

LAND RELEASE AND HOUSING SUPPLY IN NEW SOUTH WALES

Organisation: NSW Federation of Housing Associations
Name: Helen Karathomas
Position: Policy & Service Delivery Officer
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Parliamentary Inquiry on land release and housing supply in NSW

Submission by the NSW
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nsw Federation of
Housing Associations inc

This report was prepared by the NSW Federation of Housing Associations and its members.

NSW Federation of Housing Associations

Suite 301, 64 -76 Kippax St

Surry Hills 2010, NSW

E: [REDACTED]

T: [REDACTED]

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SUMMARY OF RECOMMENDATIONS

The NSW Federation of Housing Associations (Federation) welcomes the opportunity to respond to the Parliamentary Inquiry on land release and housing supply in NSW. The Federation proposes several solutions to optimising land release and the housing supply pipeline to address chronic housing unaffordability in NSW.

Part 1 of the submission provides some background and context for the chronic housing unaffordability in NSW.

Part 2 focuses on the key areas impacting on land release and housing supply in NSW in regards to the Inquiry's Terms of Reference. The NSW Federation of Housing Associations proposes several solutions to strengthen the planning system and to identify where community housing providers (CHPs) can play an active role in meeting the growing housing challenges in NSW.

In this submission, the following actions to benefit the needs of lower income households are proposed:

- **A housing strategy for New South Wales:** An overarching Housing Strategy is required in order to integrate government responses and link these with planning reforms to provide a comprehensive response to addressing affordable housing needs.
- **Housing needs assessment:** The starting point for addressing housing requirements now and in the future is a robust and consistent approach to the assessment of regional and local housing needs. This assessment should underpin the housing strategy. We recommend this is completed (at least for Greater Sydney) before the Greater Sydney Commission District Plans are finalised.
- **Numerical affordable housing supply targets:** Whilst the District Plans refer to 'targets for affordable housing', these are more properly considered inclusionary zoning requirements or quotas. The District Plans' general supply targets for overall housing supply should be accompanied by specific numerical targets for affordable housing supply ideally based on the housing need identified in the assessment process proposed above. Strategies for inclusionary zoning will only be one mechanism through which the affordable housing supply targets are achieved.
- **Local Housing Strategies:** A clear, consistent but locally responsive framework is required for Local Housing Strategies, which covers the full spectrum of housing requirements including the examination of local needs, market/supply, opportunities, gaps and identify full and effective responses; and that local government is adequately resourced and supported in preparing these strategies within a specified timeframe.
- **Harnessing Value Capture:** As planning decisions create value, it is appropriate that a substantial proportion of this value uplift be directed towards offsetting negative impacts (such as negative affordability impacts) and supporting public benefits including the delivery of affordable housing.
- **Financing gap:** Government support is vital in bridging the financing gap that exists between the costs of provision of affordable housing especially for households at the lower end of the income spectrum and the available revenue stream.
- **Utilisation of government land:** Federal, State and local government have sizable land holdings in prime locations throughout NSW. There is a strong case for government to use these assets as a catalyst for affordable housing provision in key locations. Furthermore, the NSW Government should lead by example by using its land to promote and deliver affordable

housing. Where land is earmarked for sale, a substantial component (at least 30%) should be allocated for affordable rental housing for households on very low, low and moderate incomes.

- **Inclusionary zoning:** Inclusionary zoning is an important and potentially very effective means of encouraging household diversity within local communities. However, the suggested 5% to 10% contribution proposed in the Greater Sydney Commission's District Plans is very modest compared to the quantum of need and should be seen as a starting point, rather than a limiting range.
- **Range of available measures to achieve affordable housing outcomes:** Local government should have access to and be encouraged to use all locally appropriate options for facilitating affordable rental housing. In furtherance of this we recommend:
 - That SEPP 70 must be amended to provide a framework to enable local councils that have identified housing needs and developed strategies to use section 94F and 94G provisions in the Environmental Planning and Assessment Act 1979 to seek contributions for affordable housing as a condition of development approval
 - Specific complying development standards should be developed for 'affordable rental housing' projects which ensure that providers can deliver accommodation that is tailored to the needs of their clients without the costs and risks associated with the full development approval process (including for example community opposition and associated development delays)
 - Councils should be encouraged to explore a combination of incentives to facilitate 'affordable rental housing' projects e.g. fast tracking of applications, land contributions, linking community services planning with housing provision, reduced development fees and more flexible standards, rate concessions; a dedicated and trained local council officer responsible for negotiating agreements with community housing providers.
- **Regional development strategies:** Regional development strategies should be implemented to build viable local economies and by doing so provide options for people wishing to remain in their communities and remove some pressure from affordable housing supply in metropolitan areas
- **Role of the community housing sector:** An 'affordable rental housing' definition linked to management by a registered CHP will ensure compliance with development approvals, the tracking of affordable housing outcomes and performance on affordable housing targets. CHP involvement will also facilitate affordable housing delivery through inclusionary zoning and other mechanisms. It should also optimise the housing numbers achieved as CHPs can combine contributions with other resources tax concessions and debt financing, as well as bringing expertise in affordable housing delivery and management.

INTRODUCTION

The NSW Federation of Housing Associations welcomes the opportunity to respond to the Parliamentary Inquiry on land release and housing supply in NSW.

Part 1 of the submission provides some background and context for chronic housing unaffordability in NSW.

Part 2 focuses on the key areas impacting on land release and housing supply in NSW in regards to the Inquiry's Terms of Reference. The NSW Federation of Housing Associations proposes several solutions to strengthen the planning system and to identify where community housing providers (CHPs) can play an active role in meeting the growing housing challenges in NSW.

PART 1: CONTEXT FOR AFFORDABLE HOUSING IN NSW

1.1 About Community Housing and the Federation

Community housing providers (CHPs) are non-profit managers and developers of quality affordable rental housing for lower income households and those with specific housing needs. Whilst some short-term and emergency services are offered by CHPs, generally community housing offers secure, affordable, long-term term rental housing for people on very low to moderate incomes with a housing need. CHPs deliver a broad range of support for tenants; linking them to disability, education, health and employment opportunities and services where required.

CHPs are viable, ethically run businesses driven by strong social missions and values. The community housing industry is working closely with providers, partners, investors and government to improve capability, capacity and funding to deliver new housing and services to those most in need.

The demographic profile of tenants living in community may include very low to moderate income households including singles, families youth and elderly. CHPs provide a broader range of housing, including discount to market rental housing for a wider income group than traditionally available through public housing. A community home looks like any other. Tenants that move into a community home often report a higher quality of life, significant financial relief and a true sense of housing security and stability.

The introduction of independent, risk-based regulation in 2009 has assisted the industry to grow and continually measure and improve its capabilities and professionalism. CHPs are regulated by and registered with the National Regulatory System (NRS) for Community Housing. Larger providers that manage substantial tenancies and raise private finance to undertake new social housing are closely regulated under the NRS. The registration process is rigorous and is designed to give confidence to key stakeholders such as tenants, government, financiers and investors.

In the last decade, the community housing industry has undergone significant growth and development with more diverse products, partnerships and new providers entering the market.

The **NSW Federation of Housing Associations** is the peak industry body for CHPs across the state. The Federation represents the interests of these organisations and provides support and resources for their further development. Since 1993, the organisation has provided leadership, support and resources for the further development of the industry, and has represented the aspirations and interests of the industry to all other stakeholders – government, partners, business

and the wider community. The Federation has 49 members including all 30 registered Tier 1 and Tier 2 organisation operating in NSW. Its members manage over 38,000 tenancies across the state.

NSW contains the most of the largest, accomplished, dynamic and professionally led organisations in Australia. With over 38,000 tenancies, our 27 leading organisations manage more homes than Victoria and Queensland providers combined. This continues to grow with more management transfers and redevelopment tenders for existing social housing sites and through partnerships with the private sector delivering affordable housing.

The sector has low rent arrears, minimal vacancy rates, and high tenant satisfaction. In the latest Australian Institute of Health and Welfare survey, nearly twice as many community housing tenants (39%) were very satisfied with their landlord compared to public housing (22%).

The Federation seeks to ensure that CHPs are active in all housing markets, providing a full range of housing options for households on very low to moderate incomes.

1.2 What do we mean by Affordable Housing?

The term 'housing affordability' usually refers to 'the relationship between expenditure on housing (prices, mortgage payments or rents) and household incomes'¹. The term 'affordable housing' on the other hand is often used to describe housing provided to lower income households at below market price.

Some planning instruments and programs define affordable housing in very specific ways. In order to capture the full range of options, the Community Housing Industry Strategy (which sets out key proposals to enhance the planning system) defines affordable housing broadly as housing that is suitable for very low to moderate income households and within their capacity to pay. Very low to moderate income households are households with total income ranging from minimum statutory income levels up to 120% of median income².

Defined in this way, affordable housing can comprise social housing provided by the State Government and CHPs, other subsidised rental housing and some shared equity and home purchase options, though the availability of the latter in Greater Sydney is currently very limited. CHPs generally provide affordable housing at below market rent, either as a maximum percentage related to income or a discount from market rates. Residents with the lowest incomes will require higher levels of subsidy to ensure their housing is affordable.

¹ Parliament of Australia, Dr. Matthew Thomas, Social Policy and Alicia Hall, Statistics and Mapping
http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook45p/HousingAffordability

² <http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/For+managers+of+affordable+housing/Household+median+incomes+2015-16.htm>

1.3 Chronic Housing Unaffordability in NSW

1.3.1 Affordable housing & the failure of the private housing market

Sydney is one of the least affordable cities in the world and without concerted government intervention is projected to become increasingly so. Unaffordable rents and high house prices in Sydney have impacted on housing markets along the NSW coast and in many regional centres. Recent research published by the Australian Housing and Urban Research Institute (AHURI) has shown that around 373,000 households are estimated to be in housing need in NSW. Forecasts predict that this figure will rise to 678,000 households in 2025 without government intervention. In the just released report 'Housing Australia' Dr Judy Yates has estimated that Australia needs to build 20,000 new homes every year that are affordable to low income people³ just to maintain the current position i.e. this won't tackle the shortfalls. A large proportion of these homes will be needed in NSW.

1.3.2 Impacts on moderate income earners

Rising housing prices also affect moderate income households which are those earning between 80-120 percent of the NSW or Sydney median income. The number of NSW moderate income households in rental stress increased from 26% to 34% between 2006 and 2011. Moderate income earners wanting to purchase a home also face issues with only 30% homes available for sale being affordable to this group in NSW during 2016⁴.

Two examples for LGAs in Sydney illustrate these impacts. In Randwick there has been a 40% decline in rental affordability since 2006 with 62% of homes currently unaffordable. In the Sydney Inner West LGA the market is not providing affordable housing for the vast majority of moderate income households⁵.

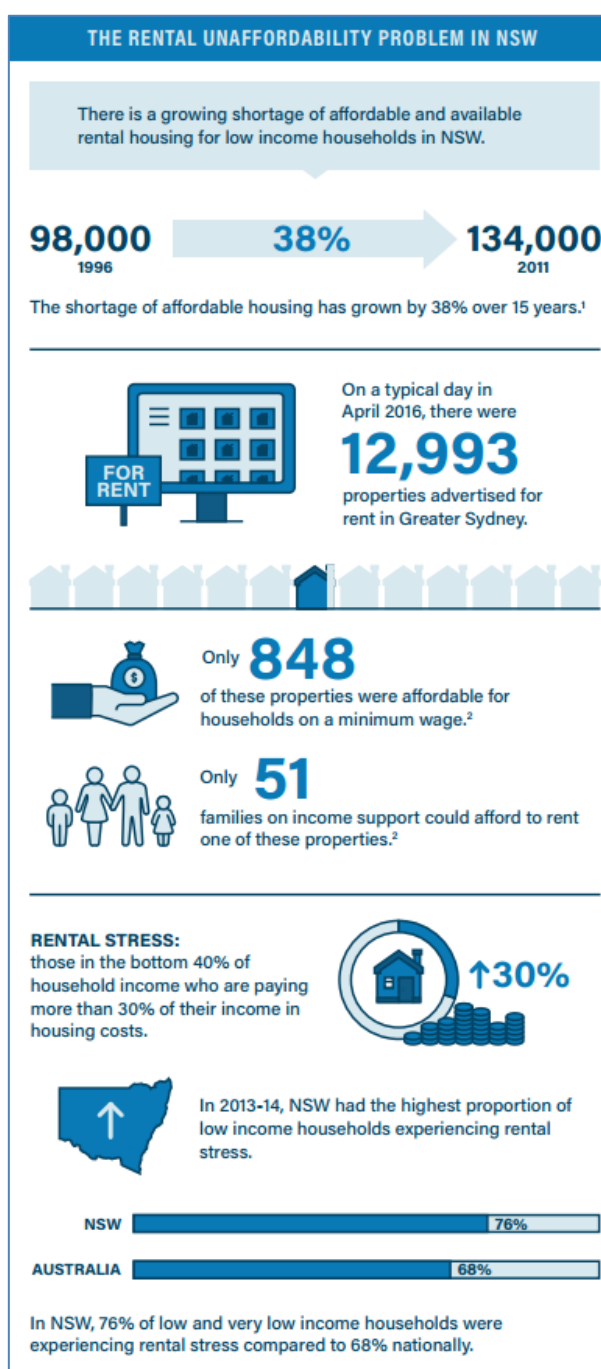


FIGURE: Housing unaffordability in NSW

Source: Churches Housing, Shelter NSW & McCrindle 2017

³ J. Yates (2017), 'Overview: Housing Australia', accessed via http://www.ceda.com.au/CEDA/media/General/Publication/PDFs/HousingAustraliaFinal_Flipsnack.pdf

⁴ Housing is described as 'affordable' if less than 30% of gross household income is spent on housing.

1.3.3 Consequences of housing affordability in NSW

In the long term housing unaffordability could have significant budget implications for the State Government. For example, more people may become reliant on government assistance as people enter retirement without owning their own homes. In addition, lower socioeconomic households will continue to be pushed to outer or regional areas that are less well placed for jobs and transport. With social housing not meeting demand and median property prices rising 1.3% over 2016, households are increasingly reliant on the private rental market. There is already evidence that some households paying over 60% of their incomes on housing are having to reduce their consumption of other essentials such as food or healthcare⁶. Homelessness is also increasing across NSW with 28,190 people homeless in NSW on census night in 2011 (an increase of 5,971 people on the 2006 Census figure). In Sydney the homelessness count remains high with the City of Sydney Council biannual street count finding that 386 people were sleeping rough in August 2017⁷.

⁵ Inner West Council (2016), 'Affordable Housing Policy' accessed via <https://www.google.com.au/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0ahUKEwjRo5PI9IzWAhXDo5QKHxmBDacQFggoMAA&url=https%3A%2F%2Fwww.innerwest.nsw.gov.au%2FArticleDocuments%2F251%2FAffordable%2520Housing%2520Policy.pdf.aspx&usg=AFQjCNH7g1CL-hh1ahobZnpcVWpB8cvVQA>

⁶ Churches Housing, Shelter NSW & McCrindle (2017), 'It's time to act on housing affordability in NSW', accessed via http://www.mccrindle.com.au/blog/2017/01/ChurchesHousing&ShelterNSW_McCrindle_HousingAffordabilityInfographic_21Sep.pdf

⁷ City of Sydney Council (2017), 'Street count', accessed via <http://www.cityofsydney.nsw.gov.au/community/community-support/homelessness/street-count>

PART 2: Responses to the Terms of Reference

The Federation recommends a number of ways to address the issues identified by the Terms of Reference.

2.1 The resources and support needed within the Department of Planning and Environment for the delivery of a housing supply process

2.1.1 Housing Supply in NSW

While increasing new housing supply is necessary to address housing unaffordability it is insufficient on its own and will at best be a marginal impact on house prices. Professor Peter Phibbs and Professor Nicole Gurran⁸ have put forward several evidenced based reasons why this is the case.

- A. **There are fundamental differences to the ways that housing markets operate compared to other commodities.** Although housing supply has historically remained strong, new supply only comprises for a fraction of the housing market⁹. The majority of properties exist as established homes; and it is the total housing market that affects prices.

In addition, housing markets are unique because as prices increase, so too does demand by investors and homeowners wishing to enter the market before prices rise even further¹⁰. As prices continue to rise, housing becomes a more valuable commodity because investors wish to further take advantage of any capital gains.

- B. **New housing supply is predominately being delivered by private developers whose primary interests are to generate revenue.** It is in the best interests of developers to release dwellings at a non-efficient rate to maximise returns. This has been shown in the UK where the combination of the planning system and land markets have influenced developers to “trickle feed” to take advantage of rising prices¹¹. As a result, new supply is also dependent on rising prices. That is, when prices slow down, so too does construction so that developers can mitigate risks¹². This means that the housing market relies heavily on the actions of developers to provide more housing (which they will only continue to build if the market is favourable for them).

⁸ P. Phibbs & N. Gurran (2017), ‘Why housing supply shouldn’t be the only policy tool politicians cling to’, accessed via <https://theconversation.com/why-housing-supply-shouldnt-be-the-only-policy-tool-politicians-cling-to-72586>

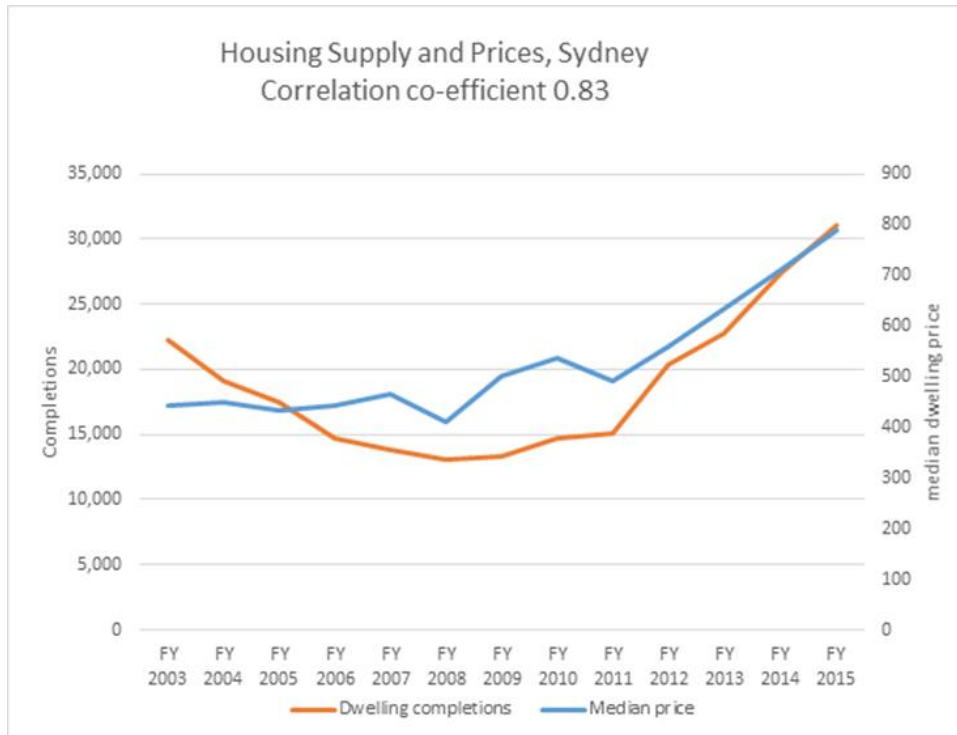
⁹ Australian Bureau of Statistics (2017), ‘Residential Dwellings: Values, Mean Price and Number by State and Territories’, accessed via http://stat.data.abs.gov.au/Index.aspx?DataSetCode=RES_DWEL_ST

¹⁰ N. Gurran & P. Phibbs (2014), ‘Going bananas over affordable housing’, accessed via <https://theconversation.com/going-bananas-over-affordable-housing-30029>

¹¹ C. Leishman (2017), ‘Housing supply – the Australian policy context’, accessed via http://www.ceda.com.au/CEDA/media/General/Publication/PDFs/HousingAustraliaFinal_Flipsnack.pdf

¹² N. Gurran & P. Phibbs (2016), ‘Housing policy is captive to property politics, so don’t expect politicians to tackle affordability’, accessed via <https://theconversation.com/housing-policy-is-captive-to-property-politics-so-dont-expect-politicians-to-tackle-affordability-55384>

- C. **Favourable tax settings for investors have ensured that housing supply will have no impact on the housing market**¹³. Negative gearing and capital gains tax benefits have kept up demand so that prices continue to rise regardless of new housing constructed. The Figure below demonstrates this issue for Sydney. From mid 2011 onwards, median housing prices have matched sharp increases in housing supply¹⁴.



- D. **It is not feasible for housing supply to make much of an impact when housing demand is strong**¹⁵. Evidence from Ireland showed that despite high injections of housing dwellings into national markets, prices continued to rise¹⁶.
- E. **The results of planning reform over the last decade have not generated reduced housing prices**¹⁷. With planning approvals far outpacing building completions¹⁸, it is unlikely that further minor tweaks to the planning system will have much of an impact¹⁹.

¹³ N. Gurran & P. Phibbs (2016), 'How the Property Council is shaping the debate around negative gearing, taxes', accessed via <https://theconversation.com/how-the-property-council-is-shaping-the-debate-around-negative-gearing-taxes-61006>

¹⁴ Ibid.,

¹⁵ P. Phibbs & N. Gurran (2017), 'Why housing supply shouldn't be the only policy tool politicians cling to', accessed via <https://theconversation.com/why-housing-supply-shouldnt-be-the-only-policy-tool-politicians-cling-to-72586>

¹⁶ N. Gurran, P. Phibbs, J. Yates, C. Gilbert, C. Whitehead, M. Norris, K. McClure, M. Berry, P. Goodman & S. Rowley (2015), 'Housing markets, economic productivity, and risk: international evidence and policy implications for Australia' accessed via https://www.ahuri.edu.au/_data/assets/pdf_file/0025/5758/AHURI_Final_Report_No255_Housing_markets_economic_productivity_and_risk_international_evidence_and_policy_implications_for_Australia-Volume_2.pdf

¹⁷ P. Phibbs & N. Gurran (2017), 'Why housing supply shouldn't be the only policy tool politicians cling to', accessed via <https://theconversation.com/why-housing-supply-shouldnt-be-the-only-policy-tool-politicians-cling-to-72586>

¹⁸ NSW Department of Planning & Environment (2017), 'Metropolitan Housing Monitor Sydney Region', accessed via <http://www.planning.nsw.gov.au/Research-and-Demography/Research/Housing-Monitor-Reports/Metropolitan-Housing-Monitor-Sydney-Region>

2.1.2 Housing Strategy for NSW

A clear housing strategy for NSW is critical for the Department to deliver an effective housing supply process. An overarching Housing Strategy for NSW is required in order to:

- Cover all housing types and tenures
- Understand and track changes in housing supply across location, tenure, type, size, features etc
- Integrate government responses and link with planning reform, social housing renewal, NDIS and housing codes reviews
- Be informed by a robust assessment of needs now and into the future across all housing tenures, which enables an understanding of the housing diversity requirements of all submarkets
- Explicitly recognise and provide for a deeper analysis of the need for affordable housing
- Address the dynamics in the housing market and how they are influenced by external factors
- Include strategies to promote the delivery of the range of housing needed to meet needs and to address failures in the housing market
- Provide a comprehensive response to affordable housing needs
- Address the interdependencies between housing, infrastructure and other land uses.

2.1.3 Housing needs assessment

An efficient housing supply process needs to consider the housing requirements of the NSW communities. The starting point for addressing housing requirements is a robust and consistent approach to the assessment of regional and local housing needs. The [Community Housing Industry Strategy](#) emphasises the importance of a clear methodology for assessing needs as a basis for determining targets and appropriate housing provisions in planning instruments at all levels, and to guide initiatives to expand affordable housing supply. The framework for needs assessment should take into consideration the following:

- The degree of detail relevant to each level of plan and the best level at which to undertake primary needs assessment e.g. subregional
- Existing methodologies used in Australia and elsewhere to inform a consistent and robust approach
- Consideration of data requirements and sources, current gaps and scope to address these
- Special needs that impact on requirements for housing and the aspects/elements that need to be captured
- Responsibility for and resourcing of needs assessment at a local, sub-regional, state and federal level, including the benefits of a body to monitor supply.

¹⁹ P. Phibbs & N. Gurran (2017), 'Why housing supply shouldn't be the only policy tool politicians cling to', accessed via <https://theconversation.com/why-housing-supply-shouldnt-be-the-only-policy-tool-politicians-cling-to-72586>

The State Government should take the lead on developing a methodology for needs assessment that:

- Starts at State level and flows on to District and sub-regional levels
- Informs and guides local needs assessment.

2.1.4 Numerical affordable housing supply targets

As the Community Housing Industry Strategy highlights, numerical targets are of tremendous practical and symbolic significance in focusing attention on achieving desired outcomes. They will assist the Department to deliver a more efficient housing supply process by:

- Signifying its commitment to achieving real improvements
- Focusing attention on the response required to meet needs
- Helping to ensure that on-going effort & funding are directed towards desired outcomes
- Providing a measure against which success can be tracked

The Industry Strategy puts forward a framework for implementing targets:

- **Numerical supply targets** for affordable housing should be included at **all levels**: State, regional/District, subregional and local.
- **Planning instruments** at all levels should be required to **demonstrate how targets will be achieved**.
- To enable targets to be measured and to understand better the size of the task, an **audit of affordable housing supply** should be undertaken to provide a benchmark against which to track progress.
- **Local plans should be required to be regularly reviewed** and progress publically reported to ensure objectives are being met (e.g. on a four yearly basis as proposed under the previous planning reforms) with achievement of targets as one of the factors to be examined in the review.
- Where achievement of targets is not sufficiently advanced by local government through the implementation of local plans, then **mandatory provisions** should be applied. These mandatory provisions could include a framework similar to that used in the National Housing Stimulus Package where over 6,000 homes were constructed in NSW to boost jobs and support the economy.

Numerical affordable housing supply targets should work alongside inclusionary zoning, but efforts to increase affordable housing supply would need to go beyond this to include for example:

- Local government facilitation and support for affordable housing projects
- Continued investment by government in affordable housing to maintain or replace existing and expand the overall supply
- A sound understanding of the funding and financing environment necessary for CHPs to work in partnership to deliver sustainable affordable housing outcomes
- Injection of government land for affordable housing
- Strategies to protect existing affordable housing

Recognising that the achievement of the general affordable housing targets will be influenced by a range of factors and will be difficult to measure, it is proposed that complementary quotas be developed for overall growth of 'affordable rental housing' utilising a more precise definition of the

term currently used in the Environmental Planning and Assessment Act 1979 and the Affordable Rental Housing State Environmental Planning Policy.

This definition could be applied more effectively to assist meeting genuine needs for affordable housing if it defines required profiles for occupants, dwellings, affordability and provider. By taking this approach the definition can ensure that:

- Housing targets those in genuine need;
- Dwelling mix meets identified requirements
- Housing is affordable to target occupants
- Consistent and appropriate management is delivered through a registered community housing provider or equivalent.

This more precise definition of affordable housing can be of great value in:

- Focusing affordable housing responses on identified needs and priorities
- Assisting to track achievement of affordable housing supply targets
- Ensuring that state and local governments and others can be confident that their facilitation and support is focused on deserving housing projects
- Providing assurance to local communities
- Protecting against the leakage/loss of affordable housing resources.

Furthermore, a definition that is linked to management by a registered community housing provider or equivalent will also help the oversight of compliance with development approvals and the tracking of affordable housing outcomes and performance on affordable housing targets.

2.1.5 Local Housing Strategies

A clear framework for Local Housing Strategies which covers the full spectrum of housing requirements and opportunities now and over time, is fundamental for the Department to deliver effective housing supply.

Through the framework for Local Housing Strategies, councils should be required to explore a full range of approaches to meeting the housing needs in their areas and where appropriate to work with other councils in their sub-region to ensure consistency and optimise outcomes. The concept of **diverse housing** should be clearly defined as covering diversity in size, type and tenure and price point of the housing delivered.

When considering needs for affordable housing, this must include consideration of the needs of, and options for **moderate income households** who are increasingly locked out of much of the Sydney market, as well as very low and low income households.

Local Housing Strategies should be required to:

- Consider the requirements across all tenures and over time
- Identify housing diversity requirements of all submarkets – taking into account household type and size, stage in life cycle, the needs of people with disability and reduced mobility, requirements for housing related support; distinguishing these by tenure and price point;
- Incorporate a deeper analysis of needs for households not well served by the local market including needs for affordable housing

- Examine local housing supply and the dynamics of the local housing market
- Incorporate a deeper analysis of supply for households not well served by the local market, including the availability of suitable, affordable housing
- Identify areas of under/oversupply, gaps and underutilisation of housing including prevalence of vacant dwellings
- Examine supply opportunities and constraints, including potential for expanding housing supply through rezoning, upzoning, land release and/or adjustment of planning controls
- Provide a basis for strategies to protect and expand supply to respond to numerical supply targets for housing/affordable housing and which include a comprehensive range of responses to meet the full range of needs identified. This should include requirements and facilitation as discussed further below, along with refinements to the planning framework to ensure that requirements relating to dwelling size and attributes enable flexible, affordable options including, for example, compact housing and reduced car parking in keeping with the features of the location and target group.

Local councils will be greatly aided in this if the NSW government develops a methodology for needs assessment and undertakes a comprehensive examination of needs at a State and District level. This assessment can then inform and assist local councils in examining local needs.

2.2 The resources and support needed within the Department of Planning and Environment for the coordination and funding of enabling infrastructure

2.2.1 Harnessing Value Capture

Value capture is an important method for the Department enable more essential infrastructure such as the construction of affordable housing. As planning decisions create value, it is appropriate that a substantial proportion of this value uplift be directed towards offsetting negative impacts and supporting public benefits.

The NSW Government must recognise that:

- Affordable housing is not simply one of a range of areas which could be funded through value capture
- Affordable housing is critical infrastructure
- Adverse impacts on affordable housing are a cost of government investment in infrastructure and of urban development decisions
- Negative affordability impacts must be addressed before other costs and benefits are funded
- It is good planning – social and economic rationale for promoting inclusive communities

2.2.2 Financing gap

To assist in the delivery of essential infrastructure including affordable rental housing, the Department's support is vital in bridging the financing gap that exists between the cost of provision of affordable rental housing especially for households at the lower end of the income spectrum and the available revenue stream.

Bridging the financing gap can occur through the establishment of an ongoing social and affordable housing investment fund that can provide support in the form of any of the following:

- Capital grants to support land acquisition and construction costs
- Cheap loans to finance development
- Operating subsidies.

2.2.3 Utilisation of government land

Federal, State and local government have sizable land holdings in prime locations in NSW. This land is a key way for the Department to support and fund affordable housing. There is a strong case for government to use these assets as a catalyst for affordable housing provision in key locations. The ability to contribute towards housing supply and affordability should figure prominently in the public benefit outcomes sought by all levels of government when disposing of surplus government land.

Where the NSW government proposes to dispose of underutilised land, requirements should be set to ensure that financial return is not the only or primary public benefit considered and that a full and robust analysis be undertaken to optimise outcomes. Where land is earmarked for sale for residential or mixed use, a substantial component (at least 30%) should be allocated for affordable rental housing.

The Federation recognises there are circumstances where the State Government may not wish to release land. For land that is temporarily unused, the Department could explore shorter term leases for temporary accommodation. There are also recent and successful examples of transportable housing being used in Melbourne by Launch Housing to provide medium term accommodation that are worth considering. More information is available [here](#).

2.2.4 NSW Government planning initiatives

The NSW Government has developed a new package of measures designed to streamline and speed up the development process and expand supply in some areas through supporting higher densities. These reforms include:

- Expanding priority precincts and growth areas
- Accelerate council led re-zonings
- Expanding complying development
- More state infrastructure through the Housing Acceleration Fund.
- Provide Local Infrastructure Growth Scheme subsidies
- Independent Hearing Assessment Panels (IHAPs) which are designed to increase transparency and integrity to the assessment and determination of high-value development applications.

These amendments to the planning system could assist in speeding up development approvals, but on their own will make little difference to housing unaffordability unless accompanied by the measures that are targeted at affordable housing. Any reforms that aim to boost housing supply should stimulate investment specifically in affordable rental housing, rather than generic supply that does not target those on very low to moderate incomes.

2.3 Delivery mechanisms following the rezoning of land through to construction

2.3.1 Inclusionary zoning

Inclusionary zoning is a key delivery mechanism for the Department following the rezoning of land. There is a strong case for fostering more inclusive communities, which provide opportunities for a diversity of households. This approach brings with it wide ranging social, environmental and economic benefits including:

- Enabling more households to have access to the benefits of living in compact, accessible, diverse, sustainable and liveable environments
- Increasing housing supply and reducing cost pressures on residential land and existing housing
- Supporting an increased range of services, facilities, transport and employment close to where people live
- Enabling a sharing of the value of the uplift between landowners/developers and the community through more ambitious contributions towards affordable housing and enhancements to the public realm and community facilities
- Significant economic and environmental benefits flowing from a more compact urban form.

Inclusionary zoning is an important and potentially very effective means of ensuring that a diversity of households can live within local communities. However, there is a real risk that the framework will be implemented so narrowly that it will fail to harness the significant opportunities available at this pivotal point in planning for NSW' future. The Federation recognises that arguments will be made about the feasibility of securing more ambitious inclusionary zoning targets however we note that the in the residual land value analysis undertaken for Inner West Council, Dr Judith Stubbs argues that:

'...affordable rental housing targets of 15% of total GFA would be reasonable without unduly affecting development feasibility in most precincts [of the Inner West], including those associated with the government renewal areas. The situation is similar in many other areas of the Central and South Districts'.

2.3.2 Range of measures to achieve affordable housing outcomes

The Department should consider a range of measures to deliver more housing supply. Most commonly a layering of facilitation, support and requirements is needed to bring about viable and effective responses to affordable housing and special needs. The market alone will rarely be equipped to provide adequate option for disadvantaged and lower income households especially where demand from the wider community is so strong.

Whilst adoption of a framework for inclusionary zoning is an important step, it is crucial that local government has access to a full range of options for facilitating better housing outcomes. Also vital are strategies to protect existing affordable housing as well as encouraging new supply.

Impediments within the planning system must be removed to allow local government to use a full range of locally targeted planning mechanisms suitable to facilitate or protect affordable housing. In particular, the constraining framework of SEPP 70 needs to be overhauled so that it is no longer used as a way of prohibiting councils from utilising the planning powers under the Environmental Planning and Assessment Act 1979 which were intended to enable affordable housing. In order to

allow councils to respond to the housing needs in their areas, SEPP 70 must be amended to provide a framework to enable local councils that have assessed needs and developed strategies to utilise the provisions of section 94F and 94G of the Environmental Planning and Assessment Act 1979 in order to seek contributions for affordable housing as a condition of development approval.

Opportunities to provide facilitation and support for projects involving CHPs should be required to be given specific consideration. Facilitation could be linked to defined 'affordable rental housing' as discussed above and could include, for example:

- A package of incentives for affordable rental housing projects e.g. dedicated officer to deal with proposals, fast tracking of applications, land contributions, linking community services planning with housing provision, reduced development fees and more flexible standards;
- Development of specific complying development standards for affordable housing projects which ensure that providers can deliver accommodation that is tailored to the needs of their clients without the costs and risks associated with the full development approval process (including for example community opposition and associated development delays);
- Establishment of a housing trust to facilitate the pooling of resources from development contributions, donations, fund raising by local businesses and council contributions such as land; and
- Use of council related powers to offer rate concessions and reduced council fees.

2.4 The complementary roles of state authorities, local councils and utilities

2.4.1 Recognition of the interagency partners critical to realising the vision

Better linkages within government are crucial for the Department to deliver an improved planning system in NSW. It is important to align infrastructure and land use planning strategies such as the Infrastructure NSW State Strategy. Non-government partners should also be actively engaged with.

2.5 The different characteristics of Greater Sydney and non-metropolitan NSW

2.5.1 Regional development strategies

The characteristics of Greater Sydney and non-metropolitan NSW are fundamentally different and should be approached differently by the Department. Regional development strategies should be implemented to build viable local economies and by doing so provide options for people wishing to remain in their communities and remove some pressure off affordable housing supply in metropolitan areas.

It is recognised that not all regional areas have potential to grow and prosper, and that some will inevitably decline as their industry base dwindles or the dominance of other centres prevails. Nevertheless, many regional areas have the capacity to sustain and build viable successful local economies with the right encouragements.

Over recent decades in NSW, urban policy has been focused on metropolitan areas. Some mining, tourism and winery regions have prospered without much government intervention or support. However, beyond these limited examples, opportunities to build on local strengths have not

generally been exploited and little recognition has been given to the potential of regional areas, not only to support viable communities, but to provide alternatives to metropolitan living.

Outside major cities, housing costs are generally lower, though limited supply and diversity of affordable housing can be a problem in areas, which are experiencing limited economic growth.

By encouraging more buoyant economies outside major cities, there is potential to deflect metropolitan demand and also to provide opportunities for people to remain in their local communities, rather than being forced to move elsewhere in search of suitable employment and/or housing. Stimulating regional growth will remove a portion of the pressure off existing metropolitan areas and their surrounding rural fringe.

Thus targeted strategies are required to build local economies in non-metropolitan areas to:

- Support local communities and enable local people to remain in their home communities
- Alleviate pressure on metro areas and provide more affordable alternatives to city living.

These strategies should aim to build on local/regional strengths, to protect valuable farmland or other attributes and to address employment, training opportunities and transport, as well as encouraging housing diversity.

Along the State's borders, development patterns and housing demand can be distorted as a result of planning and other policies of neighbouring state or local governments. A collaborative approach to planning in such areas is required so that policies complement, rather than clash with each other.

Planning controls in regional areas limit the variety of housing available. Review processes for local plans should ensure that a range of housing is permissible in relevant zones. Furthermore, in areas where the market is delivering predominantly conventional detached housing, a diversity of housing may need to be actively encouraged through incentives or requirements for a mix of dwelling sizes.

Some regional areas are experiencing affordability and supply pressures, particularly along the coast and close to centres. Specific strategies to address these needs should be incorporated in local and regional planning instruments.

2.6 Other related matters

2.6.1 Linking work opportunities and housing

The Department should recognise the importance of the linkages between work opportunities and housing. If essential workers are to live close to the businesses they support, this requires more than the inclusion of a small component of social housing within what is otherwise a prohibitive market for low to moderate income households. It requires a spectrum of housing in terms of type, size, tenure and price points for a genuinely inclusive community. There needs to be steppingstones to allow households to move on to more suitable options as their circumstances improve, freeing up more highly subsidised housing for those in greatest need.

This, in turn, will deliver the greatest spectrum of potential employees for local businesses, as well as contributing to the health and diversity of the community, which in turn supports local services and businesses.

There are two critical sides to this both of which need to be addressed:

- Expanding affordable housing close to jobs and transport
- Expanding work opportunities close to where people live

Digital connectivity, combined with the emergence/embracing of peer-to-peer transaction channels, is generating work opportunities outside traditional employment. There is huge potential in this area to expand opportunities for segments of the community typically blocked out of regular employment. Business will be incentivised to move to identified strategic centres. The planning framework must encourage and enable alternative enterprise models.

It is also important to look at those parts of NSW where lower income households are concentrated and to consider how opportunities for training and business can be improved and how they can build on and nurture local strengths.

There is a need to understand, explore and encourage the interrelationships between living and working environments and create catalysts for work opportunities. This is not just about planning and urban policy; it is about place making and requires:

- cohesion between planning and the other dimensions at play
- a commitment to creating opportunities and achieving sustainable, successful places.

Established businesses are generally the best equipped to participate in and influence government processes. However, with most growth in employment comes from newly established businesses and with peer-to-peer channels becoming vital in expanding other work opportunities, it is vital that planning strategies look at how these opportunities can be fostered. Peer-to-peer opportunities are particularly for those who have difficulty accessing regular employment. Opportunities to promote work incubators and introduce greater land-use mix will be very important in facilitating opportunities for smaller, newer businesses and individuals.