

**Submission  
No 45**

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

**Organisation:** Shelter New South Wales  
**Name:** Ms Karen Walsh  
**Position:** CEO



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The Chair, Committee on Environment and Planning  
c/- David Hale, Committee Manager  
[environmentplanning@parliament.nsw.gov.au](mailto:environmentplanning@parliament.nsw.gov.au)

Dear Mr Rowell,

**Committee on Environment and Planning inquiry into  
land release and housing supply in NSW**

Shelter NSW is writing in response to the Committee on Environment and Planning's request for submission to its inquiry into land release and housing supply in NSW.

Shelter NSW is the peak body advocating for a fairer housing system for low-income and disadvantaged households in NSW.

While this means that we have strong interest in the effectiveness of housing supply to meet the needs of low income households, we will not comment on the majority of the committee's terms. Rather we are concerned to draw the Committee's attention to the importance of ensuring that housing supply processes at all times include a strong – and adequate – mechanism to deliver low cost housing.

Aggregate housing supply targets are, of course, important to plan effectively for population growth, and to contribute to the reshaping and renewal of the city to make better use of infrastructure (although there is considerable debate about whether this is really achieved through approaches such as densification). But unless housing supply meets the needs of all segments of households, supply alone will not be effective in responding to demographic changes, social needs, or economic objectives.

Given this, it is important to note the findings of the AHURI report, *Supply shortages and affordability outcomes in the private rental sector: short and longer term trends*, based on the 2011 census data that NSW had a shortage of 134,900 units of rental housing that is affordable and available to households in the bottom 2 quintiles of household income<sup>1</sup>. This shortage had increased steadily over the previous 15 years; and it is almost certain

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<sup>1</sup> Tables 18 & 19 Hulse, K., Reynolds, M., Stone, W. and Yates, J. (2015) *Supply shortages and affordability outcomes in the private rental sector: short and longer term trends*, AHURI Final Report No.241. Melbourne: Australian Housing and Urban Research Institute. Available from: <http://www.ahuri.edu.au/publications/projects/p51018>

that when the data from the 2016 Census is available, this situation will have considerably worsened.

It is notable the last State Budget, like the one before it, was framed around the achievement of greater housing affordability through the facilitation of substantial new supply. However, Shelter is strongly of the view that the simple view that aggregate supply will filter down to improve affordability is demonstrably wrong.

We would draw the Committee's attention to the findings of the recent AHURI report, *Housing supply responsiveness in Australia: distribution, drivers and institutional settings*, which noted:

“Our descriptive statistics show that the growth in the *national* housing stock has kept pace with *national* population growth over a nearly decade-long timeframe. However, we also discover that most of this growth in housing supply may not be constructed in areas where it is most needed. The findings have important policy implications for the targeting of housing programs that seek to boost the supply of affordable housing, such as NRAS. <sup>2</sup> “

In terms of meeting population needs, “...more meaningful is the observation that by 2013–14 approvals in the most populous LGAs were accounting for a disproportionately high share of unit and house approvals relative to population shares”( p18).

In terms of affordability: “distribution of house approvals ... is concentrated in the mid-to-high price deciles, but largely absent from the lowest priced segments. Almost 80 per cent of house approvals are to be found in the 6th to 9th deciles...” (p 16)

“A key finding is that new housing supply has been concentrated in mid-to-high price segments, rather than low price segments. New housing supply in high price segments is generally beyond the reach of low-income households as well as first home buyers, and therefore does little to directly increase their access to low cost housing. Housing in low-priced segments is presumably more affordable, but less than 5 per cent of approvals were in the bottom 20 per cent of the house and unit real price distribution in 2005–06, and this remains the case almost a decade later in 2013–14.” (p28)

This reinforces the frequently reported view by researchers, such as Sydney University's Profs Peter Phibbs and Nicole Gurrán, that a number of factors work against any possibility of mere increases in supply improving affordability<sup>3</sup>. These include:

- The very small proportion of the total residential stock represented by new supply (less than 2%) limiting its capacity to have any significant impact on the market;

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<sup>2</sup> Ong, R., Dalton, T., Gurrán, N., Phelps, C., Rowley, S. and Wood, G. (2017) *Housing supply responsiveness in Australia: distribution, drivers and institutional settings*, AHURI Final Report No. 281, AHURI, Melbourne, <http://www.ahuri.edu.au/research/final-reports/281>

<sup>3</sup> Peter Phibbs & Nicole Gurrán, 'Why housing supply shouldn't be the only policy tool politicians cling to' *The Conversation*, February 14, 2017 <https://theconversation.com/why-housing-supply-shouldnt-be-the-only-policy-tool-politicians-cling-to-72586>

- The fact that, in an asset market (speculative market) such as the NSW housing market, price increases *increase* demand; and
- The practice of developers to hold back the release of housing to avoid swamping the market and reducing prices, as evidenced by the fact that dwelling approvals significantly outstrip dwelling starts. The latter is particularly relevant to this inquiry.

In the light of this, Shelter would urge the Committee to consider the best mechanisms to ensure that the release of land translates efficiently, not only into aggregate housing supply, but into a significant proportion of low-cost (affordable) housing, and that this is affordable to both owners and renters.

This should be achieved by a mix of measures:

The release of government land should include a proportion that is set aside for non-profit affordable housing developers (principally community housing providers). Significantly reducing the cost of land can complement new instruments, such as the 'bond aggregator' announced by the Commonwealth in the recent budget, to make the production of housing that is managed for both very low income households as social housing, or low income households as affordable housing financially viable.

Ensuring that all such housing developed on newly available land is subject to inclusionary housing requirements<sup>4</sup> under section 94F of the Environmental Planning and Assessment Act and SEPP 70. The principle that operates here is that the value uplift that flows from changed land used, coupled with a demonstrable need for affordable housing, should be shared between the land owner and the community. It should be noted that a systematic implementation of inclusionary housing requirements, provided in the form of mandatory developer contributions to affordable housing, are capitalized in to a (reduced) land value.

The recent proposal by the Greater Sydney Commission for wider application of an inclusionary housing approach is welcome, but is undercut by the low proportion of the land value that should be applied to affordable housing (10-15%); its application only to the uplift, rather than the total value; the lack of any requirement that such housing that is rented at affordable prices; and the caveat: 'subject to viability'.<sup>5</sup>

Shelter urges the Committee to recommend that there be a requirement for 30% of all housing produced on newly released government land be 'affordable housing' and that meets benchmarks for affordability for tenants and purchasers. We would stress the importance of specifically identifying a target for affordable rental housing in all such new releases, rather than assuming that its sole purpose will be owner occupation. While a proportion of all such housing will ultimately be purchased by investors, the resulting rental housing will not be influenced by affordable housing targets.

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<sup>4</sup> Shelter NSW, 'what is inclusionary housing?' Factsheet 2016  
<https://shelternsw.org.au/sites/shelternsw.org.au/files/public/documents/fly1406factsheet-inclusionaryhousing-short.pdf>

<sup>5</sup> Cf Shelter NSW Factsheet released to inform community members intending to make submissions to the Greater Sydney Commission following the release of their draft regional plans. 'District planning in Greater Sydney' Dec 2016  
[https://shelternsw.org.au/sites/shelternsw.org.au/files/public/documents/fly1611districtplanning\\_shelternsw.pdf](https://shelternsw.org.au/sites/shelternsw.org.au/files/public/documents/fly1611districtplanning_shelternsw.pdf)

We particularly stress the importance of not making such inclusionary housing targets subject to viability. Not only does this further undercut the necessary housing affordability targets for a genuinely inclusive community, but it seriously compromises the efficient transfer of the cost of delivering affordable housing into lower land prices. This is necessary if the beneficiary of the value uplift from the new release of greenfield sites (the land owner) is the party that shares the benefit, rather than the developer carrying a cost that is then passed on to the house purchaser. If this cost to developers is variable, and subject to a wide range of exemptions, the market will not efficiently pass this back into the land price.

Finally, we support the emphasis from both the Greater Sydney Commission and DPE on ensuring that new releases are no longer based on large blocks, but include a mix of denser dwelling types, such as town houses, and dwelling sizes. Not only will this create a better urban form and more inclusive communities; but it will also ensure that new release areas play their part in meeting overall new housing needs, thereby taking some pressure off the over-densification of inner and middle ring suburbs in Sydney. We recognise that this may seem a marginal point for an inquiry into land release; but we make it because of a growing recognition that densification, and the growth of multi-unit developments adversely affect low-income households.

Multi-unit developments increase land values and prices. Low-income households experience displacement due to redevelopment and are priced out of the area. Not only are house prices (for ownership or rental) unaffordable, but the amenity provided in higher-cost redevelopments fails to meet the needs for low income households. The more that new release areas deliver effective housing, employment opportunities and services, access and amenity for low-income households with a variety of housing types, the less they will be exposed to the impact of development in other parts of the city.<sup>6</sup>

Shelter would like to thank the Committee for the opportunity to present these views. If the Committee would like to pursue any of these matters further, we would be happy to discuss them with you.

Yours sincerely

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Karen Walsh

CEO

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<sup>6</sup> See the recent reports, *Equitable Density*, produced for Shelter NSW by the City Futures Research Centre at UNSW <https://shelternsw.org.au/news/what-does-urban-density-mean-low-income-households-new-reports-released>