract skilled workers through overseas and internal migration. However, our continued productivity and economic resilience cannot be taken for granted. CBD office occupancy and vibrancy has not rebounded to pre-pandemic levels, Greater Sydney is running out of serviced industrial land and taxation settings are acting as a disincentive for investment in NSW, with flow-on effects to industry's ability to deliver housing at this critical juncture.

2.1 Deliver sustainable and efficient tax reform

A key risk for the NSW Government in pursuing fiscal repair is the overreliance of the NSW Budget on property taxes. Taxes, fees and charges should be set at a level that supports access to capital and development feasibility, while creating broader public value and social outcomes. A holistic review of stamp duty, land tax, foreign duty surcharges and other transaction taxes as they impact both the end consumer and the property industry would identify changes that would deliver a more balanced and diversified taxation system across the economy.

With $1.5 billion of the $2.2 billion from the 2023-24 Budget allocated for the Housing Infrastructure Plan coming from levies paid by developers, it is concerning that the recently enacted Treasury and Revenue Legislation Amendment Bill 2023 introduced a range of changes impacting the property industry. These changes have created a significant additional tax impost on the sector at a time when building approvals have reached a decade low and investment in housing supply is needed more than ever.

To limit the damaging unintended consequences of these changes, which includes disincentivising investment in NSW and reducing the amount of available capital for construction, the Property Council recommends the NSW Government:

- Amend the Treasury and Revenue Legislation Amendment Bill 2023 to restore the linked entity tracing threshold for private unit trusts back to 50 per cent.
- Allow wholly owned subsidiaries/trusts of qualified investors to be qualified investors as part of wholesale trust unit scheme registration regime.
- Reduce the qualified investor threshold from 80 per cent to 70 per cent, consistent with Victoria's approach.

2.2 Work with industry to assess and reduce the cost base for residential, commercial and industrial development in NSW

The development industry faces significant cost pressures in delivering a robust housing pipeline, as well as the commercial and industrial development the economy relies upon. An escalating interest rate environment, increases in material and supply chain costs, labour shortages, regulatory reform burdens, alongside a swathe of state and local infrastructure charges and levies threaten to undermine the state's capacity to meet our National Housing Accord commitments.

The Property Council calls on the NSW Government to work with the property industry to review and reduce the growing cost base for development in the state.

2.3 Re-sequence the infrastructure pipeline to support employment and industrial land supply

With industrial vacancy at less than 0.5 per cent, the chronic shortage of zoned and serviced employment lands is constricting the performance of Sydney's industrial and logistics sector, which contributes $18 billion to the state's economy. This comes at a time when development at the state's premier industrial precinct, the Aerotropolis, has stalled due to high-cost developer contributions at Mamre Road and a lack of investment in essential road infrastructure. Remaining serviced industrial land is running out fast and there is less than one year's supply left in Greater Sydney (Atlas Economics 2023).

The demand for industrial land is likely to grow, especially in response to increased immigration which equates to four square metres of industrial land needed for each new immigrant.

The trend towards e-commerce and supply chain resilience that focuses on 'just in case' will also see demand for large warehouse space for goods supply storage.

As a state we must maintain the contribution that the industrial and logistics sector provides to the NSW economy. We must also work together to prevent the loss of economic and employment-generating development regional areas and to other states which offer significant cost efficiencies and quicker planning approval pathways.

A well-funded infrastructure pipeline will provide confidence to industry to invest at the Aerotropolis achieves its planning vision. It will also allow an opportunity to provide local jobs to the region and meaningfully address areas of economic disadvantage.

2.4 Complete infrastructure contributions reform, including effective governance provisions to improve performance monitoring of Sydney Water

The NSW Productivity Commission's Final Report of the Review of Infrastructure Contributions in NSW found the current infrastructure contributions system was not supporting efficient and timely delivery of infrastructure to support development.

The Productivity Commission's recommendations were designed to fix the state's broken infrastructure contributions system, facilitating streamlined development processes, and enhancing access to housing for individuals and families. Combined, these reforms to state and local contribution schemes were set to offer a $12 billion net benefit to the economy over 20 years.

Despite the review, there has been a return to a piecemeal approach to reform which risks saddling industry with a wave of new costs without delivering the $12 billion in benefits promised under the full package of changes. According to our own analysis of the infrastructure contributions reform progress to date, of the 29 recommendations only eight recommendations have been delivered or partially delivered, 12 have not been delivered and the status of nine is still unknown to industry. Without a commitment from government to progress all the state and local contributions reforms as originally recommended by the NSW Productivity Commission, we risk deepening the housing crisis and driving investment out of NSW.

The Property Council is calling on the NSW Government to provide clarity on future infrastructure contributions reform pathway and to commit funding to progress all 29 recommendations from the Productivity Commission's review.

2.5 Deliver a fair and fit-for-purpose equitable Emergency Services Levy model

The Emergency Services Levy is a critical form of capital raising, contributing to the resourcing of NSW services that keep our communities safe, and therefore must be an equitable, efficient, and sustainable funding mechanism. The Property Council acknowledges the intent of this reform and has provided feedback to support the NSW Government to prepare a new ESL model for public consultation.

The former government's proposed Fire and Emergency Services Levy was deferred due to the impact it would have on already insured property owners and we caution against a model that potentially poses the same risk. During these previous attempts at reform, we advocated for a truly broad-based tax that meets the principles of a good tax design. It remains important that the new model is based on stakeholder consultation, reflects the increasing charges property owners incur and the investment made by owners to independently protect assets from climate risk, and does not introduce any additional charges for property owners who already adequately insure and maintain their assets.

2.6 Rule out further use of value capture mechanisms for transport projects

Under the Housing and Productivity Contribution (HPC) scheme, a value capture mechanism has been established through the creation of a Transport Project Component (TPC) charge. The Property Council understands this mechanism will allow developers to contribute to the cost of a new public transport project, over and above the HPC base rate, and be based on capacity to pay.

The Property Council acknowledges that value capture mechanisms operate as an important safeguard for taxpayers in ensuring any uplift generated through infrastructure investment does not simply create a direct transfer of wealth to property owners.

While industry has been supportive of the HPC, we are strongly opposed to the use of the TPC as a retrospective cost-recovery mechanism within the newly identified TOD precincts. Using this mechanism to recover the cost of transport stations and infrastructure that have already been paid for and are in operation would represent a severe break in faith for industry participants who have supported the infrastructure contribution reform agenda.

Creating a new value capture mechanism, which would operate as a windfall gains tax on development, or further increasing the charges paid by developers in an escalating cost environment has the potential to significantly dampen the incentives for investment in new dwelling stock and undermine the sector's ability to meet the National Housing Accord targets.

2.7 Establish a NSW Government position on precinct governance

NSW has an already established range of precincts/innovation districts in different stages of maturity, including Westmead Health and Innovation District, Tech Central, the Aerotropolis, Macquarie Park, ANSTO, Liverpool and Randwick as well as Special Activation Precincts and Renewable Energy Zones in regional NSW.

When fulfilling their role, these precincts will be essential in creating sustainable jobs close to where people live, attracting and retaining international and local talent, encouraging cross-sector innovation and collaboration, as well as providing ideal locations for housing, including workforce housing and purpose-built student accommodation.

Currently, there is not a coordinated policy approach to precincts in NSW, with unclear Ministerial accountability, a lack of fit-for-purpose governance structures and no overarching strategic framework across NSW.

The NSW Government's commitment to economic transformation, including decarbonising energy and reinvesting in our local manufacturing sector, will rely on thriving precincts that act as catalysts for innovation and job creation. In this context, the NSW Government must establish a clearer position on its role in innovation district origination, enablement and governance.

2.8 Convene a CBD recovery and revitalisation industry partnership

The impact on our CBDs from the pandemic has been felt across all businesses and industries that operate within or rely on the CBD economy and workforce. Across hospitality, retail, service industry and private business, the slow-down of the CBD has impacted the economic vibrancy and productivity of the city.

The Property Council's 2023 Office Market Report shows office vacancy rates at 11.5 per cent, signalling there is still work to be done to encourage return of workers to our CBD, and the flow-on economic impacts for our CBD.

It is critically important for the economy that we continue to evolve our CBDs and commercial centres to re-energise their role as hubs of employment, collaboration and innovation. The NSW Government should establish a CBD recovery and revitalisation industry partnership group (based on Adelaide's successful Capital City Committee) in collaboration with the City of Sydney, the Property Council, and other peak bodies to advise Government on the practical steps to continue the ongoing renewal of the CBD. This working group should be supported by proactive government policy that provides further stimulus, removes red tape, and is geared at increasing Sydney's attractiveness to new jobs and future investment.

Policy priorities and recommendations

Section 03

Supporting industry leadership to deliver a net-zero built environment

Recommendations

3.1	Accelerate the shift to high-performance buildings with targeted incentives and innovative financing	Investment
3.2	Establish a co-funded scheme to drive all-electric home retrofits	Investment
3.3	Set a long-term strategy for zero-carbon-ready buildings	Policy reform
3.4	Commit to achieving zero-carbon-ready new and existing government-owned and leased buildings by 2030	Policy reform

Key: Investment Policy reform

Supporting industry leadership to deliver a net-zero built environment

While the property sector has shown great leadership in the development of new homes and offices, a large proportion of the built environment in NSW is already constructed, ageing and requires renovation and renewal. Without government direction and support, our communities risk living in substandard dwellings, poorly performing offices and factories that are not adaptable to future ways of working. We also risk spending a greater proportion of family budgets and generating more emissions because of poorly performing buildings.

Low-cost emission reduction opportunities exist across both new and existing buildings in NSW. It is critical that the NSW Government take a whole-of-government approach to decarbonising our built environment, starting with policy leadership, followed by interventions to support the shift to high-performance buildings, and efforts to build greater resilience within NSW communities most exposed to climate volatility.

3.1 Accelerate the shift to high-performance buildings with targeted incentives and innovative financing

The NSW Government should deliver financial and planning incentives that encourage the built environment towards better sustainability practice and reduced emissions. Priority should be given to the following initiatives:

- Rates and charges relief for buildings that satisfy a performance standard, e.g. stamp duty and land tax concessions for high-performing buildings, which target the point at which owners are considering making investments in their home prior to sales.
- Green door policies, which would provide expedited or prioritised review and approval of development applications associated with more sustainable and higher performing buildings, including adaptive reuse or retrofits of existing buildings. This could include an accelerated planning pathway for applicants seeking to maintain the envelope of a building but improve its ESD credentials.
- Density bonuses, which offer developers an increase in the permitted density of residential projects in exchange for more sustainable and higher performing buildings. For instance, where a developer submits a Development Application for a building that meets a target Green Star and NABERS rating, they should be entitled to an uplift in Gross Floor Area or an additional height bonus.

In addition, the NSW Government should work with the Australian Government, property, and finance sectors to accelerate the expansion of preferential financing mechanisms that incentivise sustainable buildings and energy efficiency upgrades through funding the development of green home finance products, such as green mortgages, equity loans and home improvement loans, or incentivising industry to develop innovative ways of reducing the cost of retrofitting housing stock.

3.2 Establish a co-funded scheme to drive all-electric home retrofits

The NSW Government should establish a co-funded scheme with support from the Australian Government to drive all-electric retrofitting across existing homes. Priority should also be given to low-performing assets in the social and community housing sector, which could act as the launching market for an all-electric retrofit program and help build capacity within the retrofit industry. The scheme should also consider the opportunity to improve the energy efficiency of social and community housing assets.

Consideration also needs to be given to how electrification and energy efficiency programs can overcome heritage conservation constraints. This scheme could build on the recent joint $206 million Commonwealth and NSW Government funding package in support of energy-saving upgrades for social housing and low-income residents.

3.3 Set a long-term strategy for zero-carbon-ready buildings

The NSW Government should advocate for a nationally harmonised, long-term zero-carbon-ready building strategy with staged interim, science-based targets that support Australia's obligations under the Paris Agreement and the state's own emissions targets. The Trajectory for Low Energy Buildings presents a ready-made framework that should be leveraged to deliver a long-term decarbonisation strategy for buildings. The NSW Government should collaborate with the Australian Government to extend the Trajectory out to 2050. The Trajectory should be equipped with measurable interim targets and scheduled increases to performance standards.

3.4 Commit to achieving zero-carbon-ready new and existing government-owned and leased buildings by 2030

The NSW Government should commit to a trajectory of performance improvements for all government-owned and leased properties over time, with the aim of achieving zero-carbon-ready new and existing buildings by 2030. This should cover all asset types, including social housing, office buildings, schools, hospitals and industrial facilities. Measures could include strong minimum standards for new buildings and fit-outs, targets for energy efficiency and requirements around electrification and renewable energy, and offsite renewable energy and offsets. The benefits of NABERS energy ratings should be augmented with a holistic building rating through Green Star, and mechanisms to improve compliance and implementation should be introduced or enhanced.

Policy priorities and recommendations

Section 04
Investing in growing regions

Hunter, Central Coast, Illawarra and Western Sydney

Recommendations

4.1	Unlock housing and industrial land supply in the Hunter region, including a $500 million infrastructure fund for the Hunter to provide critical infrastructure that will enable delivery of housing	Investment
4.2	Expand funding and commitment to progress delivery of Hunter Park and Broadmeadow Place Strategy, including funding commitment for expansion of light rail to Broadmeadow and Callaghan	Investment
4.3	Reinstate Newcastle Mines Grouting Fund to enable delivery of growth across the city	Investment
4.4	Deliver an in-fill agenda for the Central River City	Policy reform
4.5	Create an Aerotropolis roads package to boost local employment	Investment
4.6	Locate safe places for housing and invest in flood evacuation infrastructure	Investment
4.7	Support the economic expansion of the Illawarra and Shoalhaven region, especially at Port Kembla, the Wollongong CBD and key health precincts in the Illawarra	Policy reform
4.8	Provide funding for Southwest Illawarra Rail Line, the proposed Illawarra Sports and Entertainment Precinct and City Deal	Investment

Key: Investment Policy reform

Hunter

The Hunter is Australia's largest regional economy, with more than $57 billion in economic output.

The region is supported by a highly professional and skilled workforce and strong education, health, energy, resources, tourism, creative industries, manufacturing and defence sectors. This is underpinned by a significant and diversified property sector.

At the heart of the Hunter region are several growing catalyst city centres, undergoing transformation through public and private investment with projected population growth exceeding expectations.

Strategic planning and infrastructure investment needs to align with this forecast growth for critical housing and industrial land supply to be released in those areas. Industry is ready to partner with government to realise these positive outcomes, with development ready to occur if investment and planning conditions are right.

The following recommendations are key to the success of both the region's livability for locals, as well as the Hunter's ability to realise its potential as a significant contributor to the state's economy.

4.1 Unlock housing and industrial land supply in the Hunter region, including a $500 million infrastructure fund for the Hunter to provide critical infrastructure that will enable delivery of housing

In the Hunter, it is estimated that there are currently 15,000 housing lots and 300 hectares of employment land constrained by regional transport planning. There is a sizeable lack of investment upgrades to the Hunter State Road network. The Department of Planning and Environment's Regional and Sub-regional Plans have identified that such investment is required to meet residential and job population targets. As part of the Hunter's Strategic Regional Integrated Transport Plan (SRITP), the Property Council is calling on the NSW Government to:

- Align the Hunter SRITP with the priorities and direction of the current and proposed NSW strategic land use and economic plans, i.e. Hunter Regional Plan 2041, the Greater Newcastle Metropolitan Plan 2036 and the Six Cities Region Plan and Greater Newcastle and Lower Hunter City Plan.
- Define the process for project planning and infrastructure to be included in Transport for NSW's budget and capital works programs to deliver the objectives in the NSW strategic land use and economic plans, including support for growth areas.
- Support the Urban Development Program and Place Delivery Group process as a priority and with adequate resourcing.
- Define existing corridor study obligations and their timeframes for delivery.
- Outline the public transport improvements needed to provide access and connectivity region-wide, and how they will be achieved.

In addition to the above, the NSW Government should establish a $500 million Hunter Enabling Infrastructure Fund to deal with the current infrastructure backlog and unlock housing and employment lands to support the Hunter Region and state's growth trajectory.

4.2 Expand funding and commitment to progress delivery of Hunter Park and Broadmeadow Place Strategy, including funding commitment for expansion of light rail to Broadmeadow and Callaghan

The area known as Hunter Park (or Hunter Park Sports and Entertainment Precinct) includes more than 63ha of NSW Government owned land only five kilometres west of the Newcastle City Centre. The area has been subject to numerous studies, business cases and master-planning exercises for more than 20 years by several different government agencies including Venues NSW and Hunter & Central Coast Development Corporation.

In 2017, the NSW Government released a Vision for Hunter Sports and Entertainment Precinct for public consultation. While the NSW Government has prepared several business cases since that time, it has not confirmed its future plans for the Precinct.

In addition to Hunter Park, the wider Broadmeadow urban renewal area has been identified in both the Hunter Regional Plan 2041 and Greater Newcastle Metropolitan Plan 2036 as an important precinct for new homes and jobs. In 2023, the former Department of Planning and Environment announced Broadmeadow as one of the precincts subject to a state-led rezoning under the Rezone and Build Program that aims to rezone land for 70,000 new homes by June 2024. The target for Broadmeadow is to rezone land by June 2024 for at least 2,000 new homes. A Place Strategy will also be prepared in partnership with City of Newcastle to provide a holistic approach to the renewal of Broadmeadow.

The state-led rezoning for Broadmeadow can support and strengthen the Hunter Park business case which has yet to be considered by the NSW Government.

Together, the NSW Department of Planning, Housing and Infrastructure and Venues NSW can create a compelling case to invest in new homes, public transport, new social infrastructure (including the proposed new Entertainment Centre), as well as the relocation of the Newcastle Harness Racing track, which will benefit both Hunter Park and Broadmeadow.

The Property Council is calling on the NSW Government to:

- Commit to initiate funding key components of the Precinct, such as the relocation of the Harness Racing Track and releasing land for housing development where the private sector can partner to increase housing supply.
- Commit to funding across the forward estimates for future stages of the Precinct so that there is ongoing commitment to its redevelopment into the medium term.
- Engage, alongside City of Newcastle, with the Property Council during the formative stages of the precinct planning process.

4.3 Reinstate Newcastle Mines Grouting Fund to enable delivery of growth across the city

The $17 million Newcastle Mines Grouting Fund was established in 2015 as a pilot program and has since stimulated at least $3 billion worth of investment in the city. The return on investment made by the NSW Government is significant.

The Fund's value was reviewed and extended in 2022 by the Newcastle Mines Grouting Fund Committee and then in 2023 the NSW Government announced the Fund would cease to accept applications.

The Fund was established to fix a market failure, removing the uncertainty in the likely cost of mine remediation works to allow development projects to access finance. It was not established as a stimulus measure and should not be considered as a short-term fix but rather as a long-term measure to put investment in the Hunter on a level playing field with other regions in Australia. In turn, this enables the region to continue contributing to the state economy at the high capacity it is known for.

The Fund is designed to contribute to the cost of grouting former mine workings over a capped rate per square metre. The cap currently varies from $200/sqm to $400/sqm across the CBD.

It is important to note that mines grouting work in the Newcastle area is not covered by the Federal Mines Grouting Fund that is open to City of Lake Macquarie. It is imperative that the Newcastle Mines Grouting Fund is reinstated to operate in perpetuity, as without it, development in the Newcastle CBD will not occur.

Central Coast

The Central Coast is expected to experience significant population growth in the next twenty years and the region must have a strong pipeline of new houses and jobs to accommodate this expected growth.

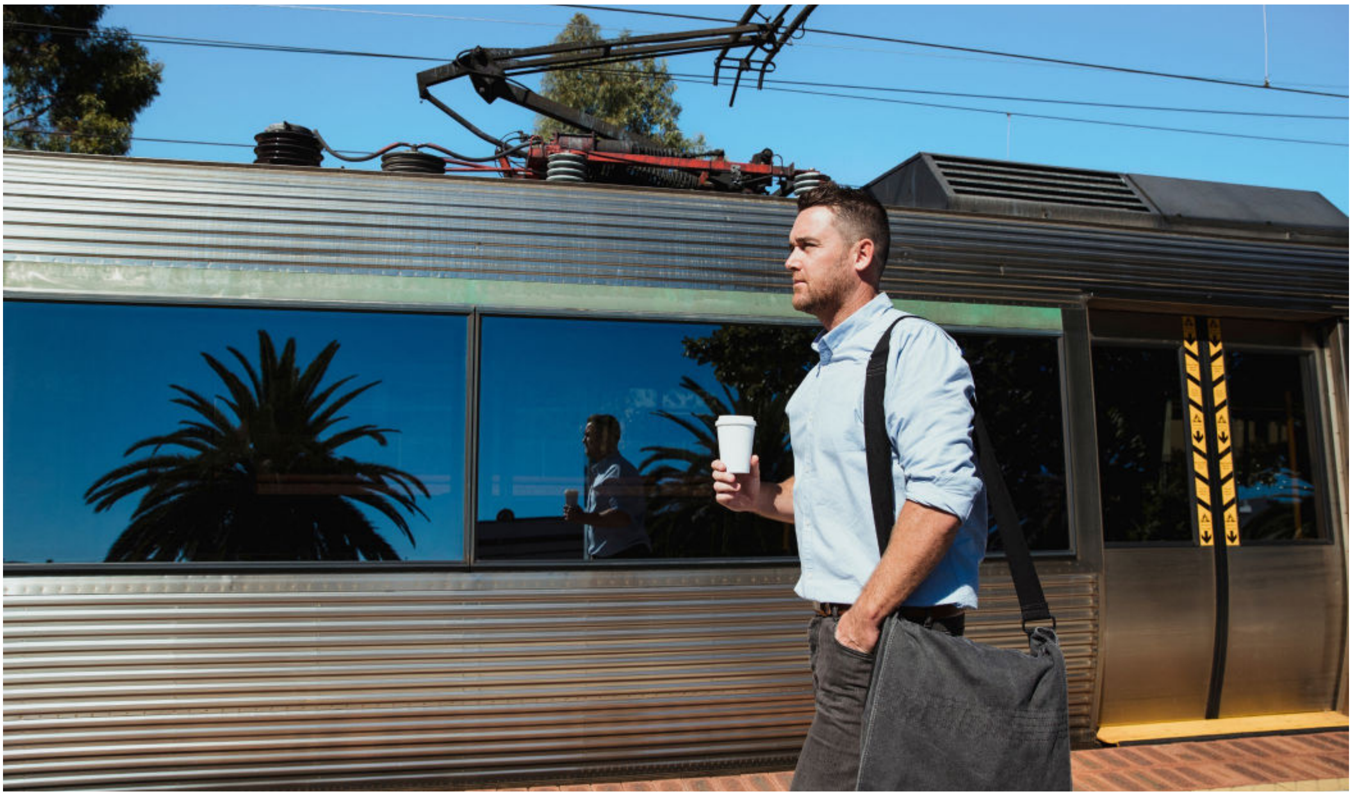
Like the Hunter, the Central Coast region needs an increased supply of housing to market in order to meet the growing demand. The supply of new housing on the Central Coast is also dependent on suitable land. Constraints in the region's topography, as well as access to services and infrastructure limit the land available for development, reducing the potential supply of new housing.

It is not sustainable for all housing growth to be located in just one area, particularly when there may be other land, such as on the urban fringe, that would be capable of delivering housing if a more agile strategic planning framework was implemented.

Crucially, good strategic planning is required to ensure housing is located in serviceable (and serviced), accessible areas and that housing supply is scalable, to manage changes in housing demand and diversity.

An increased supply of industrial lands on the Central Coast to support and expand various industries such as food technology and advanced manufacturing is also needed. It is vital that industrial land is fit for purpose and that any industrial land no longer meeting the needs of industry can be repurposed to another appropriate land use.

Faster, more efficient transport connections to and from regional centres are critical to building and sustaining economic growth and creating new jobs on the Central Coast, as well as supporting efficient commutes to work in other locations.



Western Sydney

Western Sydney residents and business expect the 2024-25 Budget to reflect the region's booming population and its critical importance to NSW as a hub for essential services, innovation, aviation, supply chains and education.

The 2023-24 Budget provided some relief for residents feeling the pressures of housing stress, as well as infrastructure funding to support a growing regional population, such as the rapid bus transit network, new public schools and additional funding for Stage Two of Parramatta Light Rail.

For the city to remain prosperous and competitive in the years to come, the 2024-25 Budget requires a focus on the employment and productivity needs of Western Sydney and to also provide jobs closer to where people live.

4.4 Deliver an infill agenda for the Central River City

Greater Parramatta is on the move and has been a leader in the delivery of new housing supply. Ambitious jobs and housing targets for Parramatta, Westmead and Sydney Olympic Park have created a framework for delivering a 30-minute city — one where people can experience the lifestyle benefits of urban living, shorter commutes, and the opportunity to transition across a variety of housing types during different stages of life. To achieve this, the NSW Government needs to unlock the latent capacity of counter-peak flows across all our transport networks and provide investors with certainty on the delivery of transport infrastructure.

In the coming Budget, we recommend that the NSW Government:

- Commit funding for effective pre-planning of station precincts for the Metro network, including high-density living, to support social and economic outcomes.
- Confirm a completion date and key project milestones for Parramatta Light Rail Stage Two to Olympic Park, providing the enabling transport infrastructure to support growing communities at Melrose Park and Wentworth Point.
- Continue to support the provision of social and community infrastructure by retaining the commitments to deliver the aquatic centres, libraries, community centres and public domain improvements identified within the Western Sydney Infrastructure Grants Program (formerly known as WestInvest).

4.5 Create an Aerotropolis roads package to boost local employment

Several parts of Western Sydney have higher levels of unemployment than the national average, and this can be improved by providing jobs closer to home. The benefits of the $13 billion investment in an international airport will only be realised if employment-generating activities are delivered in parallel to make the most of this investment and to ensure development is on the ground as the planes begin to take off.

The Property Council's members are ready and able to provide warehouses, industry hubs and jobs, but cannot currently access the road capacity to enable this, so a clear forward plan from the NSW Government is needed to rapidly progress roads and water infrastructure at the Aerotropolis, particularly the critically important Mamre Road Precinct.

This should include the investment in key state roads, including Stage Two Mamre Road, the Southern Link Road, Badgerys Creek Road the Eastern Ring Road, and Elizabeth Drive. Infrastructure investment in water and sewer utilities will also further unlock economic and employment generating land at the Aerotropolis.

We therefore urge the NSW Government to commit to a $2.3 billion Aerotropolis roads package to prioritise the delivery of the five key state roads identified in the Western Sydney Aerotropolis Special Infrastructure Contribution referenced above unlock employment lands surrounding the Western Sydney International (Nancy-Bird Walton) Airport and a timeline for the roll-out of water and utilities across the Western Parkland City.

4.6 Locate safe places for housing and invest in flood evacuation infrastructure

Recent flood evacuation modelling for the Hawkesbury-Nepean Valley, and planning proposal decisions within the catchment, particularly within the North-West Growth Area, have underlined the need for the NSW Government to identify safe locations for housing.

The flooding constraint facing North West Sydney has impacted the supply of housing across Sydney, leaving the South West Growth Area as the only potential location for greenfield housing. Clear direction from government on the future role of the North-West Growth Area is needed, especially if no reasonable solution is found to address the flooding constraint.

The Property Council supports a cautious approach to assessing flood risk in greenfield housing release areas, however if housing delivery is going to be reduced in some areas, exploration of other areas where growth can safely occur is required, ideally by reviewing the Metropolitan Rural Area boundary to enable development in areas that are safe and capable of being connected to enabling infrastructure.

The Property Council also supports the advocacy of local governments across Western Sydney to ensure flood evacuation infrastructure is delivered to support existing communities, including emergency evacuation routes, levees, communication infrastructure and designated evacuation centres. Projects such as the Castlereagh Connection are critical to ensuring communities to the north of Penrith can relocate quickly in extreme weather events.

Illawarra

The Illawarra Shoalhaven is a fast-growing city region that offers considerable lifestyle and amenity benefits. However, the current regional housing affordability crisis undermines the potential of the region to attract talent due to high rents and a lack of available and affordable housing.

There is a strong need to provide housing for a changing and diverse population, which is planned to increase from 420,000 to over 500,000 by 2041. To accommodate this growth, the state government needs to foster housing solutions in urban release areas at West Lake Illawarra and in established areas, which have good access to services and transport.

4.7 Support the economic expansion of the Illawarra and Shoalhaven region, especially at Port Kembla, the Wollongong CBD and key health precincts in the Illawarra.

The Wollongong CBD continues to emerge as the regional capital of the region. Up to $1 billion in investment is planned for the CBD that could deliver new health, hotel, recreation, entertainment commercial and residential uses, including the Illawarra Sports and Entertainment Precinct. The Property Council supports investment by the NSW Government to further grow the CBD, especially with its lifestyle attractions, access to transport and presence of universities and hospitals.

Port Kembla is the main international gateway in the region and provides significant potential to generate further economic and employment-generating development. This will come through the NSW Ports Master Plan, which will see a further expansion of port activities, and with the Bluescope Port Kembla Master Plan which could support new land uses but still retain important steel making activities.

4.8 Provide funding for Southwest Illawarra Rail Line, the proposed Illawarra Sports and Entertainment Precinct and City Deal.

Whilst there are strong links to the Sydney CBD, Airport and Port, there is an opportunity to create better connections to the fast-growing South West Sydney region, which contains Western Sydney International (Nancy-Bird Walton) Airport and Aerotropolis.

The proposed South West Illawarra Rail Line (SWIRL) will better link the Illawarra to the fast-growing South West Sydney region. The SWIRL has strong stakeholder support and forms part of the NSW's government strategy to better link the Six Cities Region through rail-based improvements to infrastructure and servicing.

Good governance is critical to deliver on the future plans for the Illawarra and the three levels of Australian government must work together to coordinate development and infrastructure outcomes that maximise the benefits the region provides.

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