

**Submission
No 38**

LAND RELEASE AND HOUSING SUPPLY IN NEW SOUTH WALES

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1. Opening

Local Government NSW (LGNSW) is the peak body for local government in NSW, representing NSW general-purpose councils and associate members including special-purpose councils. LGNSW facilitates the development of an effective community based system of local government in the State.

LGNSW thanks the NSW Legislative Assembly Committee on Environment and Planning (the Committee) for the opportunity to make a formal submission to the *Inquiry into Land Release and Housing Supply*.

Local government is a key player in the provision of land and housing supply. Local government helps deliver land and housing through strategic planning (local environmental plans, or LEPs) and provision of local infrastructure and services. This submission makes comment on the Inquiry’s five Terms of Reference (section 2) and outlines LGNSW’s general position on some other related issues under section 3.

2. Terms of Reference/Comments

The following comments are made about the Terms of Reference:

a) The resources and support needed within the Department of Planning and Environment

i. The delivery of a housing supply process

In the context of providing housing choice and diversity for a growing and changing population, a reference to the ‘housing supply process’ should cover the broad spectrum of housing, rather than being limited to certain elements like market housing. Such a ‘housing continuum’ would cover a spectrum of tenure that includes dwellings that are owned outright, mortgaged or rented (at market and subsidised rates). The Greater Sydney Commission (GSC)’s draft District Plans (as adapted from the City of Sydney) illustrated the continuum as shown in Figure 1 below.



Source: adapted from City of Sydney.

Figure 1: The housing continuum as illustrated in the GSC’s six Draft District Plans

Australia’s preferred tenure of home ownership has traditionally underpinned much of the policy and planning for urban development by successive State planning departments. In recent times, the Department of Planning and Environment (DP&E) has had an explicit focus on meeting one of 12 priorities set by the NSW Premier (i.e. ‘make housing more affordable’). To meet this priority, resources and policy work have been directed at two target areas:

1. 90 per cent of housing approvals determined within 40 days by 2019; and
2. State-led rezoning for 10,000 additional dwellings on average per year in appropriate areas to 2021.¹

To meet these targets, there has been a focus on planning for a growing number of ‘priority precincts’ across Sydney. There has also been unprecedented attention on speeding up approval processes State-wide by simplifying development approval pathways, particularly through the expansion of complying development.

LGNSW does not question the need for action to meet unbridled levels of housing demand. However, our view is that the focus is disproportionately biased on housing supply for private tenure, at the expense of strategies to deliver much needed housing stock for low and moderate income households. The numbers needed for social and affordable (rental) housing in Sydney are significant:

“More than 5,000 per year of social and affordable housing dwellings are required and currently only 10,000 are planned for the next 20 years. A volume solution is needed to turn this around.”²

Yet it appears that far less attention within the State Government has been on policies to address this critical area of housing supply. Access to social and affordable housing is not only an issue in Sydney, as discussed later in this submission.

The market alone is unlikely to provide much of the required affordable housing in many areas, and this needs to be acknowledged and addressed. Councils have an important role in identifying the retention and provision of affordable housing within the housing supply stream through local housing strategies. However, they have limited capacity to deliver affordable housing.

At the State level, the housing continuum straddles a range of agencies and ministerial portfolios, with no single clear responsibility for delivering affordable rental housing stock:

- DP&E and UrbanGrowth NSW are within the portfolio of the Hon. Anthony Roberts MP, Minister for Housing and Minister for Planning;
- Housing NSW (an agency of the NSW Department of Family and Community Services (FACS)) is in the remit of the Hon. Pru Goward MP, Minister for Social Housing; and
- GSC is an organisation funded by the NSW Government, whose members are appointed by the Minister for Planning and whose Chief Executive Officer has their contract with the Secretary of the DP&E.

Recommendation:

- 1 *The ‘housing supply’ paradigm must be reframed to emphasise the important contribution of social and affordable rental housing and the requisite responsibility/resources must be assigned within State Government and relevant agencies (e.g. DP&E, GSC, UrbanGrowth NSW, FACS) to delivering policies and plans to meet these housing needs.*

ii. The coordination and funding of enabling infrastructure

Infrastructure provision and funding is the single greatest challenge for local government in NSW. This is particularly acute in the Sydney metropolitan area where councils are faced with

¹ <https://www.nsw.gov.au/improving-nsw/premiers-priorities/making-housing-more-affordable/>

² SSROC, PIA & Housing Federation, *Affordable Housing Forum Communiqué*, 24 July 2017

accommodating high population growth targets over the next 20 years. However, rural and regional areas also face infrastructure issues, particularly funding, as discussed later in his submission.

The infrastructure investment pipeline is the State's largest in recent history and significant on a global scale. Over \$1 billion a month is being invested in transport infrastructure alone to deliver projects such as WestConnex and Sydney Metro. While this level of investment is welcome, councils have expressed concerns about how infrastructure decisions are made and the lack of co-ordination in government - including the integration of land use and infrastructure planning decisions.

This is not a new issue for councils. Successive metropolitan strategies and regional plans have lacked a committed and funded implementation plan and as such, have failed to effectively align the land use planning with guaranteed upfront infrastructure delivery.

Greater Sydney has had three new metropolitan strategies in ten years (2005, 2009, 2014) with yet another (revised version of the 2014) plan expected in late 2017. In responding to successive metropolitan strategies, LGNSW has called for mechanisms that would give these plans the 'teeth' to coordinate and direct agencies' expenditure programs to meet growth and land use demands upfront.

The lack of a meaningful implementation plan and monitoring was a major flaw, and may have been an outcome of shortcomings in resourcing or priorities within the various iterations of the State planning department. However, more fundamental to successive failures of metropolitan strategies has been the absence of a whole-of-government commitment and a lack of authority of the DP&E over key infrastructure agencies and funding. Metropolitan and regional planning was executed in a siloed approach by various state agencies, particularly those responsible for infrastructure delivery.

The multiple precinct projects and fragmentation of planning and delivery across government can lead to negative impacts on local communities. From local government's perspective, councils have a role to in delivering local infrastructure to support population growth. However, local government also expects to see that regional and district land use planning includes robust implementation plans which integrate and phase State funded infrastructure together with housing and employment growth. These plans also need to be supported by approved and funded infrastructure plans. This is critical to address past practice where development has been allowed to occur without the necessary infrastructure in place upfront. The necessary governance frameworks must be put in place to involve all relevant State agencies in delivering the plans.

For Greater Sydney, the GSC now has the role of revising the metropolitan plan, developing district plans, coordinating State agencies and ensuring infrastructure delivery aligns with the content of the plans. In non-metropolitan NSW, this role remains with DP&E. Regardless of which State body is responsible, LGNSW expects to see to see that adequate priority, resources and a whole-of-government commitment are retained to implement the district and regional plans.

The other major issue in terms of the co-ordination and funding of enabling infrastructure is that the existing infrastructure development model adopted by State (and Federal) governments usually leaves the crucial 'last mile' of infrastructure delivery – the local/council components – unplanned and unfunded.

This is because when projects are scoped, the planning stops at traditional agency or sector boundaries. This leaves councils to pick up the work (and the tab) for ensuring these projects actually reach local communities.

LGNSW strongly believes this is the time to boost much needed co-ordination of planning, investment and delivery of infrastructure in NSW, so communities (and governments) of today – and tomorrow – get maximum benefit. Adequate funding for local infrastructure is essential. State governments also need to ensure local government has a seat at the table when projects are being planned – as more than just one of many ‘stakeholders’ – and they need to recognise councils’ role as ‘convenor’ of important local and regional conversations as part of the infrastructure planning and delivery process.

Recommendations:

- 2 *Growth targets must align with the upfront delivery of infrastructure by the NSW Government and district and regional plans supported by approved and funded infrastructure plans.*
- 3 *Integrating investment decisions across levels of government and the sectors within them will require a transformational change in governance. Place-based planning of assets and the co-ordinated delivery of infrastructure would benefit from a greater use of the convening function of local government. Councils are ideally placed to broker solutions across infrastructure providers on behalf of the local community.*

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

‘Land release’ is traditionally a term used in relation to the development of greenfield land. In the metropolitan area, the State Government identifies land areas (often referred to as sectors or precincts) which will become the focus of planning investigations ahead of rezoning, service provision and subdivision for development. A process referred to as ‘precinct planning’ then begins, involving detailed investigations to assess the suitability of the land, identify the appropriate land use options/development potential and consider infrastructure and servicing requirements.

DP&E will be able to provide more detailed information about the precinct planning process. In addition, the Productivity Commission’s 2011 benchmarking report on planning and zoning includes flow charts illustrating the processes for Growth Centre precinct planning, rezoning and subdivision in NSW³.

An announcement that land is available (or ‘released’) for the supply of a set number of lots does not necessarily mean these will be instantly available for new houses. The Australian Housing and Urban Research Institute (AHURI) commented on this process in *Planning reform, land release and the supply of housing*, noting that “the difference between designated land supply and land release is an important concept in understanding the amount of zoned land available for development at any given time”⁴. The process is described by AHURI as follows:

“Australian state governments control the direction of development and its sequencing, designating future greenfield areas for urban purposes and including them inside metropolitan areas by extending growth boundaries. Governments also zone land and use other regulatory tools to enable urban development to occur in nominated urban corridors. The land development industry determines the amount of land released onto the market and its timing, housing type, lot size and subdivision design, and initiates the process for rezoning land for urban uses and gaining development approvals.

³ Productivity Commission, *Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments*, 2011 Volume 2, Appendix E, p 625-628

⁴ AHURI, Positioning Paper No.126, *Planning reform, land release and the supply of housing*, February 2010, p 14

*Developers thus exercise primary control of the actual development process and councils generally act as the approvals authority.*⁵

The rate at which this land becomes available for housing may be influenced by other factors such as fragmented land ownership, land banking and infrastructure sequencing.

Historically, this planning framework has been used to facilitate the orderly staging of land release and planning so that infrastructure can be delivered efficiently and cost-effectively. However, in Sydney's metropolitan area, with the introduction of 'urban activation precincts' (now called 'priority precincts') and the creation of UrbanGrowth NSW in 2012, the last five years have seen an explosion of development on multiple fronts in existing urban areas. Prioritising, funding and delivering infrastructure on this multi-pronged basis is challenging for State agencies and results in these communities accommodating significant population expansion with consequential impacts on local amenity.

The timely development and release of land, including in rural and regional areas, can also be affected by delays in the LEP process. Some councils have called for a more efficient process, citing examples of long delays in securing gazettals for changes to planning instruments. Councils report that critical administrative and minor planning proposals can be tied up in red tape awaiting formal review by the Parliamentary Counsel prior to the ascent of the Governor. Concurrence and referrals to State agencies associated with rezoning and development applications also contribute to substantial delays at times.

c) The complementary roles of State authorities, local councils and utilities

Local government's role in land release and housing supply is to prepare or update local environmental plans, develop local housing strategies and assess applications for development, where this remains under council control. Local government is also responsible for local infrastructure and service provision. For its part in the regional and district planning process, local government is required to review and amend its local plans to suit the higher level plans 'as soon as practicable'⁶.

Conversely, the role of State agencies in the process of integrating and aligning their activities with the direction of the regional and district plans is noticeably less clear. Many State agencies have a role in land release and housing supply⁷. However, traditionally there has been a 'silo' approach in the planning and delivery of land use and infrastructure for urban development. Councils in Sydney are also particularly concerned about a lack of coordination and strategic planning for Sydney's future waste infrastructure needs, compared with other essential infrastructure such as water, energy and roads.

With unprecedented growth rates in Greater Sydney, we are seeing 'strategic plan clutter', with overlap and confusion about agencies' roles and responsibilities. Providing whole-of-government coordination is therefore a critical role for the GSC. With one of its principal objectives being "to promote the alignment of Government infrastructure decision-making with

⁵ AHURI, Positioning Paper No.126, *Planning reform, land release and the supply of housing*, February 2010, p 14

⁶ Section 75A1 of the *Environmental Planning and Assessment Act 1979* (EP&A Act) requires local environmental plans to be updated to give effect to each District Plan as soon as practicable after a District Plan is made.

⁷ Other key state agencies with a major stake in planning, development and/or infrastructure in the Greater Sydney metropolitan area include: DP&E, UrbanGrowth NSW, NSW Treasury, Infrastructure NSW, Transport for NSW, Roads and Maritime Service, NSW Department of Education, Office of Environment and Heritage, Sydney Water and various energy utilities.

land use planning”⁸, it will be incumbent on the GSC to ensure that the State agencies responsible for planning and for infrastructure provision work together to ensure the timely and upfront provision of infrastructure to support growth.

Collaboration between government, industry and local communities is particularly important as development pressures increase. LGNSW understands a new collaborative approach - referred to as Growth Infrastructure Compacts - is being trialled for the Greater Parramatta to the Olympic Peninsula (GPOP). This new approach is welcomed by LGNSW and councils - who for many years have been calling for greater coordination between State agencies - providing councils have an appropriate role up front. Designed to bring together the GSC, State agencies, industry and communities in a more holistic, collaborative and evidence-based approach to land use and infrastructure planning, the Growth Infrastructure Compacts remain to be tested and time will tell if this new approach achieve its objectives and can be suitably replicated for other precincts. If the concept is found to be successful and applicable to future growth areas it will require sustained commitment and resourcing by the NSW Government.

Recommendation:

- 4 *LGNSW supports the development of long-term place-based budgeting that identifies the development and investment needed to deliver government (and community) visions and outcomes. These budgets should offer all parties the flexibility to plan assets together, creating efficiencies and improving asset utilisation.*

d) The different characteristics of Greater Sydney and non-metropolitan NSW

Rural and regional areas face quite different challenges in land release and housing supply, in contrast to the rapid growth experienced by councils in the metropolitan area. The timely development and release of land in non-metropolitan NSW can be constrained by the capacity to fund local infrastructure upfront (particularly water and sewerage amplification) to cater for new land and housing. Councils rely on development contributions to supplement funding for these initial upfront costs, however in many rural areas this funding source is constrained by the typically lower land values and lot release rates, making it difficult to accumulate sufficient funds quickly.

Other factors affecting land release in rural areas were identified by AHURI in a 2011 study of the drivers of supply and demand for housing in regional and rural centres. AHURI found that “a range of capacity issues are affecting the supply of land and housing and particularly for affordable housing”⁹, citing concerns about ongoing skills and labour force shortages in rural and remote areas and the speed of land release as impediments to the supply of land for housing and a cost impost.

AHURI also observed that in rural areas “the type of land released to the market was not what is being demanded; i.e. only releasing blocks over 600 square metres in many areas; this limits options for smaller and cheaper land for more affordable housing”¹⁰. This finding is consistent with similar reports from some of our members who have highlighted a mismatch between the demographic profile of their area (i.e. aging population) and the bulk of housing stock that is being constructed (i.e. predominantly detached housing). There is clearly a growing demand and potential opportunity to provide a greater choice of housing in these areas.

⁸ *Greater Sydney Commission Act 2015*, section 9(c)

⁹ AHURI, *The drivers of supply and demand in Australia’s rural and regional centres*, March 2011, p 11

¹⁰ *Ibid.*

Over the past two decades, NSW has witnessed growing disparities in employment, wealth, income and educational opportunities between and within regions in the State. The State's existing economic development path is not adequately spreading the benefits of globalisation and the digital revolution across NSW. The resultant spatial impacts are uneven, driving disparities in jobs, wealth, incomes, skills and learning opportunities between regions of the State and within regions.

LGNSW and its predecessors have argued for many years that strategic planning for Greater Sydney and the non-metropolitan regions should occur within a wider whole-of-State-development context, where new policy directions recognise the local and regional dimension to State development and population distribution. However, this State-wide context has been notably absent from metropolitan and regional planning. This missing piece of strategic planning to accommodate the State's population growth and distribution is a State-wide policy matter that should be pursued by DP&E and other leading State agencies.

The challenges confronting NSW include increasing congestion and other environmental problems associated with the growth of Sydney; population decline in rural areas; rapid population growth in 'lifestyle' regions of the north and south coast and across Sydney; and ongoing structural change in industrial regions (Wollongong and Newcastle). A mix of new policy initiatives or strategies which locate population growth outside of Greater Sydney would complement existing strategies for accommodating growth within Sydney itself. To do this, measures are required to build the knowledge base, infrastructure and innovative capacity of all regions. This entails significant public investment in education, transport infrastructure; research and development and information and communications technologies in rural and regional centres that demonstrate growth potential, and incentives to encourage job-creating investment. This approach needs a major resource commitment and strategic coordination from all spheres of government, with local government a pro-active partner in this process.

With the establishment of the Greater Sydney Commission (GSC), local government is cautiously optimistic about a new approach to metropolitan planning, where planning, expenditure and upfront delivery of infrastructure by State agencies are aligned with meeting the growth and land use targets identified in the District Plans. However, it is early days, and for the GSC to differentiate itself from its predecessors, it will need to be appropriately resourced, have the authority and mechanisms to coordinate the relevant State agencies to integrate land use and infrastructure planning, and actively review and monitor delivery of the District Plans. There is not the same strength of focus in rural and regional areas. This needs to be embedded in Regional Plans.

Recommendations:

- 5 *The NSW Government should address the matter of regional development and population distribution across the State, through a mix of policy initiatives or strategies to locate population growth outside of Greater Sydney, in addition to current initiatives for housing supply within Sydney itself.*
- 6 *The DP&E should actively investigate how some of Sydney's population growth could be accommodated outside of the metropolitan region through policies and infrastructure provision that could generate and attract growth in regional locations.*

e) Other related matters

i. Housing affordability

Some developers argue that the rate of delivery of housing supply is the leading driver of house prices, which in turn is primarily driven by land availability. However, as discussed above, the supply of land is only one factor – others are outside the realm of planning.

There is increasing recognition that the major factors contributing to Sydney's housing affordability crisis are beyond the influence of local government and are on the demand side. The drivers are many and varied including:

- low interest rates and high credit availability
- high population growth
- Sydney's attraction as a global city
- high levels of foreign and domestic investment
- the commodification of housing stock as a financial investment
- tax incentives such as negative gearing.

LGNSW rejects the premise that increased housing supply will in itself deliver housing affordability and faster development approval processes will increase housing. The NSW Housing and Planning Minister himself has acknowledged this, stating that even with increased levels of supply, it is unrealistic to expect Sydney's house prices to fall.¹¹ We still have an affordability issue, despite the fact that dwelling completions are at "historic highs" according to the Planning Minister.¹²

Economics professors, housing peak bodies and the Committee for Sydney joined together in September 2016 in an open letter to the NSW Government asking for a housing affordability strategy that goes beyond increasing supply. They believe increased supply has had limited effect in producing affordable housing stock¹³. Dr Tim Williams, Chief Executive of the Committee for Sydney, summarises the issue succinctly:

"Homes are unaffordable not because we are building too few but because the market is flooded with cheap credit," Dr Williams said. "Increasingly access to this is being channelled to existing homeowners over first-time buyers, leading to many Sydneysiders owning two and three properties while the average 30-year-old cannot get into home ownership. We cannot build our way to affordability in such a market".¹⁴

Councils are limited in their capacity to provide affordable housing, but they do have a role at the local level to facilitate the delivery of affordable housing projects on the ground, through development of local housing strategies and encouragement of affordable housing developments.

LGNSW supports the retention and facilitation of opportunities for affordable rental housing as an integral part of strategic planning at district, regional and local planning levels. It is important

¹¹ The Hon. Anthony Roberts MP, NSW Minister for Housing and Minister for Planning, ABC Radio Sydney, 2 March 2017

¹² The Hon. Anthony Roberts MP, Media Release - *NSW Housing Completions Smash State Record*, 12 July 2017

¹³ The Fifth Estate, *Open letter to NSW Government: stop pretending housing affordability is just about supply*, 5 September 2016

¹⁴ Ibid.

to note that this is not an issue that is exclusive to the metropolitan area, as AHURI noted in a 2011 analysis of rural and regional supply and demand:

*“Regional housing markets have been affected by the same house price boom and subsequent affordability pressures that have influenced urban housing markets”.*¹⁵

The AHURI study found that while home ownership has remained reasonably affordable in rural and regional Australia, “there is clear evidence of market failure in the rental market and widespread concern among a broad range of stakeholders about the ability of low income earners to access affordable rental housing and transition from rental into home ownership in the short and longer term”¹⁶.

The inclusion of an affordable housing target in the draft District Plans for Sydney was a welcome first step but councils are broadly of the view that it does not go far enough. The market alone is unlikely to provide much of the required affordable housing in both metropolitan and non-metropolitan areas. The GSC and DP&E should work collaboratively with LGNSW, councils and the relevant State and housing bodies to develop an appropriate methodology for devising affordable housing targets and appropriate mechanisms (for example, inclusionary zoning) that could be applied at a district/regional and local level, for both metropolitan and regional areas

Recommendation:

- 7 *Greater consideration must be given to how to provide housing opportunities for those on low to moderate incomes if we are to provide rental and first home owners more choice in an ever tightening affordable housing market.*

ii. Is there really a land availability problem?

Metropolitan land supply is “the sum of land available for development on designated greenfield sites, redevelopment in the existing metropolitan area, multiplied by urban density. In addition, metropolitan land supply is often augmented by a regional approach that provides land for dwelling construction in satellite towns or regional centres used by commuting users of metropolitan services on a network or similar city model.”¹⁷

Media reports in January 2017 quoted former Minister for Planning, The Hon Rob Stokes MP, telling home builders to “get cracking and start developing new properties in the west”¹⁸ - there was enough vacant greenfield land in Sydney and the Central Coast for 115,000 new homes. Mr Stokes went on to say “What we face in Sydney is actually not a shortage of land. What we have faced historically has been the capacity to fund infrastructure to ensure that land is converted into houses.”¹⁹ The land is available, rezoned and ready to go, but for one reason or another, this land is not being taken up as quickly as the Government would like.

Professor Chris Leishman, in a recent report on *Housing Australia* published by the Committee for Economic Development of Australia (CEDA), posed the question ‘Is the supply of new housing adequate?’²⁰. While Professor Leishman concedes that evidence and data on land supply is limited, he also cites qualitative evidence suggesting that land developers

¹⁵ AHURI, *The drivers of supply and demand in Australia’s rural and regional centres*, March 2011, p 4

¹⁶ AHURI, *The drivers of supply and demand in Australia’s rural and regional centres*, March 2011, p 2

¹⁷ AHURI, Positioning paper No.126, *Planning reform, land release and the supply of housing*, February 2010, p 13

¹⁸ Daily Telegraph, *115,000 reasons to get cracking*, 11 January 2017

¹⁹ Ibid.

²⁰ CEDA, *Housing Australia*, August 2017, Chapter 2

deliberately restrict serviced land supply by 'drip-feeding' it onto the market to help realise the prices they want.²¹

Other observers in the past have put it more crudely than this. For example, an article in *The Age* some years ago observed the activities of some of Australia's biggest development firms on Melbourne's fringe, citing comments by one of Australia's biggest development industry names (on the basis of anonymity) that "the single biggest influence on suburban house prices is 'corporate profits'. ...In other words, the biggest developers are land banking: buying up large parcels of land, squeezing out smaller players and drip-feeding the market, driving up house prices to maximise profits"²².

iii. The planning regulation myth

LGNSW echoes the Planning Institute of Australia (PIA) stance against arguments that the planning system is at the heart of insufficient new housing supply. PIA recently, stated: "For too long successive Commonwealth, State governments and the powerful development industry bodies have put their 'heads in the sand' and argued that all of Australia's housing woes can be attributed to 'restrictive planning policies and decision making'"²³.

A number of academics have drawn similar conclusions. Associate Professor Nicole Gurrán and Kristian Ruming examined discourses surrounding planning regulation and housing affordability in NSW between 2011 and 2014 to show how particular interests shape urban policy debate and reform in Australia²⁴. Their analysis found that "rather than being driven by affordable housing priorities, housing affordability problems are used as a semantic justification for a wider deregulatory agenda".

Dr Gurrán and Professor Peter Phibbs put forward these sentiments in an article in *The Conversation* in 2013²⁵:

"In essence, it's claimed that lengthy decision time frames (the time needed to get planning approval for a development), uncertainty (whether a planning approval will be forthcoming, and how long it will take), and development contributions (towards the costs of infrastructure for new development), are the main problems.

So, what's the evidence linking inefficient planning approval processes to expensive housing in Sydney and other State capitals? In fact, data produced by planning agencies shows around 95% of all development applications in NSW and Victoria are approved, a rate which has been more or less stable for the past five years.

So the problem is not due to planning obstruction, nor does Sydney - where housing supply and affordability problems are most severe, do worse than other Australian cities.

So we need to look more closely at claims that planning regulation is constraining housing supply and that relaxing controls through planning reform would boost production and affordability.

NSW has already given this a pretty good try, under reforms introduced in 2005 to enable 'major projects' (including housing developments worth over \$50m) impunity

²¹ CEDA, *Housing Australia*, August 2017, p 18 and p 54

²² Royce Millar, *The price of a piece of dirt*, *The Age*, 22 September 2007

²³ PIA, Media Release, *PIA's response to CEDA Housing Report*, 30 August 2017

²⁴ Gurrán N. & Ruming, K., *Less planning, more development? Housing and urban reform discourses in Australia*, in *Journal of Economic Policy Reform*, September 2015

²⁵ Gurrán, N. & Phibbs, P., *The Conversation, Home truths: are planners really to blame for our housing shortage?* 12 March 2013 (<https://theconversation.com/home-truths-are-planners-really-to-blame-for-our-housing-shortage-12723>)

from existing planning requirements, and an express line straight to Ministerial approval. Yet these notorious 'Part 3A' provisions - didn't lift production. Rather, in the year of their introduction dwelling approvals in NSW fell for the first time, below those of Queensland and Victoria.

So why does the commentary focus on the planning system when other issues, such as the availability of credit - have a much bigger impact?

To really fix Australia's affordability crisis, governments must provide adequate funding and other support to Australia's non-profit housing developers who are targeting the area of greatest housing shortage. It's cheaper to talk red tape reduction than directly support affordable housing or fund new infrastructure. These take political commitment and resources, both of which do appear to be in short supply."

No credible evidence has been put forward to substantiate the argument that the planning system is to blame for the housing affordability crisis. In fact, quality planning and urban design are critical to ensure future housing and built environments are safe, secure, well-designed and liveable.

iv. Pressure to convert employment lands

Sydney councils are experiencing significant housing growth and for some, the pressure to convert existing employment lands for residential development is already high and is growing. Local government has welcomed the inclusion of a precautionary approach to rezoning employment and urban services land in the draft District Plans for Sydney. However, there will need to be a commitment from the NSW Government as well as strong policy support from the GSC to assist councils in preserving this land, given the intense pressures to zone it for alternative land uses.

v. Ambitious housing targets

Housing targets are supported by local government, provided they are evidence-based and linked to capacity, commitments and actual delivery of infrastructure. Having to meet a growing demand for housing is not new – councils have been contributing their share of meeting Sydney's future housing needs over many years by integrating the population, housing and employment targets of previous metropolitan strategies into their LEPs. However, local government in Sydney is understandably cautious about the ambitious housing targets contained in the six draft District Plans. While many existing areas may have the benefit of established infrastructure, this is fast-approaching or already above capacity, and any housing increases will exacerbate the problem, having a detrimental effect on liveability for existing and future residents in those areas.

Regional and District Plans proclaim 'liveable' communities as an overarching priority, yet while they pay a lot of attention to quantifying future housing targets, they fail to be specific about other liveability indicators – the social, open space, public transport, education, health and employment needs required to support the projected population growth. The lack of such liveability metrics or measures significantly weakens these plans' ability and commitment to deliver on these important outcomes.

LGNSW and councils have consistently argued over many years for upfront provision of infrastructure to support growth, however, some commentators have suggested that planning for population growth is "occurring without much forethought as to what it means for equity, productivity, liveability and sustainability outcomes"²⁶.

²⁶ Fensham, P., *Ensuring a liveability dividend from growth: A new Urban Renewal Community Compact*, SGS Occasional Paper, June 2017, p 2

Principal and Partner of SGS Economics and Planning, Patrick Fensham, argues that “large increases in population should not be proposed without integrated infrastructure planning and provision, and enhancements to general neighbourhood amenity. Otherwise, it is likely that the average quality of life for residents in a redeveloped precinct will decline over time”²⁷. In his paper, Fensham proposes a potential list of indicators or measurable outcomes that could be used to achieve meaningful commitments to liveability and other goals. “The way to ‘bring people along’ is to show a dividend from growth and ensure that while the quality and character of life might be different, overall it will be better, not worse, than before”²⁸.

Another difficulty with housing targets is that they falsely raise a community perception that there will be no further development or growth pressure if they reach their ‘target’. Existing communities will legitimately question what happens when the ‘targets’ are reached and replaced by increased targets.

Councils have indicated that supply is generally not an issue in the next 5 years, but the challenge is enormous over the 5 - 20 year horizon. This is largely due to a lack of confidence about the corresponding infrastructure that is or will be available to support development and the limited funding options open to councils to meet local needs. The experience of some councils in the past has seen them agreeing to support new development precincts in their local area, only to find that the State Government fails to deliver the necessary supporting infrastructure.

3. LGNSW position

a) Importance of local government

Despite the perception that local government opposes growth, this is not the case. The level of development that is occurring across Sydney currently is evidence that councils have been planning for future growth – routinely consulting with their communities, reviewing strategies, and up-zoning land which now is being developed at unprecedented rates. However, the impacts of many planning decisions are felt locally and for this reason local government must continue to be fully involved in, and lead, land use planning at the local level. Democratically-elected local government plays an important role in representing the community views in planning processes and it provides a vital governance framework that should be respected.

b) Local and State Government partnership

The early stages of land use plan-making are critical to ensuring the delivery of housing, transport capacity, utilities (water, sewerage, energy/electricity), schools and open space, are planned and delivered for a community. LGNSW understands the need for additional housing supply, however this should be through a policy of ‘development done well’, where new communities are created with the support of adequate resources, infrastructure and public services.

The NSW Government is pursuing policies that increase housing supply without a guarantee that new development will be appropriately serviced. For their part, councils plan for growth or (in the case of many non-metropolitan areas) for an area of relatively little growth, by preparing or revising their local environmental plans. However, councils have little influence over the

²⁷ Fensham, P., *Ensuring a liveability dividend from growth: A new Urban Renewal Community Compact*, SGS Occasional Paper, June 2017, p 3

²⁸ Ibid.

delivery of State infrastructure to support these plans. While the planning process is managed by State and local government, it is an unequal partnership where one party creates an impact and the other parties are charged with finding a solution.

Local government has welcomed the State Government's past references to a 'partnership' with local government. However, this partnership needs to be more than just words – it must be genuine and based on mutual respect of the rights and positions of both parties and reflected in planning system processes and frameworks.

Councils have a wealth of local and district knowledge about what is happening 'on the ground' and an important role in convening local and regional conversations, providing a local voice to create amenity and liveability in the places and spaces of their areas. It is fundamental that the DP&E adopts a culture of early and genuine engagement with councils in all its undertakings, to ensure that relevant local information and issues are identified and considered.

c) Funding – infrastructure contributions and rate pegging

In areas hosting significant increases in dwellings, the challenge of financing infrastructure ahead of the receipt of development contributions creates a financial burden on council balance sheets. Often development of enabling infrastructure (such as road and stormwater infrastructure) needs to be delivered in advance and cost recovery is subject to volatile housing market conditions. Low interest loans can assist councils to manage risk created by the uncertainty of the time gap between delivering the infrastructure and when the development occurs and a contribution is paid. Programs that offered this relief have been well supported by local government and should be re-introduced to provide additional fiscal flexibility in high growth areas.

Local government's capacity to deliver local infrastructure to support new land releases is also constrained by the current caps on infrastructure contributions. The current caps of \$30,000 for identified growth areas and \$20,000 for other areas are entirely inadequate to provide the required local infrastructure, particularly where it involves land acquisition. LGNSW advocates the removal of the caps.

Many jurisdictions also speak to the benefits of value capture and the ability to channel this value into the funding mix to pay for infrastructure investment. Local government can use voluntary planning agreements to work with industry to create and share value between developers and the community. LGNSW views planning agreements as useful tools to create and share value on behalf of local communities and cautions government against limiting the eligibility of items to be included in these agreements. We also note with concern suggestions that the State Government might intend to further constrain the process.

Local government's capacity to deliver local infrastructure is also exacerbated by the ongoing rate pegging regime which constrains a council's general revenue.

The challenge of supporting communities is rarely static and is influenced by demographic pressures, economic, social and environmental resilience. Each region across NSW will have unique attributes well known to local government and their local communities and should be able to set charges to raise revenues to deliver local objectives. Local government must have control of its revenue raising and investment decisions and be fairly funded by the Commonwealth and NSW Governments to meet its infrastructure and service responsibilities.

Recommendation:

- 8 *LGNSW calls for a review of infrastructure funding for local government by IPART (including rate pegging, the cap on infrastructure contributions, and grant funding for local infrastructure) to ensure these mechanisms deliver sufficient funding to support growth.*

4. Conclusion

Local Government has been and remains a strong supporter and essential partner in progressing the objectives of metropolitan, regional and district plans for communities in Sydney and across the State. Local government will continue to play an important role in the future planning of these areas by providing the local knowledge, experience and fine-grain planning and delivery mechanisms that are critical to meeting the challenges posed by a growing population.

This submission echoes calls of various economics professors, academics, housing peak bodies and the Committee for Sydney in calling for adequate funding and other support to targeting the social and affordable rental housing market. The DP&E and GSC, among other State agencies have a role here by coordinating infrastructure, land use and policies that specifically target the affordable housing sector, and may require more resources. This submission has suggested there is a need for Government agencies to be identified to champion and deliver affordable housing with dedicated resources to match.

LGNSW joins with others to question some of the myths surrounding the ‘solutions’ to the housing crisis – namely, calls for increased land supply and blatant attacks on the planning system.

In relation to metropolitan, regional and district planning, this submission raises local government’s widely held concern about the need for upfront infrastructure provision to support housing supply and population growth. It also reiterates LGNSW’s previous observations about the failure of successive metropolitan strategies to align land use and infrastructure delivery, and called for a Statewide population policy/strategy to set an overall context for these metropolitan, regional and district plans.

Summary of recommendations

- 1 *The 'housing supply' paradigm must be reframed to emphasise the important contribution of social and affordable rental housing and the requisite responsibility/resources must be assigned within State Government and relevant agencies (e.g. DP&E, GSC, UrbanGrowth NSW, FACS,) to delivering policies and plans to meet these housing needs.*
- 2 *Growth targets must align with the upfront delivery of infrastructure by the NSW Government and district and regional plans supported by approved and funded infrastructure plans.*
- 3 *Integrating investment decisions across levels of government and the sectors within them will require a transformational change in governance. Place-based planning of assets and the co-ordinated delivery of infrastructure would benefit from a greater use of the convening function of local government. Councils are ideally placed to broker solutions across infrastructure providers on behalf of the local community.*
- 4 *LGNSW supports the development of long-term place-based budgeting that identifies the development and investment needed to deliver government (and community) visions and outcomes. These budgets should offer all parties the flexibility to plan assets together, creating efficiencies and improving asset utilisation.*
- 5 *The NSW Government should address the matter of regional development and population distribution across the State, through a mix of policy initiatives or strategies to locate population growth outside of Greater Sydney, in addition to current initiatives for housing supply within Sydney itself.*
- 6 *The DP&E should actively investigate how some of Sydney's population growth could be accommodated outside of the metropolitan region through policies and infrastructure provision that could generate and attract growth in regional locations.*
- 7 *Greater consideration must be given to how to provide housing opportunities for those on low to moderate incomes if we are to provide rental and first home owners more choice in an ever tightening affordable housing market.*
- 8 *LGNSW calls for a review of infrastructure funding for local government by IPART (including rate pegging, the cap on infrastructure contributions, and grant funding for local infrastructure) to ensure these mechanisms deliver sufficient funding to support growth.*