

## **LAND RELEASE AND HOUSING SUPPLY IN NEW SOUTH WALES**

**Organisation:** Property Council of Australia  
**Name:** Ms Cheryl Thomas  
**Position:** NSW Deputy Executive Director  
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Mr Jai Rowell MP  
Chair, Committee on Environment and Planning  
Legislative Assembly  
Parliament House  
Macquarie St  
Sydney NSW 2000

Dear Mr Rowell

### **Inquiry into Land Release and Housing Supply in New South Wales**

The Property Council of Australia welcomes the opportunity to make a submission to the inquiry into land release and housing supply in NSW. With housing affordability being a key issue of concern, especially across metropolitan Sydney, the Committee's focus on land supply, zoning and infrastructure provision is both timely and well-focused.

Property Council members include Australia's major investors, owners, managers, and developers of properties across all asset classes. Our members create landmark projects, environments, and communities where people live, work, shop and play. Shaping and building our cities and towns, our industry has a long-term interest in creating prosperous, affordable and sustainable places.

Earlier this year the Property Council provided detailed input into a review on housing affordability instigated by the NSW Premier Gladys Berejiklian and conducted by former Reserve Bank Governor Glenn Stevens. A copy of our submission "*Fixing housing affordability in NSW: A 5-point plan to improve housing affordability – and the recommendations that can make it happen*", is included as part of our submission. This paper highlights that poor housing affordability in Sydney is underpinned by:

- a lack of land for housing in the greater Sydney area; resulting in Sydney land prices being twice that of comparable land in Melbourne (for current developments \$1,200 sqm in Sydney as opposed to \$600 sqm in Melbourne).
- the NSW planning system being complex and time consuming to navigate; resulting in greenfield rezonings and apartment developments on average taking five years to deliver, double the timeframe achieved interstate.

Our paper identified a raft of solutions, focused on:

1. increasing housing supply through increased land supply and strategic and statutory planning reform;
2. reform of state property taxes, reduced fees and charges and less red tape;
3. better cooperation between all levels of government;
4. bridging the deposit gap and support for first home buyers; and,
5. supporting the rental market and fostering innovative, affordable rental product.



Many of our recommended solutions were adopted in the NSW Government's *Housing Affordability Package* released on 1 June 2017 in response to Mr Steven's final report.

The Property Council strongly welcomed the Government's acknowledgment in its subsequent *Housing Affordability Package* that Sydney's current affordability problems stem predominantly from a lack of housing supply. Likewise, we welcomed that most of the package focused on increasing housing supply through reforms to the NSW planning system to provide long term land use certainty (to provide land supply) and more efficient development assessment processes (to facilitate dwelling construction).

The table appended (Attachment A) identifies the policy changes announced in the NSW Government's *Housing Affordability Package*, and charts these against the solutions proposed in the Property Council's 5-point plan. A brief comment is provided in regard to progress made to date and/or next steps required.

Disappointingly, the Government's package also included changes to developer contributions for infrastructure including the closure of the Local Infrastructure Growth Scheme (LIGS), the removal of the per dwelling "caps" on Council Section 94 Contribution Plans, and introducing Special Infrastructure Contributions (SICs) to new areas. These changes were confirmed and the magnitude revealed in the NSW Budget delivered on 20 June, in which the Government forecast that the new SICs would raise \$545 million in revenue over four years. More commentary is provided on this aspect in response to the Committee's terms of reference below.

In regard to the Committee's specific terms of reference we are pleased to provide the following comments:

- a) The resources and support needed within the Department of Planning and Environment for:**
  - i. The delivery of a housing supply process**
  - ii. The coordination and funding or enabling infrastructure**

#### ***Delivery of a housing supply process***

*The Property Council has reviewed the resources that the NSW Government is investing to underpin the delivery of the planning system, in particular, resources targeted at increasing land for the supply of housing, and dwelling approval.*

The Property Council advocated that the Department of Planning, the Greater Sydney Commission and other key players such as Joint Regional Planning Panels (JRPPs) be adequately resourced to deliver roles assigned to them within designated timeframes. Since then, we would add the NSW Government mandated Independent Hearing and Assessment Panels (IHAPs) to the list of bodies requiring the devotion of adequate resources.

The NSW Government substantially increased funding to the Department of Planning and Environment cluster in the 2017/18 Budget, from \$2.6 billion in recurrent funding 2016/17 to \$3.8 billion in 2017/18 (an increase of 43%). Capital funding likewise increased, from \$226.5 million to \$373.4 million, a 65% increase. Of these funds, most have been allocated to enhance the State's planning system and facilitate housing, including:

- \$131.6 million in additional funds (42% increase on 2016/17) for regional planning; integrating land use and infrastructure and delivering zoned and serviced land for housing and employment. Including 74 new staff (167 to 241).
- \$39 million in additional funds (more than doubling 2016/17 figures) to improve the planning system; setting strategic plans, state-wide planning policies (complying development and

SEPPs) and improved coordination between infrastructure, zoning and assessments. Including 143 new staff (181 to 324).

- \$47 million in additional funds (15% increase on 2016/17) to administer environmental impact assessments and development applications (major projects, supporting JRPPs). Including 35 new staff (334 to 369).
- \$122.8 million in additional funds (581% increase on 2016/17) to fund the Greater Sydney Commission, with staffing set to more than double from 29 to 80.

The allocation of these additional funds, and the substantial increase in staff, is strongly supported.

Ongoing investment of this type will be required by the NSW Government in coming years to support the implementation and embedding of reforms such as the forthcoming revised metropolitan strategy and final District Plans, which will only become effective once recognised in councils' Local Environmental Plans (LEPs). In outward years, the NSW Government will likely need to increase resources or provide specialist expertise to local councils to update their LEPs and process an increased volume of development assessment applications flowing from an increase in land being made available and serviced, ready for development.

In the short term, IPART will need to have sufficient personnel to address an expected influx of section 94 plans following the removal of 'caps' and the newly established IHAPs may require resourcing support.

#### **Recommendation**

**The NSW Government provide appropriate funding to ensure the that reform to improve the performance of the NSW planning system is implemented and maintained, in particular investing in long term planning and land release activities.**

#### ***Coordination and funding of enabling infrastructure***

*The Property Council has focused on examining the policy intent, changes to and impacts of development levies imposed by state and local government to fund infrastructure to support the delivery of housing.*

The provision of enabling infrastructure, to make land ready for development, has been, and is likely to continue to be, the greatest challenge for government both in terms of funding and coordinating delivery.

The responsibility for the provision of infrastructure to support growth and development is divided between the NSW Government and councils, with the State providing health, education, and major transport or utility upgrades while councils provide community facilities, sporting grounds, parks, and local roads.

The use of developer levies dates to the post WWII growth period, but was not regulated until the late 1970s or systemic until the late 1980s. Since mid-2000s, the use of developer levies has been expanded, trimmed, focused, and refined, all the while incrementally increasing as a means for governments to fund urban growth and amenity. In the past decade, developers have faced a period of substantial change, with frequent reforms adding to or trimming the levies to be paid, making it difficult to plan and allocate capital for projects into the future.

### *State Infrastructure Contributions*

The NSW Government introduced Special Infrastructure Contribution (SICs) in 2006, with reforms to the *Environmental Planning and Assessment Act 1979* (EP&A Act) to enable the NSW Government to impose a development contribution in specified areas to help finance public amenities and services, affordable housing, transport and other infrastructure and environmental conservation. SICs were applied to greenfield areas.

A Special Contributions Areas Infrastructure Fund was established to receive and distribute the funds, with the pooling of funds enabling the Government to fund projects in a timely and effective manner. Initially developers were required to fund 100% of the infrastructure costs, this was reduced in 2007 to 75%, with the NSW Government to fund the remaining 25%. Other changes reduced the scope of infrastructure to be funded by SICs, to infrastructure directly attributable to development and not general population growth.

In 2008, reforms introduced temporary change, reducing the developer's share from 75% to 50% for all levies paid before 1 July 2011.

On 1 June 2017, the NSW Government announced as part of its Housing Affordability Package that SICs would be expanded to an additional 10 areas across Sydney to help fund infrastructure in communities with significant housing growth. The 2017/18 NSW Budget released 20 June 2017 forecast an increase in SIC revenue of \$545 million over four years to be raised from SICs applied to 15 areas, including 12 precincts across Sydney. To date, draft SICs have not been released for industry to comment, making it difficult to ascertain the impact of the levies. The scope, scale and application of these levies remains unclear.

The Property Council understands that the expansion of SICs from greenfield to infill locations is aimed at improving the transparency of developer contributions, replacing the ad hoc use of voluntary planning agreements. Providing industry with greater certainty of costs is welcome, however until the details of the SICs are released, industry is unable to assess whether quantum costs are being increased, or the mechanism for payment simply refined.

The Property Council is not opposed to reforms to improve the transparency and certainty of the application of state developer levies. We urge the Government, however, to implement reforms with a transition period provided to carve out potential impacts on projects which have commenced either the rezoning or development process under existing arrangements.

#### **Recommendation**

**Release draft SICs to enable public comment of proposed reforms before these mechanisms are finalised.**

**AND**

**Include transition arrangements to grandfather development projects already commenced the rezoning or development process to minimise potential adverse impacts.**

### *Council Infrastructure Contributions*

Development contributions were first legislated for in 1979 in the EP&A Act by the inclusion of section 94, requiring developers to contribute to the provision of infrastructure as a condition of subdivision approval. A raft of changes has been introduced subsequently:

**1989** - the Simpson Inquiry led to the requirement for councils to prepare and exhibit contribution plans to be able to levy section 94 charges.

**2000** - reforms to the EP&A Act provided legal validation for the imposition of an affordable housing levy.

**2005** - reforms included the introduction of voluntary planning agreements (VPAs) and Section 94A fixed levies, enabling councils to choose the method, or combination of methods.

**2006** - reforms were introduced to enable the Minister for Planning to direct a council to make, amend or repeal a contributions plan within a certain time period; changes were intended to improve the coordination of infrastructure provision between neighbouring councils, within councils (via pooling funds) and to coincide with development activity.

**2007** - non-statutory reforms were introduced clarifying the types of local infrastructure able to be funded from Section 94 and 94A levies; clarifying that only infrastructure directly related to a development site or precinct could be funded.

**April 2009** - non-statutory reforms capped infrastructure contributions at \$20,000 per residential lot, with any contributions exceeding the cap requiring approval from the Minister for Planning.

**June 2010** - exemptions from the cap were disallowed, and instead councils were required to apply for a special rate variation to meet costs arising from development, requiring the Independent Pricing and Regulatory Tribunal (IPART) to assess and approve variations.

**September 2010** - changes were introduced, retaining a \$20,000 per dwelling or per residential lot in existing areas and applying a \$30,000 per dwelling or per residential lot in greenfield areas. An 'essential works list' was introduced to apply where councils sought contributions above the cap, and a \$50 million *Priority Infrastructure Fund* was established to fund essential works above the cap, this funding program was later expanded to become the *Local Infrastructure Growth Scheme (LIGS)* to support housing development activity during the global financial crisis.

**June 2017** - the NSW Government announced as part of its Housing Affordability Package the closure of the Local Infrastructure Growth Scheme (LIGS). Until mid-2017, only two councils received LIGS funding (Blacktown and The Hills). As part of the staged closure of LIGS, Wollongong, Bayside, Camden and Liverpool councils have been granted access. The Government has allocated \$369 million over the next three years for the staged closure of LIGS, with the cap on contributions increased by \$5,000 on 1 January 2018 to \$35,000 in greenfield areas and \$5,000 to \$25,000 in infill areas, and from 1 July 2018, an annual \$5,000 increase to the caps each year for two years applied.

The caps will be removed entirely in these areas on 1 July 2020 (although councils will still need to have contribution plans vetted by IPART before the caps can be breached).

Following the closure of LIGS, developers face increased levy costs (with the State Government no longer funding any 'gap'). The Property Council has commissioned research to ascertain how many and which councils are likely to seek to impose contribution plans in excess of the 'caps'. Currently, no composite list of section 94 plans exists to enable policy makers to ascertain a comparison of what infrastructure charges councils are applying across NSW (or Sydney). While section 94 plans are publicly available (on council websites) this information is fragmented, making it difficult to truly ascertain the potential for infrastructure costs to rise or to compare what and how councils use developer levies to fund infrastructure.

The Property Council's research aims to increase transparency of section 94 developer levies to enable policy makers to examine both the macro as well as micro composition and impact of these charges.

The closure of LIGS will result in either increased house prices (born by home buyers) or less housing supply (because the feasibility of projects cannot be assessed due to the uncertainty of costs). Both outcomes harm rather than improve housing affordability in NSW.

Three key aspects need to be addressed to improve the operation of Section 94 levies:

1. industry needs certainty of costs to enable it to make investments. Developers are unable to assess the feasibility of projects if the cost of developer levies is unknown.
2. downward pressure should be maintained to minimise the cost of local infrastructure, some councils are more efficient in procuring or delivering infrastructure, their experience and knowledge should be shared across local government.
3. the NSW Government should be an ongoing partner in funding local infrastructure to support growth, representing a contribution from the broader community to invest in building future cities and communities.

Providing industry with certainty of costs is fundamental, business investments simply can not be made without this information. Infrastructure 'caps' provide a strong signal to the market (developers and land owners) of future costs. We urge that caps be reintroduced and indexed to factor in incremental rises commensurate with the increased cost of funding infrastructure. Developer contributions are an accepted component of development activity, but poorly designed levies undermine market activity through sheer uncertainty.

While the NSW Government has developed an 'Essential Works List' to clarify what infrastructure councils can include in contribution plans, this list is only applied if councils seek to breach 'caps' and the cost of infrastructure is assessed by IPART in terms of whether it is a 'reasonable estimate'. The Property Council believes more assistance and guidance should be provided to councils to put downward pressure on costs, including the release of best practice guidelines to guide councils and incentives offered (potentially access to finance) to encourage councils to explore regional infrastructure solutions with neighbouring councils to achieve economies of scale.

The Property Council also believes there is an ongoing role for the NSW Government to assist councils in funding local infrastructure that is required to support growth. The inevitability of future growth is accepted, with the NSW Government examining options to manage and support this growth by tasking the Greater Sydney Commission with revising the metropolitan plan for Sydney and developing District Plans. Growth will not be uniformly accommodated; some parts of Sydney will be asked to absorb more people and live with increased densities. These communities should not be expected to fund the infrastructure to support this growth. The entire community benefits

and the entire community should contribute. Those areas that accept significant growth (or even a greater level of growth than that identified in a District Plan) should be rewarded not penalised.

**Recommendation**

Local developer levies should be 'capped' and indexed annually, signalling to the market future costs.

AND

NSW Government should work with councils to put downward pressure on the cost of procuring local infrastructure and incentivise cooperation between councils to realise economies of scale.

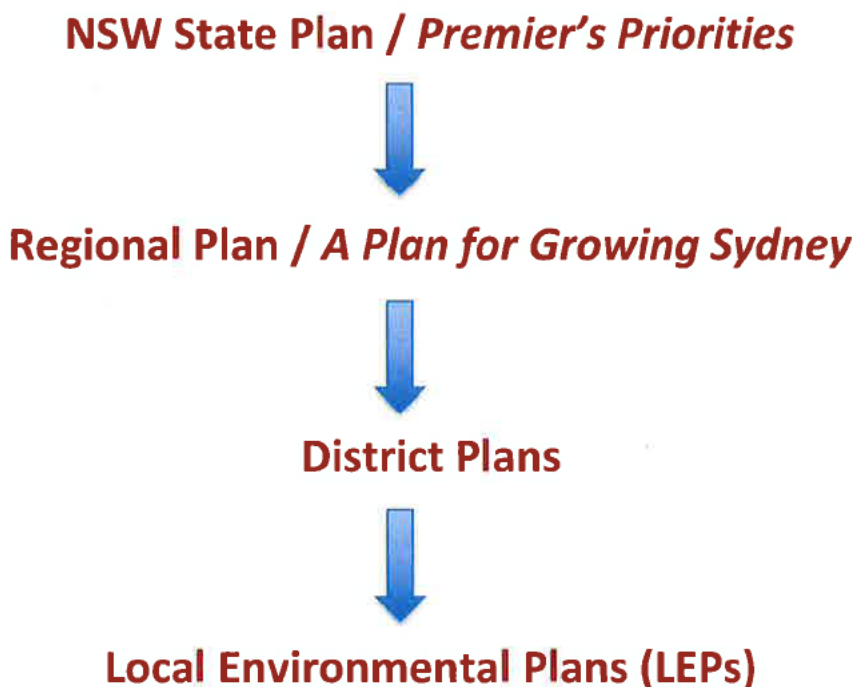
AND

The NSW Government should provide ongoing funding to support councils to provide local infrastructure to implement growth targets outlined in the District Plans.

**b) Delivery mechanisms following the rezoning of land through to construction**

*The Property Council has examined the high-level framework which guides the release of land for housing and the linkages between elements of this framework to assess its structural and operational effectiveness.*

Ideally, the **land supply framework** should reflect the following steps (in metropolitan Sydney) to rezone land for development (including housing):



Exploring each step in the process:

**Premier's Priorities** - Among the Premier's 12 Priorities is *Making housing more affordable with the goal of 61,000 dwelling completions state-wide on average per financial year to 2020-21*. This was added as part of the 1 June Housing Affordability Package. To support the Premier's commitment the Government is focusing on two targets:

1. 90% of housing approvals determined within 40 days by 2019
2. State-led rezoning for 10,000 additional dwellings on average per year in appropriate areas to 2021.

The Premier's Priorities were first announced in September 2015 in "*NSW: Making It Happen*", prior to which the NSW Government had a 10-year strategic plan "*NSW 2021*" released in September 2011.

**A Plan for Growing Sydney** - was released in December 2014, outlining the NSW Government's plan for the future of the Sydney Metropolitan Area over the next 20 years. The Plan outlines key directions and actions to guide Sydney's productivity, environmental management, and liveability – including the delivery of housing, employment, infrastructure and open space.

The Greater Sydney Commission is tasked with reviewing and updating A Plan for Growing Sydney, including reflecting new policy directions of the District Plans, once finalised. Towards Our Greater Sydney 2056 released in November 2016 is a draft update to A Plan for Growing Sydney. Significantly, it reconceptualises Greater Sydney as a metropolis of three cities. The Property Council broadly supports the draft amendment to a Plan for Growing Sydney, in particular the concept of the metropolis of three cities.

The Commission is tasked with reviewing A Plan for Growing Sydney at the end of every subsequent five-year period.

The Commission is expected to release a revised A Plan for Growing Sydney in late 2017. Pending release of this document, the Commission has released *Directions for a Greater Sydney* which identifies housing targets summarised as:

- a minimum of 36,250 new homes every year over the next decade (725,000 additional new dwellings over the next 20 years across Greater Sydney)
- greater housing choice will be needed including a range of housing types, tenures and price points together with rental accommodation for lower income households and social housing for the most vulnerable
- more housing will occur concurrently with the creation of liveable neighbourhoods close to employment opportunities, public transport, walking and cycling options for diverse, inclusive multi-generational and cohesive communities

**District Plans** - the Greater Sydney Commission is also tasked with creating District Plans to sit between, and link, the NSW Government's A Plan for Growing Sydney and councils' Local Environment Plans (LEPs). The Commission released six draft District Plans in November 2016 for public comment, with final District Plans to be released by end 2017 (and formally reviewed every five years thereafter).

The Property Council provided detailed feedback on all these draft plans supporting the:



- outline of new dwelling and employment targets to the District, Local Government, and Strategic Centre level (for employment targets).
- commitment to implement economic strategies at a city level to drive investment.
- commitment to incorporate the Plans into LEPs.
- commitment to provide more housing closer to jobs to achieve a 30-minute city and encourage diversity in housing through medium density code assessment approaches.
- identification and commitment to the strong roles of Strategic Centres and further development of District Centres.
- emphasis on the protection of employment and urban services land.
- encouraging hotel accommodation in developing tourism areas.
- the need to integrate land use and infrastructure investment, particularly in Priority Growth Areas.

Once District Plans are in place, councils are required to review their Local Environmental Plans (LEPs) and give effect to the relevant District Plan. This is a significant, and welcome, step in the elevation of strategic planning. With the commencement of the *Greater Sydney Commission Act 2015*, new provisions were inserted into the EP&A Act requiring LEPs be prepared “to give effect to” regional and district plans and more importantly, on the making of a district plan, each relevant council must review its LEP to give effect to the district plan. Previously, there was no statutory requirement for LEPs to be updated to align to higher order strategic plans.

The Commission will oversee, monitor and report on the implementation of District Plans in the Greater Sydney Region. Proposed targets in the draft District Plans include:

- 5-year housing targets for each LGA (2016-21)
- 20-year housing target at District level

**Local Environmental Plans (LEPs)** - are the mechanism through which State Government land use planning and objectives are implemented at the local level. An LEP is a legal instrument that zones land, imposes standards to control development, or implements a state or local policy outcome. LEPs are the main planning tool to shape the future of communities, giving legal effect to where and under what circumstances places should be developed or particular environmental controls imposed. An LEP generally comprises a written document and accompanying maps and can apply to an entire LGA or defined area.

While LEPs are generally initiated by councils, starting with a planning proposal, the NSW Planning Minister (or delegate) is the approval mechanism. The process establishing the preparation and assessment of LEPs is set out in the EP&A Act and is the same whether making a principal LEP or amending an existing LEP. Since 1 July 2009, the process has involved:

1. A planning proposal - the relevant authority prepares the planning proposal (typically a local council, however the Minister can appoint the Secretary of the Department of Planning and Environment, a joint regional planning panel or a Sydney planning panel to be the relevant planning authority).
2. Gateway - the Minister (or delegate) decides whether the planning proposal can proceed (with or without variation) and subject to other matters including further studies, public consultation, public hearings, agency consultation and time frames. A planning proposal does usually not proceed without conditions of this nature. The conditions are then complied with and if necessary, the proposal is changed. A decision on whether the relevant council is able to finalise particular types of LEPs is also determined at this stage.



3. Community consultation - the proposal is publicly exhibited as required by the Minister. A person making a submission may also request a public hearing be held.
4. Assessment - the relevant planning authority reviews public submissions. Parliamentary Counsel then prepares a draft LEP.
5. The making of the LEP - with the Minister's (or delegate's) approval the local environmental plan is published on the NSW legislation website and becomes law.

Since 2006, all principal LEPs must be made in a standard form prescribed in the Standard Instrument (Local Environmental Plans) Order 2006, ensuring consistency in the appearance of LEPs to assist users interpreting planning controls across different LGAs.

LEPs remain in force until they are amended or repealed by an amending LEP. It is possible to specify that a LEP will have effect only for a specified period or in specified circumstances, however use of this is limited [EP&A Act s. 26(3A)].

LEPs do not contain targets per se (to measure their effectiveness), but they are required to outline the 'objectives and outcomes' to provide a basis for the drafting of the legal instrument. LEPs should reference housing and employment targets identified in the relevant District Plan. Further, LEPs should identify the land supply contingency required to enable targets to actually be achieved (cognisant of the 'leakage of land' that occurs during the land release process – this issue is discussed in detail below).

#### **Recommendation**

**LEPs should reference key housing and employment land targets outlined in District Plans, and identify a land supply contingency required to achieve these targets, and the effectiveness of LEPs should be assessed against the achievement of these targets.**

#### **c) The complementary roles of state authorities, local councils and utilities**

*The Property Council has examined the different stages of land release, including the role of government and industry, and analysed the effectiveness of the system in delivering land to meet dwelling targets.*

#### ***Making land 'development ready' – the Metropolitan Development Program***

Converting land, especially in greenfield locations where there may be no existing urban services, into house sites involves a number of stages and involves the Government, utility providers, councils and developers. Since 1981, this process was driven through the Metropolitan Development Program (MDP), the function of which was to monitor and forecast land supply in metropolitan Sydney and the Central Coast, including greenfield and infill areas.

Until recent years, the MDP had a major role in implementing the NSW Government's urban growth agenda by:

- Monitoring greenfield and infill stock, with the Department of Planning working with councils to identify dwelling potential in existing areas, especially from higher density and mixed-use locations
- Publicly releasing an annual audit of land stock (release, zoned, serviced, subdivided and for sale) at a Sydney metro, regional and LGA level, and assessing levels against set benchmarks
- Forecasting future land supply and dwelling production including production cycle, medium and term forecast, informed by Department of Planning consultations with the development industry.

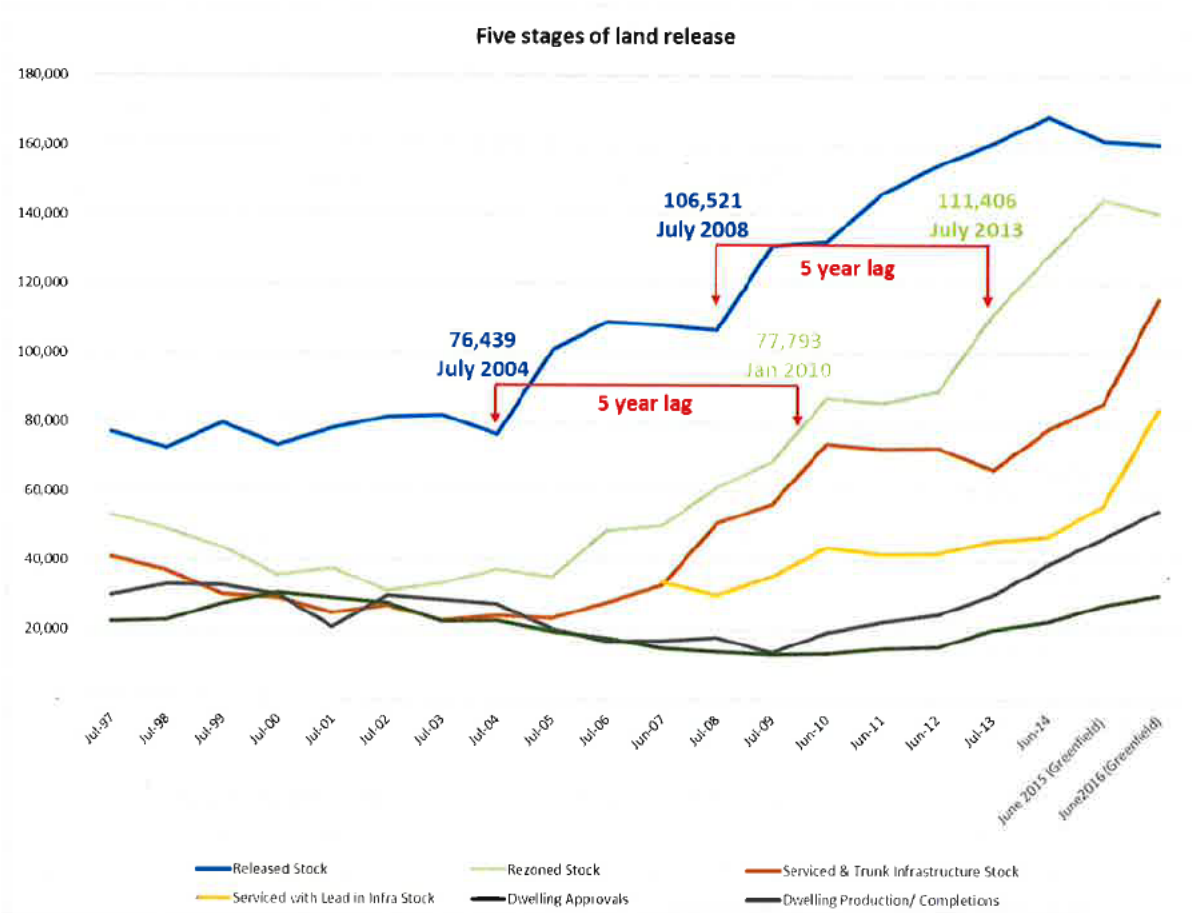
Significantly, the MDP was underpinned by a process of collaboration both within the NSW Government, between planning agencies and utilities, and the NSW Government, local councils and the development industry. The Metropolitan Development Program comprised the following steps:

<b>Steps</b>	<b>Responsibility</b>	<b>Measure</b>
<b>1. RELEASE</b> <ul style="list-style-type: none"> <li>– Agreement on housing requirements and growth strategy</li> </ul>	<b>Cabinet</b>	
<b>2. REZONING</b> <ul style="list-style-type: none"> <li>– Planning and land uses</li> <li>– Infrastructure contributions</li> </ul>	<b>Department of Planning and Councils</b>	<b>Zoned Stocks</b>
<b>3. SERVICING</b> <ul style="list-style-type: none"> <li>– Extension of trunk infrastructure</li> <li>– Construction of lead in infrastructure</li> </ul>	<b>Water &amp; Energy Authorities</b>  <b>Water Authorities and Developers</b>	<b>Zoned with trunk infrastructure</b>  <b>zoned with lead infrastructure</b>
<b>4. SUBDIVISION</b> <ul style="list-style-type: none"> <li>– DA activity</li> <li>– Construction of works</li> <li>– Title registration</li> </ul>	<b>IHAPs and Developers</b>	<b>DA Activity and Dwelling Completions</b>
<b>5. SALE</b> <ul style="list-style-type: none"> <li>– Marketing of land to builders and home purchasers</li> </ul>	<b>Developers</b>	<b>Vacant subdivided lots (indicative measure)</b>

While the time required to perform each step varies depending on the scale and specifics of each site, it typically takes seven to 10 years. Significantly, the steps can only occur sequentially, hence

bottlenecks at any step will increase conversion timeframes and negatively impact the supply of land.

The chart below depicts the land supply levels in the Sydney Metropolitan region over the past two decades. The chart clearly shows the significant gap between land release and dwelling completions, with land supply levels falling as land progresses to become 'development ready'. For instance, for much of the past decade it has taken approximately five years between the release of land to when land is rezoned.



*Source: various DPE material; Metropolitan Development Program Reports, Greenfield Development Quarterly Reports and Department of Planning Metropolitan Housing Monitor Sydney Region (drawing on ABS data)*

To monitor and manage the supply of land to achieve desired conversion rates, the NSW Government adopted benchmarks in 2006 to track the effectiveness of steps 1 to 3 in the land supply process. These benchmarks are:

- LAND RELEASE - 15 years supply = land potential for 112,500 dwellings
- REZONING – 8 years supply = land potential for 60,000 dwellings
- SERVICING – 7.3 years supply = land potential for 55,000 dwellings

The first two benchmarks in terms of equivalent years of supply have been used informally to manage land supply since the mid-1990s. NSW Treasury modelling informed the development of the third benchmark in the mid-2000s.

Disappointingly, the MDP was reduced in scale and scope from 2010/11 onwards, culminating in an abbreviated quarterly report last published in December 2015. In its place, the NSW Government released the Greenfield Development Quarterly Monitor, issued in March 2016, which does not monitor infill land supply or forecast future land supply capacity or demand. The focus of NSW Government reporting (and seemingly monitoring) seems to be concentrated on dwelling approvals and completion figures, ignoring the importance of rezoning, and in particular servicing, in terms of enabling land to be development ready.

### ***Performance of the Sydney land supply framework***

Ultimately, the success of the land supply framework is measured by whether enough dwellings are completed annually to meet projected demand.

An analysis of the NSW Government's dwelling completion target for Sydney (enunciated in previous and current metropolitan plans) compared to actual dwelling completions from 2004 to 2017, reveals a cumulative shortfall of over 106,000 dwellings.

The gap between target and actuals was most pronounced in 2009 and 2010, coinciding with the global financial crisis. Concerningly, the dwelling completion target has only been achieved once in this period, in 2004, thereafter it was almost a decade before a similar level of completions was achieved, in 2013, well below revised targets based on revised demand.

The data reveals that enough dwellings have not been completed in Sydney for well over a decade. The chart below illustrates this shortfall.



*Source: Department of Planning Metropolitan Housing Monitor Sydney Region (drawing on ABS data), Draft District Plans and previous Metropolitan Plans*

To understand why land that is released for housing is not being converted to completed dwellings requires an analysis of each step of the land supply process; that is release; rezoning; servicing; subdivision and sale.

The MDP provides data for each of the land supply steps for the period 2007-2015 (thereafter data from the Greenfield Monitor), an analysis of which reveals that the largest drop in dwelling potential occurred in the step between land being rezoned and being made development ready (having trunk and lead in infrastructure). The figures outlined in the table below show that since 2007 on average:

- over half the land rezoned for new housing has not been serviced with infrastructure to make it 'development ready'
- 40% fewer dwellings received approval, than land was available to support
- over a third of land released for new housing was not rezoned

	<b>RELEASED</b>	<b>REZONED</b>	<b>SERVICED</b>	<b>APPROVED</b>	<b>COMPLETED</b>
<b>Jun-07</b>	108,180	50,063	33,899	16,820	14,715
<b>Jun-08</b>	106,521	61,224	30,167	17,732	13,862
<b>Jun-09</b>	131,057	68,636	35,578	13,636	13,041
<b>Jun-10</b>	132,134	86,949	43,845	19,310	13,293
<b>Jun-11</b>	146,166	85,511	41,986	22,440	14,722
<b>Jun-12</b>	154,167	89,012	42,195	24,460	15,104
<b>Jun-13</b>	160,741	111,406	45,882	30,375	20,339
<b>Jun-14</b>	168,361	128,311	47,211	39,090	22,750
<b>Jun-15</b>	161,358	144,359	56,199	46,766	27,348
<b>Jun-16</b>	160,597	140,701	83,991	54,723	30,191

*Source: various DPE material; Metropolitan Development Program Reports, Greenfield Development Quarterly Reports and Department of Planning Metropolitan Housing Monitor Sydney Region (drawing on ABS data)*

As a result of the 'leakage' of land at different stages of the land supply framework, while the NSW Government announced the release of land to provide over 160,500 dwellings, just 30,000 were actually completed in the year ending June 2016; over 80% fewer than land was earmarked to provide. To alleviate this situation, ideally all LEPs and MDP areas would include a 20-25% margin of land zoned for development to allow for actual delivery and provide a more elastic land supply market.

Converting land from 'release' into 'completed dwellings' is a complex and time-consuming process. Focus needs to be paid continuously to ensuring that every step in the process is achieved as

efficiently and effectively as possible to maximise the conversion of land released into completed dwellings.

The NSW Government should as a priority reinstitute the development and annual reporting of the MDP to monitor the performance of each step in the land supply process, to enable delays to be identified and addressed. The MDP should include infill as well as greenfield areas, and drive coordination between government agencies and developers to ensure that zoned land is serviced with infrastructure in a timely manner.

#### **Recommendation**

**The Property Council strongly encourages the NSW Government to reinstitute the development and release of an annual, detailed MDP across metropolitan Sydney, the Central Coast, the Lower Hunter and the Illawarra, underpinned by a strong collaborative mechanism involving State, local Government and industry.**

#### ***Developers are driving rezonings in metropolitan Sydney***

Industry concern regarding the land supply process in NSW, in particular Sydney, led the Property Council in 2016 to commission Ethos Urban to examine the effectiveness of the rezoning process.

Ethos Urban's research, *Zoned Out: an analysis of residential rezonings in metropolitan Sydney*, released November 2016 (copy appended), analysed the origin of rezonings across 16 Sydney councils between 2012 -2016; examining whether rezonings were led by councils, the NSW Government or private sector proponents. It found that while all councils across NSW updated their LEPs to standardise them, (to implement the Standard LEP), this process did not include a wider strategic planning review to update land uses.

Concerningly, the research found that it is the private sector that is primarily driving the provision of land for housing for Sydney's growing population. Despite setting targets and delivering plans, government is not acting to achieve these targets and alleviate Sydney's housing shortage. Key findings were:

- The NSW planning system is dependent on developer led rezonings:
  - 64% of residential led LEP amendments were led by developers, compared to 29% council led, and 7% State led
  - 81% of LEP amendments to create greater than 100 dwellings were developer led, compared to 15% council led, and 4% State led
- Councils are not revising their LEPs to deliver significant levels of new housing (in greenfield and infill areas)

The research focused on two Sydney regions:

- Central District – which had 137 LEP amendments in total from 2012-2016 of which:
  - 76 were council led (56%)
  - 55 were private led (40%)
  - 6 were State Government led
  - 62 were residential focused, of which 38 were led by private sector (61%)

- 46 involved greater than 100 dwellings, of which 37 were private sector led (81%)

While council-led rezoning comprised the largest share of all rezonings, private proponents were behind the vast majority of residential rezonings, and drove rezonings in the LGAs of Ashfield, Canada Bay and Marrickville.

- South West District – which had 132 LEP amendments in total from 2012-2016 of which:
  - 49 were council led (37%)
  - 74 were private led (56%)
  - 9 were State Government led
  - 75 were residential focused, of which 50 were led by private sector (67%)
  - 23 involved greater than 100 dwellings, of which 18 were private sector led (78%).

Private proponents led rezoning in this district, with an extreme imbalance in Wollondilly, with Fairfield council the only LGA which led rezonings.

Ultimately, it appears that much of Sydney's land supply for new housing, especially projects delivering high volumes of new housing, is being generated through ad hoc spot rezonings led by the private sector. While spot rezonings are an important part of the planning system, providing flexibility to consider land use variations outside of formal strategic review timeframes, they are inferior in terms of efficiency and effectiveness compared to strategic land use updates delivered through a revised LEP.

In theory, the State and local governments in NSW should drive land supply decisions and implementation. However, the reality in metropolitan Sydney appears to be that it is the private sector driving the provision of land for new housing. The private sector should not have to shoulder the uncertainty and risk associated with spot rezonings, nor should local communities face the uncertainty or incremental impact on neighbourhood amenity caused by an overreliance on spot rezonings. Spot rezonings are not an appropriate substitute for strategic land use planning delivered through LEPs.

With District Plans due to be finalised before the end of November 2017, it is timely to ensure that a renewal mechanism for LEPs is implemented and continuously monitored, reported, and updated. The next generation of LEPs will be required to give effect to dwelling targets outlined in the District Plans. The Planning Department should monitor and report on progress in updating LEPs, noting that the legislation requires this to occur on average every five years. A list of LEPs which have been updated should be reported annually as part of the MDP.

LEPs are intended to be updated every five years, in line with the review of the District Plans. However, there is no clearly established, or reported, mechanism for monitoring the review of LEPs. As a result, many LEPs in NSW have been in place for up to a decade without review. The NSW Department of Planning's *Local Environmental Plans; A guide to preparing local environmental plans* LEPs outlines benchmark timeframes that have been set for preparing different types of LEPs where they are consistent with the state's strategic planning framework:

- administrative changes and errors - 3 months
- minor spot rezoning - 6 months
- major land release and urban renewal - 12-18 months
- principal LEPs - 24 months

Based on these benchmarks, the timely provision of rezoned land through a revised LEP would take years and anything non-conforming in nature (not giving effect to District Plans) would likely take

significantly longer. Ideally, the onus should be placed on councils to update their LEPs every five years or have them suspended, with applications considered against District and Regional Plans instead.

The NSW Government's Housing Affordability Package included the provision of assistance by the Greater Sydney Commission to help councils in high growth areas to revise their LEPs within two years of the District Plans being completed. Other councils are being asked to nominate if similar assistance is required. Revising LEPs is a time-consuming and costly activity, and councils should receive ongoing support from the NSW Government to ensure LEPs are updated within prescribed periods.

#### **Recommendation**

**The Department of Planning should monitor and report on the status of LEPs following the release of the District Plans, with a list of LEPs provided annually in the MDP to report progress.**

**AND**

**LEPs which are not updated within five years should be suspended and development applications in affected areas considered against relevant District and Regional Plans.**

#### **d) Different characteristics of Greater Sydney and non-metropolitan NSW**

*The Property Council has offices in Newcastle and Wollongong, servicing the Hunter and Illawarra regions. While much of the analysis provided herein is based on information specific to the Greater Sydney area, we are concerned equally about deteriorating housing affordability in the Hunter and Illawarra regions.*

The Property Council's Hunter Chapter provided a submission direct to the committee, which we endorse and include as part of our broader submission.

We are pleased to provide the following comments in regard to the Illawarra region:

- The Illawarra area is experiencing the same lack of supply and affordability issues as Sydney.
- The Illawarra is currently experiencing an extreme low in land supply when compared to its average monthly take up rate. There is less than a month's land supply on the market.
- The Illawarra's proximity to Sydney means that buyers from Sydney are seeking more affordable properties in that region, impacting affordability by driving up demand. Values are being pushed up as a result but local incomes are not increasing at a comparable rate, resulting in an even greater unaffordability issue; residents in the Illawarra are facing Sydney prices but not necessarily receiving Sydney incomes.
- Wollongong has now been identified as Australia's third most expensive city for housing (Domain Group's Regional House Price Report Dec 2016).
- Local Councils across the Illawarra are aware of the affordability issue but are not responding to it by enabling new release areas to come on line. West Dapto is an excellent example. This area was identified over a decade ago and supported at both state and local government levels as the major growth area for Wollongong. It has been broken up into



specific release areas, some of which are already serviced and able to be developed, however Wollongong Council is delaying the rezoning of these release areas as a section 94 issue hasn't been resolved in other parts of West Dapto. Meanwhile there is little to no land on the market and prices continue to escalate.

- Councils in the regional ring around Sydney are all grappling with the same issue of rapidly increasing prices due to greater demand which can be in conflict with local community groups. It is creating inertia, with Councils finding it easier to reject, slow down, or not act upon rezoning and development applications.

**e) Other related matters**

*Attachment A provides a detailed analysis of the Property Council's 5-Point Plan to Fix Housing Affordability, recent NSW Government actions that address industry suggestions for improvements and a comment on progress and next steps.*

The Property Council's paper explores the entire housing life cycle (in addition to land supply), including the timeliness of planning approvals, provision of housing choice and initiatives to help first buyers bridge the deposit gap.

Thank you one again for the opportunity to make a submission to the inquiry. Please do not hesitate to contact me on [REDACTED] if you would like to discuss any aspect of this letter further.

Yours sincerely,



**Cheryl Thomas**  
**NSW Deputy Executive Director**  
**Property Council of Australia**

## 1. Increased housing supply

<b>Governance and oversight</b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Establish a Housing Affordability sub-committee of cabinet comprising the Premier, Treasurer, Minister for Finance and Property, Minister for Planning and Housing, Minister for Transport and Infrastructure, Minister for Western Sydney, Minister for Social Housing and the Minister for the Environment and Local Government to set public targets for increased land supply, complementary infrastructure provision, housing completions and red tape reduction with timelines for completion.	<p>The Minister for Planning will lead a Housing Affordability Taskforce established to drive implementation of this strategy.</p> <p>A new Statement of Priorities will be issued requiring Landcom to take an active role to support housing affordability.</p>	
Give the new Housing Delivery Unit in the Department of Premier and Cabinet a clear mandate to work with local councils and the Greater Sydney Commission to fast-track the rezoning of land, including height and FSR increases, in accordance with the dwelling targets in the District Plans to be completed by the end of 2018.	The Local Environment Plans (LEPs) of 10 priority councils in Greater Sydney will be updated to reflect the final District Plans within two years of the GSC finalising the plans.	– 2017/18 Budget allocated \$2.5M to GSC to assist to councils' fast track LEP updates.
Task the Greater Sydney Commission with considering worlds' best practice options for incentivising innovation in housing design and supply to provide advice to the Housing Affordability Sub-committee by the end of 2017.	Not addressed	

### **Real targets and real deadlines**

<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Require the Housing Delivery Unit to immediately review all vacant or underutilised NSW Government held property assets to identify opportunities to rezone for residential or create additional affordable and social housing stock and set targets and deadlines for bringing those opportunities to market in a timely manner.	Property NSW will lead the identification of underutilised or surplus land across all government entities to contribute to increasing housing supply and the provision of social infrastructure.	
<p>Ensure the Greater Sydney Commission finalises the draft District Plans according to the current timetable and that clear, publicly available and enforceable arrangements are developed and implemented to meet the new minimum dwelling targets they contain.</p> <p>Create specific dwelling and, where appropriate, height and FSR targets for major urban renewal centres in the District Plans in a similar manner to those provided for strategic growth centres to deliver appropriate density in the most appropriate locations especially where the NSW Government is delivering game changing infrastructure.</p>	<p>The Greater Sydney Commission (GSC) will ensure the final District Plans contain housing supply targets for each local government area for periods of five and 10 years, sufficient to cater for expected population growth and address housing undersupply.</p> <p>Around 30,000 additional dwellings in existing Priority Precincts or new partial precincts will be delivered through accelerated rezoning.</p> <p>The Department of Planning and Environment will establish a specialist team to work with councils to accelerate rezoning applications and create an Office of Housing Coordinator to resolve impediments to housing supply.</p>	<ul style="list-style-type: none"> <li>– 2017/18 Budget performance measures is for GSC to finalise District Plans for Greater Sydney by 30 June 2018.</li> <li>– Draft Plans provided 5-year LGA housing supply targets, requirement for 10-year targets at LGA level welcome addition.</li> <li>– 2017/18 Budget provided funding for rezoning for Priority Precincts and Priority Growth areas to be accelerated as an interim step to deliver 30,000 additional dwellings.</li> </ul> <p>Increased density around existing and future infrastructure such as Parramatta light rail, Sydenham to Bankstown rail line including Campsie, Lakemba, Canterbury and Belmore, Anzac Parade, Parramatta Road redevelopment, Blacktown to Richmond line and health and education super precincts including the North Shore Hospital as well as new station precincts is a critical aspect of increasing housing supply.</p>
Make it compulsory for Councils to meet the dwelling approval targets within transparent timeframes and if they are not met, give the	The LEPs of all other councils in Greater Sydney will be updated with appropriate housing targets within three years of the release of final District Plans, with powers	Regulatory and statutory powers provided under the EP&A Act and other guidelines require local planning

Housing Delivery Unit the power to appoint the Greater Sydney Commission to make a Local Environmental Plan that meets the target.	for the Minister to intervene if necessary to ensure LEPs are updated.	authorities to give effect to the District Plans through their LEPs.
Establish a mechanism to 'reward' Districts, and the councils within them, that are able to demonstrate they have turbo-charged housing supply by either exceeding dwelling targets or by delivering those dwellings in a shorter timeframe than that required.	Up to \$2.5 million will be available to each priority council to assist them to update their LEP, with payments also available to up to five other councils that volunteer to accelerate updating their LEPs.	2017/18 Budget allocated \$2.5M to GSC to assist to councils' fast track LEP updates.

### **Legal and regulatory changes**

<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Provide merit appeal rights to the Land and Environment Court for rezoning and LEP amendment determinations made by Planning Panels for proposals that are rejected or not approved within a prescribed timeframe.	Not addressed	
Take other meaningful steps to allow greater development in the areas identified in <i>A Plan for Growing Sydney</i> via the creation of a strategic compatibility certificate application process to the new Housing Delivery Unit, with a merit appeal right to the Land and Environment Court.	Not addressed	
Clarify the ability to lodge planning proposals within approved corridor strategies (potentially via a s117 ministerial direction) and provide a fast track process, with published timeframes, for when they are within the controls.	Not addressed	

Make large scale residential development State Significant Development in western and south-western Sydney local government areas to significantly reduce red tape in greenfield areas.	Not addressed	
Increase the role of Independent Hearing and Assessment Panels (IHAPs) (to be renamed Local Planning Panels in the draft Bill), Sydney Planning Panels (SPPs) and Joint Regional Planning Panels (JRPPs) and make them mandatory to depoliticise development and prioritise housing delivery. The threshold for SPPs and JRPPs should be retained at \$20 million.	Greater use of independent panels in local Development Applications (DAs) (other than smaller DAs delegated to council staff) in some local government areas.	— <i>Environmental Planning and Assessment and Electoral Legislation Amendment (Planning Panels and Enforcement) Bill 2017</i> assented 14 Aug 2017, introducing mandatory planning panels as consent authorities in metropolitan Sydney councils and Wollongong City Council for projects valued \$5M-\$30M.
Retain the modifying power of section 75W by creating a new provision within section 96 to enable legacy Part 3A housing developments to increase yield and diversity where it can be justified and is in line with infrastructure investment.	Not addressed	
Amend the rezoning review guidelines issued in 2016 so independent Planning Panels have discretion to recommend or modify a proposal rather than just accept or reject it to avoid the process needing to start again when a proposal is rejected.	Not addressed	
Change current lot mix controls that mandate 60 per cent are required to have lot frontages of greater than 11 metres and none are able to have less than 10 metres frontage in low density residential land. Implement instead	Not addressed	

maximum density, with a minimum number of larger lots, and extend code assessment to this type of development.		
Promote downsizing for empty-nesters by encouraging the supply of senior appropriate housing via special planning consideration in the relevant planning legislation and instruments.	Not addressed	
Ensure that the measures detailed herein, that require legislative reform, are included in the Bill to amend the <i>Environmental Planning and Assessment Act 1979</i> and that any measures within the current draft that will increase delay, or negatively impact supply are removed. The resulting Bill should be progressed during the 2017 Budget session of parliament.	Not addressed	A draft Bill to amend the <i>Environmental Planning and Assessment Act 1979</i> was released in January 2017 by the former Planning Minister Rob Stokes for public comment. The Government is yet to release a revised Bill or advise the status of the existing Bill.
<b><u>More code assessment</u></b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Finalise and implement the medium density housing code ("missing middle") via a new SEPP and an associated state-government prepared development control plan (DCP) that would exclude local DCPs from applying.	A Medium Density Housing Code will allow well-designed dual occupancies, town houses, manor homes and terraces as complying development.	DPE finalising MDHC in conjunction with <i>Complying Development Expert Panel</i> comprising key stakeholders.
Examine how the missing middle code could be extended and amended to ensure broader application, including in growth centres	A Greenfield Housing Code will simplify development standards for one and two storey dwellings built in greenfield areas.	
Implement code assessable development for apartments, including high-rise and mixed-use	Not addressed	

developments, as available in other states and territories via a new SEPP and an associated state-government prepared development control plan (DCP) that would exclude local DCPs from applying (to the extent of any inconsistency).		
Reform state government concurrences and integrated approval arrangements via a State Environmental Planning Policy (SEPP) so a concurrence or integrated approval can be waived outright or waived if a development proponent commits to complying with pre-determined standards or requirements.	Not addressed	
Remove exemptions from the current SEPP 65, or 'workarounds' to ensure appropriate densities are being achieved, especially in locations benefiting from major state government infrastructure spends.	Not addressed	
Deregulate minimum apartment sizes currently allowed under SEPP 65 to bring Sydney into line with other global cities like New York, so singles and first home buyers have greater choice at lower price points.	The Minister for Planning will issue guidelines to facilitate smarter and compact apartments in well-designed buildings that complement their neighbourhood, with car parking not linked to apartment titles.	– Planning Circular (PS 17-001) issued 29 June 2017 <i>Using the Apartment Design Guide</i> – stipulating that ' <i>Apart from the non-discretionary development standards in SEPP 65, the ADG is not intended to be and should not be applied as a set of strict development standards.</i> '
Amend the current NSW housing code to override council LEPs that restrict subdivision by use of a minimum lot size map to facilitate complying dwellings down to 250 sqm with scope for further reduction over time.	Councils will be able to consider smaller minimum lot sizes when updating their LEPs in line with District Plans.	



Mandate a one-month approval timeframe, instead of the current Gateway process, for planning proposals in zone transition zones in growth centres and extend the zone transition to 200 metres rather than the current 100 metres.	Not addressed	
<b><u>Infrastructure delivery</u></b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Allocate an additional \$500 million to the Housing Acceleration Fund to deliver much needed essential infrastructure including water, road and electricity networks to speed up the delivery of new homes and jobs.	\$2.145 billion will be allocated for state infrastructure to accelerate housing in priority areas. ( <i>Housing Affordability Package</i> )	<ul style="list-style-type: none"> <li>– 2017/18 Budget included: <ul style="list-style-type: none"> <li>○ increase revenue from Special Infrastructure Contributions (SICs) reflecting the expansion of SICs to 15 new areas including 12 Sydney metropolitan precincts.</li> <li>○ additional \$1.6 billion in funding from Restart NSW and the State Capital Program to HAF to deliver infrastructure aimed at unlocking new housing supply. This will form part of the <i>Housing Infrastructure Program</i> under the NSW Housing Affordability Package, which includes multiple infrastructure initiatives to address the challenge of housing affordability in Sydney and affected regional areas.</li> </ul> </li> <li>– Draft SICs yet to be released for public comment (unclear scope of works or distribution of costs).</li> </ul>
Permit developers (in transparent VPAs with the relevant planning authority) to deliver/forward fund State Government “needs” (e.g. roads, schools).	Not addressed	<p>In January 2017, the NSW Government sought feedback on:</p> <ul style="list-style-type: none"> <li>• A draft Ministerial direction for planning authorities on principles to be followed in negotiations on a VPAs;</li> </ul>



		<ul style="list-style-type: none"> <li>• A draft revised practice note on VPAs outlining fundamental principles and best practice in their use and administration;</li> <li>• A draft planning circular to provide advice on ensuring planning proposals consider infrastructure needs and options for funding.</li> </ul> <p>To improve the policy framework for voluntary planning agreements (VPAs).</p> <p>Government yet to finalise reform.</p>
Establish and publish a sequential timetable for compulsory acquisition of necessary infrastructure land (only) in key corridors to assist unlocking supply of remaining growth centre land and ensure the relevant agencies are appropriately funded to undertake detailed design work in advance.	Not addressed	
<b><i>Reduce red tape and ensure there are enough resources to do the job</i></b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Review the planning proposal and development application process to clarify and trim excessive information requirements and enshrine and encourage the ability to lodge concurrent applications.	Not addressed	
Ensure Voluntary Planning Agreement (VPA) reform is directed towards increasing flexibility and transparency and does not inadvertently entrench the worst aspects of the current	Not addressed	<p>In January 2017, the NSW Government sought feedback on:</p> <ul style="list-style-type: none"> <li>• A draft Ministerial direction for planning authorities on principles to be followed in negotiations on a VPAs;</li> </ul>

system that legitimise poor council practice and increase the hidden costs of delivering housing.		<ul style="list-style-type: none"> <li>• A draft revised practice note on VPAs outlining fundamental principles and best practice in their use and administration;</li> <li>• A draft planning circular to provide advice on ensuring planning proposals consider infrastructure needs and options for funding.</li> </ul> <p>To improve the policy framework for voluntary planning agreements (VPAs). Government yet to finalise reform.</p>
Ensure the Department of Planning, the Greater Sydney Commission and other key players within the system, such as the JRPPs, have adequate resources to undertake the roles assigned to them in accordance with the targets and timeframes set as part of the governmental response to the housing affordability crisis.	Addressed in Budget.	<p>2017-18 NSW Budget provided \$3.8B (up from \$2.6B in 2016-17) in funding to the Planning and Environment cluster, including:</p> <ul style="list-style-type: none"> <li>• \$144M to fund the Greater Sydney Commission.</li> <li>• \$61M in funding for housing affordability: <ul style="list-style-type: none"> <li>○ \$30M (\$118M over four years) to deliver infrastructure, housing and employment initiatives, review land use and infrastructure strategies for priority growth areas and implement regional plans</li> <li>○ \$12.5M (\$71M over four years) of new spending to: <ul style="list-style-type: none"> <li>▪ accelerate major project assessments and improve assessment timeframes</li> <li>▪ support Joint Regional and Sydney Planning Panels operations across New South Wales – deliver high quality, timely assessments and post-approval activities for major projects</li> <li>▪ improve environmental impact assessment, post-approval processes and compliance outcomes</li> </ul> </li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>▪ support planning system mergers across local government</li> <li>▪ drive regional growth and improve environmental outcomes</li> <li>○ \$14M (\$40M over four years) of new spending to address housing affordability</li> </ul> <p>\$4.5M (\$19M over four years) to address housing affordability by expanding Priority Precincts and Priority Growth Areas to deliver around 30,000 additional dwellings and to support the reform of Infrastructure Contributions.</p>
<b><u>Regional initiatives</u></b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Embed appropriately staged 20-year Infrastructure Delivery Schedules within Regional Plans (starting with the Hunter, the Illawarra and the Central Coast), handing responsibility for implementation to a specific government agency.	Not addressed	
Fast-track the commitment to investigate the establishment of a Hunter Commission.	Not addressed	<p>The 2017-18 NSW Budget provides \$110M in funding for the Hunter Development Corporation, for revitalisation of designated urban areas to support new residential and employment opportunities. Key initiatives include:</p> <ul style="list-style-type: none"> <li>• \$55M over four years for a range of community service obligations, including restoring seawalls, provision of public domain, road realignment, and provision of affordable housing for the Newcastle community</li> </ul>

		<ul style="list-style-type: none"> <li>• \$43M to remediate Newcastle BHP sites at Kooragang Island and Mayfield</li> <li>• continuing management of the \$17M Newcastle Mines Grouting Fund and the annual \$1M Newcastle Port Community Contribution Fund</li> <li>• implementing the Hunter Regional Plan</li> </ul>
Ensure the newly established Regional Infrastructure Coordinator has a mandate, clear targets and a plan to fund and deliver the infrastructure needed in regional NSW to unlock land to increase housing supply.	Not addressed	
<b>2. <u>Reform state property taxes and reduce fees, charges and red tape</u></b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Institute a freeze on all existing state and local government taxes and charges (including SIC discounts) that impact on the cost of bringing a dwelling to market and commit to a moratorium on any new taxes, charges and levies to undertake a review and rationalisation with the aim of a 20 per cent reduction in these costs by 2018.	<p>Changes to developer contributions for infrastructure will be implemented, including phasing out the Local Infrastructure Growth Scheme (LIGS), and introducing Special Infrastructure Contributions to new areas. \$369 million will be allocated to councils for local infrastructure under the phase out of the LIGS.</p> <p>IPART will continue to determine efficient costs for essential works that are funded through local contribution schemes where the per dwelling contribution exceeds \$30,000 for greenfield areas or \$20,000 for urban renewal/infill areas, requiring a council to only adopt a contribution plan if it is consistent with IPART's recommendation.</p> <p>A 50 per cent discount on interest costs will be available for councils on up to \$500 million of commercial or additional T-Corp loans provided under</p>	<ul style="list-style-type: none"> <li>– Planning Circular (PS 17-002) issued 27 July 2017 <i>Changes to section 94 local infrastructure contributions</i> outlines details for: <ul style="list-style-type: none"> <li>○ the closure of LIGs, to be phased out from 1 Jan 2018 to 1 July 2020, and</li> <li>○ removal of infrastructure 'caps', and role of IPART in assessing contribution plans.</li> </ul> </li> <li>– Planning Circular (PS 17-002) issued 27 July 2017 <i>Changes to section 94 local infrastructure contributions</i> outlines details regarding the role of IPART in assessing contribution plans (in accordance with the Department's Development Contributions Practice Note (February 2014).</li> </ul>

	the 'Fit for Future' loan scheme for councils.	
Immediately remove the specific foreign investment surcharges (stamp duty and land tax) introduced in the 2016 budget from housing suppliers (including retirement living and student accommodation developers and investors), to ensure the 15 to 20 per cent of housing development undertaken by foreign companies is not put at risk.	The foreign investor surcharge will be increased from 4 per cent to 8 per cent on stamp duty and from 0.75 per cent to 2 per cent on land tax, with foreign developers to be exempt, from 1 July 2017.	Legislation carving out foreign developers was passed during the last session of Parliament; however, the Property Council is seeking amendments to provide an upfront exclusion rather than the refund mechanism which was adopted. Treasurer has committed to amend legislation to remedy.
Revise NSW stamp duty rates and thresholds to ensure that premium rates do not apply to 'standard' houses. For example, on the current seven-point scale, more than 50 per cent of properties in Sydney fall into the top two tax brackets.	Not addressed	
Work with the Commonwealth Government on a broader tax reform strategy to reduce the state's reliance on stamp duty receipts over the longer term with the goal of eliminating this inefficient tax altogether.	Not addressed	
Create a "housing supply impact assessment statement" requirement for any state government regulatory or financial changes so the new Housing Supply Unit can provide advice to government about the likely cost and red tape burden such changes would create.	Not addressed	

### 3. Better cooperation between all levels of government

Property Council Recommendation	Government Housing Affordability Package	Progress and Next Steps
Work with the Commonwealth Government to operationalise the Intergovernmental Agreement (IGA) on Competition and Productivity-Enhancing Reforms in relation to planning and zoning and construction approvals. The NSW Government signed the IGA in December 2016.	Not addressed	
Support the reintroduction of the National Housing Supply Council to measure market performance and provide independent advice to support competition policy payments.	Not addressed	
Work constructively with the Commonwealth Government to deliver a workable housing bond aggregator proposal to deliver more affordable housing by facilitating greater private sector investment into this housing type.	Not addressed	NSW Treasurer announced the establishment of a working group comprising government and industry stakeholders to look at creating a 'build-to-rent' housing sector in NSW, first meeting held Sept 2017.
Ensure that housing supply measures are appropriately recognised in the new Western Sydney City Deal and any other city deals implemented in NSW.	Not addressed	
Finish implementing the <i>Fit for the Future</i> plan to strengthen local government across the state and ensure councils are equipped to efficiently and effectively operate local	Not addressed	In December 2015, the Government outlined plans for 35 mergers, reducing the state's 152 councils to 112.  In May 2016, 19 mergers proceeded, with the

planning systems and supply local infrastructure.		Government announcing in August 2017 that it would abandon any further mergers.  NSW now has 128 councils, including 35 in metropolitan Sydney.
Work with the Commonwealth Government to consider innovative options to further decentralise and support alternative population centres, for example, via progressing a fast train proposal between Sydney and Canberra or Sydney and Melbourne.	Not addressed	
Commit to working with the Commonwealth Government on long term measures to improve the pipeline of appropriately skilled workers into construction and related industries, and worker mobility, to better address the cost driver that skills shortages create.	Not addressed	
<b>4. <u>Bridge the deposit gap and support for first home buyers</u></b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Examine the successful WA Key Start scheme with a view to introducing a similar initiative in NSW. The Key Start scheme helps eligible people buy their own homes through low deposit loans and shared equity schemes.	Not addressed	
Increase the threshold for stamp duty concessions for first home buyers. Currently, those concessions are only available for purchasers of properties valued below	For both new and existing dwellings, first home buyers will be exempt from stamp duty for properties	Measures implemented in the 2017-18 NSW Budget.

Exempt any affordable housing, as defined by the National Rental Affordability Scheme, developed as a consequence of the District Plans from any additional local government contributions.	Not addressed	
Establish a taskforce to work with the property industry and community housing providers to develop a model to support institutional investment into the long-term rental market to build scale and professionalism in the sector.	Not addressed	NSW Treasurer announced the establishment of a working group comprising government and industry stakeholders to look at creating a 'build-to-rent' housing sector in NSW, first meeting held Sept 2017.
Consider a new category of zoning for multi-family residential development to support the commercial competitiveness of the asset class and make it more attractive to large scale investors.	Not addressed	NSW Treasurer announced the establishment of a working group comprising government and industry stakeholders to look at creating a 'build-to-rent' housing sector in NSW, first meeting held Sept 2017.
Examine options for providing and discounting appropriate government land parcels for mixed affordable housing/apartments for sale projects. UrbanGrowth NSW currently holds appropriate land parcels that could be re-purposed in this way.	Property NSW will lead the identification of underutilised or surplus land across all government entities to contribute to increasing housing supply and the provision of social infrastructure.	
Make a requirement of any sale of, or development application relating to, government owned land that can be redeveloped for residential purposes that a set percentage of any GFA or dwelling yield to be developed is to be used for social or affordable housing.	Not addressed	



<p>Amend the Affordable Rental Housing SEPP so:</p> <ul style="list-style-type: none"> <li>any application under Part 2 Division 1 is code assessable with the FSR bonus “as of right” and thus is above any LEP height or FSR restriction and unit areas are relaxed as set out above;</li> <li>for an application made under Division 5, it is clarified that residential development at density is not incompatible with low density residential or other low impact non-residential development.</li> </ul>	Not addressed	
<p>Consider how the burden of government contributions on social housing development could be reduced, including state infrastructure charges and section 94 contributions, without passing them on to other sectors.</p>	Not addressed	
<p>Fast-track the roll out of the <i>Communities Plus Program</i> to speed up the replacement and creation of appropriate social housing stock for the most vulnerable in the community and address the current waiting list.</p>	Not addressed	

# **Submission to the Parliament of NSW Committee on Environment and Planning**

## **Inquiry into Land Release and Housing Supply**

5 September 2017

# WHO WE ARE

AUSTRALIA'S BIGGEST INDUSTRY

The property sector contributes the most to GDP



BIG JOB CREATOR

The property industry is the 2nd largest employer



The Property Council of Australia is the leading advocate for Australia's biggest industry – property.

The Property Council champions the interests of more than 2200 member companies that represent the full spectrum of the industry, including those who invest, own, manage and develop in all sectors of property. Creating landmark projects and environments where people live, work, shop and play is core business for our members.

Our industry represents one ninth of Australia's GDP (the largest of any sector), employs 1.1 million Australians (more than mining and manufacturing combined) and generates \$72 billion in tax revenues to fund community services.

## HOW WE DEVELOP POLICY

This submission is built on the intellectual capital of our membership and grounded in truth by their key market insights.

It is validated by broad industry consultation and a powerful bank of research held by the Property Council of Australia.

## ISSUES & RECOMMENDATIONS

The delivery of Land for new residential development is a complex process involving a number of Government Agencies. It also involves meeting the requirements of Local Councils, State and Federal Government Legislation some of which is inconsistent and multilayered.

The delays caused by the apparent lack of resources in State Government agencies is adding considerably to the delay in bringing sufficient land and housing stock to the market. Agency referral timeframes that are legislated at forty (40) days often blow out to well over twelve months if they respond at all. Even though Local Councils and Planning Panels can proceed to assess applications where agencies have not responded our members experience is that none are willing to do so.

The delay in agency responses leads directly to delays in development approvals and hence land supply and holding costs that are passed on directly to the consumer having a direct impact on housing affordability. Over the past decade housing demand has outstripped supply in NSW by nearly one hundred thousand (100,000) dwellings. In fact, there has not been one year where housing supply in NSW met annual demand.

As we see it there are two options. Either significantly increase the staffing of Government Agencies dealing with referrals or allow private practice to become accredited to supplement the government agencies resources. Hunter Water Corporation (HWC) recently introduced an accreditation scheme to allow accredited certifiers to approve water and sewer designs that have been designed in accordance with HWC Guidelines and Specifications. We believe that a similar scheme could be introduced for other referral agencies to speed up the process. If the Committee believe the referral agencies already have adequate resources then they must be held to account to meet the legislated timeframes.

We believe that Accredited Certifiers with appropriate experience, qualifications and insurance could approve at a bare minimum the following:

- Stormwater Management Plans and Vegetation Management Plans, Landscape Plans and issues Controlled Activity Approvals - DPI
- Biodiversity Assessment Reports – OEH
- Certification of intersection designs – RMS

The RMS Works Authorisation Deed (WAD) process is another cause of significant delay in the delivery of land in NSW. Currently the WAD process cannot commence until a Development Approval (DA) has been issued which is inconsistent with other government agencies like Hunter Water Corporation and Ausgrid.

It takes approximately six to eight months to prepare and execute a WAD including the concept and detailed design review processes. This time is added directly to the delivery time of land in new urban release areas once again adding to holding costs and hence the cost of residential land. Resolving this issue is not difficult, allowing the developer and the RMS to enter into a WAD and complete the process up to "Concept design Approval" prior to DA would provide greater certainty to the development industry and shave many months off the time to bring new housing sites to the market.

The RMS also imposes heavy bank guarantees on new infrastructure that are completely out of step with industry standards that have a direct impact on then cost of delivering new housing lots. Security deposits imposed on the development industry for the construction of RMS assets are levied at 100% of the construction cost with 50% returned after Practical Completion and the remainder released at the end of the defects liability period. These works are generally multimillion dollar projects and these bonds lock up large amounts of capital that could otherwise be redirected to accelerate the delivery of residential housing lots and reduce land prices. Whilst we understand the need for the RMS to have some recourse if defective work has been carried out the industry norm in the private sector would be to hold 5% with 2.5% returned at practical completion and the remainder returned at the end of the defects liability period. In addition, the RMS has the most onerous design review and construction verification process of any of the agencies and certainly a much higher standard than that required in the private sector.

We believe that at a bare minimum the security bonds should be slashed to bring them closer to the industry norm i.e. 10% bond with 5% returned at practical completion. If the concern is over whether the developer gets into financial difficulty and can't complete the works then a progressive reduction in the security bond as the works are completed would overcome this issue.

The current level of security bonds at 100% of construction value is having a detrimental impact on development cash flow and project viability. This issue once again leads to an increase cost in the supply of new residential lots that is passed on directly to the consumer and causes further delays in land supply.

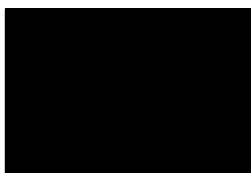
The PCA has already provided a submission on the proposed Biodiversity Legislation which is attached. The proposed legislation has the potential to put further pressure on housing supply and hence affordability and will be particularly problematic in Regional areas.

One of the key issues for our members in the land supply space is the multilayers of government legislation that are often inconsistent or conflicting. Often our members will spend considerable amounts to comply with State Legislation only to then find that Local Council has its own more onerous legislation covering the same issue. As an example:

- A gully not deemed to be a water course by the Office of Water may indeed be deemed to be a water course by the Local Council.
- The threatened species identified by Federal, State and Local Councils are often inconsistent.
- Local Councils often have more onerous biodiversity offset policies than those imposed by the State.
- Predicted sea level rise levels vary widely between Local Government, the NSW Government and Australian Standards. The variation in these levels has a considerable cost impact on coastal infrastructure.

This all leads to cost, delay, lack of supply and hence increased housing cost. The PCA believe that this is an easy fix, the introduction of a no conflict policy would allow the policy of the higher level of Government to take precedent of the lower level of Government removing the inconsistency and unifying the requirements.

Some of the issues identified above may appear to be minor in nature however it is the cumulative effect of these and other issues that is having such a detrimental effect on land release and housing supply in NSW.



ANDREW FLETCHER  
**Hunter Director**  
**Property Council of Australia**  
afletcher@propertycouncil.com.au | 0407 410 017

AN ANALYSIS OF RESIDENTIAL REZONINGS  
IN METROPOLITAN SYDNEY

# ZONED OUT

NOVEMBER 2016



PROPERTY  
COUNCIL  
*of Australia*

**JBA**





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# EXECUTIVE SUMMARY

## Sydney is going through a dramatic time of change.

It is becoming a truly global city and with this comes population pressures on infrastructure, services, and housing.

Based on the State Government's own targets, the market was under-supplied by 56,000 homes over the decade from 2005 – and risks a deficit of 190,000 by 2024.

Sydney has the biggest deficit of all our capital cities – and the consequences for prices are clear. Over the five years to March 2016, dwelling values in Sydney rose by 42 percent – almost double the increase in Melbourne.

It is important that we meet this growth and the challenges that come with it with a clear, strategic plan for the future.

That is why the Property Council of Australia NSW Division commissioned JBA to conduct this research on residential rezoning in metropolitan Sydney – to see whether we are truly meeting this challenge and providing the housing that a growing population needs.

We focused on two of Sydney's Districts – the Central District which is experiencing significant investment in transport infrastructure and needs urban renewal to drive additional housing supply, and the South West District which is growing rapidly in population supported by significant housing delivery and will house Sydney's second airport and the associated jobs and infrastructure.

There are some concerning findings:

- Councils across Sydney are lagging in delivering the strategic planning needed to support population growth.
- Both in the greenfields and in infill areas, Councils are not revising their LEPs to deliver significant levels of new housing.
- Our planning system risks a dysfunctional dependence on developer-led rezonings. 64% of the residential-related LEP amendments were put forward by the private sector – with private proponents preparing 81% of LEP amendments to create greater than 100 dwellings.

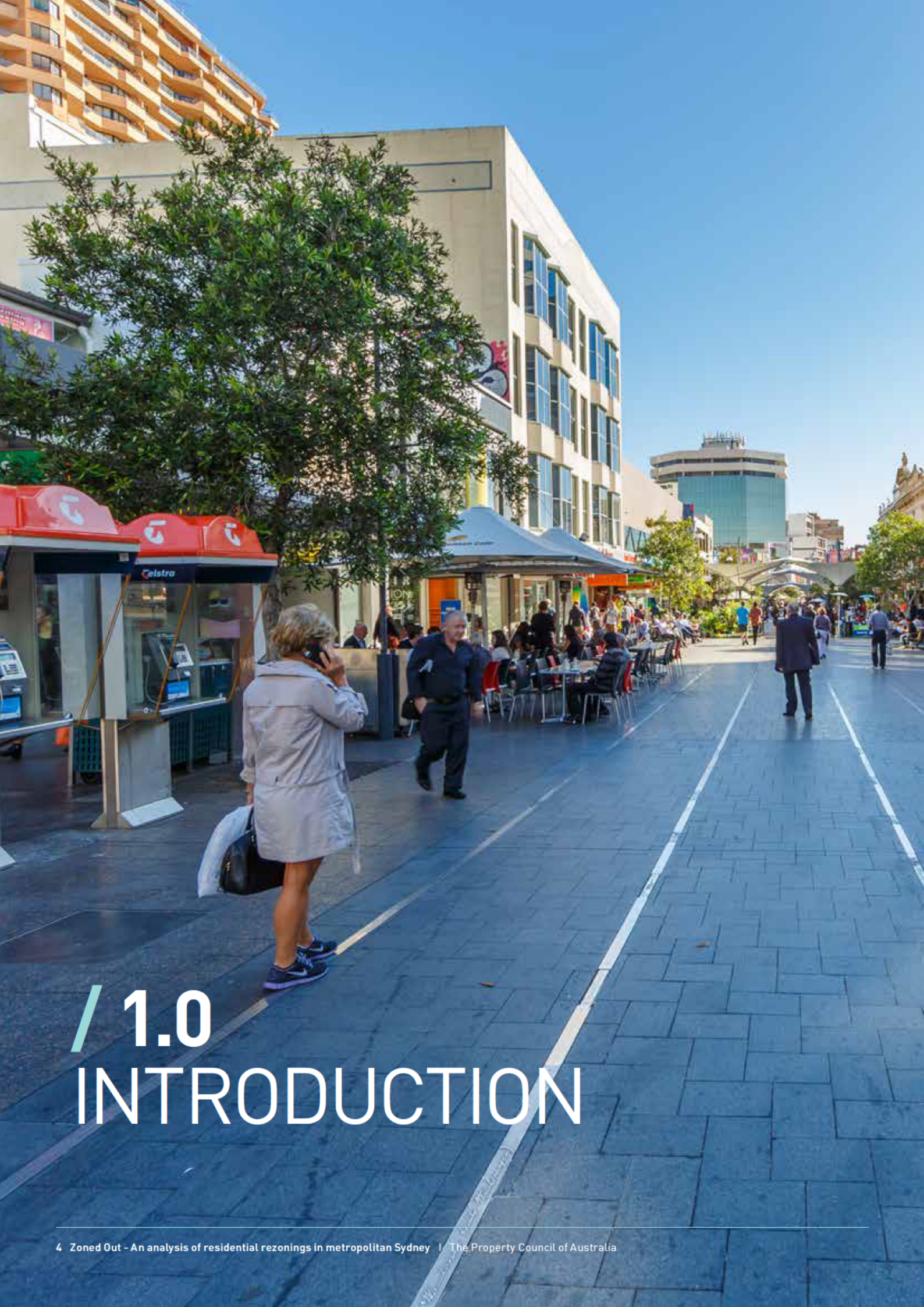
It reinforces the need for a strong, strategic outlook at a local level to provide the leadership that is required in these changing times.

The constraint on supply caused by poor planning systems and the inflationary impact of excessive taxes and charges contribute significantly to rising house prices.

The State Government and Councils need to work to accelerate the production of LEPs, and convert growth projections into good strategic planning.

The Greater Sydney Commission has a key role to play following the release of the District Plans and should utilise their capacity to mobilise delivery of local planning schemes.





# / 1.0 INTRODUCTION



This report has been prepared by JBA on behalf of the Property Council of Australia to consider the challenges posed to the delivery of housing supply in NSW – primarily through the Planning Proposal (rezoning) process and the level of planning undertaken by Government (local and State) to address housing supply.

This report also considers the potential to guide future thinking for the Greater Sydney Commission by shining a light on the processes currently undertaken for the rezoning of land for residential uses in NSW and the level of integrated land use and transport planning occurring at a local level.

## / 1.1 THE PROPERTY COUNCIL OF AUSTRALIA

The Property Council of Australia is the nation's peak representative for the property and construction industry.

The Property Council's members include the major developers of property across NSW, in the greenfields and in urban infill, across Sydney, the Hunter and the Illawarra.

Our members are long-haul investors in cities, so understand the case for improving their productivity, liveability and sustainability – and the essential role played in that by ensuring housing supply.

Local and State Governments have a responsibility to undertake the strategic planning to meet the needs of our growing population. This report has been commissioned to ascertain to what extent this planning is happening – or whether the planning system is failing to deliver the housing Sydney needs.

## / 1.2 PURPOSE OF THIS REPORT

On behalf of the Property Council of Australia, JBA have sought to provide an independent analysis of LEP amendments occurring in Metropolitan Sydney via two sample areas of the Central and South West districts. The analysis seeks to identify and compare the level of housing versus other rezonings, and those instigated by private or public authorities. The report aims:

- to identify and understand the current level of LEP amendments undertaken at a Local Government level compared to that driven by the private sector.
- to understand the quantum and drivers behind council LEPs that occurred in all councils across the Central District and South West District, over the four years since 2012.
- to understand the quantum of residential focus for all rezonings in these Districts, specifically focussing on projects involving a minimum of 100 dwellings only.
- to analyse areas of major infrastructure investment and where Councils have made provision for increased housing density and supply. The research investigates locations of significant infrastructure investment and seeks to understand the level of land use planning change that has occurred, and whether this has been led by State or Local Government.

LOCAL AND STATE GOVERNMENTS HAVE A RESPONSIBILITY TO UNDERTAKE THE STRATEGIC PLANNING TO MEET THE NEEDS OF OUR GROWING POPULATION

## / 1.3 METHODOLOGY

Consistent with the intention of this report to use an evidence-based approach to investigate the challenges facing the rezoning process in NSW, the findings of this report have been reached through the following research methods:

- Review and mapping of key infrastructure / programs of the State Infrastructure Strategy, the Metropolitan Strategy for Sydney and the Transport for NSW Long Term Transport Master Plan and Government-led land use change (i.e. Priority Precincts).
- Review of the NSW Department of Planning & Environment 'LEP Tracker' to collect data for the 16 relevant Local Government Areas (LGAs). The data collected includes:
  - Scope and objectives of the LEP categorised as per the following:
    - Amending or Principal LEP;
    - Proponent (private, public, Council);
    - Timeframes for each stage of the Planning Proposal Process;
    - Note if pre or post Gateway Review undertaken;
    - Residential or other land uses (or simply housekeeping etc.);
    - Residential and likely to produce greater than 100 dwellings.
  - Review of other Council strategies, strategic planning works or State Planning Policy.
  - Geo-locating LEP amendments relative to infrastructure change and State Government-led land use change (i.e. Priority Precincts).

The research and data collected includes only those submitted from 2012.





# / 2.0 SYNOPSIS

**The NSW State Government introduced the *Standard Instrument (Local Environmental Plans) Order 2006* to standardise, and hopefully, streamline statutory planning process in NSW. Whilst all Councils across NSW have now 'standardised' their LEPs, it has taken some considerable time – recognising that in some instances, it was by no means a minor administrative task.**

However, it is apparent that wider strategic planning by Councils may have taken a back seat whilst there was a continued focus on this administrative task soaking up so many resources at Councils.

Since 2011, Planning Proposals have been a necessity with the abolition of Part 3A. This, combined with stricter statutory interpretation of clause 4.6 of Local Environmental Plans (the statutory tool to allow 'exceptions to development standards'), means that often a Planning Proposal is required when there should be a merit based judgement on a proposal at a Development Application stage.

With the commencement of the *Greater Sydney Commission Act 2015*, new provisions were inserted into the *Environmental Planning and Assessment Act 1979* in January 2016. Part 3B of the Act will require LEPs be prepared "to give effect to" regional and district plans and more importantly, on the making of a district plan, each relevant council must review its LEP to give effect to the district plan. This is a significant step in the elevation of strategic planning as anticipated in the Planning Bill of 2013.

Previously, there was no statutory requirement for LEPs to be updated to align to higher order strategic plans, and regardless, NSW had Draft Subregional Plans dating back to 2007 that were never finalised.

Further, the State Government has introduced recent legislation requiring a 'Strategic Merit Test' in LEP amendments, which, amongst other things, requires a Planning Proposal to be consistent with the relevant District Plan. Whilst there is clear merit in this, there will always need to be a 'spot' rezoning process as there will always be instances where the District Plan doesn't get everything right, or considers all micro issues, nor can development be put on hold until Strategies are finalised.

However, allied to all of this we have also seen renewed focus on integrated transport and land use planning which is now at the forefront of State Government thinking with the preparation of corridor and other plans aligning to recent infrastructure announcements. From mapping analysis undertaken, the correlation between LEP amendments (both privately and Council-led) and existing key infrastructure is not as strong as it perhaps could, or should be.

All of this is occurring in an environment of change. With Council amalgamations, it is expected to some extent that strategic (and perhaps other) planning may again take a back seat whilst many Councils undergo amalgamation and all that comes with that process.

This paper seeks to understand and question the assertion that rezonings in the Sydney Metropolitan area have become the new norm. Considering the time and resources needed to undertake an LEP amendment, we again find our State and Local Government planners under pressure to adequately plan for Sydney's growing population.

The scope undertaken and assumptions made in this project are provided below:

- A review of the NSW Department of Planning & Environment LEP Tracker to collect data for the 16 relevant LGAs in the Central and South West Districts lodged since 2012.
- Analysis of every LEP amendment made in the study period in terms of their scope and objectives. In particular the research is focused on LEP amendments that were residential in nature, or had the potential to benefit residential development (i.e. mixed use developments).
- Review of Council strategies, strategic planning work or State Government planning policy affecting that LGA.
- Geo-locating LEP amendments relative to infrastructure change and State Government-led land use change (i.e. Priority Precincts).

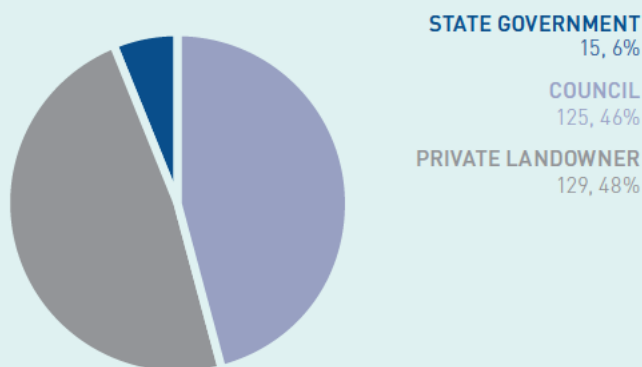


## / 2.1 KEY FINDINGS

### / TOTAL LEPS

Of the 269 total LEP amendments submitted in the two Districts since 2012:

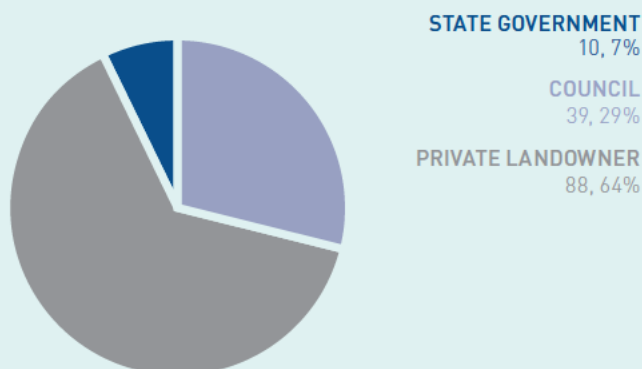
- 48% of these (129) have been submitted by private proponent;
- 46% by Council; and
- 6% by the State Government. It should be noted that there are other provisions available to the State such as the Growth Centres SEPP or SEPP amendments to enable Priority Precincts etc.



### / RESIDENTIAL LEPS

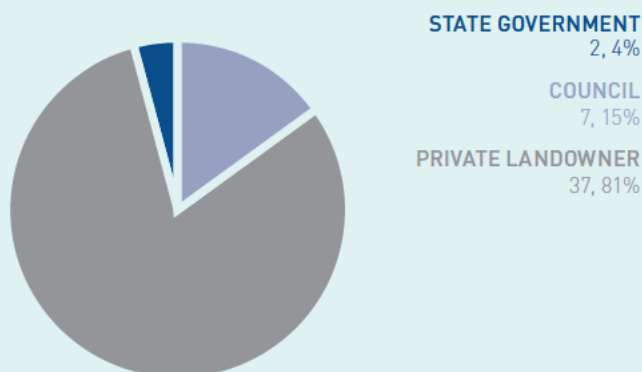
LEP amendments that were residential in nature (or had the potential to benefit residential development) are predominantly led by the private sector.

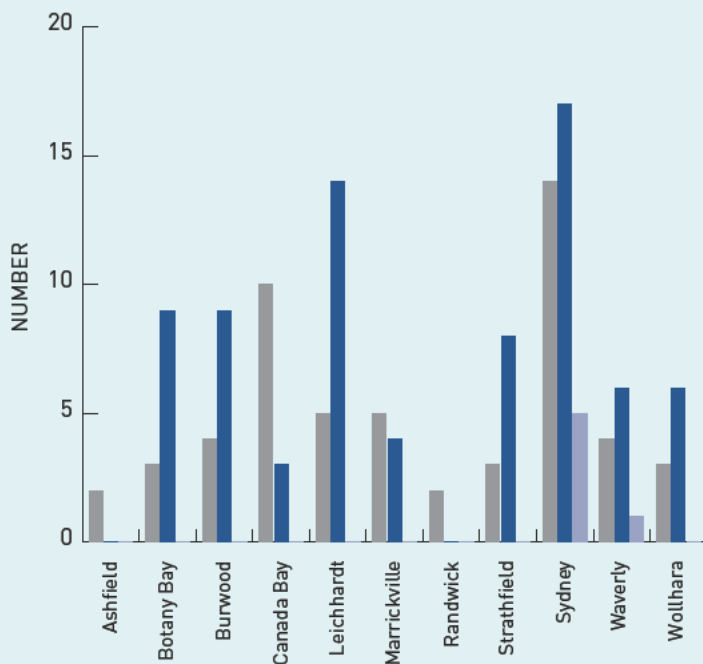
Of the 137 residential related LEP amendments, 64% of these were put forward by the private sector. 29% were led by Council, and 7% by the State Government.



### / RESIDENTIAL LEPS LIKELY TO DELIVER MORE THAN 100 DWELLINGS

This analysis shows the growing disparity in residential LEPs that are likely to produce greater than 100 dwellings. Of the 46 LEP amendments likely to create more than 100 dwellings, the analysis indicates that private landowners submitted 81% of LEP amendments, with Council at only 15% and State Government at 4%.



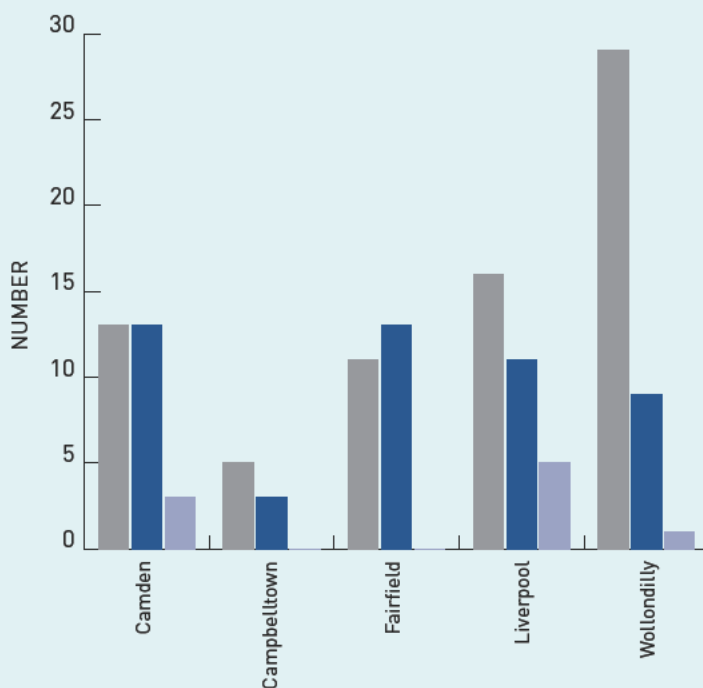


## / PROPONENT BY LGA – THE CENTRAL DISTRICT

When analysing each LGA within the Central District, a clear trend is established that, in general, although Councils took the lead on rezoning of land the LEPs were predominantly non-residential in nature.

The outlier LGAs are Ashfield, Canada Bay, and Marrickville that experienced more private proponent led LEP amendments.

■ PRIVATE LANDOWNER  
■ COUNCIL  
■ STATE GOVERNMENT



## / PROPONENT BY LGA – THE SOUTH WEST DISTRICT

When analysing each LGA within the South West District, it is predominantly private landowner led rezonings, with an extreme imbalance evident in Wollondilly.

Only Fairfield Council led more LEP amendments compared to private landowners. Camden was evenly split between Council (13) and Private Proponents (13).

■ PRIVATE LANDOWNER  
■ COUNCIL  
■ STATE GOVERNMENT

## Central District

There is a clear correlation between Department of Planning & Environment land use planning and key infrastructure based on the significant investment in the Sydney Metro City & Southwest and WestConnex projects.

Whilst there is a general tendency for LEP amendments to follow existing rail infrastructure – the immediate correlation with station precincts is not as strong as what might be expected.

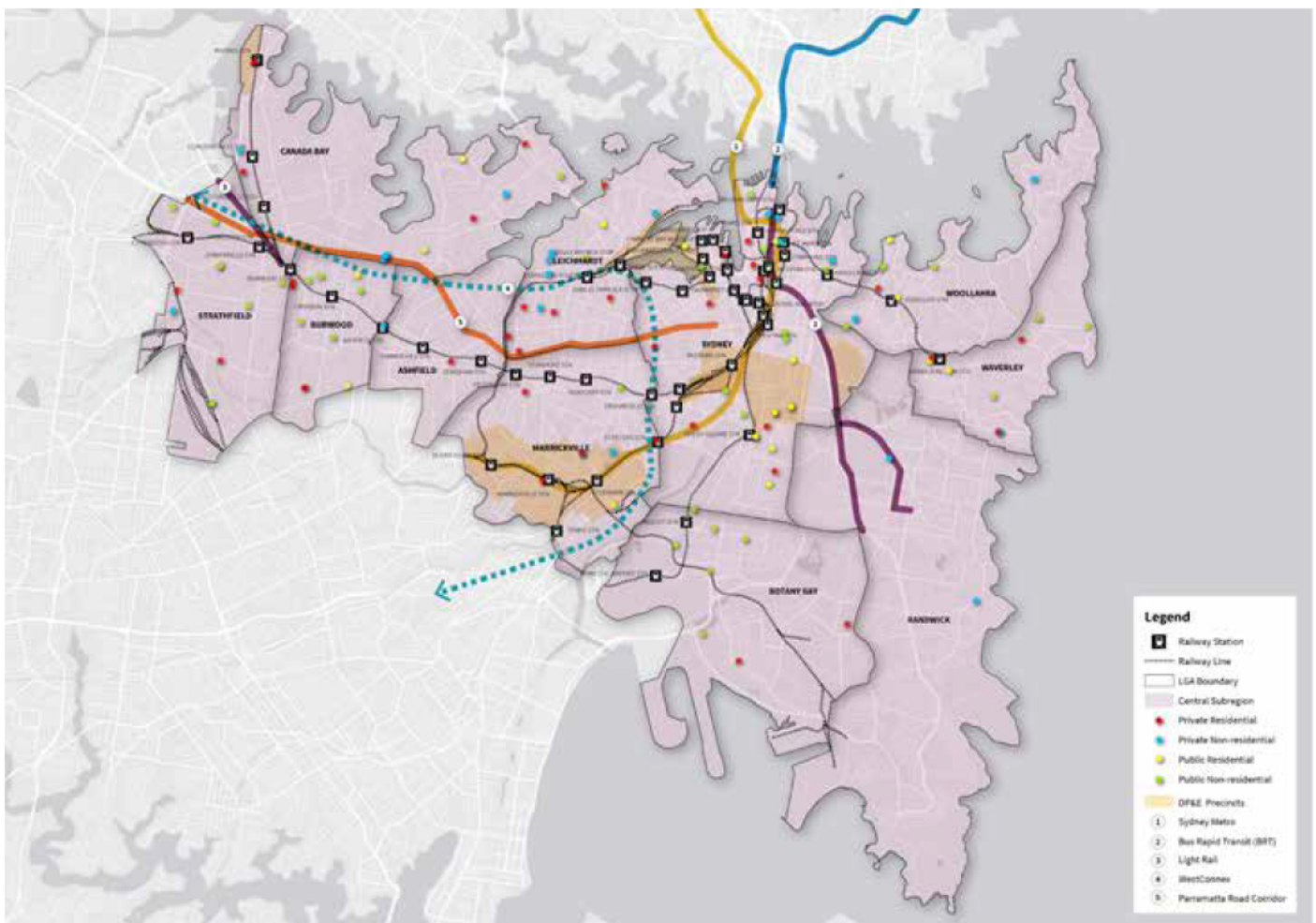


Figure 1: All LEP amendments and projected Infrastructure / DP&E Rezoning in the Central District

## South West District

Again there is a clear correlation between Department of Planning & Environment strategic land use planning and infrastructure.

There is, however, a far clearer correlation between LEP amendments and the provision of existing infrastructure. This is particularly evident for private proponent led LEP amendments, less so however for publicly-led LEP amendments.

**All LEPs and projected Infrastructure / DP&E Rezoning.**

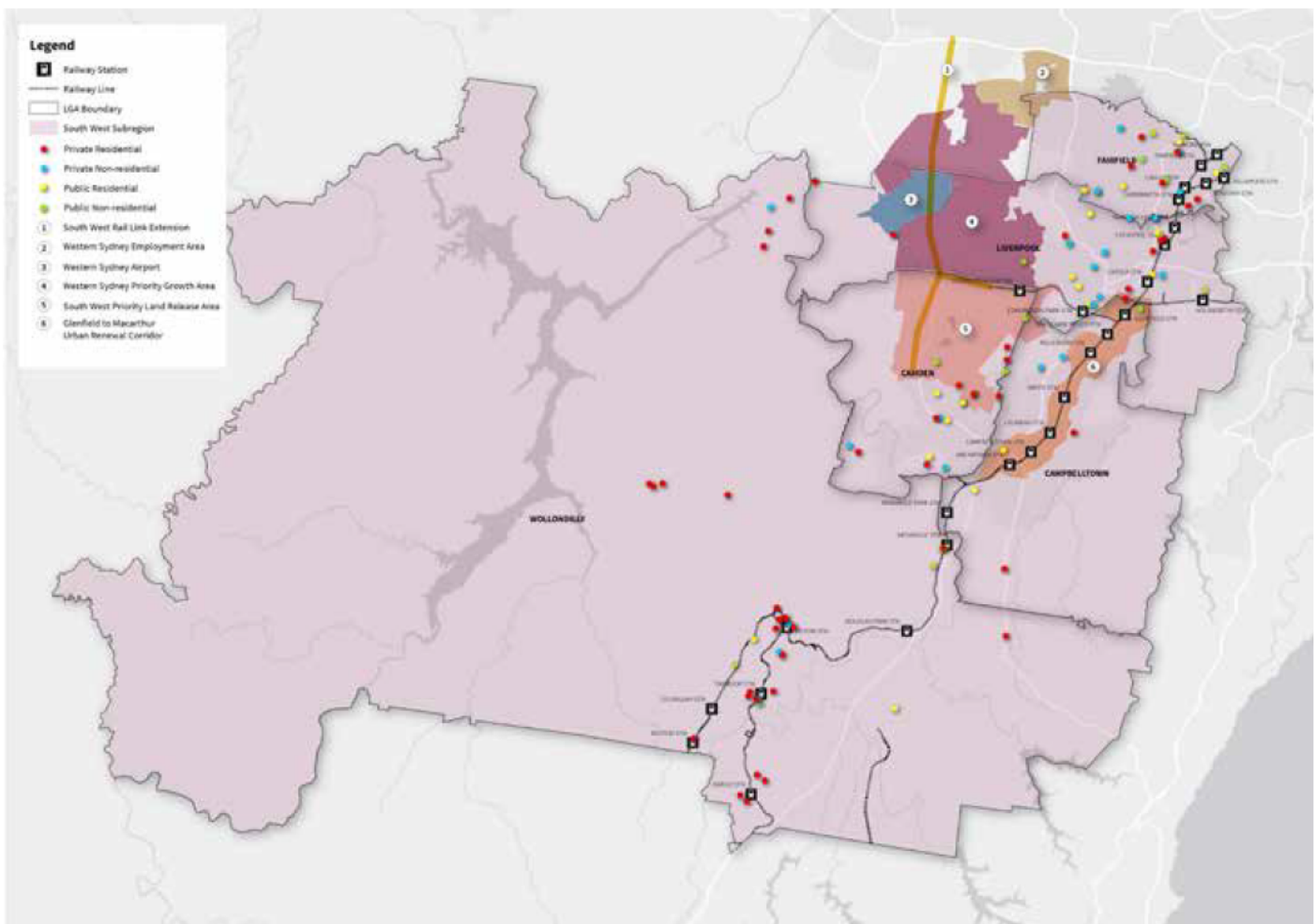


Figure 2: All LEP amendments and projected Infrastructure / DP&E Rezoning in the Southw West District.





# / 3.0 THE CENTRAL DISTRICT





- The Central District contains the LGAs of Botany Bay, Burwood, Canada Bay, Inner West, Randwick, Strathfield, City of Sydney, Waverley and Woollahra.
- The Councils of Ashfield, Leichhardt and Marrickville have now merged to form the Inner West Council – this report uses data from the former LGAs.
- Being part of the ‘Global Economic Corridor’ – as recognised in the Plan for Growing Sydney – there is understandably a high concentration of key strategic moves affecting the District. Key items include:
  - The Sydney Metro City & Southwest running from Cudgegong Road and Rouse Hill in the northwest to Bankstown via the CBD.
  - Key Bus Rapid Transit routes and Light Rail to and through the CBD
  - WestConnex and the associated UrbanGrowth-led Parramatta Road Urban Transformation Plan.
- A total of 137 LEP amendments occurred in the Central District during the sample period of 2012 – 2016. Of these:
  - 76 were Council-led (56%)
  - 55 were private proponent led (40%); and
  - 6 were led by the State Government.
- However, of all residential focussed LEPs (62), the private sector led 38 of the LEPs (61%).
- This disparity grows when considering those LEPs that are likely to yield greater than 100 dwellings, which indicates that of the 46 LEPs prepared, the private sector led 81% (37).

THERE IS UNDERSTANDABLY A HIGH CONCENTRATION OF KEY STRATEGIC MOVES AFFECTING THE DISTRICT.



## / 3.1 INNER WEST COUNCIL

### / 3.1.1 ASHFIELD

- A total of two planning proposals in the sample period since 2012 – both led by a private proponent.
- One was residential in nature – upzoning land from an R2 Low Density zone to a B2 Local Centre zone and a doubling of the FSR, however it is not anticipated to deliver greater than 100 dwellings.
- Ashfield Council had prepared numerous strategic plans, however, these primarily relate to finer-grain plans to revitalise the public domain as opposed to broader strategy for the scale and form of development in the LGA.
- The area is benefitted by infrastructure including WestConnex and accompanying UrbanGrowth Parramatta Road Urban Transformation Strategy.
- There is no clear correlation between infrastructure investment in the area and the planning proposals being undertaken.

### / 3.1.2 LEICHHARDT

- A total of 19 LEP amendments were made in Leichhardt LGA from 2012-2016, with 8 of these (42%) residential related.
- Of the residential LEPs, a total of 5 were likely to yield more than 100 dwellings. Of these, only one was instigated by Council – the Balmain Leagues Club rezoning.
- Strategic planning undertaken by Council includes the following
  - Draft Housing Action Plan 2016-2025: The study includes a review of the DCP to facilitate affordable housing outcomes to ensure that at least 10% of new units are adaptable and flexible and that an unstated percentage comprise affordable housing.
  - Floor Space Ratio Review: The study relates to land zoned R1 in the Leichhardt LGA and was a response to the Department of Planning's concern that floor space ratio provisions were not appropriate for redevelopment of existing dwellings. The review identified the need for new FSR controls and an LEP amendment forwarded for Gateway in October 2015.
- The area benefits from infrastructure including WestConnex and the accompanying UrbanGrowth Parramatta Road Urban Transformation Strategy. Three of the eight precincts identified in the Strategy are within the Leichhardt LGA and include Taverners Hill, Leichhardt and Camperdown. Council lodged a submission with UrbanGrowth to request that the Strategy be included within the District Planning Framework.

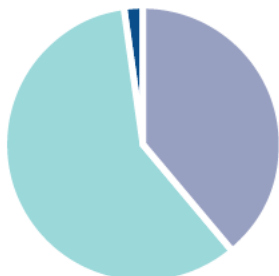
### / 3.1.3 MARRICKVILLE

- Of the 9 LEP amendments undertaken in Marrickville since 2012, a total of 4 (44%) were led by Council, however only two related to residential land uses which were minor housekeeping amendments.
- Strategic planning undertaken by Council includes the following:
  - The Marrickville Precinct Land Use and Infrastructure Analysis which seeks to concentrate dwellings around urban centres, recognising a number of proposals for apartments that will contribute 300-400 new apartments over the next few years.
- The area is benefitted by infrastructure including the WestConnex road link. There is a clear correlation between the LEP amendments and infrastructure provision, with a focus on Parramatta Road and the rail line.
- The area is affected by the Sydenham to Bankstown Urban Renewal Corridor Strategy prepared by the NSW Department of Planning & Environment. The strategy anticipates Marrickville will accommodate 6,450 homes by 2026 and 8,700 by 2036. Specifically, the strategy nominates the intent to accommodate a new residential and mixed use precinct around Carrington Road, a small area of high rise residential and mixed use buildings immediately around the station, and a mix of low to medium-high rise residential development up to 8 storeys generally within 400m of the rail station.

### / 3.1.4 COMBINED INNER WEST COUNCIL

- The new Inner West Council experienced 69 LEP amendments over the sample period, with private proponents leading the majority of these with 41 (59%).
- Of the 14 residential LEPs, the proportion grows significantly with private landowners undertaking 64%. This increases to 88% when considering the LEPs likely to produce greater than 100 dwellings (a total of 8 LEPs).

## PRIVATE V PUBLIC



STATE GOVERNMENT 1, 2%  
COUNCIL 27, 39%  
PRIVATE 41, 59%

## RESIDENTIAL LEPs

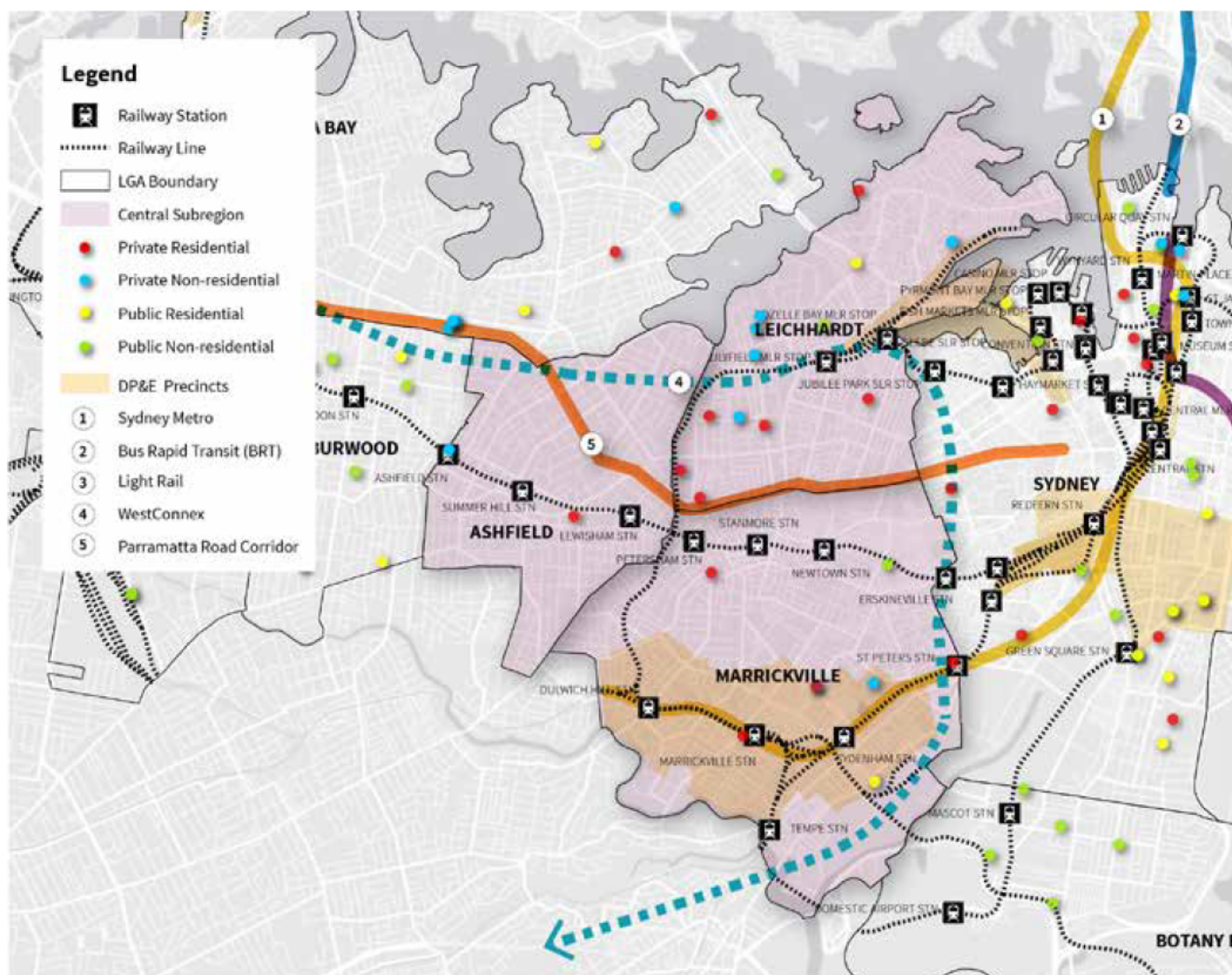


COUNCIL 5, 36%  
PRIVATE LANDOWNER 9, 64%

## >100 DWELLINGS



COUNCIL 1, 12%  
PRIVATE LANDOWNER 7, 88%





## / 3.2 BOTANY BAY

- A total of 12 LEP amendments were made, with only 3 relating to residential uses (25%). 9 of the LEP amendments were instigated by Council (75%) and included a number of housekeeping amendments, reclassification of land and a number of airport and employment related amendments. None were for residential purposes.
- The residential related LEP amendments were all instigated by the private sector, with only one directly resulting in greater than 100 dwellings. It is with the Department for determination, however resulted in a rezoning from B7 Business Park to B4 Mixed Uses and a doubling of the FSR from 1:1 to 2:1.
- However, Council did undertake the Mascot Station Town Centre Precinct Master Plan, prepared in recognition of Mascot being identified as a future Town Centre in the former Draft East Subregional Strategy. This master plan adopted by Council in April 2012 provided additional dwellings (c. 1,240 dwellings).
- Council also prepared a Directions Paper entitled "A Draft Vision for the City of Botany Bay" which seeks to "maintain the existing mix of industrial, commercial, and residential land" and as such the opportunity for providing additional housing is not directly addressed.
- The LGA is proximate to key employment infrastructure such as Port Botany and the Sydney Domestic and International Airports. There is little correlation between the residential LEP amendments and the location of this key infrastructure.



### PRIVATE V PUBLIC

COUNCIL 9, 75%  
PRIVATE 3, 25%



### RESIDENTIAL LEPs

PRIVATE LANDOWNER 3, 100%

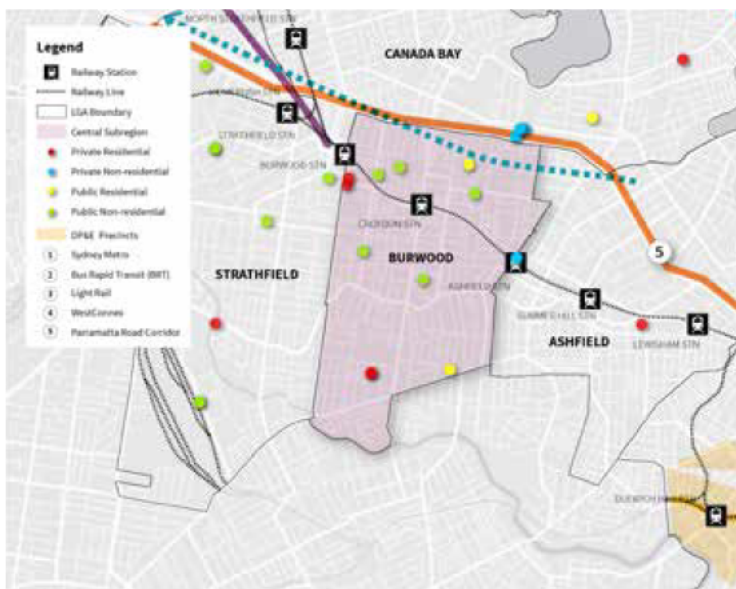


### >100 DWELLINGS

PRIVATE LANDOWNER 1, 100%

## / 3.3 BURWOOD

- A total of 13 LEP amendments, with a total of 9 being instigated by the Council (69%). 8 LEPs were residential related (62%).
- Of the 9 instigated by Council, none directly related to the delivery of over 100 dwellings.
- The Council LEP amendments related to, in general, housekeeping amendments or precinct-specific amendments such as the design excellence requirement in the Burwood town centre.
- The LGA is benefitted by infrastructure including WestConnex and the accompanying UrbanGrowth Parramatta Road Urban Transformation Strategy.
- There is some correlation between LEP amendments and infrastructure, particularly where the amendment relates to residential LEPs. Notwithstanding this, the location of residentially focussed LEPs are not in the immediate environs of heavy rail stations as one might expect.



### PRIVATE V PUBLIC

COUNCIL 9, 69%  
PRIVATE 4, 31%



### RESIDENTIAL LEPs

COUNCIL 4, 50%  
PRIVATE LANDOWNER 4, 50%

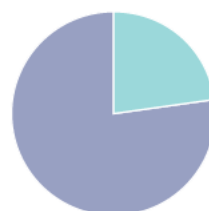
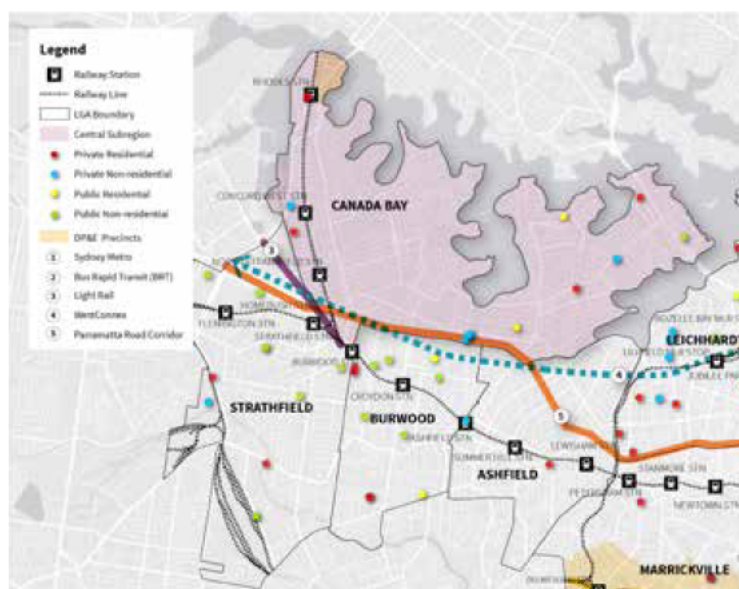


### >100 DWELLINGS

PRIVATE LANDOWNER 2, 100%

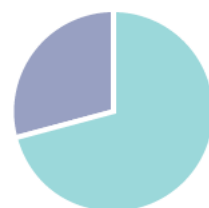
## / 3.4 CANADA BAY

- A total of 13 LEP amendments, with 10 being led by the private sector (77%).
- 54% of the LEPs were for residential uses, however only 4 of the 7 have the potential to produce greater than 100 dwellings, and 3 of these were led by the private sector.
- The Council-led rezoning related to the Five Dock Town Centre Urban Design Study, which identified a number of opportunity sites. The capacity for growth in the town centre was predicted to be 304 total new dwellings. The study was formalised in a Planning Proposal, adopted by Council on 3 November 2015 and gazetted on 4 December 2015.
- Strategic planning undertaken by Council includes the following
  - Rhodes East Priority Precinct Investigation Area: Council sought the NSW Department of Planning & Environment's nomination as a Priority Precinct in-line with the recent redevelopment of Rhodes West.
  - Concord West Master Plan: relating to 7 industrial sites, with the objective of integrating new medium density residential yielding a maximum of 785 dwellings in building envelopes between 2 to 8 storeys in height.
- The LGA is benefitted by infrastructure including WestConnex and the accompanying UrbanGrowth Parramatta Road Urban Transformation Strategy. Three of the eight precincts identified in the strategy are within the Canada Bay LGA, being Homebush, Kings Bay and Burwood.
- A number of the LEPs are proximate to key infrastructure such as heavy rail stations as well as proximate to the Rhodes renewal precinct, however predominantly LEP amendments do not correlate with infrastructure availability in the LGA.



### PRIVATE V PUBLIC

COUNCIL 9, 23%  
PRIVATE 4, 77%



### RESIDENTIAL LEPs

COUNCIL 2, 29%  
PRIVATE LANDOWNER 5, 71%

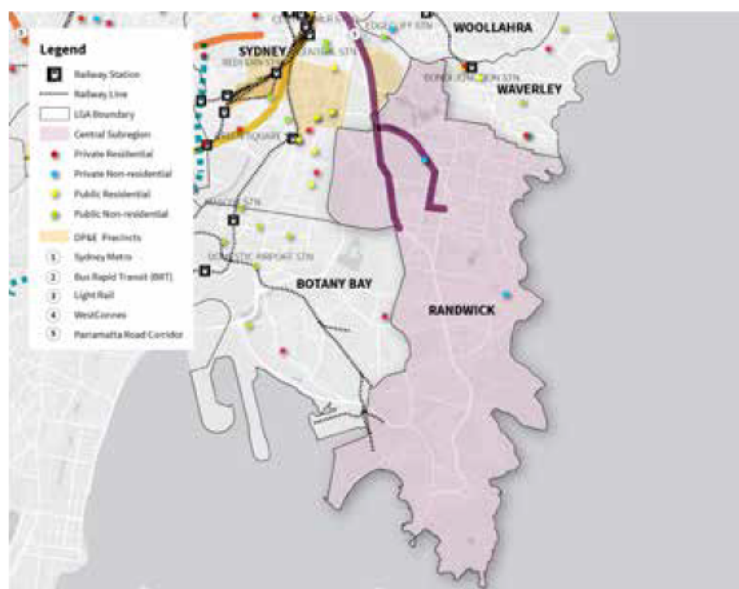


### >100 DWELLINGS

COUNCIL 1, 25%  
PRIVATE LANDOWNER 3, 75%

## / 3.5 RANDWICK

- Of the 2 LEP amendments in the LGA, none were undertaken by the Council.
- None of the LEPs relate to residential uses. We note however the 2010 LEP amendment (pre-dating our sample data) for the Inglis Stables rezoning that was determined by the Minister after Council failed to determine the rezoning.
- Randwick Council undertook a series of six discussion papers to inform Randwick City Council's preparation of a Comprehensive Local Environmental Plan (LEP) and Development Control Plan (DCP) in 2010.
- The LGA is benefitted by the CBD & South East Light Rail (under construction) to the Sydney CBD.
- Leveraging off the light rail, the Randwick and Anzac Parade Urban Activation Precincts were identified in 2013 by the NSW State Government, however these have both been discontinued.



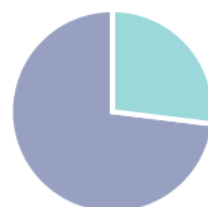
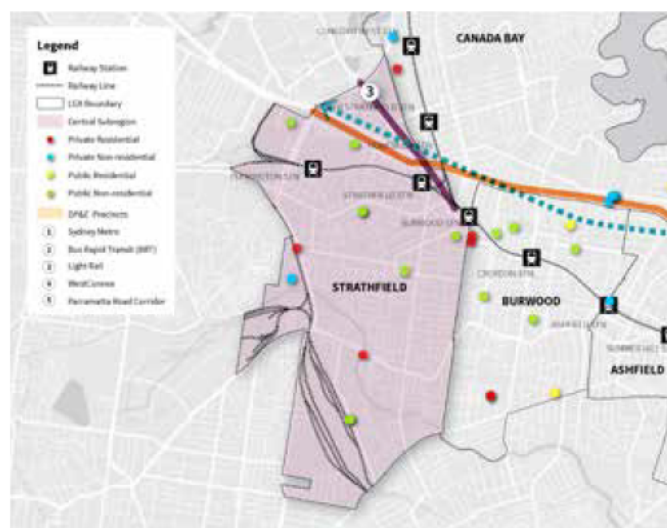
### PRIVATE V PUBLIC

PRIVATE 2, 100%



## / 3.6 STRATHFIELD

- Of the 11 LEP amendments, a total of 8 were by led by Council (73%).
- 2 LEPs were residential in nature and these were both prepared by private proponents. Only one was expected to deliver more than 100 dwellings. This was the rezoning of the Strathfield Golf Club from RE2 to part B4 and part R3 in 2015.
- The LGA is benefitted by infrastructure including the construction of WestConnex and accompanying UrbanGrowth Parramatta Road Urban Transformation Strategy.
- The LGA will also be connected to future Parramatta Light Rail, via the Sydney Olympic Park Authority and Camellia Precincts.
- Strategic planning undertaken by Council includes the following:
  - Strathfield Town Centre Master Plan Project: The plan aims to provide mixed use zones and medium density residential periphery of the town centre.
  - Parramatta Road Transport and Mobility Study: Council undertook an independent review of the Parramatta Road corridor separate to the State Government process which investigated traffic, transport and parking needs associated with a number of possible growth scenarios. The study identifies the Parramatta Road Corridor as suitable for accommodating an increased number of residents beyond the scope of the LEP. The proposal was exhibited, however no final document prepared.



### PRIVATE V PUBLIC

COUNCIL 8, 73%  
PRIVATE 3, 27%



### RESIDENTIAL LEPs

PRIVATE LANDOWNER 2, 100%

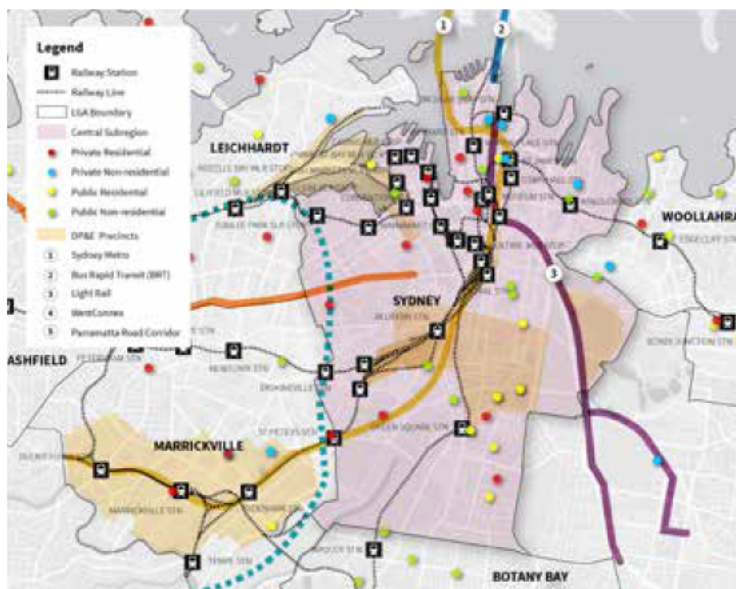


### >100 DWELLINGS

PRIVATE LANDOWNER 1, 100%

## / 3.7 CITY OF SYDNEY

- A total of 36 LEP amendments were made in the LGA since 2012.
- 19 of the 36 are residential related (53%). Of these 7 will likely provide greater than 100 dwellings (19%). One is Council instigated (North Rosebery) and one State Government instigated (The Lachlan Precinct, Green Square).
- 14 LEPs were privately instigated (39%), 17 by Council (47%) and 5 by State Government (14%). Many of the local Council initiated LEPs relate to minor and / or housekeeping amendments.
- Not surprisingly, the LGA benefits from a number of key infrastructure including WestConnex and the accompanying UrbanGrowth Parramatta Road Urban Transformation Strategy, as well as CBD & South East Light Rail, Rapid Bus Transit and the Sydney Metro City & Southwest.
- It is noted that because City of Sydney Council's LEP under the Standard Instrument was gazetted in 2012, the majority of recent strategic planning was conducted prior to this date. Strategic planning for housing growth includes:
  - Green Square – the strategic planning was formalised in early 2000s. Green Square will be home to approximately 30,500 new dwellings.
  - Ashmore Precinct – 2007 study that looked at opportunities to increase building heights and densities to provide 1,600 new dwellings.
  - Central Park – approved by the Minister in 2007, the plan included scope for approximately 2,200 residential apartments and 900 student dwellings.
  - Harold Park – the Harold Park development was captured in the Sydney Local Environment Plan (Harold Park) 2011 and includes 1,250 new dwellings.
- The Central Sydney Planning Strategy has been released in draft by Council for the CBD area and seeks to reinforce the Sydney CBD as the primary commercial centre for metropolitan Sydney. It seeks to cap residential uses to a maximum 50% for new developments in the CBD over 55 metres.



### PRIVATE V PUBLIC

STATE GOVERNMENT 5, 14%  
COUNCIL 17, 47%  
PRIVATE 14, 39%



### RESIDENTIAL LEPs

STATE GOVERNMENT 3, 16%  
COUNCIL 7, 37%  
PRIVATE LANDOWNER 9, 47%

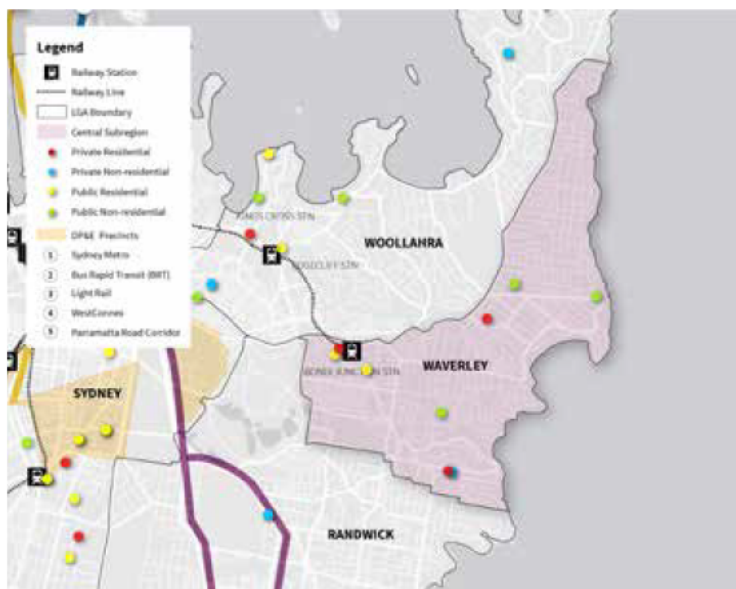


### >100 DWELLINGS

STATE GOVERNMENT 1, 14%  
COUNCIL 1, 14%  
PRIVATE LANDOWNER 5, 72%

## / 3.8 WAVERLEY

- 11 LEP amendments were undertaken in the LGA since 2012. Of these 6 were undertaken by Council (55%) and 1 by the State Government (Sydney Water rezoning land for sewerage purposes).
- Of the 11 LEPs, 6 were residential in nature (55%) and 3 of these were Council-led, however none producing a likely yield of greater than 100 dwellings.
- Waverley has not been subject to any recent land use change driven by State Government or new infrastructure.
- Strategic planning undertaken by Council includes the following:
  - Local Village Centres – Public Domain Improvement Plan for 12 primary commercial centres within the LGA.
  - Waverley's Community Strategic Plan identifies the need to protect Waverley's heritage and amenity. Whilst the strategy highlights Waverley's population will continue to grow, it will also age. The Plan also identifies a need for affordable and accessible housing. Whilst exhibited and endorsed by Council in 2013 there has been little supporting or subsequent strategies to enable implementation.



### PRIVATE V PUBLIC

STATE GOVERNMENT 1, 9%  
COUNCIL 6, 55%  
PRIVATE 4, 36%

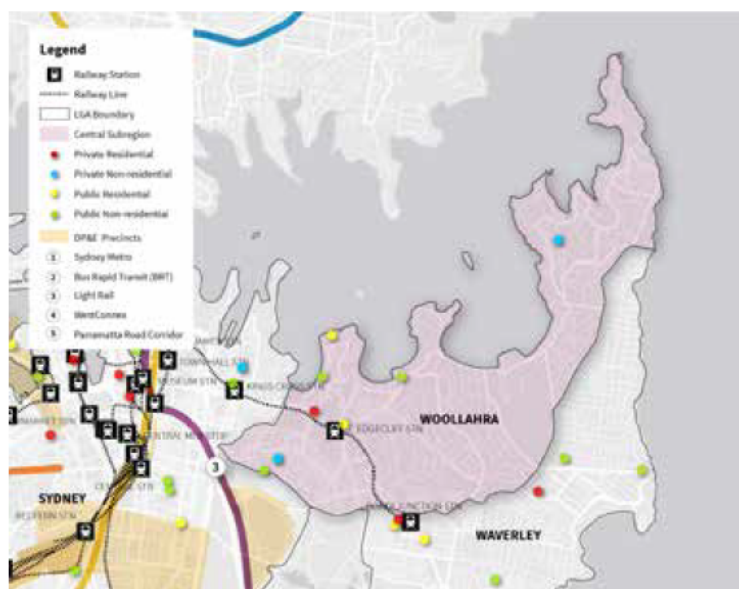


### RESIDENTIAL LEPs

COUNCIL 3, 50%  
PRIVATE LANDOWNER 3, 50%

## / 3.9 WOOLLAHRA

- 9 LEP amendments occurred in the LGA over the 4-year period from 2012. Six of these were undertaken by Council (67%).
- Whilst 3 of these (33%) were residential in nature, none of these were instigated by Council. No LEP amendments were likely to result in more than 100 dwellings.
- Woollahra has not been subject to any recent land use change driven by State Government or new key infrastructure.
- Strategic planning undertaken by Council includes the following:
  - Woollahra 2025 – Our Community, Our Place, Our Plan: the Woollahra Community Strategic Plan noted a 2011 population of 52,159 growing to 56,000 in 2030. The document, endorsed by Council in April 2010 notes that “future development must be balanced alongside the need to maintain our low rise mixed urban forms...”.
  - 24 ‘opportunity sites’ were identified to assist in meeting housing targets set by the NSW Government in the Sydney Metropolitan Strategy and the Draft East Subregional Strategy.



### PRIVATE V PUBLIC

COUNCIL 6, 67%  
PRIVATE 3, 33%



### RESIDENTIAL LEPs

PRIVATE LANDOWNER 3, 100%





/ 4.0

# THE SOUTH WEST DISTRICT

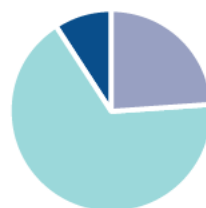
- The South West District contains the LGAs of Fairfield, Liverpool, Campbelltown, Camden and Wollondilly.
- The District contains the South West Priority Land Release Area led by the former Growth Centres Commission. Subsequent Government-led land release in the District has been the Glenfield to Macarthur Urban Renewal Corridor.
- It is important to note the impact of Government-led land use planning through the creation of the Growth Centres SEPP, which has not been considered in the sample reviewed (these were not LEP amendments).
- The District also contains significant employment generating infrastructure such as the Western Sydney Employment Area and Priority Growth Area centred on the future Western Sydney Airport.
- A total of 132 LEP amendments occurred in the District over the 4 year sample period. Of these:
  - Council undertook a total of 49 (37%). The private sector drove 74 (56%) of all LEPs in the District.
  - A total of 75 (57%) were related to residential development, with 23 (17%) likely to create more than 100 dwellings.
  - The private sector led 18 (78%) of all LEP amendments likely to produce greater than 100 dwellings.

## THE DISTRICT ALSO CONTAINS SIGNIFICANT EMPLOYMENT GENERATING INFRASTRUCTURE...



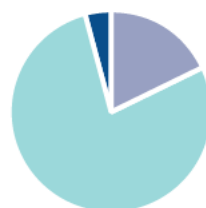
### PRIVATE V PUBLIC

STATE GOVERNMENT 9, 7%  
COUNCIL 49, 37%  
PRIVATE 74, 56%



### RESIDENTIAL LEPs

STATE GOVERNMENT 7, 9%  
COUNCIL 18, 24%  
PRIVATE LANDOWNER 50, 67%



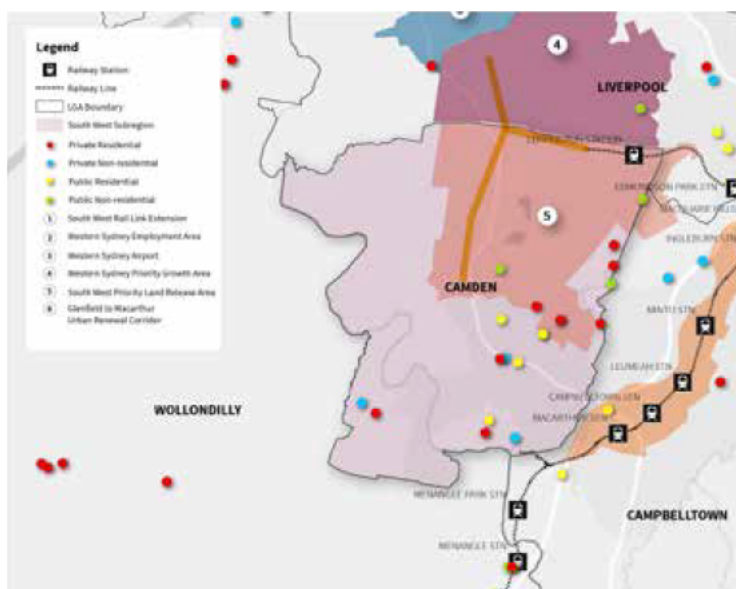
### >100 DWELLINGS

STATE GOVERNMENT 1, 4%  
COUNCIL 4, 18%  
PRIVATE LANDOWNER 18, 78%



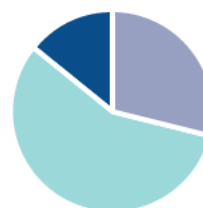
## / 4.1 CAMDEN

- Of the 29 LEP amendments undertaken in the LGA, 14 were residential in nature (48%)
- Council undertook a total of 13 (45%) LEP amendments, however none of these were major residential rezonings yielding over 100 dwellings. The State Government led 3 (10%) LEP amendments – primarily to correct zoning anomalies.
- Private landowners undertook 13 LEP amendments (46%) of which 3 were likely to yield over 100 dwellings – which accounted for all LEP amendments likely to yield greater than 100 dwellings.
- The LGA includes the South West Priority Release Area serviced by the South West Rail Link.
- There is no real correlation between heavy rail infrastructure investment and LEP amendments.
- Strategic planning undertaken in the Camden Council LGA includes the following:
  - The NSW Government established the South West Growth Centres in December 2014. The State Government has therefore been responsible for the majority of housing growth within the Camden LGA. The South West Growth Centre, which is partially located in the Camden LGA, is predicted to generate approximately 110,000 new dwellings for some 300,000 new residents.
  - Camden Council has contributed to strategic housing supply through urban release areas that were captured in their 2010 LEP. There are six urban release areas in the LGA that will contribute an additional 13,710 predicted homes. The detailed master planning of these urban release areas has generally been undertaken collectively between Council and private enterprise. Accordingly, the majority of growth and development within the Camden LGA was initiated prior to 2012 and hence not captured in this data.



### PRIVATE V PUBLIC

STATE GOVERNMENT 3, 10%  
COUNCIL 13, 45%  
PRIVATE 13, 46%



### RESIDENTIAL LEPs

STATE GOVERNMENT 2, 14%  
COUNCIL 4, 29%  
PRIVATE LANDOWNER 8, 57%

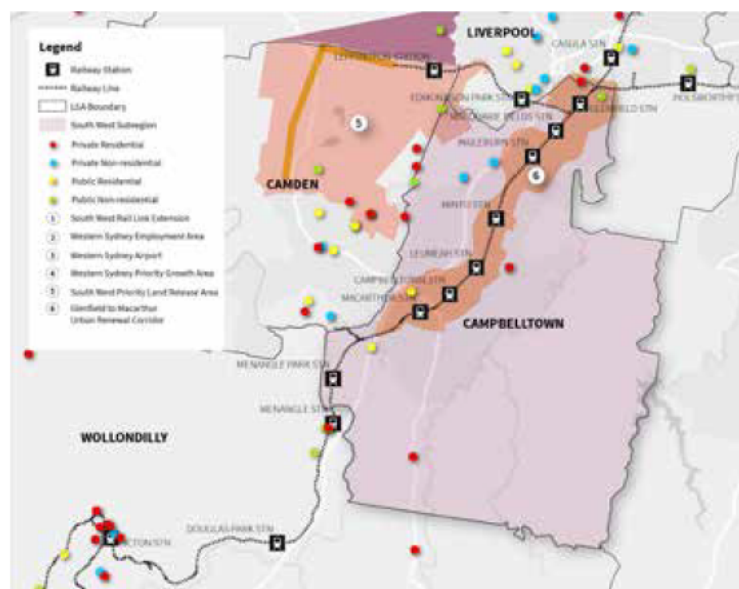


### >100 DWELLINGS

PRIVATE LANDOWNER 3, 100%

## / 4.2 CAMPBELLTOWN

- A total of 8 LEP amendments took place in the LGA over the 4-year study period. 3 of these were undertaken by Council (37%).
- 3 (37%) were residential in nature, all put forward by private proponents. Of these, 2 were likely to yield greater than 100 dwellings.
- The LGA includes within it the Glenfield to Macarthur Urban Renewal Corridor, centred on the heavy rail connections to the Liverpool and Sydney CBDs.
- There is no real correlation between infrastructure and land use change.
- Strategic Planning undertaken in the LGA includes the following:
  - The Campbelltown Local Planning Strategy estimated that a total of 24,653 new dwellings comprising 9,953 additional infill dwellings and 4,700 greenfield dwellings (in new urban release areas) is required by 2031.
  - The Campbelltown Residential Development Strategy adopted by Council in March 2013 reflected the housing needs of the LGA included in the Local Planning Strategy. It provided greater detail on infill development within major centres including:
    - Campbelltown / Macarthur – 10,252 dwellings
    - Glenfield – 2,140 dwellings
    - Ingleburn – 2,983 dwellings



### PRIVATE V PUBLIC

COUNCIL 3, 37%  
PRIVATE 5, 63%



### RESIDENTIAL LEPs

PRIVATE LANDOWNER 3, 100%



### >100 DWELLINGS

PRIVATE LANDOWNER 2, 100%

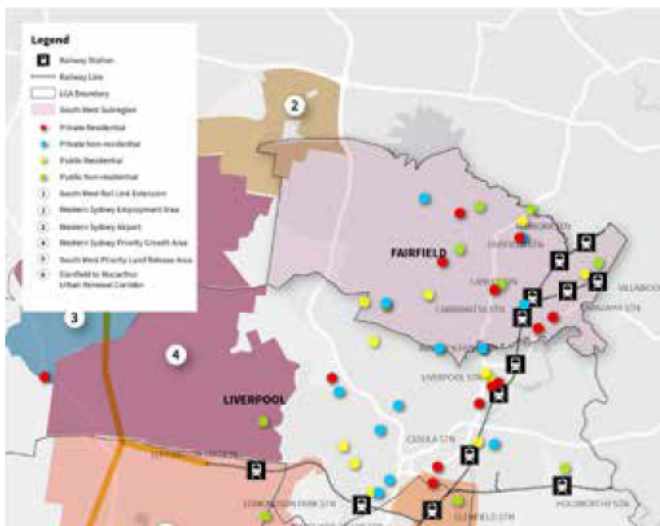






## / 4.3 FAIRFIELD

- A total of 24 LEP amendments took place in the LGA with 13 of these (54%) being council-led.
- 12 of the LEP amendments were residential in nature (50%), of these a total of 6 LEPs were led by Council, including 3 likely to produce greater than 100 dwellings:
  - a new principal development standard clause to vary the minimum lot size provisions to permit dual occupancy and semi-detached housing.
  - allowing 'secondary dwellings' in the RU2 Rural Landscape and RU4 Primary Production Small Lot zones.
  - Bonnyrigg Town Centre LEP amendment to apply the B4 Mixed Use zone to the Bonnyrigg Plaza.
- No major land use or infrastructure change is planned for the LGA except for a small part of the Western Sydney Employment Area.
- Strategic planning undertaken by the LGA includes the following:
  - The Fairfield LGA Residential Development Strategy 2009 which states Fairfield can accommodate the additional dwellings target of 24,000 dwellings as identified in the draft subregional strategy 2007.



### PRIVATE V PUBLIC

COUNCIL 13, 54%  
PRIVATE 11, 46%



### RESIDENTIAL LEPs

COUNCIL 6, 50%  
PRIVATE LANDOWNER 6, 50%

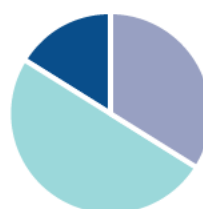
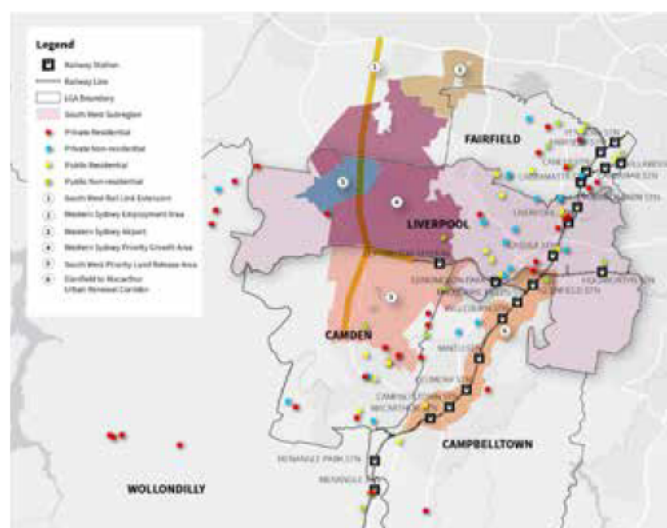


### >100 DWELLINGS

COUNCIL 3, 75%  
PRIVATE LANDOWNER 1, 25%

## / 4.4 LIVERPOOL

- A total of 32 LEP amendments were undertaken in the LGA over the sample period.
- 11 of these were council instigated (34%), 16 (50%) were private proponent instigated and 5 (16%) undertaken by the State Government.
- 14 (44%) of these were residential in nature, with 4 of these (13%) likely to produce over 100 dwellings, of which one was led by Council, being the rezoning of all land in the Liverpool City Centre from B3 Commercial Core to B4 Mixed Use.
- The Western Sydney Airport and corresponding Priority Growth Area is located in the Liverpool LGA.
- Strategic Planning undertaken in the Liverpool LGA includes the following:
  - Liverpool Rural Lands Study 2012 adopted in 2013.
  - Precinct planning with the Department of Planning and Liverpool City Council for the Austral precinct within the Southwest Growth Centres. It is planned that the area will house an extra 8,000 dwellings. This was undertaken via the Growth Centres SEPP and is therefore not considered in the sample of LEPs reviewed.



### PRIVATE V PUBLIC

STATE GOVERNMENT 5, 16%  
COUNCIL 11, 34%  
PRIVATE 16, 50%



### RESIDENTIAL LEPs

STATE GOVERNMENT 5, 28%  
COUNCIL 5, 28%  
PRIVATE LANDOWNER 8, 44%

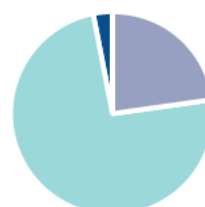
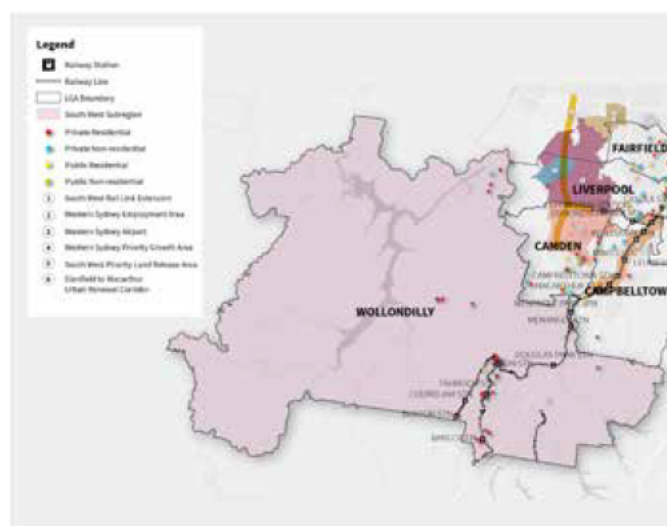


### >100 DWELLINGS

STATE GOVERNMENT 1, 25%  
PRIVATE LANDOWNER 3, 75%

## / 4.5 WOLLONDILLY

- A total of 39 LEP amendments were undertaken in the LGA over the sample period.
- Council prepared a total of 9 LEPs (23%), Private landowners 29 (74%) and State Government only one (3%).
- 28 of the LEP amendments were for residential purposes (72%). Of these, 10 were likely to produce over 100 dwellings (26%) however only one of these was led by Council.
- There is no major infrastructure or land use change driven by Government affecting the LGA.
- Strategic Planning undertaken in the LGA includes the following:
  - Wollondilly Growth Management Strategy 2011: the strategy seeks to deliver at least 7,500 new dwellings over the next 20-25 years in order to house approximately 20,000 more residents.
  - The Wilton Junction Master Plan which is expected to produce about 12,000 dwellings.



### PRIVATE V PUBLIC

STATE GOVERNMENT 1, 3%  
COUNCIL 9, 23%  
PRIVATE 29, 74%



### RESIDENTIAL LEPs

COUNCIL 3, 11%  
PRIVATE LANDOWNER 25, 89%



### >100 DWELLINGS

COUNCIL 1, 10%  
PRIVATE LANDOWNER 9, 90%



# / 5.0 SUMMARY

**This paper has sought to understand the growing belief that the private sector is driving the surge in LEP amendments being made across metropolitan Sydney.**

JBA have sought to provide an independent analysis of LEP amendments occurring in metropolitan Sydney via two sample areas of the Central and South West districts. The analysis seeks to identify and compare the level of residential versus other rezonings, and those instigated by private or public authorities.

## Key Findings

- Of the 269 total LEP amendments submitted in the two Districts since 2012, 48% of these (129 no.) have been submitted by private proponents. However, it should be noted that there are other provisions available to the State such as the Growth Centres SEPP or SEPP amendments to enable Priority Precincts etc.
- LEP amendments that were residential in nature are predominantly led by the private sector. Of the 137 residential related LEP amendments, 64% of these have been put forward by the private sector.
- When considering residential LEPs likely to create greater than 100 dwellings, the statistics show the growing disparity with private proponents preparing 81% of the total of 46 LEP amendments.





## **ZONED OUT**

AN ANALYSIS OF RESIDENTIAL REZONINGS  
IN METROPOLITAN SYDNEY

**Property Council of Australia**

Level 1, 11 Barrack Street, Sydney NSW 2000

Ph 02 9033 1900

Fax 02 9033 1966

ABN 13 008 474 422

[www.propertycouncil.com.au](http://www.propertycouncil.com.au)



# Fixing housing affordability in NSW

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

March 2017



**PROSPERITY | JOBS | STRONG COMMUNITIES**



# THE PURPOSE OF THIS DOCUMENT

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

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

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



# WHY HOUSING AFFORDABILITY MATTERS

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

Getting this right matters because:

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

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

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

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





# THE CONTEXT

---

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

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

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

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

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

And on top of that deficit the Greater Sydney Commission has

identified that by 2036 a minimum of 725 000 new dwellings will be needed in Sydney alone that equates to approximately 36 000 new dwellings being needed each year.

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

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

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

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

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

NSW PREMIER GLADYS BEREJIKLIAN

JANUARY 2017

# HOUSING AFFORDABILITY DEFINED

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

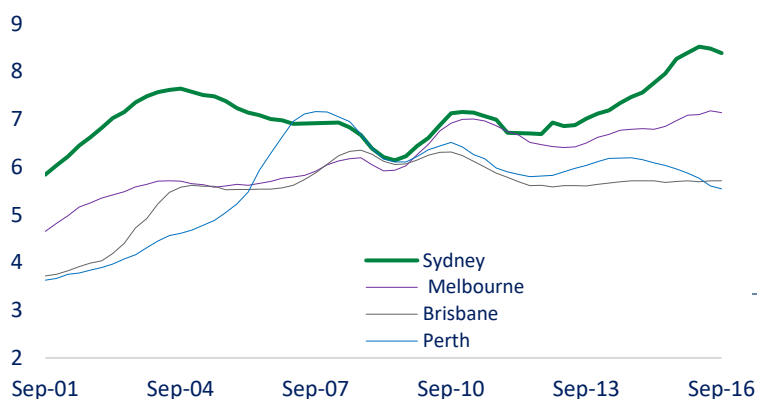
In short, affordability means enabling people to make a housing choice that suits their needs regardless of whether it involves renting, ownership or having options as they age.

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

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

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

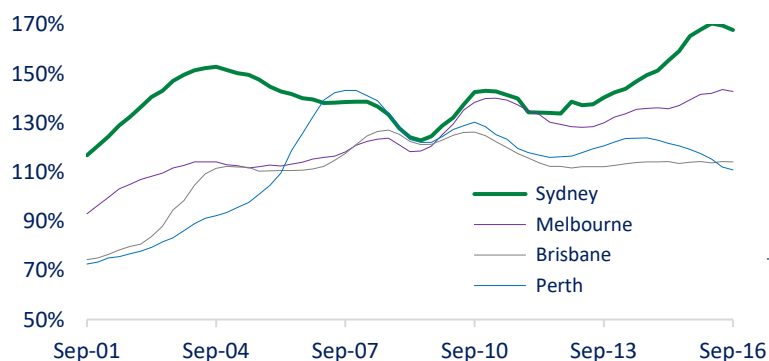
Capital City Price to Income Ratio



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

Source: Core Logic, 2016

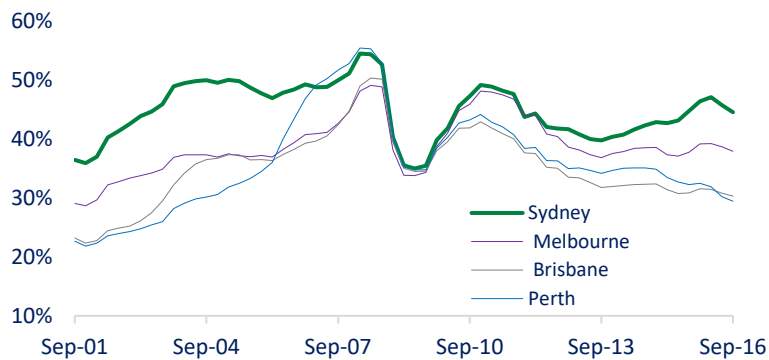
Capital City Proportion of Household Income for a 20% Deposit



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

Source: Core Logic, 2016

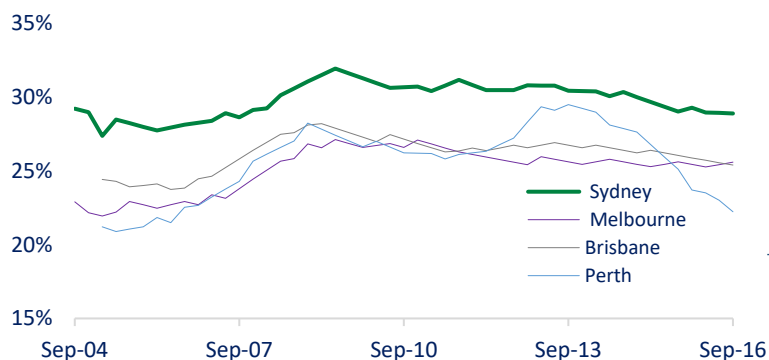
### Capital City Proportion of Household Income to Service an 80% LVR



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

Source: Core Logic, 2016

### Capital City Proportion of Household Income to Rent a Home



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

Source: Core Logic, 2016

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

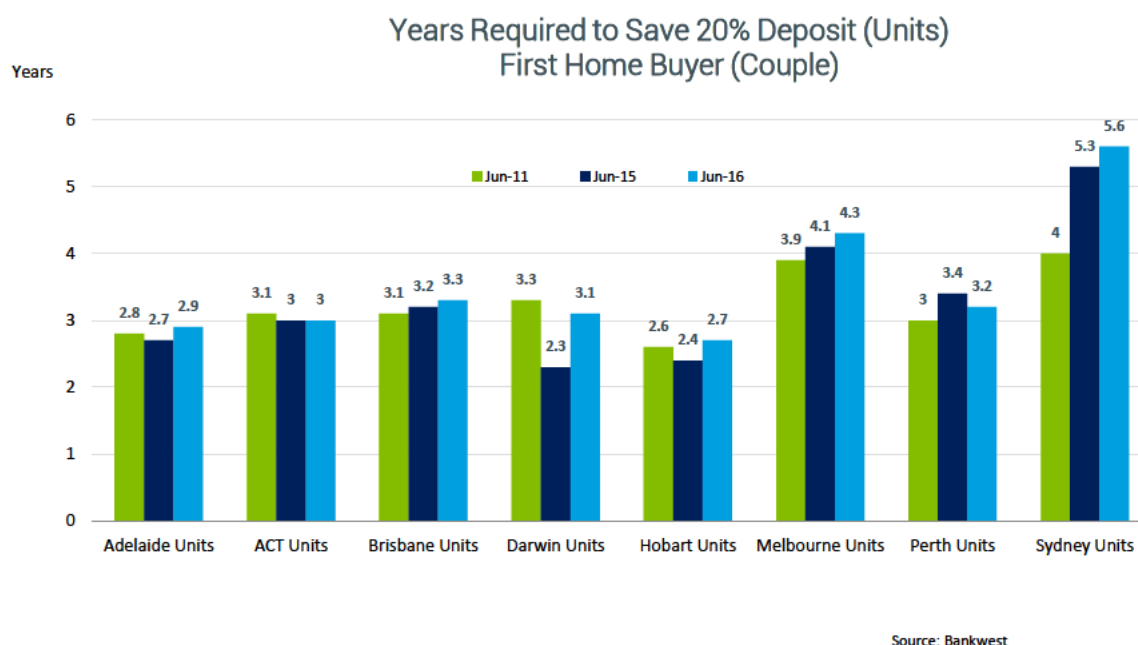
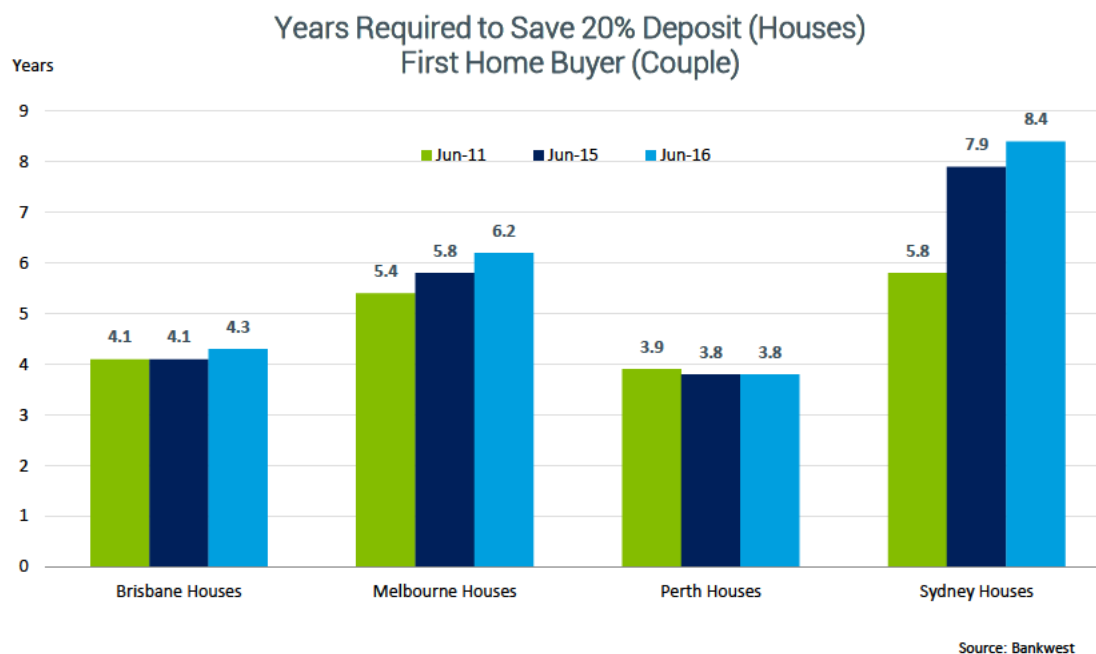
For those entering the market however the 20 per cent deposit now costs \$81 000 equating to 133 per cent of annual household income.

Several conclusions can be drawn from this analysis:

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

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

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



# WHY THE URGENCY?

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

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

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

Regardless of the measure the metrics are extreme.

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

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

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

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

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

# DRIVERS OF RISING HOUSE PRICES

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

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

PHILIP LOWE GOVERNOR RESERVE BANK

FEBRUARY 2017

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

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

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

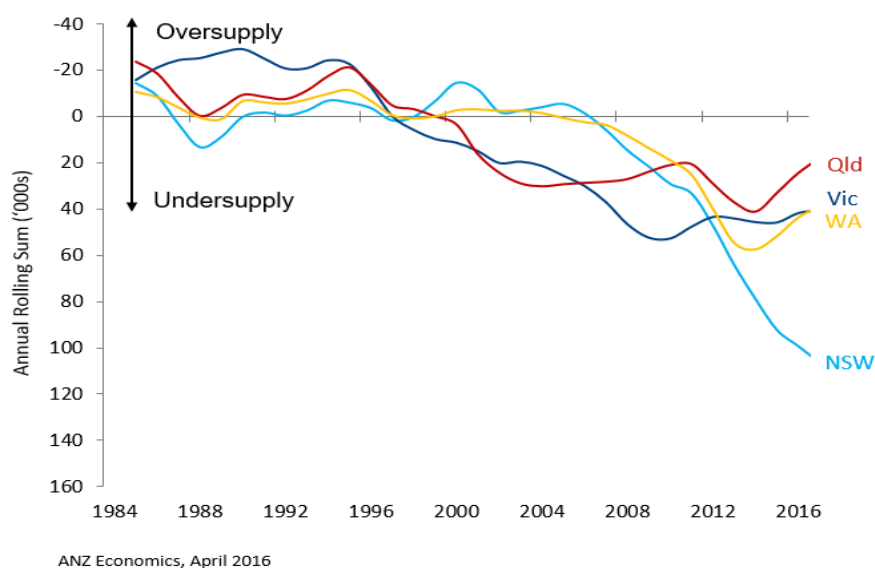
However housing supply is lagging and cannot respond quickly to market signals reflecting the complexity of the planning process development approvals and infrastructure funding arrangements before construction can even commence.

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

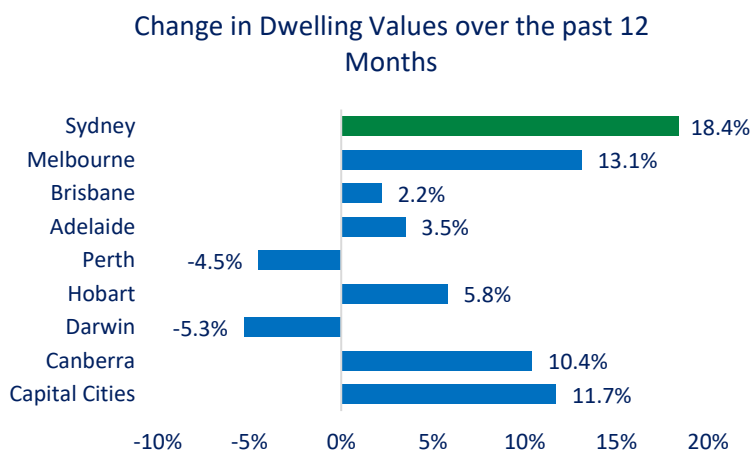
When compared with a range of underlying demand estimates the number of new dwelling approvals makes clear that over the past decade the supply side has been slow or unable to respond to the significant increases in underlying demand.



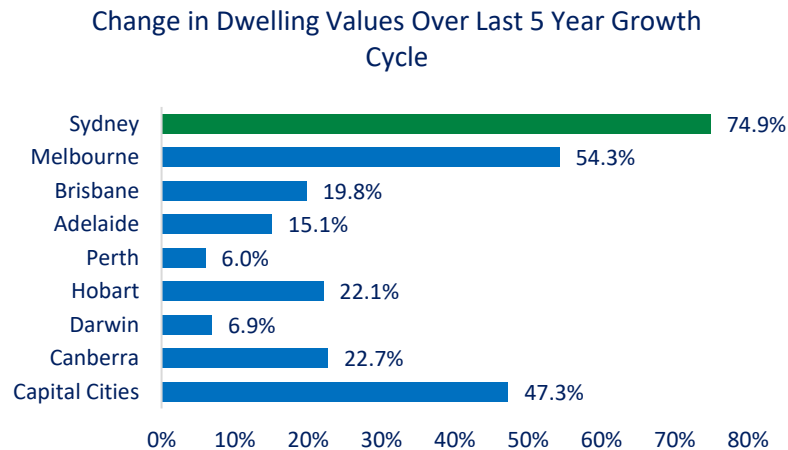
A decade of undersupply relative to increasing demand is driving price growth



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



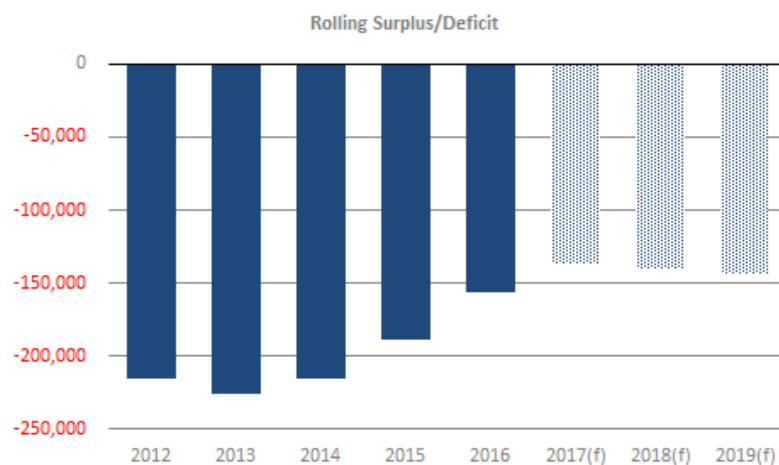
Source: CoreLogic, 2017



*Source: CoreLogic, 2017*

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

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



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

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

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

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

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

Location	Approx. Yield	Stage	Cause for Delay	Time Delay	Dwellings below \$500K?
Cawdor	5000	Planning Proposa	Delays caused by indecision on re M9 corridor location and lack of co-ordination on planning between Council and State Government with original Planning Proposa	60 months	Yes
Edmondson Park Town Centre Site adjacent to rail	1800 + 40 000m2 retail	S75w amendment to Part 3A prior to DA	DPE took 5 months to put application on not for application which has resulted in a 5 to 6 month delay to the delivery program. Process still unresolved	6 months	Yes
Macquarie Park Site adjacent to rail	1300	Planning Investigations of brown field precinct	Exhibition of Plan has been delayed	12 months	No
	8100				

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

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

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

	<b>Low</b>	<b>High</b>
<b>Sydney</b>	2,460	4,560
<b>Melbourne</b>	2,245	3,570
<b>Brisbane</b>	2,000	3,200

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

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

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

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

# THE TALE OF TWO CITIES

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

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

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

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

The answer is supply.

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

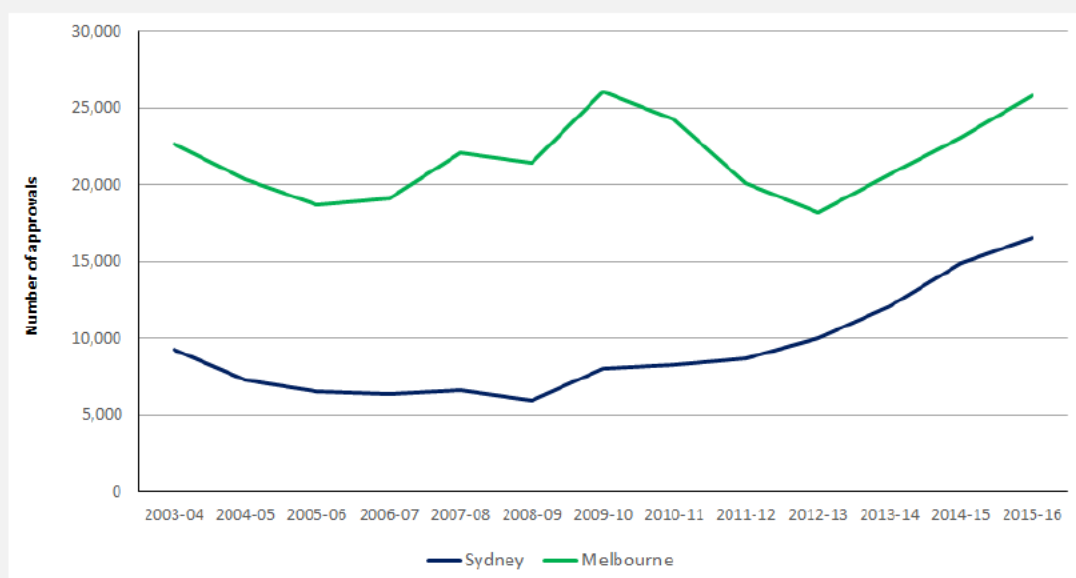
**"[HOUSING SUPPLY] IS THE BEST WAY TO ADDRESS HOUSING AFFORDABILITY BUT THE GOVERNMENT MUST DO MORE."**

**GLADYS BEREJIKLIAN, NSW PREMIER**

**JANUARY 2017**

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

Housing Approvals in Sydney and Melbourne



Source ABS Approvals data



# THE AFFORDABILITY CHALLENGE

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

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

Only then can policy responses be developed.

### SUBPAR STRATEGIC PLANNING

Failure of strategic plans to account for the rapid population trajectory in major cities

### AD HOC DEVELOPER FEES & CHARGES

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

### TAX TREATMENT OF HOUSING

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

### NOT ENOUGH LAND

Limited capacity in city strategies and within the local area to deliver and for housing inner city density, medium density urban renewal and new greenfield development

### SLOW PACED REFORM

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

### COMPLEX PLANNING SYSTEMS

Slow development approval processes and outdated zoning processes constrain the supply response

## SUPPLY SIDE PROBLEMS



## MEETING THE AFFORDABILITY CHALLENGE

## DEMAND SIDE PROBLEMS

### INCREASING TRANSACTION COSTS

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

### GROWING DEPOSIT GAP

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

### DEMAND FOR HOUSING OPTIONS

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

# DO NO HARM

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

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

We urge resistance to:

## New taxes

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

## Deflecting responsibility

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

## Flying blind

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

## Compromised planning

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

## Regulatory creep

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

# FIVE WAYS TO IMPROVE HOUSING AFFORDABILITY IN NSW

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## 1

### TURBOCHARGE HOUSING SUPPLY THROUGH INCREASED LAND SUPPLY AND PLANNING REFORM

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

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

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

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

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

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

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

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

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

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

# 2

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

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

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

But regulatory measures add to pricing too.

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

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

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

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

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

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



# 3

## BETTER COOPERATION BETWEEN ALL LEVELS OF GOVERNMENT

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

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

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

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

The mix of measures can include:

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

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

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

# 4

## BRIDGE THE DEPOSIT GAP AND SUPPORT FIRST HOME BUYERS BETTER

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

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

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

## SUPPORT THE RENTAL MARKET AND FOSTER INNOVATIVE, AFFORDABLE RENTAL PRODUCT

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

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

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

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

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

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

# 5

# 5-POINT HOUSING AFFORDABILITY PLAN FOR THE NSW GOVERNMENT

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

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

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

### Governance and oversight

- Establish a Housing Affordability sub-committee of cabinet comprising the Premier Treasurer Minister for Finance and Property Minister for Planning and Housing Minister for Transport and Infrastructure Minister for Western Sydney Minister for Social Housing and the Minister for the Environment and Local Government to set public targets for increased land supply complementary infrastructure provision housing completions and red tape reduction with timelines for completion.
- Give the new Housing Delivery Unit in the Department of Premier and Cabinet a clear mandate to work with local councils and the Greater Sydney Commission to fast-track the rezoning of land including height and FSR increases in accordance with the dwelling targets in the District Plans to be completed by the end of 2018.
- Task the Greater Sydney Commission with considering worlds' best practice options for incentivising innovation in housing design and supply to provide advice to the Housing Affordability Sub-committee by the end of 2017.

### Real targets and real deadlines

- Ensure the Greater Sydney Commission finalises the draft District Plans according to the current timetable and that clear publicly available and enforceable arrangements are developed and implemented to meet the new minimum dwelling targets they contain.
- Require the Housing Delivery Unit to immediately review all vacant or underutilised NSW Government held property assets to identify opportunities to rezone for residential or create additional affordable and social housing stock and set targets and deadlines for bringing those opportunities to market in a timely manner.
- Create specific dwelling and where appropriate height and FSR targets for major urban renewal centres in the District Plans in a similar manner to those provided for strategic growth centres to deliver appropriate density in the most appropriate locations especially where the NSW Government is delivering game changing infrastructure.

- Make it compulsory for Councils to meet the dwelling approval targets within transparent timeframes and if they are not met give the Housing Delivery Unit the power to appoint the Greater Sydney Commission to make a Local Environmental Plan that meets the target.
- Establish a mechanism to 'reward' Districts and the councils within them that are able to demonstrate they have turbo-charged housing supply by either exceeding dwelling targets or by delivering those dwellings in a shorter timeframe than that required.

#### Legal and regulatory changes

- Provide merit appeal rights to the Land and Environment Court for rezoning and LEP amendment determinations made by Planning Panels for proposals that are rejected or not approved within a prescribed timeframe.
- Take other meaningful steps to allow greater development in the areas identified in *A Plan for Growing Sydney* via the creation of a strategic compatibility certificate application process to the new Housing Delivery Unit with a merit appeal right to the Land and Environment Court.
- Clarify the ability to lodge planning proposals within approved corridor strategies (potentially via a s117 ministerial direction) and provide a fast track process with published timeframes for when they are within the controls.
- Make large scale residential development State Significant Development in western and south western Sydney local government areas to significantly reduce red tape in greenfield areas.
- Increase the role of Independent Hearing and Assessment Panels (IHAPs) (to be renamed Local Planning Panels in the draft Bill) Sydney Planning Panels (SPPs) and Joint Regional Planning Panels (JRPPs) and make them mandatory to depoliticise development and prioritise housing delivery. The threshold for SPPs and JRPPs should be retained at \$20 million.
- Retain the modifying power of section 75W by creating a new provision within section 96 to enable legacy Part 3A housing developments to increase yield and diversity where it can be justified and is in line with infrastructure investment.
- Amend the rezoning review guidelines issued in 2016 so independent Planning Panels have discretion to recommend or modify a proposal rather than just accept or reject it to avoid the process needing to start again when a proposal is rejected.
- Change current lot mix controls that mandate 60 per cent are required to have lot frontages of greater than 11 metres and none are able to have less than 10 metres frontage in low density residential land. Implement instead maximum density with a minimum number of larger lots and extend code assessment to this type of development.

- Promote downsizing for empty-nesters by encouraging the supply of senior appropriate housing via special planning consideration in the relevant planning legislation and instruments.
- Ensure that the measures detailed herein that require legislative reform are included in the Bill to amend the *Environmental Planning and Assessment Act 1979* and that any measures within the current draft that will increase delay or negatively impact supply are removed. The resulting Bill should be progressed during the 2017 Budget session of parliament.

#### More code assessment

- Finalise and implement the medium density housing code ("missing middle") via a new SEPP and an associated state-government prepared development control plan (DCP) that would exclude local DCPs from applying.
- Examine how the missing middle code could be extended and amended to ensure broader application including in growth centres.
- Implement code assessable development for apartments including high-rise and mixed use developments as available in other states and territories via a new SEPP and an associated state-government prepared development control plan (DCP) that would exclude local DCPs from applying (to the extent of any inconsistency).
- Reform state government concurrences and integrated approval arrangements via a State Environmental Planning Policy (SEPP) so a concurrence or integrated approval can be waived outright or waived if a development proponent commits to complying with pre-determined standards or requirements.
- Remove exemptions from the current SEPP 65 or 'workarounds' to ensure appropriate densities are being achieved especially in locations benefiting from major state government infrastructure spends.
- Deregulate minimum apartment sizes currently allowed under SEPP 65 to bring Sydney into line with other global cities like New York so singles and first home buyers have greater choice at lower price points.
- Amend the current NSW housing code to override council LEPs that restrict subdivision by use of a minimum lot size map to facilitate complying dwellings down to 250 sqm with scope for further reduction over time.
- Mandate a one month approval timeframe instead of the current Gateway process for planning proposals in zone transition zones in growth centres and extend the zone transition to 200 metres rather than the current 100 metres.



### Infrastructure delivery

- Allocate an additional \$500 million to the Housing Acceleration Fund to deliver much needed essential infrastructure including water road and electricity networks to speed up the delivery of new homes and jobs.
- Permit developers (in transparent VPAs with the relevant planning authority) to deliver/forward fund State Government "needs" (e.g. roads schools).
- Establish and publish a sequential timetable for compulsory acquisition of necessary infrastructure land (only) in key corridors to assist unlocking supply of remaining growth centre land and ensure the relevant agencies are appropriately funded to undertake detailed design work in advance.

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

- Review the planning proposal and development application process to clarify and trim excessive information requirements and enshrine and encourage the ability to lodge concurrent applications.
- Ensure Voluntary Planning Agreement (VPA) reform is directed towards increasing flexibility and transparency and does not inadvertently entrench the worst aspects of the current system that legitimise poor council practice and increase the hidden costs of delivering housing.
- Ensure the Department of Planning the Greater Sydney Commission and other key players within the system such as the JRPPs have adequate resources to undertake the roles assigned to them in accordance with the targets and timeframes set as part of the governmental response to the housing affordability crisis.

### Regional initiatives

- Embed appropriately staged 20-year Infrastructure Delivery Schedules within Regional Plans (starting with the Hunter the Illawarra and the Central Coast) handing responsibility for implementation to a specific government agency.
- Fast-track the commitment to investigate the establishment of a Hunter Commission.
- Ensure the newly established Regional Infrastructure Coordinator has a mandate clear targets and a plan to fund and deliver the infrastructure needed in regional NDSW to unlock land to increase housing supply.

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

- Institute a freeze on all existing state and local government taxes and charges (including SIC discounts) that impact on the cost of bringing a dwelling to market and commit to a moratorium on any new taxes charges and levies to undertake a review and rationalisation with the aim of a 20 per cent reduction in these costs by 2018.
- Immediately remove the specific foreign investment surcharges (stamp duty and land tax) introduced in the 2016 budget from housing suppliers (including retirement living and student accommodation developers and investors) to ensure the 15 to 20 per cent of housing development undertaken by foreign companies is not put at risk.
- Revise NSW stamp duty rates and thresholds to ensure that premium rates do not apply to 'standard' houses. For example on the current seven-point scale more than 50 per cent of properties in Sydney fall into the top two tax brackets.
- Work with the Commonwealth Government on a broader tax reform strategy to reduce the state's reliance on stamp duty receipts over the longer term with the goal of eliminating this inefficient tax altogether.
- Create a "housing supply impact assessment statement" requirement for any state government regulatory or financial changes so the new Housing Supply Unit can provide advice to government about the likely cost and red tape burden such changes would create.

### 3. Better cooperation between all levels of government

- Work with the Commonwealth Government to operationalise the Intergovernmental Agreement (IGA) on Competition and Productivity-Enhancing Reforms in relation to planning and zoning and construction approvals. The NSW Government signed the IGA in December 2016.
- Support the reintroduction of the National Housing Supply Council to measure market performance and provide independent advice to support competition policy payments.
- Work constructively with the Commonwealth Government to deliver a workable housing bond aggregator proposal to deliver more affordable housing by facilitating greater private sector investment into this housing type.
- Ensure that housing supply measures are appropriately recognised in the new Western Sydney City Deal and any other city deals implemented in NSW.
- Finish implementing the *Fit for the Future* plan to strengthen local government across the state and ensure councils are equipped to efficiently and effectively operate local planning systems and supply local infrastructure.
- Work with the Commonwealth Government to consider innovative options to further decentralise and support alternative population centres for example via progressing a fast train proposal between Sydney and Canberra or Sydney and Melbourne.
- Commit to working with the Commonwealth Government on long term measures to improve the pipeline of appropriately skilled workers into construction and related industries and worker mobility to better address the cost driver that skills shortages create.

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

- Examine the successful WA Key Start scheme with a view to introducing a similar initiative in NSW. The Key Start scheme helps eligible people buy their own homes through low deposit loans and shared equity schemes.
- Increase the threshold for stamp duty concessions for first home buyers. Currently those concessions are only available for purchasers of properties valued below \$650 000 which is of little assistance in Sydney where the median house price is close to \$1 million.
- Consider the viability of implementing a deferred program for stamp duty payments to spread the payment load over a longer period of time.
- Examine the shared equity schemes being implemented in other jurisdictions for their transferability to the NSW context as yet another means of helping first home buyers get a foot in the door.

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

- Ensure the five to 10 per cent targets for affordable housing in the draft District Plans are incentives rather than disincentives to increasing supply by ensuring they operate as an FSR and height bonus and not based on currently 'under-zoned' land.
- Exempt any affordable housing as defined by the National Rental Affordability Scheme developed as a consequence of the District Plans from any additional local government contributions.
- Establish a taskforce to work with the property industry and community housing providers to develop a model to support institutional investment into the long-term rental market to build scale and professionalism in the sector.
- Consider a new category of zoning for multi-family residential development to support the commercial competitiveness of the asset class and make it more attractive to large scale investors.
- Examine options for providing and discounting appropriate government land parcels for mixed affordable housing/apartments for sale projects. UrbanGrowth NSW currently holds appropriate land parcels that could be re-purposed in this way.
- Make a requirement of any sale of or development application relating to government owned land that can be redeveloped for residential purposes that a set percentage of any GFA or dwelling yield to be developed is to be used for social or affordable housing.
- Amend the Affordable Rental Housing SEPP so:
  - any application under Part 2 Division 1 is code assessable with the FSR bonus "as of right" and thus is above any LEP height or FSR restriction and unit areas are relaxed as set out above;
  - for an application made under Division 5 it is clarified that residential development at density is not incompatible with low density residential or other low impact non-residential development.
- Consider how the burden of government contributions on social housing development could be reduced including state infrastructure charges and section 94 contributions without passing them on to other sectors.
- Fast-track the roll out of the Communities Plus Program to speed up the replacement and creation of appropriate social housing stock for the most vulnerable in the community and address the current waiting list.

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



# ABOUT THE PROPERTY COUNCIL OF AUSTRALIA

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

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

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

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

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

All these reports and more can be obtained via [www.propertycouncil.com.au](http://www.propertycouncil.com.au) or contacting:

Jane Fitzgerald  
NSW Executive Director



Glenn Byres  
Chief of Policy and Housing

