

**REPORT ON PROCEEDINGS BEFORE**

**COMMITTEE ON ENVIRONMENT AND PLANNING**

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

**At Macquarie Room, Parliament House, Sydney on Monday, 5 March 2018**

**The Committee met at 9:00 am**

**PRESENT**

Mr Geoff Provest (Acting Chair)

Mr Anoulack Chanthivong  
Mr Jamie Parker  
Mr Mark Taylor



**SARAH HILL**, Chief Executive Officer, Greater Sydney Commission, sworn and examined

**GREGORY PETER WOODHAMS**, Executive Director City Planning Projects, Greater Sydney Commission, sworn and examined

**STEPHANIE BARKER**, Director Metropolitan Planning, Greater Sydney Commission, affirmed and examined

**The ACTING CHAIR:** Thank you for attending the public hearing of the Committee on Environment and Planning. The Chair of this Committee, Mr Jai Rowell, offers his apologies; his wife had a baby at the weekend, young Chase, weighing 3.8 kilograms. Today we are hearing evidence for our inquiry into land release and housing supply in New South Wales. The Committee has received 46 submissions on the subject representing a significant body of expertise and research from councils, professional and industry advocates and the New South Wales Government. We are grateful to have the benefit of expert briefings from both the Department of Environment and Planning and the Greater Sydney Commission.

Representatives of the commission are here today to give formal evidence, while the department and other State agencies will give their evidence at a second public hearing on Monday 26 March 2018, in Campbelltown. Today we are also hearing from three local councils, the Grattan Institute, the Property Council of Australia, the community housing sector and the Urban Development Institute. I declare today's hearing open and I ask everyone to switch off their mobile phones. I welcome representatives of the Greater Sydney Commission. Do you have any questions about the information you have been sent and our process today?

**Ms HILL:** No, we do not.

**The ACTING CHAIR:** Would you like to make an opening statement before we start questions?

**Ms HILL:** Yes, thank you. I will start by introducing myself as Sarah Hill, Chief Executive Officer of the Greater Sydney Commission. I am accompanied by my colleagues Greg Woodhams, who is our Executive Director of Sydney Planning Projects; and Stephanie Barker, who is our Director of Metropolitan Planning. We are all qualified planners and we have worked for local and State government as well as the private sector. We are part of the team of the Greater Sydney Commission, which was established two years ago to lead the metropolitan planning of Greater Sydney. Our boundary extends from the Hawkesbury, south to Wollondilly and west to the Blue Mountains. Our legislation requires us to improve the liveability, the sustainability and the productivity of Greater Sydney, and that is central to all of the work that we focus on.

We were given 24 priorities at the start of the commission and we have been methodically working our way through each of those priorities, bearing in mind those key objects of our legislation to improve outcomes for Greater Sydney. Two of those really important priorities which are nearing finalisation and we are working very hard to complete are five district plans for Greater Sydney representing the five districts and the Greater Sydney Region Plan, which have been prepared in conjunction and in line with each other. Those six plans also talk to a new transport strategy for New South Wales, of which there is a Greater Sydney component, as well as the State Infrastructure Strategy, which has been reviewed by Infrastructure NSW. The intent is that all of them are released concurrent with each other, for the first time in my working knowledge as a planner in Sydney.

In preparing those plans it was very important for us at the commission to take a bottom-up approach—by that I mean, to prepare the district plans first and feed them up into a region plan, rather than a top-down approach. In doing that we have taken our engagement and listening to Sydneysiders very seriously. From day one we went out and started meeting with Sydneysiders across Sydney. We regularly take site visits to understand what is happening in the city, whilst also engaging with people through a range of forums. To date we have had 25,000 direct conversations with Sydneysiders. We have reached more than 750,000 Sydneysiders by social media. We have also held more than 500 events of different forms including deliberative panels, presentations, briefings. We do a lot of online engagement, because it is more accessible for a number of people—live online sessions where we have staff or commissioners on hand to answer questions.

I will touch a little on the plans that we are preparing. Each of them has a chapter on productivity, liveability, sustainability. We are very mindful that many of those elements overlap around some key areas, and housing is a case in point. We also have a new chapter in our revised district plans in the Greater Sydney Region Plan around infrastructure, and infrastructure and collaboration, because that engagement over the past two years really taught us how important infrastructure was for Sydneysiders at the same time as growth, if not before. That was a strong message from members of the community, members of industry and all local councils in their consideration of the plans. We have a strong chapter upfront around infrastructure, but also collaboration—bringing people together so that things actually happen.

In the liveability chapter we have a strong focus on housing, and I will touch briefly on that for the obvious reason that it is important today. The chapter talks about housing continuum that looks at everything from social housing to affordable rental housing, to different tenures around rent and trying to improve the stock of rental housing, through to market supply for purchase—that is, purchase of a range of dwelling types is needed because we need a range of price points across the city. That is the diversity of housing but also a diversity of housing from east to west across our city, and west to east. There is also a proposed approach to affordable rental housing, with a target of 5 per cent to 10 per cent subject to viability, which we can also talk further about.

The plans also have what we consider some important game changers about how we will implement the plans for Greater Sydney—concepts such as the Growth Infrastructure Compact, which was designed in light of what we heard from Sydneysiders about the importance of infrastructure lining up with development outcomes. Collaboration areas, which are led by my colleague Mr Woodhams, really draw together State government agencies, local councils and, in time, community groups and land owners around the importance of place and about achieving place-based outcomes. Examples of that would be Liverpool or Penrith city centre, also Camperdown and Ultimo as a really important health and education precinct, and Randwick as well.

Moving forward, we have had very strong feedback on support for the plans that we have prepared for the three cities approach and the important framework that prepares for planning in the city, and the 30-minute city concept, which is another central organising theme. We have heard demand and need for greater alignment of infrastructure with growth—growth in housing, growth in jobs; we take that very seriously.

Therefore, our next step as an organisation is to move from one that prepares strategic plans to one that implements those strategic plans. There is a strong pivot that we are seeking to make and really to drive that forward. We are looking to work closely with State Government agencies but critically to keep our strong bond with local government. In fact, local government was heavily involved in the preparation of our district plans. Over half the team were seconded from local government and I am very thankful to councils for their ability to do that. Also our district plans were in fact led by a local government person in their preparation.

Moving forward, our next step will be to implement those plans but also to lead on ensuring that the district plans are reflected in the Local Environmental Plans [LEPs]. Certainly that relates to housing targets, which are in our plans—and I can also touch in brief on that further in a moment—but to translate through those targets. Also critical to that is a lot of thinking about improving the liveability and the outcomes at a local level, really that line of sight, all the way from the region plan through to local councils and then across to infrastructure strategies and transport. If I can finish by saying one thing we have heard from Sydneysiders is that what they need even more than a plan for Greater Sydney is a plan that is being implemented. So we are taking that very seriously. Thank you.

**The ACTING CHAIR:** Does anyone else wish to add to that opening?

**Mr WOODHAMS:** I think she was very thorough.

**The ACTING CHAIR:** How would you describe the commission's role in advising the Minister for Planning and facilitating an agreed planning process by engaging the stakeholders in their primary function? What access does the commission have to other Ministers and their departments?

**Ms HILL:** The commission is an independent organisation and our legislation very clearly establishes that, unless otherwise directed by the Minister for Planning in a couple of sections of our legislation. An example might be direction by the Minister for Planning to prepare a new region plan for Greater Sydney. We do meet with the Minister for Planning, we give advice, and in accordance with the Greater Sydney Commission's legislation there is a section under the Act which states the Minister for Planning can ask for advice from the Greater Sydney Commission [GSC] from a strategic planning point of view. The same legislation also has a section whereby if approved by the Minister for Planning other Ministers can also ask for advice from the Greater Sydney Commission.

From a day-to-day basis we very much see our role as collaborators and coordinators. In all our work, including our region and district plans—for example the recent announcement of the city deal—we see our role as to informally and formally bring other government agencies together. By formally I mean we have a number of committees that are part of our governance. We have an infrastructure delivery committee which is an incredibly important one that has five secretaries as part of that board, and two observers, being the chief executive officers [CEOs] of UrbanGrowth NSW and Infrastructure NSW. The five secretaries represent Health, Education, Treasury, Transport, and Planning. It is really critical to the work that we are doing in city-making. Informally, we certainly meet regularly daily—hourly—with our colleagues across State Government to ensure

that we do have that coordinated approach. That has been critical in our work to date on aligning State transport strategies, infrastructure strategies and the Greater Sydney Region Plan.

**The ACTING CHAIR:** As the chief executive officer do you have adequate staff and financial resources to perform your role?

**Ms HILL:** We have certainly worked within our budget. We have an established budget from which we have worked backwards.

**Mr JAMIE PARKER:** Very diplomatic answer.

**Mr ANOULACK CHANTHIVONG:** The question is: Would you like more?

**Ms HILL:** I am the CEO; there is always an answer to that one.

**The ACTING CHAIR:** Do you think the commission has enough powers to fulfil its goals and objectives?

**Ms HILL:** I certainly would touch on a number of submissions that we have received in response to the Greater Sydney Region Plan and the district plans, and many of them would like to see more of the Greater Sydney Commission in its ability to coordinate and collaborate. Whether that means additional legislative powers or additional resources is something we are certainly looking at at the moment. It is important for the commission that we stay a nimble organisation that is able to focus on the key requirements of the government at the time. Certainly as we evolve as an organisation we will need to shift our resources to most effectively implement them and that is something as part of this next transition of the commission we are looking to achieve.

**Mr JAMIE PARKER:** The Committee's objective is to look at land release—which is slightly separate from your specific role—and housing supply. We talked before about the Parramatta Road Urban Transformation Strategy. There was specific value capture quantification in that document. In which document do you think value capture should sit? Specifically, can you tell the Committee your views on how should quantifying required infrastructure for up-zoning or land release areas be implemented?

**Ms HILL:** The Greater Sydney Region Plan has a chapter on infrastructure and value capture is something that is discussed in that chapter in brief, albeit, but it is certainly referenced. The Greater Sydney Commission's view is that value capture could, and potentially should, be a mechanism that is part of a broader mix of mechanisms to raise funds to support infrastructure.

**Mr JAMIE PARKER:** Where should that sit? Should it be attached to LEPs? Should it be part of the district plan?

**Ms HILL:** We see that the Local Environmental Plans have an important mechanism that creates value, and that is through the uplift in density. It certainly needs to be tied to the LEPs. We have a view that there should be a focus on projects and on areas that start to address how that can be achieved. An example in point in our plan is the affordable renting housing targets. In effect, they give a carrot-and-stick approach whereby when an uplift in density is achieved, a contribution is given towards affordable rental housing as a means of value capturing in that way. We think that is a very important planning mechanism that can be used. There are, of course, alternative mechanisms more broadly. They are beyond the remit of the GSC and that is something that the Department of Planning and Environment—who still has that legislative and regulatory role around infrastructure contributions in a planning context—owns. But certainly as an independent commission we have our views on how that can most effectively be applied across Greater Sydney.

**Mr JAMIE PARKER:** That is a big issue. Who does it? Councils will start to develop value captures with their LEPs. The Department of Planning and Environment might have some ideas. A challenge that we have is how do we assist in the direction of the development of those mechanisms—who should do it and how should it be implemented? That is very important to consider in our recommendations.

**Mr WOODHAMS:** One of the preconditions to a good value capture policy is understanding what is the infrastructure required for that value capture to deliver. One of the initiatives the GSC has taken is preparing a Growth Infrastructure Compact by district or by precinct—by location—as a mechanism to determine what is the best infrastructure that the Government should be providing through value capture or some other mechanism. That is an important qualification as to whether value capture is the right mechanism or whether it should be through some other funding mechanism.

**Mr JAMIE PARKER:** We know everyone is working very hard to get the five district plans and the Greater Sydney Region Plan out of draft and have it adopted by government. What are the steps needed to implement that and what is the proposed timeline?

**Ms BARKER:** There are a couple of things in that. We received over a thousand submissions and have been processing those since 15 December and responding to those in our finalisation of the plan. The region plan is then provided to the Government to make and the district plans then fall in line with that region plan and are made by the commission. The time frames for implementation were announced as part of the Affordable Housing Strategy last June by the Premier, the suite of policies there, and they are looking at an accelerated program for 15 councils to complete their LEPs within two years and for the rest of the Sydney councils to have updated their LEPs within three years. The first step that will be happening in 2018 is councils will undertake an LEP review, which is required by the legislation to be undertaken and provided to the Greater Sydney Commission. That will afford us the opportunity to be able to look at what councils' priorities are, what sort of background work they need to be able to do to inform their reviews of their LEPs, and importantly with the new planning reforms, for the preparation of the local strategic planning statements as well.

**Mr JAMIE PARKER:** What I am interested to know—because there are obviously all these competing documents out there and different people are saying, "I rely on this document" and "I rely on that document" in terms of going from draft district plans to adopted plans—is: Does the adoption happen after the LEP reviews or does the adoption happen before?

**Ms BARKER:** Before.

**Mr JAMIE PARKER:** So we would expect adoption maybe sometime this year. Would that be optimistic?

**Ms HILL:** The district plans?

**Mr JAMIE PARKER:** Yes.

**Ms HILL:** Absolutely. We are working on that to be far quicker than that and, in fact, the first quarter of this year is where we are aiming to complete the district.

**Mr JAMIE PARKER:** It is March—it is the first quarter of this year now.

**Mr WOODHAMS:** That is our plan.

**Mr JAMIE PARKER:** When you complete it, it then goes to the Minister for finalisation?

**Ms HILL:** That is a really important point of difference. The Greater Sydney Region Plan is something that we prepare and we present to the Minister for Planning, and then the Minister for Planning will take it to the Government and it will agree or otherwise to approve it or adopt it as we presented it. There are three options within the legislation that the Minister for Planning has: They can accept it, they can reject it or they can amend it based on what we provided them. As Ms Barker said, we have been updating it in light of the feedback that we have received in the last round of submissions and we will be presenting it back to the Minister for Planning very soon.

The district plans are different though. Once the Greater Sydney Region Plan is approved by the Government—and assuming it is—we will then take the district plans back to our board and our board is the approval authority for those district plans. Once they are finalised, the clock starts ticking then for councils to update their LEPs in line with them.

**Mr MARK TAYLOR:** What do you see as the current trends in employment lands, and what do you see as future incentives or protection?

**Ms HILL:** I will take that one because I am very passionate about employment lands; I have spent the last couple of decades of my life studying them, researching them in London and Sydney. Just some important stats to start with: About 7 per cent of Greater Sydney's land is zoned for uses other than residential, so we are talking about the absolute minority of land in Greater Sydney. We should also note that industrial and employment lands vary substantially in their type; in the last bit of research I did I came up with about 10 or 12 different typologies—everything from large-scale bulky goods, retail, large-scale industrial to smaller urban services where you have your panel beaters and local services that support neighbourhoods.

When we look at preparing a plan for Greater Sydney, all that holistic approach which we believe as the Greater Sydney Commission we are established to do, we look at all of the elements that make a city together, and of course we need more housing and we need to ensure that we have enough capacity within our planning system to facilitate that, which is something that Ms Barker has been working very hard to ensure over the last two years. But we also need to make sure that we have enough land that is zoned accordingly to provide the diversity of jobs. In an industrial land sense, yes it is about the jobs that they generate, but it is also about the type of businesses that they support, and those businesses are critical to supporting our CBDs but also the

diversity of jobs that we need across the city. In fact, Sydney is the most important manufacturing city in the country, so we need to take that seriously.

Whilst many businesses have moved from the eastern city to the western city, and we recognise that, there is a range of reasons for that. Certainly, the affordability of western city industrial lands is important, but we also need to be mindful of speculation for land for housing development in parts of Sydney, which has really, from an economic point of view, driven out a lot of those industrial uses. I could talk all day on this, but certainly I would say we are very conscious of not only jobs and the importance of businesses to support the city, but really the economics of industrial lands. As soon as you allow higher and better uses in financial terms, such as residential, you run the risk of eroding those industrial lands further, and that critical mass and that location for them is important to supporting the sustainability of the city. As a classic case in point, if we rezone all of our industrial lands or let the market dictate we will all be driving from one side of the city to the other just to repair our cars or to buy some timber to repair our kitchen, or whatever the case might be.

**Mr WOODHAMS:** In our region plan we particularly expressed three distinct policies across the metropolitan region: protect and manage generally in the eastern city; review and manage across the Central City; and then about growing an industrial and employment base in the western city. We have clearly expressed that there are three different approaches across the metropolitan area and they need to then be reflected in the local environmental plans that will come through what Ms Barker expressed as the process now to unfold the district plans into the LEPs, whether that is to protect and manage, to review and manage or to grow the western city.

**Ms HILL:** Would you like us to explain in 30 seconds why we have come up with a more nuanced approach in that respect?

**The ACTING CHAIR:** Yes.

**Ms HILL:** In short, we had an overall approach, a precautionary principle when we prepared the district plans because we had a very short period of time—months—to prepare the district plans and we needed to have some time to be able to come up with a more meaningful policy approach. But we certainly knew industrial lands were under attack. So we had a precautionary approach which basically said before you rezone them you need to analyse whether they are needed and what their benefit and value is to an area. We then received very strong submissions to the district plans saying, "We do believe these areas are important. Our analysis shows they are critical to our local areas in supporting our local businesses and jobs and so forth." As a consequence, we took a more nuanced approach to the city.

I have personally been out to the vast majority of industrial areas across the eastern city, of which there are in the order of 150 or so, from my last count, and it was very much apparent to us that we needed to protect many of those, but also manage them so they were not stuck in a 1970s manufacturing mentality, that they could evolve to more creative uses or alternative uses and the planning system would support that where appropriate. In the Central City though we did not have as much on-the-ground analysis and this was certainly something that we spoke to the councils at the time about and we are now in the process of reviewing it, working with the councils, setting up a steering committee to be able to review those areas and to determine whether we take a similar approach to the east or otherwise. But we certainly recognised in the Central City that the nature of manufacturing, the nature of industrial lands, was evolving and we needed to consider that in our analysis, and that is something we have already started as one of the actions of our region plan to get underway, even before it has been approved, that it is critical to the city.

In the western city, however, we are building a city the size of Adelaide. We already have our industrial areas under strain there—many more needing additional infrastructure and servicing—but we knew as we grew a city we would need to zone more land, and so really that approach is to increase opportunities in the western city now as we are zoning and creating the city.

**Mr ANOULACK CHANTHIVONG:** You spoke about liveability. What is a broad definition that the Greater Sydney Commission is putting around liveability?

**Ms HILL:** That is a great question: We have had lots of debates on that one. Ms Barker, would you like to answer it?

**Ms BARKER:** We have unpacked that in a few different ways. One of our ways is that we are talking about great places. When we talk about housing we are always very careful not to talk just about housing supply and numbers but to talk about the places that we are creating—the neighbourhoods and the communities. To that we have done quite a bit of research around active lifestyles, healthy living, connections and walkability, and in the region plan we have got some objectives there around socially connected and community diversity as well.

We have looked at things like social connectors that are important to building trust and relationships within communities.

There is a two-pronged approach, which is about what peoples' needs are and the services they need, but also about how they live in the community and then the actual quality of the places. We have taken that from the really macro size where we are looking at what we call the Western Parklands City, which really emphasises that Parkland and that amenity focus, right down to looking at how you create a local centre with fine-grained mixed uses at the heart of the centre.

**Mr ANOULACK CHANTHIVONG:** Is that an indexed base or is it more qualitative?

**Ms BARKER:** It is more qualitative at this stage. Some of the elements that have been able to be measured through our environmental profile work that we did for each district was the amount of tree canopy cover in each of the districts. That was an important measurement around amenity and place making. We have also done an open space audit. So there are different elements that we are being able to measure that we are pulling in, and into the future we will be able to develop with councils what databases would assist them in measuring liveability as well.

**Mr ANOULACK CHANTHIVONG:** In terms of liveability—I think you made a very good point that it is not just about housing and the supply—what is the commission's view on the ever-expanding greenfields extension and liveability and taking into account connections with the communities, connections to the employment centre? What is the commission's view on that?

**Ms BARKER:** There are some really important elements about that in creating places and not just housing, and so we have got principles around centres. They include the strategic centres and also local centres, trying to emphasise walkability and connections in place making, but particularly with the greenfields there is the opportunity to create amenity using what we call our green infrastructure, our blue and green grid—the waterways and the bushland corridors that we have in Western Sydney much more to the effect of creating a green heart to parts of Western Sydney that can have open space links along them and create unifying things. They also create a sense of connection to place for the community living there. One of our objectives that has been singled out specifically is the South Creek Corridor and looking at basically creating that as a green harbour for the western parkland city.

**Ms HILL:** Also important was your point about jobs. I mentioned earlier about increasing industrial land supply and Ms Barker spoke about centres leveraging off the airport. We have been working closely with the councils to see how we can best leverage off the airport and the opportunities that it presents but also reinforcing what we call the university towns around Campbelltown, Liverpool and Penrith to really raise the opportunity for people and the accessibility for people to those facilities in Western Sydney.

**Mr WOODHAMS:** The district plans also identify metropolitan rural lands which are important for their scenic values, their aesthetic values as well as agricultural values. In working with the councils we have identified the boundaries of those and have been looking at ways to secure the importance of those areas as green lungs, particularly for Western Sydney, as well as providing the recreational and aesthetic values that they have for those growing communities.

**Ms HILL:** Just to be clear: the Metropolitan Rural Area [MRA] is, in effect, the boundary between the metropolitan rural and the urban footprint of the city. We have demarcated that in a very considered way in light of housing supply and need and take-up rates, as well as the value of those areas.

**Mr ANOULACK CHANTHIVONG:** Geographically where is the MRA?

**Ms HILL:** It is in the opening map of our plan, but in effect it is west of the airport.

**Ms BARKER:** You have Wilton New Town and Greater Macarthur growth areas down in the south-west and then up to the west of Bringelly with the boundary of the south-west growth area. There is the new growth area that looks at connecting Badgerys Creek up to Penrith and then you go across through Marsden Park with the north-west growth area. There is a significant amount of land supply through that corridor that enables the position to be taken that the MRA areas have largely protected in their current state and the scenic values recognised.

**Mr ANOULACK CHANTHIVONG:** Some of the feedback I have received from speaking to different groups and organisations is that the MRA—which is a really good idea with the aesthetics—is that open space is more valuable with nothing on it than actually something on it, particularly when communities become entrenched and more dense. There seems to be a strong need for the MRA in closer areas. You are saying it is west of the airport, Wilton and Macarthur, so perhaps we need something that is a little closer,



perhaps around the Liverpool end, not in the middle ring but on the edge of the middle ring. That ring seems to be an important outcome that communities actually want and I am not sure that they are getting that.

**Ms BARKER:** The approach we have taken is to introduce the Sydney Green Grid, and we have worked closely with councils over the last two years to identify priorities for the Sydney Green Grid. What the green grid does is address exactly the issue you raise in the urban areas. How do we best connect up the green spaces we have got—the waterways and the remnant bushland that are in our urban areas—so that it can create better places but also better connections so that we can get from one place to the other? Sometimes that may be through street planting down the street towards the station or it might be connecting waterways. There are some great examples in Western Sydney where they have removed the concrete culverts and revegetated and reinstigated natural systems. There are some real great opportunities there to do that more.

**Mr ANOULACK CHANTHIVONG:** Does the push to have targets, particularly in some of the urban rings, actually challenge that Green Grid, that MRA value that we are looking at?

**Ms HILL:** We are not at the stage where that is the case yet, and it really is all about balance. From a capacity point of view, we are very comfortable that the city has sufficient capacity to meet its needs over the next 10 years and of course we have a longer term vision for the next 20 years. From a greenfield and an urban infill point of view, there is that capacity. Private developers, though, will always make a case for their private development interests and that is something that needs to be weighed up. Certainly, even though we have nominated a MRA in our plans, there is no doubt that development applications or proposals will still be lodged for those areas to be considered.

**The ACTING CHAIR:** I believe that affordable housing targets will be about 5 per cent to 10 per cent subject to viability. Other stakeholders have called for 30 per cent but not subject to viability. How do you determine the 5 per cent to 10 per cent? Is it enough and how does viability affect that percentage?

**Ms HILL:** Firstly, I can say that we respect many submissions that came back to us supporting the concept of affordable rental housing and, I think importantly, the certainty that that creates across Greater Sydney in terms of the range of affordable housing that is being sought. Our approach does not preclude anything that is lower or higher than that but what we really try to do is look at the economics of an area and what can be achieved. It is important for us that it is a mechanism that works and is one that is a starting point for affordable rental housing. The 5 per cent to 10 per cent is based on about 20 years of modelling across the city and is something that I have been personally involved in over my career. In most locations—and this is a generalisation—5 per cent to 10 per cent works.

In some parts of Western Sydney where there are lower land values it might be lower; in some parts of Sydney where you are getting a substantial uplift and it is a high-value area you might be able to achieve more. What we needed to do was nuance it based on the economics of an area and what could be achieved. This is also important because our proposed approach really recognises and takes into account other forms of contributions, such as local section 94 contributions as well as a potential State Infrastructure Contribution. We have included those in our analysis because we think it is important because based on what we have heard from Sydneysiders and what I referenced earlier: that we do not want affordable rental housing in lieu of local and State infrastructure that supports the local areas.

We have really tried to strike that balance in the 5 per cent to 10 per cent of achieving section 94, State Infrastructure Contributions and affordable rental housing. In some cases, yes, you could go over 10 per cent if you did not secure a contribution to local and State infrastructure but, for the reasons given, we think that is important for creating the city, creating those places, providing the schools and providing the facilities needed in addition to affordable rental housing. We have prepared, with the Department of Planning and Environment, a draft model because in my experience of rolling out a system like this—or being on the receiving end of it in London—it is really important that we train and help councils in undertaking these assessments. That is something that we are very dedicated to doing and to create that consistency and certainty, and to support councils in the preparation of those targets and the justification for them rather than releasing a policy and people having to work backwards from there.

**The ACTING CHAIR:** Are there any advantages to be gained by extending the commission's role to the rest of New South Wales or establishing a commission-style function outside Greater Sydney?

**Ms HILL:** It is certainly a topical issue.

**The ACTING CHAIR:** I note there are representatives of Wollongong and Tweed councils in the gallery.

**Ms HILL:** I know there is a lot of interest in this and increasingly we are asked about the value of that. We have actually amended our plans to better recognise the critical linkages that Greater Sydney has to areas such as Newcastle and Wollongong from an economic point of view but no doubt other parts of New South Wales as well because of the transport systems and the port systems that Sydney provides. This is for the Government to determine but we have had some very positive feedback about the commission and the role that a coordinating organisation can play, and setting up an equivalent commission for the regions or expanding our remit is something that is really up to the Government, but certainly in our work we recognise the important connections between the city and the regions.

**The ACTING CHAIR:** Finally, I have noted concern in the metro centres where there has been an increase in density. I believe the concern of local government is that there is not enough focus on infrastructure to service that. What are your views on that?

**Mr WOODHAMS:** One of the approaches that we have been trying to take with councils and government agencies is the collaboration area process. We are looking at the major strategic centres of Liverpool, Randwick, Penrith, Camperdown and Ultimo. We are working our way across the metropolitan area trying to identify the issues that are the impediments to growth in those strategic centres and whether that is the importance of a health and education precinct being supported or whether it is fundamental infrastructure shortfalls in those locations that are constraining growth. Our processes involve getting all of the agencies together, working over a one-year period to identify the blockages, and how the agencies can work together to better resolve the infrastructure issues that are constraining growth.

**The ACTING CHAIR:** Has there been any response from those agencies?

**Mr WOODHAMS:** Very positive.

**Ms HILL:** Unbelievable.

**The ACTING CHAIR:** Has there been a response from local government?

**Mr WOODHAMS:** Very positive. In fact, through these submissions that we see from the plans many of the councils came forward and said, "We want one too." Now we are expanding our program to involve many other places where we can apply the same process to them.

**Ms HILL:** There are a couple of things we are doing in this space.

**The ACTING CHAIR:** We are not just creating another level of bureaucracy, are we?

**Ms HILL:** No. We want to make it very clear there are a couple of things. Although a lot of people have asked to be involved, we want to do a smaller number of things well and to really prove things up so that people have confidence.

**The ACTING CHAIR:** You would have to agree the planning system at the moment is fairly complex, would you not?

**Ms HILL:** Complicated, yes. In fact, in the back of the plan we drew a diagram to help explain it because we appreciate the complexity in trying to understand that and the perceived and actual overlaps in all of this. We are cognisant of that and we have been trying to work through that. Back to your point about the infrastructure and planning, we try to take it back to first principles. There are a couple of principles in our plan that we work to every day. The first principle is identifying when working with local government who are the experts in their area and where that capacity for change is and where it is not. That will come out in the work we are about to embark on with the local housing strategies with those councils, and understanding where there is scope and where there is not scope.

The second principle is understanding where there is scope with existing infrastructure or where the most efficient investment in infrastructure could occur through the Growth Infrastructure Compact work. That is a process to understand not just where there is scope for additional housing because of a new transport line, but whether the need is because of health and education or where the need is for community facilities. Really, are we putting growth in the most effective and efficient areas in Sydney from an infrastructure point of view and from a place-making point of view?

**The ACTING CHAIR:** That seems to be debated.

**Ms HILL:** The last principle is sequencing. Rather than trying to do everything everywhere all at the same time, we think it is important to focus and sequence the change across the city so we can focus investment and opportunities within a couple of key areas and key housing markets disbursed across the city equitably. But

first, rather than trying to do everything, everywhere and fund everything at the same time, we believe we have a role working with other State government agencies to better sequence that approach across the city.

**The ACTING CHAIR:** The Commonwealth is a major player, particularly in infrastructure. How would you describe your relationship or the process there?

**Ms HILL:** We have an important example of that and the main liaison we have had with the Commonwealth is around the Western City and the City deal that was announced yesterday. Critical to our plan was a north-south rail line within the western city to start to reshape the city and present those opportunities to western city residents from a liveability, sustainability and employment point of view. There is a piece of work there. Our legislation is one of the only forms of legislation we are aware of at a New South Wales level that requires us to work with local, State and the Commonwealth Government to implement those plans. The city deal is an example of a tried government relationship that we will have to deliver on the outcomes of that deal. That is everything from a liveability fund to a rail line and housing outcomes in those areas and updating LEPs. All of that is tied in together. That deal, for example, had the Greater Sydney Commission being given a mandate to lead the coordination of planning and infrastructure in the western city.

**The ACTING CHAIR:** As an overview do you think councils have enough resources themselves to engage productively with you? I note a lot of government agencies at times tend to cost-shift back to local government and the local planners and at times they struggle to look at the bigger picture. Do you think there is a role for government to play to assist local government engage with people like you?

**Ms HILL:** Yes. I am ex-local government, as is Mr Woodhams and Ms Barker. We are all coming from that point of view—it is a two-way street. Frankly, I must say we could not have delivered without the support of local government and their secondees coming onboard.

**The ACTING CHAIR:** Do you think we should do more to support them?

**Ms HILL:** Absolutely. I was a local government secondee in London and I cut my teeth learning how to integrate and work well across government as a consequence of that. I wanted to give that opportunity to local government with the commission. Now it is our turn to give back to those councils that supported us, and all councils in Greater Sydney. We are a small team so I cannot necessarily second people in but we are certainly meeting with them. We are meeting with North Sydney Council tomorrow and we met with Blacktown Council and Cumberland Council last week. We are trying to understand how we can better support them in their work.

Also importantly we put a case forward for a financial contribution to be given to councils to update their LEPs to reflect the district plans. That was part of the Government's housing affordability package of \$2.5 million per council. We have been talking to councils about that package and they are very encouraged by that. Updating an LEP is an expensive process, particularly when most council staff at present are dealing with firefighting with planning proposals and being taken away from the true strategic planning work that needs to be undertaken.

**The ACTING CHAIR:** Yes, that is it.

**Ms HILL:** We are cognisant of that. There are some excellent planners in local government but there is still the challenge of getting the sufficient number of planners within any planning authority to do all of the work that we need.

**The ACTING CHAIR:** If you have a natural disaster in a regional area, the local council has to deal with the consequences for the next 12 months.

**Ms HILL:** Regional areas have it even tougher. I have worked with councils in Narrabri where they could not get a planner at one stage, so I completely understand.

**The ACTING CHAIR:** Do you believe there should be greater government assistance in that area?

**Ms HILL:** Certainly in my role as Chief Executive Officer for the Greater Sydney Commission we will give greater assistance and make a case for supporting local government. We are all in it together so there is a two-way street there.

**Ms BARKER:** One of the things that we learned over the last two years is that our role is facilitating access to State agencies for local government, particularly in an aggregated way. Rather than State agencies needing to deal with 33 individual councils, if we could deal with issues at a district level, whether it was with education or health, that would help facilitate that relationship.

**Ms HILL:** I want to re-enforce that point and that is the value of collaboration areas. It sounds so incredibly obvious but getting 15 government agencies that have never had the opportunity to sit around the table and talk with local council about an area has been the game changer for us.

**The ACTING CHAIR:** I can see that.

**Mr JAMIE PARKER:** It is what UrbanGrowth used to say. My comment, first of all, is about affordable housing targets. I think one of the challenges—especially in my area—is that we are seeing massive value uplift from flips from industrial to residential. In the Lords Road example, the QS was saying \$90 million uplift. It was not a productive activity; just a flip, just a planning change. On sites such as that 5 to 10 per cent is miserable. The problem is that 5 to 10 per cent caps expectations and also caps what the developer is realistically going to have to contribute. It would be great see that in any model you develop because taking onboard those types of areas, to see a post LEP, post Parramatta Road cap value capture a \$62 million uplift in the value of that property, for no productive activity and just a regulation change, does not seem to be right from where I sit. I leave that with your department.

**Ms HILL:** We do not preclude higher than 10 per cent and that could be an excellent case in point where it is viable to do over the 10 per cent.

**Mr JAMIE PARKER:** The question is the mechanism. How do councils determine that and does the Department of Planning and Environment [DPE] recognise that?

**Ms HILL:** The proposed mechanism is that the councils would undertake the assessment and if it is over the 10 per cent we set up an independent board, or a board between DPE and Greater Sydney Commission. You might have a local community representative and an industry representative to review that. If it was reasonable that it was over the 10 per cent, then that would be acceptable.

**Mr JAMIE PARKER:** What is the time line for the implementation of that kind of plan? Is that post adoption?

**Ms HILL:** The first step would be that the region plan and district plan would be accepted by government. We have then been working with the Department of Planning and Environment about the mechanism of how that would work. In effect, a council would undertake a local housing strategy, ensure that there was demand for affordable housing—which I am sure we are pretty comfortable there would be in most parts of Sydney—and then undertake the assessment to see where that right level of affordable rental housing would be. The mechanism we need to make it work is State Environmental Planning Policy [SEPP] No. 70. It would have to be reflected in SEPP 70.

**Mr JAMIE PARKER:** Defending industrial lands at the moment is a joke. We cannot defend industrial lands. We can talk about it, but it does not work. In terms of mechanisms, councils need tools and we need to have them implemented. At the moment the tools are very vague and everyone else seems to step in to support it. The panel will make a determination, it then goes to the Department of Planning and Environment—God knows what happens in there. Post adoption of the district plans, what is your sense of the mechanism and how do we deal with the appeal process within the Department of Planning and Environment?

**Ms HILL:** Importantly, once the district and region plans are finalised, and subject to government accepting our proposed approach, it is a very clear policy approach—in the case of the Eastern City—of protect and manage. There is a very strong strategy and the district plans and region plans have statutory effect that they are a key requirement to consider when making those decisions. They make it clear that the position is it should be protected.

**The ACTING CHAIR:** Is there one thing that you could put on your wish list that would release more land and make housing more affordable?

**Mr JAMIE PARKER:** That is a politician's question.

**Ms HILL:** I am going to be a bureaucrat and say it is more of everything. To be frank, I think planning quite often gets the bad end of the stick saying that planning is the problem. We have sufficient capacity in our system for a diversity of housing outcomes. Planning approvals are off the charts. Our analysis shows that councils are approving housing developments and have created incredible capacity over the last few years. The planning system is doing its fair share. Interestingly, only about two-thirds of the dwellings that are being approved are being built.

**The ACTING CHAIR:** What do you put that down to?

**Ms HILL:** Part of it is speculation and part of it is a market, in that you need to look at the incentives of a market to actually develop all of the housing that it is able to do. In effect, markets have an interest in

protecting their market. Developers will work within a supply and demand scenario to get the economics right. From a strategic point of view, a planning proposal point of view and a development approvals point of view, planning is really delivering some of the highest ever rates of approvals we have ever seen in the State.

**Mr JAMIE PARKER:** How do you ensure that they are built? What mechanisms would you implement to make sure that approvals are granted? That is a big issue in your area.

**Mr ANOULACK CHANTHIVONG:** That is right.

**The ACTING CHAIR:** It is a big issue in regional areas as well.

**Ms HILL:** What we can do from a planning point of view is ensure that the infrastructure is in place so they can be built. That is an issue in parts of the greenfield areas. We are very aware of that. That is something that the planning system can do. The supply of housing is far bigger than the planning system. It is awareness of all of those elements that come into play.

**The ACTING CHAIR:** Thank you for attending today and answering the questions. The Committee may wish to send you some additional questions in writing. Your reply will form part of the evidence and be published. Are you happy to answer any further questions?

**Ms HILL:** Absolutely.

**(The witnesses withdrew)**

**ANDREW CARFIELD**, Director Planning and Environment, Wollongong City Council, sworn and examined

**DAVID FARMER**, General Manager, Wollongong City Council, sworn and examined

**The ACTING CHAIR:** Do you have any questions on the information sent to you beforehand?

**Mr FARMER:** Not really.

**Mr CARFIELD:** No.

**The ACTING CHAIR:** Would you care to make a brief opening statement?

**Mr FARMER:** In brief terms, our submission is a bit harsh but it is looking specifically at the West Dapto Urban Release Area, which is one of the most difficult urban release areas.

**Mr JAMIE PARKER:** It is not harsh; it is realistic.

**Mr FARMER:** It is dealing with the issues that we confront. It is one of the most difficult urban release areas in New South Wales. Gabrielle Kibble, who was the administrator at Wollongong City Council for a long time and the Director General of the Department of Planning and Environment, used to say to me, "It is urban release at its most difficult." You have to cross a rail line, you have to deal with a significant flood plain, low yield, reasonably low value, the eastern gas pipeline passes through it, high voltage powerlines pass through it, and you have significant amounts of endangered ecosystem you have to work around. It has everything possible that is difficult. It was passed over in the late 1990s, early 2000s. The procession of urban growth went down the Illawarra inland and passed over this area.

We developed a small knoll that was out of the flood plain connected by a flood prone road to Dapto and the rest of the Illawarra and the rest of the State. The rest was left fallow as further urban development occurred down the coast. A focus has been determined by the State to look at developing the area, which is viable, but incredibly high cost. For the past seven or eight years we have been struggling with how do you effectively develop a high cost, low yield environment. It is quite substantial from a local government perspective. Wollongong is a large local government but even so we are talking about adding about 25 per cent of population. In terms of cost of assets per capita, our long-term modelling shows, on average, \$19,000 per capita infrastructure cost value across the city. West Dapto's asset per head is \$31,000. It is a challenge.

We have worked with the State over a period of time but we seem to get assistance in "bitty" ways. We have gone to tender and we will soon be letting a contract for a \$90 million bridge, which is a significant cost for a local authority; it is one-third of an annual budget for a local authority. We have been able to get State Government and Federal Government assistance, but from a variety of begging bowls. There is no strategic approach to doing that. Essentially our issue is, for a high-cost, well-located area there needs to be a long-term strategic approach where we can work with government to deliver this in an effective way, create effective communities, successful communities, but also not force the balance of our community, the balance of ratepayers, to bear the burden of what is essentially great for the rest of the State.

**The ACTING CHAIR:** Mr Carfield, do you wish to make a brief opening statement?

**Mr CARFIELD:** Mr Farmer has made quite a thorough introduction. West Dapto is certainly a challenging land release. We have been working with State agencies, but we have not had the equivalent of a Greater Sydney Commission to help coordinate the efforts of State agencies. It is a high-cost, low-yield proposition, which is why it has been difficult and delayed in its progress to date, yet there is significant development underway today in West Dapto. We have already more than one thousand lots under construction that have been released; mums and dads are constructing homes. We have got more than one thousand lots in development applications sitting on the desk of assessment planners under consideration, and we also have more than one thousand lots sitting on the desk of other planners in the form of planning proposals. So there is a pipeline of development. Development is real and happening in West Dapto. It is a vital part of the region of the Illawarra and it will remain so into the future. The demand for housing is strong. We ultimately are very committed to West Dapto and we want to make sure that it is a successful community.

**The ACTING CHAIR:** What is council's experience of working with NSW Department of Planning and Environment and your feedback on departmental issues that have contributed to delays or increased costs and what does the council understand is the reason for the department centralising management of the Illawarra planning issues rather than having it managed through the local office? Finally, do NSW Department of Planning and Environment's staff have sufficient authority and delegation to make decisions?

**Mr FARMER:** I will start off at a higher level. We find the local office very effective and very, very helpful, but they are constrained by a whole range of remit issues and ability to make decisions at a local level.

**Mr CARFIELD:** Just on that point, land release is very complex in New South Wales. It involves the need for partnerships between council, the Department of Planning and Environment and other State agencies, particularly planning for infrastructure. When the council sets out on the journey of a land release like West Dapto—West Dapto is going to be home to more than 55,000 residents in four or five decades, depending on the rate of growth—we have to build a local infrastructure contributions plan, which is we have to detail all the future infrastructure that is required to support that community, have that costed and, in our case, reviewed by the Independent Pricing and Regulatory Tribunal and other external bodies before it is approved, and then we set about delivering that infrastructure. To date, since the land release was given rezoning permission in 2010, the council has already invested directly more than \$50 million into early infrastructure works. A lot of that has been about building roads and improving roads into the land release.

The equivalent process does not really exist, in our experience, within the Department of Planning and Environment. That is, at the similar timeframe in 2010-2011, there was a draft Special Infrastructure Contributions [SIC] plan prepared by the department and that plan was to provide for necessary State infrastructure. In the case of West Dapto, that was limited to some improvements to the arterial network, to the M1 corridor and some intersections and realignments, as well as land for future schools. To date that SIC or the draft SIC has never been finalised. What has been happening is, on a subdivision by subdivision basis, each developer is required to enter into a voluntary planning agreement [VPA] with the State Government to make required contributions towards those infrastructure items, but it is not an efficient process.

**The ACTING CHAIR:** How would you fix it?

**Mr CARFIELD:** We think that it is necessary to have a Special Infrastructure Contributions plan for West Dapto and/or the Illawarra. At the moment the department are working on a plan for the Illawarra and Shoalhaven Region. That may be the right plan, but it needs to provide for that necessary infrastructure to support the region's main growth area, which is West Dapto.

One of the things that has been in contest in that plan is the lack of supporting infrastructure within West Dapto. In equivalent plans in Western Sydney it is common to see direct assistance through the SIC, so it is a payment made by developers to State Government and is often subsidised by the State Government by 50 per cent or 25 per cent or an agreed amount towards road infrastructure. Roads are being built through the SIC process in other equivalent areas across Western Sydney. However, in the case of West Dapto, there is not a single road item within the West Dapto land release—a community of 55,000 people—that has a financing mechanism other than the local government through the development contributions plan.

**The ACTING CHAIR:** That leads on to another question, which you have partly answered: What is the council's experience in coordinating between New South Wales government agencies regarding approval funding and provision of enabling infrastructure, and does NSW Department of Planning and Environment have sufficient standing and authority to coordinate other government agencies?

**Mr FARMER:** I think that is the ultimate problem. They establish plans, but the actual expenditure and commitment from other agencies does not follow through. Andrew mentioned the money that has been collected from the SIC. We have spent \$50 million in West Dapto, the New South Wales Government has been collecting money for the SIC, the same sort of funds, and has not spent a cent. When we go to the Department of Education and Communities, for example, and want to identify school sites, because school sites are critical in terms of our transport and neighbourhood planning, they do not seem to have a mechanism to extract that SIC fund from the Government. They are used to dealing with large developers who will donate land for schools through a VPA process. However, West Dapto has got a very large number of small owners—that is another one of the reasons why it is so difficult—and we are not getting any school sites turned out.

You have got this perfect example of the State Government on one hand collecting and holding funds for West Dapto. This significant agency of the State Government, could utilise those funds right now to develop appropriate infrastructure or at least set the basis for appropriate infrastructure, and they are not talking to each other. Obviously, as my colleague mentioned, the issue is major infrastructure. In terms of scale, the Greater Sydney Commission talks about 230,000 houses. The West Lake Illawarra development, which is Calderwood and West Dapto, will be about 26,000 houses. On a State scale it is still pretty significant; it is more than 10 per cent of the entire area that is covered in the Sydney Greenfields release, and there is not a single State road in that area.

We have got to cross the railway line in a number of areas and cross flood plains. As I said, we are about to let a contract in the next three or four months for a \$90 million bridge, which essentially, under State

Government policy terms, is all council. As I said, the Federal and State governments have recognised that that is too large but there is no sustained funding mechanism to actually recognise that in any strategic sense.

**Mr JAMIE PARKER:** I am the member for Inner Sydney—Balmain, Rozelle, Leichhardt. We do not have those types of issues. If money for the SIC is being collected and there is a pot of money, are we talking about tens of millions of dollars?

**Mr CARFIELD:** In my estimate it would not be tens of millions, but it would certainly be in the order of \$5 million to \$10 million to date.

**Mr JAMIE PARKER:** You have said in your submission that we do not need another Greater Sydney Commission for the Illawarra. What is the mechanism for us to be able to ensure that SICs are expended, that there is quality coordination and, if you look at Western Sydney, that there are collaborative funding arrangements so that the State can collaborate with local government to invest? What mechanism would you recommend that we consider to try and address what seems to be a terrible issue?

**Mr FARMER:** Our comment is we were not terribly enthusiastic about the concept of the Greater Sydney Commission, but, looking at some of the aspects that they bring, the Growth Infrastructure Compact concept makes sense to me. They are able to sit down and say, "Let's look at this area." As I said, West Dapto and the Calderwood release area, which is a little bit ours and a large amount of Shellharbour's, is being largely delivered by one developer. Lendlease is developing that, so they are able to do swings and roundabouts. But we have a whole range of smaller developers so therefore we have to provide a whole range of bridging infrastructure—real bridges; it is not meant to be a pun. We need some of that where you can actually sit down with a range of State agencies and say that this is what needs to occur for this to be delivered and this is how we can deliver this collectively over a long period of time.

We have followed this journey for about 10 years, both of us. What we see is you get a response from government today, then they change their mind and you get another response, and then you get another response and a cap comes in and a cap comes off, the LIGS comes forward and the LIGS goes away. All you have done in that period of time by putting that cap in is blow the englobo value of the land out of the water. All of a sudden you are going to have a huge issue trying to pull back vendor expectations in terms of the value of that land because you have artificially compressed the cost of development in that location. What I have seen in my time is a large number of chops and changes from the State in terms of their approach, all trying to be helpful but none of them actually being able to give somebody like us any confidence that there is a comprehensive plan to deliver.

**Mr JAMIE PARKER:** Who leads that compact? At the moment you have the Department of Planning and Environment, local government and other agencies. One thing that we hope will work with the Greater Sydney Commission is leadership and coordination. If we do not have a body like that, who drives and develops that?

**Mr FARMER:** In my opinion, we need somebody. Whether that is a Greater Sydney Commission—we said we cannot see the real value at this stage. However, some of the elements and some of the things that are delivered in that space make sense to me. A coordinating body makes sense. I think we suggested the Department of Premier and Cabinet. It could be a subset of the Greater Sydney Commission type organisation that coordinates all those activities. That is because there are natural tensions. Roads and Maritime Services [RMS], for example, is not terribly happy about urban development in the southern part of the Illawarra because it will put pressure on the M1 motorway. Transport for NSW has got challenges with this as well. There are obviously natural challenges between heritage, environmental issues and a whole range of things. Government has to be pulled together to try to develop an overall response to be able to deliver this in an effective way.

The rezoning for West Dapto occurred when we were under government administration. I think it would have been difficult to see how a democratically elected council would have supported going into the risk that this showed on the settings that were available at the time. Before the lifting of the cap we had a \$500 million deficit between the local infrastructure and the amount we were able to get under section 94, for example. Even after that, because of the ongoing cost of infrastructure and depreciation renewal cost, we have a \$272 million long-term deficit between the rate income we will get in that area and the cost of servicing it. Our financial model shows a \$272 million deficit over 20 or 30 years. It is difficult, but the reason the State has not spent a lot of money is that, apart from schools and a whole range of things, there is not a lot for the State to do in West Dapto because it is very well located. It is near the freeway. It has a train station. It is near a whole range of other tertiary services. It is a perfect area to be developed but it is extremely difficult to be developed at a local level.



**Mr ANOULACK CHANTHIVONG:** I have been to Wollongong a few times recently to see the development that is happening. What are the plans around employment? You made the point that people are getting on the M1 and driving to Sydney or getting on the train to come to work in Sydney. I know that a lot of people who do that get the fast train from Wollongong to Central and away they go. What are the employment plans or strategies around Wollongong? Part of liveability, which we spoke about earlier, is being closer to your work and not having to spend three hours a day commuting, which would be a minimum coming from Wollongong.

**Mr FARMER:** Wollongong has been in transition for 30 years from an industrial city to a post-industrial city. Since 2011, when the second blast furnace and the second production train at Port Kembla steelworks fell off, there was an employment drop-off at that point, but we have seen really a significant and sustained increase in jobs in the Illawarra for the last seven years. I was just looking at the data in the last week or so. That has been driven by a range of factors. Obviously, the construction boom has been driving employment but we have seen significant growth in a whole range of tertiary sectors. Health care and community services are dealing with the ageing population. We have a significant financial services hub in Wollongong. We are working very hard with the University of Wollongong on the IT space and innovation. Certainly in recent years we have seen a significant change in the Illawarra employment environment.

Brian Haratsis, whom you may or may not know, is a demographer and planner who looks at economic modelling of growth and development. I heard him speak on Friday about the Illawarra and he was just saying he cannot believe the fact that our unemployment rate has been dropping but yet we have lost about 7,000 manufacturing jobs in the last seven or eight years. We have dramatically changed and Wollongong council is working very hard to create a climate that accelerates that change and equips the city for that change. But you are right: We still have over 20,000 people a day travelling to Sydney. I think that is going to continue, just because of the proximity to Sydney and a huge number or percentage of buyers in our residential market are people from Sydney looking for more affordable housing but close to the ocean.

**Mr CARFIELD:** That is an important question for West Dapto. In the context of the Illawarra, West Dapto is very strategically located. It is close to the university. It is close to the port. It is close to where jobs growth is occurring within Wollongong city and within the region. It is one of the reasons that we would argue that West Dapto is a better strategic choice than seeing land development creep further south into Albion Park, Gerringong and other locations. For our region, it is the best choice available.

**The ACTING CHAIR:** What is the solution to the mismatch between the four-year budget cycle and the 40- to 50-year planning cycle, and has the council proposed that a joint State and local infrastructure plan with a 40- to 50-year delivery and funding cycle be formulated? If so, what has been the response? Is our long-term joint infrastructure plan the solution to the problem of New South Wales planning having insufficient powers to coordinate infrastructure delivery?

**Mr FARMER:** Great question. I am not sure about the State plans but certainly when I worked with the major State agencies they talked about a plan. I can remember talking to Les Wielinga when he was the head of RMS and he talked about a plan. We use "plan" as a different term. Our plan is a strategy. It may not be funded and it may not be committed to, but we have a pathway if we wanted to take it that way and we opportunistically progress towards it, whereas Les's position was a plan was something that they were working towards and were committed to. The major agencies in transport and roads have 20- and 30-year plans. They have to. You cannot run a State without long-term planning in that space. It is essentially making those commitments. It does not matter that much if the commitments are a little bit out of sync. The fact is the commitment is there. For example, for West Dapto, we could reduce the local infrastructure costs if the State put the major ring road that would come through West Dapto as a State responsibility.

**The ACTING CHAIR:** And it is not there now?

**Mr FARMER:** And it is not there now. As I said, this is over 10 per cent of the new urban release lots that will be released in the State in the next 25 to 30 years as identified by the Greater Sydney Commission and there is not a single State road in that area. It is very expensive with lots of bridges and lots of significant drainage issues. The State are saying that because the M1 heads up and down they will not fund anything there. That is the sort of partnership that we would want from the State government. And a partnership with, for example, education to sit down and say that we will identify the two high schools and the 8 public schools that are required in that space. We will sit down and identify those spaces and we will work on a strategic way towards acquiring those over a period of time as they are needed. At the moment we feel like we are operating in a vacuum.

**Mr CARFIELD:** The question of a joint State-local long-term infrastructure plan is one that is certainly worth exploring. In some ways the council's development contributions plan is just that for local

infrastructure. It is setting out what infrastructure is required and also detailing the costs of that infrastructure and how the revenues will be generated through the life of the land release. It does not explain which pieces of road infrastructure or drainage infrastructure would be provided in sequence; it is left to the council and agencies to determine how that infrastructure is built. But it does give the upfront commitment that all that infrastructure will be there to support that community in the future. Having the equivalent provided by the State or a joint infrastructure plan would give a lot of confidence to investors in that land release and would also give confidence to the council moving forward that it can effectively plan for its part of that infrastructure list.

**The ACTING CHAIR:** Do you now meet with Education or Health or Roads?

**Mr CARFIELD:** We had a meeting with Education last week, and we have been a little ad hoc and sporadic in our meetings with other agencies, particularly with Education. Our driver has really been to see a school site identified by the department so that we can plan our infrastructure to meet the needs of that school site. It has been reluctant to do so; in the case of West Dapto in stages one and two we have almost completed all our more detailed neighbourhood planning for the rezone areas, but no school site has been identified. This is part of the land release that will have nearly 7,000 lots—6,900 lots—and there will definitely be a demand for at least one, although we say multiple, school sites within that stage.

**The ACTING CHAIR:** If Education has projections of school enrolments and at a meeting you run through some of the hard data, do you also look at future projections or just have an ad hoc meeting?

**Mr CARFIELD:** Unfortunately, it has been a little ad hoc. It does have projections, but it is bouncing changes that it is making in the delivery of education across the State more generally, which seems to be a move away from providing new school sites. Rather than securing and building a new school site and a new school, it is looking at maximising what it can out of existing school sites. That general approach does not really help an area like West Dapto, which is going to see a massive growth in the community over the next years. We suspect the need for this new school will be reached well and truly before a school site is secured and a school is underway in terms of construction.

**The ACTING CHAIR:** You heard comments by witnesses from the Greater Sydney Commission about how it facilitates meetings with six or seven secretaries and the success that appears to flow from those meetings. It seems to me that there is a bit of a lack of coordination and you are experiencing the brunt of it, along with the cost of it and everything else.

**Mr FARMER:** Absolutely. There is no doubt that coordination of those agencies would be effective. The Department of Education has a mantra, and I understand where it is at. In areas represented by the member for Balmain and parts of Wollongong, where you have you have urban renewal, all of a sudden you have a school where enrolment goes down but with urban renewal the school's enrolment goes up. That is a perfect reuse of State infrastructure but, in an area like West Dapto, a large greenfields area, you can say all you want but you are not going to be sending kids across major highways and creating all sorts of traffic issues, when you can potentially build new schools in the right location. If a school is in the wrong location and is at its use-by date, do not reinvest in that; rather downsize it or sell it off. In urban renewal areas I think the model that the State uses, which is reusing by intensifying population around those areas, works. But in urban release areas there is absolutely no doubt that if we could get major State agencies looking together at something like this with a commitment to success, we could have a much better outcome.

**Mr JAMIE PARKER:** Moving from infrastructure, I want to look at the pattern of development. We went to Menangle Park to look at greenfield sites and that raised the question of density. Obviously, Wollongong is different because it is low yield with its infrastructure issues. Please tell us about how you have looked at the question of density to help to inform our discussions about effective land release patterns for development. Has it been driven by the market? Have you tried to encourage greater density? One issue raised with us is about the number of 1,000-square meter blocks with houses boundary to boundary not being an effective way to release land. Do we need a more diverse housing stock and a different pattern? How have you dealt with that?

**Mr FARMER:** It is quite interesting. West Dapto has lots of floodplains, which is almost like an English village where there are clusters of housing and green space surrounding those houses because of some of the constraints I have talked about, particularly flooding in riparian zones. We are still only 5 per cent through the development, but unfortunately we have seen the traditional 450-square metre lots with detached dwellings. The former Growth Centre Commission looked at our plans in 2007 and came back and said, "That is all you are going to sell in this market." But in the last few years we have seen a change in consumer demand and there appears to be real potential to see the development of more dense housing styles in those areas. For people who want to develop in those areas with more dense housing styles, there has to be the promise of amenity—public transport and a whole range of things that people would expect if they are living in denser areas. It is a little of

chicken and egg; we have quite a substantial holding ourselves and we are proceeding to develop that over the next few years. We will be seeking to be a leader and show that we can develop a bit more densely. That area is adjoining a town centre.

**Mr JAMIE PARKER:** Would something like an infrastructure compact help to drive a more efficient release of land?

**Mr FARMER:** Some certainty to development in terms of what is occurring, yes. Some of the things that we have done are things like our section 94 plan that provides a lower cost for more dense dwelling and a higher cost for larger lots, which gives some indication of the amount of road that you have to construct, for example, in front of your house.

**Mr CARFIELD:** In terms of providing incentives for the smaller, compact housing forms, a range of things are happening. We have addressed that in some ways through our planning controls, where we allow much smaller than conventional housing blocks, so we allow 300-square metre parcels to be created. We allow even smaller parcels to be created through an integrated housing form. Where there are now becoming more standard products below 300 square metres there is the potential for some design guidance to allow that to be as of right as well. We are not seeing the take-up of those smaller housing products, certainly not from the get-go in West Dapto, but there is much greater interest now. We have currently got an apartment building in West Dapto with more than 100 apartments being proposed without a town centre being created. So there is certainly the demand there, but we need to match that demand with the kind of amenity and transport and other infrastructure that is required for that type of community.

**The ACTING CHAIR:** Are there any further questions?

**Mr JAMIE PARKER:** I think we have a lot of questions to ask the Department of Planning and Environment when it comes before us, and we will not forget West Dapto when its witnesses turn up—do not worry!

**The ACTING CHAIR:** I can understand your frustration and concern in terms of a lack of coordination. I have seen it in my own area to a degree, but it is that uncertainty and the cost. You heard my earlier comments to the Greater Sydney Commission. Do you think the Government in developing West Dapto that it would require a lot of effort and manpower resources within council planning? Do you think the Government should have a greater role in seconding extra resources from time to time to help you deal with it, because you two also suffer from natural disasters and floods and things of that nature?

**Mr FARMER:** We are reasonably well equipped. Wollongong went through 20 years where it did not have much greenfields development and essentially its growth was urban renewal in town and village centres. People have been planning West Dapto since the seventies but it was always too hard. But when it started to ramp up that it was important and it was a State important issue, all of a sudden you had a council that was not used to dealing with greenfields development perhaps trying to turn out the most difficult greenfields development in the State. That is the point that it may well have been useful to assist us in working out what would be best practice in that space. We did have a little bit of help from the Growth Centres Commission, but that was really through personal contact between Gabrielle Kibble when we were under administration. But essentially we did not have that sort of interest. So in the short term, probably not.

In terms of the Department of Planning and Environment, I think it has tried to be helpful but it is all bitty—there is no structural response to something. I guess what I am trying to say in this space is that it is very, very well located in the State. They do not have to build a new railway station; there is already a railway station that services it. They do not have to build a new hospital. They do not have to build new tertiary institutions. They essentially have to build schools; they might have to build a fire station. You put 55,000 people in there that can be taken up within a whole heap of existing infrastructure. So it is reasonably cheap for the State and incredibly expensive for local government. There seems to be no systemic sharing of responsibility and there is no mechanism to deal with that, as I can see in the settings.

**The ACTING CHAIR:** So would that be your one wish?

**Mr FARMER:** Yes. As it says here, Growth Infrastructure Compact. If we could have that, however that is established, wherever the government structures, seems to me to be the way forward.

**The ACTING CHAIR:** Thank you for appearing today. We may wish to send you some additional questions in writing. Your reply will form part of your evidence and will be published. Would you be happy to answer any additional questions?

**Mr CARFIELD:** Absolutely.

**Mr FARMER:** Yes.

**The ACTING CHAIR:** Once again, thank you for your time.

**(The witnesses withdrew)**

**(Short adjournment)**

**SHARON POPE**, Manager, Integrated Planning, Lake Macquarie City Council, affirmed and examined

**VINCENT MATTHEW CONNELL**, Director, Planning and Regulation, Tweed Shire Council, affirmed and examined

**IAIN WILLIAM LONSDALE**, Coordinator, Strategic Planning and Urban Design, Tweed Shire Council, sworn and examined

**The ACTING CHAIR:** Thank you for appearing before the Committee today. Do any of you wish to make a brief opening statement?

**Ms POPE:** Lake Macquarie City Council has a population of about 205,000 people and, being an hour from Sydney and half an hour from Newcastle, we experience reasonably high levels of growth. We have seen over the past 10 years some of the issues associated with not having good strategic land use planning at a regional level. We have a number of sites in our city that are zoned for development. They have been very slow to be developed for residential development and in part we are told by the developers that it is because it is very expensive to get that first lot on the ground and to the market. There are quite expensive costs with building road infrastructure, lead-in water and sewer infrastructure, and at times we have even had issues with electricity supply. We think that has an impact on affordability of the eventual lot that does hit the market.

**Mr LONSDALE:** Tweed Shire Council has been a growth area in our region for a significant period of time. Through the 1980s there is evidence where it appears that growth was hitting 6 per cent or more. We average 2.1 per cent, 2.2 per cent. One of the major challenges we face in the Tweed is infrastructure provision. Over the past 20 to 30 years the council has had a history of managing land release through various strategies. We have done so proactively to ensure there is substantial land identified to accommodate the projected growth. Unfortunately, that has not been matched with infrastructure provision or by any level of infrastructure funding. We are currently in a situation where available land for greenfield development can service our projected population for 30 years or more if we have that infrastructure.

Council has undertaken significant expenditure—tens of millions of dollars—in infrastructure for two of the main sites that have been rezoned and capable of development for at least 20 years, which is known as Cobaki and Kings Forest. The challenges we have had is that the timing of their development is beyond our control or influence. I am talking about the property market — a single landowner has not wanted to move on those sites for various reasons. In response to that, the council has proactively looked at other areas within the shire to earmark for development. They are out of sequence. That puts a lot of pressure on the developers to fund and construct that infrastructure themselves.

In the last 10 to 15 years we have been running out of land that is easy to develop—that is, flat land with reasonable grades and we are moving into hilly country. That in itself starts to push up the construction cost and the provision of that infrastructure. We are very much in the situation where housing supply is at a stranglehold because of infrastructure and it goes to the heart of this particular inquiry. We seek to ensure that we have our voice at the table to make sure those concerns are being heard and hopefully the recommendations of the inquiry will go some way to bring key State agencies to the table so we can have an open discussion around infrastructure delivery and funding going forward.

**The ACTING CHAIR:** How do councils respond to the suggestion that the New South Wales planning system is too complex?

**Ms POPE:** We would agree it is very complex. It is complex for the staff and it is very difficult to give a high level of certainty to developers. People who come in and ask, "Will this development get the support of council?" We can say, "Yes, this might fit within council policy and strategic planning settings", but we have no way of telling them if the infrastructure can be supplied. Within the last five years Hunter Development Corporation attempted to deal with that by producing a software model where they went and spoke to various agencies; to energy companies, to Hunter Water and to our council. We have good biodiversity mapping. They produced multiple layers.

If a developer came in and asked, "I am looking at this block of land. Do you think it is a wise thing to put forward? Will it be reasonably efficient to develop the land and not too expensive?" They were able to plug that in and say, "Yes, there is existing capacity in the system. Hunter Water's infrastructure is nearby and you should not have any issues with this", or they are able to tell them, "That is a red light for us, either for biodiversity reasons or there is no water or sewer infrastructure nearby." That was a good way of starting to have discussions with developers and give them some certainty. However, I do not know that model is being

maintained and kept up to date or how widely that is used. Something like that would help councils in the Lower Hunter.

**The ACTING CHAIR:** Turning my attention to the Tweed, how can rezoning and infrastructure provision be linked? Is that a role for councils or is that a role for a central agency?

**Mr CONNELL:** There is certainly an area of responsibility for both State agencies and councils. Certainly Tweed has benefited from doing quite significant strategic planning of its desired assets over a period of time. It really gets back to the coordination, timing and sequence of the delivery of that infrastructure and obviously the cost as well. Certainly the ability of government to provide some sort of—once again, what we have been talking about with our colleagues this morning is the actual ability to provide some sort of sequencing mechanism. We are not sure what mechanism that should be.

In some way, shape or form—and it was very clearly stated by the Greater Sydney Commission this morning—there is a certain imperative that the State take some sort of role in ensuring that its government agencies responsible for major infrastructure provision, particularly roads, consider that and the ability to sequence capital programs of government to meet in those growth areas such as the Tweed and other regional areas of the State. That is where the councils are looking for leadership from the State agencies to coordinate—

**The ACTING CHAIR:** Such as a central agency?

**Mr CONNELL:** We are not sure about a central agency.

**The ACTING CHAIR:** I am worried we are going to put another layer of bureaucrats over the top of everyone.

**Mr CONNELL:** We similarly share that concern. We are not looking for another layer of government, but just some coordinating mechanism to bring the key players of government agencies to the table to ensure that councils are coordinating infrastructure provision—the big ticket items—with the State agencies. That is what we were sharing with our colleagues this morning. Obviously Sydney has been the key focus of development in recent times, no-one is doubting that. There is a certain significance to that. The reality of stretching those government agency resources and priorities to come to the regions and engage with the regions regularly is limited. We understand that. That has the knock-on effect of we are not getting that coordination, we are not getting that buy-in in their priorities and their strategic planning in terms of future costing and resource provisions.

Ultimately, we are getting a lot of ad hoc decisions from the government to step in at various points of time to assist councils with infrastructure provision but it is not helping the long-term financial planning of councils. I would point out we tend to focus on the immediate delivery of capital works. We often organise both councils and government. We tend not to place any great emphasis on the life cycle and the future management of the planning of our infrastructure. Councils are finding, particularly with our greenfield sites and major new infrastructure that is provided, that the ongoing maintenance budgets of simple things such as keeping parks and facilities up to date, cycleways, pedestrian ways—all those things that people are looking for—are increasingly stretched.

For the people who are buying property and coming to live in our area, they have a natural expectation that councils will deliver high-quality, gold-plated services. The reality is that through other elements such as restrictions on councils' rate capping and infrastructure provision, there is only a limited pie to the ongoing planning. Getting back to your question about the coordination, I think we are looking for something that is a coordinating facility—a mechanism to regularly do that and do it well. Whether that comes through the extension of the commission or creation of a regional commission, we are open to hearing that. The key thing is coordination in whatever form.

**The ACTING CHAIR:** How do you ensure employment lands are identified and protected? Is that a role for councils or central agencies?

**Mr LONSDALE:** It is a role for councils, but I think it goes beyond that in a modern context, particularly in a broader regional sense. In our region alone we have five or six councils each competing for their share of the employment pie. The practical reality is that we cannot all have a super-duper economy. At some point in time there needs to be a role, probably through the Department of Planning and Environment, that looks at the best regional outcome in terms of employment and where that should be located. Whether it is in our local government area or an adjoining LGA, it needs to be looked at on a regional scale. Those conversations need to be at a regional scale. There is a whole variety of employment-generating development; we do not want all of it. Some of the other councils may want the things that we do not want. It is difficult at a

local council level to have that conversation with your neighbour. There is definitely a role for a coordinating agency, but I think that agency is best suited to the Department of Planning and Environment.

**Mr MARK TAYLOR:** Mr Lonsdale, you implied there are some land banking issues in your area. Have you got any ideas how to unlock the concept of land banking or is it about infrastructure like Ms Pope has talked about?

**Mr LONSDALE:** There are opportunities through State Government with the likes of Landcom. If there is an opportunity to work with the landowners, to come in at the first stages, not only to bring in the first aspect of the infrastructure but to set the tone for the type of development that we may get. Looking at the zero net carbon economy that the Government has bought into at a State and National policy level, if we want sustainable communities we need to set the lead early on, particularly in the major release areas. What we perpetually do is expect the developer to deliver that. In some cases that may require a level of design or a level of financial input they are not prepared to do. There is no incentive for them to do that. There is a dual role of government to help with the delivery of that infrastructure early on, so it becomes more cost effective for the developer in the longer term, but also to set the tone to ensure we are getting sustainable communities through appropriate design.

**Mr MARK TAYLOR:** Ms Pope, do you have a comment? Are you seeing the land banking issue? Your statements were around initial infrastructure.

**Ms POPE:** We have a lot of development fronts in our region. There are three or four in our city and it replicates to the other councils in the Lower Hunter. There is competition, which means that people want to get their land out to the market and not sit on it. What we have heard is that people have gone down the path of getting land rezoned and we leave the decision about infrastructure and what it is going to cost until the subdivision stage. When they start doing costings and start discussions with other agencies about how much the infrastructure is going to cost they say, "I think I may have paid too much for this land. I can't produce a lot and make a profit at this point in time so I will sit here and wait until the market catches up."

**Mr JAMIE PARKER:** That is a really interesting point, because one of the things that comes out in your collective submission and other submissions is the fact that, without adequate infrastructure sequencing a strategic approach, the developers basically drive the agenda. They might be seeking to release a certain piece of land which may be out of sequence with what would be a sensible strategic investment in infrastructure in the area. One of the things we have been discussing with the Greater Sydney Commission and the Department of Planning and Environment before this inquiry is this coordination issue. We keep hearing about coordination. The Greater Sydney Commission has approximately 25 staff, so it is not an enormous bureaucracy, but it does do that role of coordinating. Potentially the Department of Planning and Environment can do that.

It seems that coordination is critical in terms of proposals, as you can develop infrastructure compacts and do all these types of things. The Tweed representative mentioned that maybe that happens through the Department of Planning and Environment. Could you speak to us from the Lake Macquarie and the Tweed perspectives about what you think that could and would look like? If it was a Greater Sydney Commission or a regional New South Wales commission, what would it look like and what things do you think it should prioritise? The Greater Sydney Commission obviously prioritised the whole plan for Sydney and then did all the sub-regional plans. What do you think a body like that could be doing? Let us start with Tweed.

**Mr LONSDALE:** As to what would it look like, I guess I would say: What does the regional growth plan look like, because that is the Government's statement through the Department of Planning and Environment as to what it foreshadows for our region for the next 20-plus years. What that plan currently looks like is a strategic planning work that the five councils themselves had undertaken, minus the infrastructure delivery that we would be consistently asked for. This is one of the problems that we have. In some respects this out of sequence development that we have is almost encouraged through the State Government's planning framework, because it has picked up those lands and said, "Here they are, developers." Without the infrastructure component, there is no discussion about the sequencing, the timing and the cost efficiencies in delivering those lands, so it raises an expectation straight away that they are good to go and there is a green light. There is a fundamental problem with our regional growth plan at least.

It makes sense to me that if that is the Government's statement—and the policy as a whole is a good policy—it just needs to be underpinned with a committee that is managed by the Department of Planning and Environment as the lead agency, but ensuring that it is having an open narrative with those other agencies such as Roads and Maritime Services. That clearly does not happen. It is evidenced in some of the submissions this inquiry has received and that I have read. I think if we can do that and have that conversation, it will help support where that plan is already heading. It has identified the four major cities: Port Macquarie, Tweed, Coffs Harbour and to an extent, Lismore. What needs to then happen is to have the conversation around the

infrastructure and the kinds of uses we want in those places. That then enables us to have an open conversation with those other councils that are not regional cities and what will be done for them in terms of infrastructure.

This goes back to what I said earlier on—that is, we cannot all have the population, we cannot all have the best employment. There needs to be a sharing of that. There needs to be an allocation where it best suits the needs of the New South Wales public, not just that particular local government area. That conversation is not being had—we are all there fighting for the same share of the pie.

**Mr CONNELL:** If I could just add: The Government has set up, with its regional plan, a good mechanism through a regional plan implementation process. It is early days yet; it is starting to come through. Certainly, as Mr Lonsdale was saying, there has been more of an emphasis on the four main cities and it is those other areas that really need to be picked up as well. In a greater way, that could well be a good base for us to work through for our regional plan and the delivery of the State Government's objectives. That really should be and can be the basis of a good delivery model for us in the regions. It may be the most pragmatic and economic way of doing that.

**Mr JAMIE PARKER:** What is that process called?

**Mr CONNELL:** Regional plan implementation.

**Mr LONSDALE:** I think they call themselves the Regional Coordination Committee. That is the technical name.

**Mr JAMIE PARKER:** We can ask the department about that.

**Mr LONSDALE:** That is a committee that is only just convening now and so we have not had any feedback from that committee. It may be helpful. We are just unsure as to whether or not those other State agencies will be at the table.

**Mr JAMIE PARKER:** The Lake Macquarie perspective?

**Ms POPE:** In the Hunter—I will keep saying the Hunter because the five Lower Hunter Councils are so close together and the boundaries do not mean a lot to the community. People are driving through various council areas for work and everything else. I keep looking at what happens in the Lower Hunter and that will be in my answers. In the Hunter we are actually living with a legacy of decisions that were made about 10 years ago and the planning that was done about 10 years ago. It was very developer driven.

The infrastructure providers were put under a lot of pressure at that time to just make it happen: "If these developers want this land to be developed, just charge them what it's going to cost, but don't get in the way and say we can't rezone it because we can't provide infrastructure. Have a real 'can-do attitude'." But then, as we have seen in the next 10 years, the developers, when they have done the sums, have said, "We can't develop it because it's too expensive," and the infrastructure agencies are trying to do too many things in too many locations, and cannot just get in and build an infrastructure in one location to get a precinct up and going at a reasonable price.

We now have a new regional plan and a draft metro strategy. Those plans, for the first time, really did start to talk about the councils operating as a region and not as individual council areas that were competing against each other for residential development and jobs. We are now seeing where we actually complement each other, and how some jobs will go better in this location, and how it makes sense that these sorts of jobs go in the location where the airport is. We are actually starting to work together for the first time and some of the infrastructure providers are coming in on that discussion.

Hunter Water, being locally based, is coming in and talking to the councils: "Where do you think your next release area is going to be? When do you think that's going to be? We've got bad news for you: That's not a really good spot." At least we are starting to have some of those discussions. It is a little bit harder, though, when it comes to some of the other State agencies being more Sydney based and dealing with Sydney issues. I think it is a bit harder for them to come up to the Hunter and know the situation and be able to give lots of answers.

I think the Department of Planning and Environment and Hunter Development Corporation in our area are trying to do more of that coordination. Certainly in the latest plan they do not actually identify a lot more greenfield because we have so much already either zoned or planned to be zoned. They are now starting to say that we need to put some sequencing together. We have now got a SIC for the Hunter which, again, is trying to get the funds in to build that key infrastructure in certain locations for the developers. It is reasonably expensive at a bit over \$10,000 a lot. It will be interesting to see the reaction of the development community to that.

**Mr JAMIE PARKER:** How long has that SIC been in for?



**Ms POPE:** It has not actually been formally adopted. There has been an unofficial version of a SIC for about 10 years.

**The ACTING CHAIR:** Do they have money now?

**Ms POPE:** They should have some money now. Unfortunately, we have heard stories—they could be myth—that some of those funds have been spent in Sydney, because there is no mechanism that insists that the money collected in the Hunter must be spent in the Hunter.

**Mr JAMIE PARKER:** That sounds like the kind of thing that goes around on in regional areas! That is a question we should ask the department.

**Ms POPE:** There is no real transparency. There is no annual reporting on how much they have collected or where they have spent it.

**The ACTING CHAIR:** Wollongong City Council reported that it has \$5 million to \$10 million and it has not seen anything spent yet.

**Mr JAMIE PARKER:** That is a question we should look at: the transparency of SICs and how councils can get an insight into what is going on. Is there a SIC in the Tweed?

**Mr CONNELL:** No.

**Mr ANOULACK CHANTHIVONG:** Both Lake Macquarie and the Tweed are a bit further out, so many of the issues are about sustaining your community, having that connection with employment in particular and keeping those communities thriving.

**Mr JAMIE PARKER:** Coordination really is the issue: That is at the heart of where we are going. What level of coordination is there at the moment between the different agencies? That is always the question we seem to be asking. Do you meet with education, RMS or an equivalent? We have obviously heard about Hunter Water. What level of communication and coordination is happening now or has happened in the last few years?

**Ms POPE:** We do have regular meetings. I would say every five years we have a series of meetings with Hunter Water so that they can plan their forward works program.

**Mr JAMIE PARKER:** If a regular meeting is every five years I would hate to see long-term meetings.

**Ms POPE:** But we really do not ever meet with Department of Education or EnergyAustralia. Transport for NSW has been a recent arrival on the scene and there have been some discussions with it this year because it has been helping to prepare various plans for infrastructure in New South Wales. But again I do not know that individual councils should have those meetings, particularly in a region where you have a couple of councils where growth is happening. I think you need to be complementary rather than competitive.

**Mr JAMIE PARKER:** Are there regional meetings between the councils and those bodies?

**Ms POPE:** Not that I am aware of.

**The ACTING CHAIR:** You do not have a NOROC or a Centroc?

**Ms POPE:** We have a regional organisation of councils [ROC] and it is moving across to a joint organisation but that has not been its role to date. I think we were all looking to the Department of Planning and Environment to play that role of coordination given that it develops the regional strategy and probably has a little bit more ability to get information out of other State agencies at a State level.

**Mr JAMIE PARKER:** Everything is perfect in the Tweed, according to the local member.

**Mr ANOULACK CHANTHIVONG:** What is the local member like?

**Mr CONNELL:** The degree of contact with NSW government infrastructure agencies is infrequent and irregular and tends to be driven by major development proposals. If something is going to occur we have discussions. Probably a very good coordinating action our State Government has taken at recent times is our Cross Border Commissioner. It has been remiss of us to date not to mention the strong influence that the Tweed has and also the impacts of its relationship with South East Queensland, particularly the Gold Coast, which is a thriving growth area. There have been more regular, good discussions and it has been great to have the Cross Border Commissioner, Mr McTavish. He has been in a position to call upon some key government agencies such as the RTA with its counterparts from the Queensland Government and the Gold Coast council.

We have had some really productive meetings in recent times. That has been primarily a lot around infrastructure and big ticket infrastructure. To be able to be built at full capacity, one of our big sites at Cobaki right on the border requires an additional access onto the M1, which is obviously a big issue for the Queensland Government. We need that high-order, coordinating means of negotiation with the right people at the table to have those discussions. We would only hope that continues in that form. Whatever the State government and the Department of Planning and Environment can provide through our regional plan delivery mechanism can only add to that situation.

**The ACTING CHAIR:** How do you define "deliver and measure liveability and character"? Is there consensus around what those terms mean in your area?

**Ms POPE:** Liveability, yes. We certainly have been working in my team on the concept of liveability as to why certain locations are the locations where medium density housing in particular is going in as compared with other locations that are zoned but nothing seems to ever happen. From our perspective liveability is partly affordability in the purchase. It is the diversity of housing types, so that means a range of household groups can be located in a particular area. It is affordability in that you will not necessarily need to have five cars in your household; you may be able to get by with one because you have public transport or good footpaths and cycleways so people can walk and cycle to where they need to go. It is about having local schools so that children can walk to school; they do not need to be driven to school.

It is about having people living close to at least a small shopping centre where they can get their daily needs and they do not have to hop in the car and go to a major centre to get a bottle of milk. It is about amenity. It is about having some open space. It is about having some trees. That is certainly crucial for the people who live in our city. They constantly tell us that is our point of difference with some of the other council areas nearby—we have got trees and this lovely lake that they often can see from pretty much anywhere. We certainly look at liveability and ways to maintain it, ways to improve it and ways to capitalise on it. That is where we are looking to place more medium density housing or a more diverse range of housing compared with the single dwelling on a block of land that tends to exist in most of the city.

**Mr LONSDALE:** The term "liveability" is a bit amorphous for the general populace as well as the council. I think it can mean so many different things and I do not think it is well understood. It is something that really needs to be defined in planning terms so that we can start looking at measuring liveability within the urban environment so that it can be encapsulated within master planning. What Ms Pope said is quite right. There are a number of elements that are important. Walkability, being able to cycle and having those healthy environments, finding the right mix of housing and the right scale. Whether or not the community or the public at large understand that I doubt very much. It probably changes from community to community as to what is liveable for them. In some areas of the Tweed, for example, liveability means anything less than three storeys, whereas in other areas it means if it has got trees on it it is liveable. It changes dramatically. I think it is in the mainstream vernacular in planning and so it should be defined.

**The ACTING CHAIR:** Ms Pope, can you outline how affordable housing can be delivered in a hot housing market, what incentives are required to support the delivery of affordable housing and who should fund and manage an incentive program?

**Ms POPE:** This is heading into territory where I am responding as a planner and not as a representative of my council.

**The ACTING CHAIR:** A disclaimer.

**Ms POPE:** A disclaimer, yes. I think in our city there has not been provision of social housing by the State or Federal government for a long time. Whilst there has been population increase and the proportion of households in the city that may need social housing has grown it has not been delivered. The private sector has not been delivering it either. We tend to find that medium density housing, because it requires either knocking down a house and building several homes or going up two or three storeys, is a relatively expensive form of housing to build compared with the greenfield housing. But medium density close to town centres is really where you want people who need affordable housing to live because you do not want them to have to spend so much of their budget running a household car or multiple cars to get to a job or to the supermarket or to do anything.

A lot of the development happens in greenfield areas because it is just a product that is easy to churn out and it is quite cost effective or cheap for them to churn out compared to medium density. How do you make it better? Like I say, I am heading into territory of me as the planner and not me representing council, but I think we could give a lot of financial incentives. Our draft SIC and our own section 94 plans levy the same amount per dwelling in a medium density development as a new lot in a greenfield subdivision.

**The ACTING CHAIR:** Who should fund that? We often hear that local councils do a great job but they are strapped for cash. The last thing you want to do is start cutting into their potential revenue from section 94.

**Ms POPE:** Perhaps we should actually be charging the greenfields slightly more to allow us to charge the medium density in and around town centres slightly less. That would be a cross-subsidisation, but at least we would have the funds to do things.

**Mr JAMIE PARKER:** That is what Wollongong City Council does, according to its evidence. Its witnesses told us that they have different levels of charges for different densities.

**Ms POPE:** We would certainly look at that. We do struggle with biodiversity in our city. We have a lot of it and it is a characteristic of our city, but for the developers it is hard. If they need to do any form of offsetting, they are often required to find chunks of land that are considerably larger than the one they want to develop. It can be hard and time-consuming for them to do that. There are some changes underway where they may be able to pay cash, so they do not have to go through some of that process. The biodiversity issue is important and we do not want to lose all of our vegetation, but it is an issue for our city with affordability because it adds to the uncertainty and to the cost of bringing land onto the market in a greenfield environment.

**Mr LONSDALE:** It is a question of finding a balance between all tiers of government and developers to some extent. Over time we have seen a squeeze on the development industry tightening, and many of the sites are constrained by environmental issues with the amount of set-offs they need to make nowadays, compensatory planting, land dedications and the like. It is becoming more and more unrealistic to expect the private development industry to underpin affordable housing or social housing at any level. It is more about looking at the totality of the social conscience of the public at large and using general taxation revenue to underpin that. But this is a concern for the wider public, which I believe it is, and the development industry may have a role to play. The more barriers we put up for them, the more expensive we make it, the less supply we get and the higher the prices go.

In my view there needs to be a reality check, and we need to make it more cost-effective for developers to do what they do best, which is delivering houses. Supply is not the ultimate answer, in my professional view, to affordability, but it is certainly one of the levers, one of the mechanisms, for moderating house prices. That is going to be very difficult going forward, if we keep asking more and more of developers, which we do in the environmental offsets and a variety of other things that we ask for. There are lots of tools out there that we can use, such as the planning framework with incentives-based controls. But if you do not have a political environment that is receptive to that or you do not have a community view that is more accepting of greater density, particularly in regions like ours with its high biodiversity and World Heritage-listed sites, it is very difficult to strike that balance. Realistically, the only way you are going to see housing affordability, or social housing at any level, is with State and Federal government funding.

**The ACTING CHAIR:** Later today the Tenants Union and ShelterNSW will appear before the Committee. To the best of my knowledge, both have seen a surge in short-term rental premises that has had the flow-on effect of knocking up rents and attracting investors into the market. How is that managed in terms of future planning? I know in the area I represent rental housing is becoming unaffordable.

**Mr CONNELL:** From the Tweed perspective that often goes to the extreme economics of the situation, as it is in Sydney where there is an affordability issue that has been well publicised. The situation in the Tweed area is not well publicised, but the increase in land value has been exponential in recent decades. At a base level, when the equation comes to a proponent seeking to produce an affordable housing product, the viability starts to become heavily constrained. The planning mechanisms are there and have been used by a limited range of inner-city councils, but there is a question mark about whether development is viable. If there is not the will to have a major increase in intensity on development sites, the development of a significant amount of supply will be limited.

We are lucky as a council to have a number of good local community housing providers emerging in our area. They are looking for a greater role in management and there is a growing expertise in this area. Equity and fairness must be applied in the planning system, which is the critical point. Greater Sydney Commission spoke about how planning and government bodies stipulate a certain proportion of new developments to provide a broader element of social or affordable housing. That has to be underpinned by some economic reality; we cannot be unreasonable in its imposition, and feasibility needs to be done. That requires expertise, and some councils have greater range of expertise in these areas than others. A number of Sydney councils have worked with State Environmental Planning Policy No. 70 for some years and all of their councils have developed fantastic expertise. There is a cost to doing that individual councils.

**The ACTING CHAIR:** Does government have a role to play in subsidising the lifting of standards and skills?

**Mr CONNELL:** The State Government is in a much better position, given its overall understanding of the implementation of the broader affordable housing policy, to coordinate the supply and assist councils. Tweed is fortunate in that we are quite a well-resourced council with a good rates base. In looking to expand the expertise needed by smaller councils, it is probably fair to say that they are struggling. It is not just about putting a control in a local environmental plan; the actual mechanism of managing the approval process for a certain number of units—making sure you have the accountability and oversight of all the legal elements and the governance elements as well as making sure the transfer occurs properly and that the community housing providers are doing the right things—is a huge task with a huge cost that needs to be looked at. It is not to say that it is not important—and most people in the planning circles are looking for that degree of intervention—but there has to be the recognition of the cost and questioning whether that is the best value for government spending to produce a certain supply of affordable and social housing at the end of the day.

Realistically, some of the more proactive councils, including interstate councils, have decided they want to have a go at it and they want to provide a site so they will put a lot of energy behind getting it up and running. When you look at the economic equation for how much was spent, bearing in mind that a lot is uncoded because a range of council staff will have assisted in that process and there are government grants as well as community time, you need to do a cost-benefit analysis to work out whether the output is worth what you have achieved. The level of expertise for the modelling of future affordable housing provision has to be a more sophisticated. I think the State Government is best placed to lead and assist councils in this process because of its resources and its understanding of the broader housing market.

**Ms POPE:** Short-term rental accommodation—

**The ACTING CHAIR:** And the pressure it is putting on affordable rents, because we will be hearing from the Tenants Union and ShelterNSW.

**Ms POPE:** It is a fast moving issue. The 2016 Census information for our local government area showed us having only 10 per cent vacancy rates on the Tuesday night, which is pretty much normal, but we think in the last 18 months a lot of properties have been purchased in our city by Sydney people who are renting them out on the short-term rental market. It is anecdotal at this point in time, but we are starting to get more complaints from other people living in various streets about the party houses; the neighbours saying, "I wanted to live with neighbours and now I just have a street full of tourists and visitors coming and going every weekend." We are starting to get more pushback from the residents, which implies that there are probably more properties out there that are being offered in the short-term rental market.

Our councillors have been grappling with this now for probably six years in discussion with the Department of Planning and Environment to try and regulate and it is not an easy issue because councils do not have a lot of resources to be able to monitor what is going on with the rental market. The councillors in the past have indicated that they really would not have a problem if it was only single rooms being rented in a premises and the family who owned the house was still living there. They feel that is not increasing the price of rent because you have still got a household living in that property on a yearly basis or a long-term basis. But they have said in the past they would like to limit the number of nights that a whole house can be rented out for, and that is partly to push that affordability issue.

**The ACTING CHAIR:** But it would have been causing rates to go up in your area, I would assume, if there is more for rent in the short term than the long term?

**Ms POPE:** It does not affect rates but it would affect rentals, yes, because it is taking houses out of the—

**The ACTING CHAIR:** That puts more pressure on the Government for more social housing; the people who cannot afford to rent somewhere then come back here. The Government is doing its second public analysis. Mr Parker and I served on the first committee. I think a government direction will be forthcoming.

**Mr JAMIE PARKER:** Because the council can introduce an LEP change—as Gosford has done and other councils—to limit that, but it is about how to enforce compliance, and that is an issue.

**Ms POPE:** The Department of Planning and Environment has said no on a number of occasions and it is, like, wait, wait, wait because there is a statewide approach coming.

**Mr JAMIE PARKER:** We had a parliamentary committee on that question two years ago and we made our recommendations two years ago. The wheels of democracy are grinding slowly but we have to get something soon.

**Mr ANOULACK CHANTHIVONG:** Part of the Committee's recommendation was to have consistency and certainty across the State and to be sensitive to cost-shifting enforcement and compliance to local councils, which are really stretched. There was a real balance between having regulation and having an adequate compliance and enforcement system, otherwise why have it in the first place. Obviously we have to bear in mind the resources of council, which are really stretched, and we do not want to—

**The ACTING CHAIR:** I commented in that committee that technically Airbnb and Stayz in my area believe there are more than 2,000 properties. I used to say that councils are struggling in terms of illegal brothels, and there are probably a dozen or so of those; so how the dickens are you going to look after 2,000 properties? It is just not feasible; it is not going to happen.

**Ms POPE:** In part, it is because the only path we can take is a legal approach—if they had to be registered to operate and they do something wrong then their registration is taken away from them. That would be much simpler.

**The ACTING CHAIR:** I think it is the knock-on effect to affordable accommodation that really concerns me in the future. Where do people go if they are forced out of the rental market? They are either on the street or they move out, and things like that. That is where it fits into here. That is why we have got the Tenants' Union and also Shelter NSW, because it is a key component of it.

**Mr JAMIE PARKER:** I want to ask a follow-up question to a point raised by the Tweed council representatives, which is the issue of the Cross Border Commissioner? Obviously we are talking about mechanisms like the Greater Sydney Commission, but you have found that the role of the commissioner has been important. It is not a big bureaucracy; it is a relatively small group of people. It actually coalesces people. Can you tell us a little bit more about your experience of the Cross Border Commissioner? We might reflect on that as a way to introduce a coordinating role, if that is required.

**Mr CONNELL:** What is key from the Tweed's perspective about the Cross Border Commissioner is that the Government has obviously given this very high priority and appointed the very experienced Mr McTavish. It is not a big bureaucracy; he has only got a couple of helpers there. I think the Government is making a clear statement, a priority commitment, in saying this is important. In terms of his ability to have high-level discussions with the key people across government, not only in our State but also across the border, that has just made a world of difference. Whilst we are still working away at some of the issues, you can see the level of cooperation that we have not had for some time among our own people and agencies and across the border.

The commission is starting to get some real wins on the board. For the big-ticket items, we are working away very, very hard at the moment. You can see that it is just really a question mark for the Government to say, "This is important", and the response from the councils and other government agencies have been excellent. For us, that is something that I think could readily be applied with the right person. Obviously that person is a very experienced person and a person who has got the ability to work across high levels of government and, to me, that is one of the important things about it.

**The ACTING CHAIR:** What is key is that it was all contained in the memorandum of understanding [MOU] between the States that this position has the force or the power of Premier and Cabinet. There are also key performance indicators in that agreement such as the heads of transport have to meet a number of times and have to produce a report, whereas before it was, "I spoke to someone and they are on holidays", and it sort of dragged on. Now there is a reporting mechanism. When the agreement was first signed I said that there are some real teeth in this because too often it would get lost in bureaucracy. Now they know they have got to report and that report is public. But you are right—the current commissioner is very good at doing what he does. Maybe something like that would be of assistance in the future for other departments. We may wish to send you some additional questions in writing. Your reply will form part of your evidence and be published. Would you be happy to answer any additional questions?

**Ms POPE:** Certainly.

**Mr CONNELL:** Yes.

**Mr LONSDALE:** Yes.

**The ACTING CHAIR:** Once again, thank you for taking the time to travel down here to appear before the Committee. We have found the evidence quite informative. We have had 46 different submissions. It is important that we get a wide view from local government, other associations and key interest groups to formulate a way forward. It is very complex. What is affordable housing? I must admit, I often struggle with

what is affordable housing; it has not really been defined for me. Once again, thank you, and we wish you safe travels home.

**(The witnesses withdrew)**

**(Short adjournment)**

**JOHN CHRISTOPHER DALEY**, Chief Executive, Grattan Institute, before the Committee via teleconference, affirmed and examined

**BRENDAN MARK COATES**, Fellow, Grattan Institute, before the Committee via teleconference, affirmed and examined

**The ACTING CHAIR:** Thank you for appearing before the Committee to give evidence. Do either of you wish to make a brief opening statement?

**Mr DALEY:** Thank you. We have made a submission to the Committee and then we supplemented that with material sent through this morning, partly because we published a significant report on housing affordability today which essentially updates what we provided to the Committee back in September 2017. The overall work that we have done on housing affordability comes to a number of conclusions. First, when people talk about affordability they talk about a multitude of different things, but most of the ways that people talk about it, housing affordability seems to get worse. In particular, people who are on lower incomes spend a larger percentage of their income on housing than they used to.

Secondly, in terms of home ownership, that is falling, particularly amongst those who are younger and on lower incomes. That is a fairly big change from 35 years ago when younger households aged 25 to 34 typically had home ownership rates of about 60-odd per cent and that was true no matter what your income, whereas today whether you own your own home, if you are a younger household, it is very, very dependent on your income and also on whether your parents are in a position to help you purchase. That is what we worry about with housing affordability. We also worry about where that housing is. In a services-driven economy like Australia we are seeing jobs essentially concentrate towards big cities like Sydney and we are seeing them concentrate closer towards the centre than the edges of those big cities. These are not just Australian trends; these are trends across the world.

The issue is, when much of your new housing is right on the edge of those cities, essentially you are putting people where they have very little access to those additional jobs that are being created, as I said, disproportionately towards the centre. Those areas on the edge also tend to have on average much lower income, much lower levels of higher education and much lower levels of female workforce participation. Why is this affordability getting worse? There are some things that we are probably pretty happy about. Partly, prices of housing are going up because our incomes have gone up; partly, they are going up because interest rates are falling but they are also going up because demand for housing, which is essentially a function of population growth, has gone up substantially faster than supply of housing—in other words, how fast do we build extra dwellings?

That demand for growth of course is nowadays primarily driven by migration. About two-thirds of the population increase in Australia is migration. Of course, that migration brings a whole host of economic factors but it also has an impact on demand for housing and that impact would not be too bad if supply was keeping up, and clearly over much of the last 10 years supply lagged well behind the increase in population so it is hardly surprising that we have the kind of affordability issues that we have already mentioned. As to what governments can do about this, the biggest thing they could do about it is increase the supply of housing and doing that by building extra housing on the edges of our cities would be a third best option. Much better is to build housing closer in where it still has good access to jobs.

One of the things that has emerged in our work since we made a submission in September 2017 is data coming through that shows that completions of housing in Sydney, literally in the last 12 months, are materially higher than in the previous 12 months and for the first time in a long time have more or less kept pace with population growth in Sydney. The catch, of course, is that we have 10 years of accumulated backlog, which means that until we see housing construction in Sydney running substantially ahead of population growth, we are going to continue to have housing prices that are pretty high for Sydney's residents. Interestingly, when you look at the pattern of that development in Sydney there has been a big jump in the number of dwellings built in the middle rings of Sydney in four- to nine-storey developments. That is a very positive development, we would suggest, for Sydney in terms of affordability.

No doubt many who live in those suburbs would rather the development happen somewhere else but I think that is the great paradox of affordability—that everybody would like there to be more housing built in the suburb next to theirs. Of course, if everybody thinks that, then nothing gets built and you wind up with the kind of social problems we have been talking about. Changing planning rules so that we do allow more development is the thing that will make the most difference to affordability. The code assessment that has been brought in

New South Wales, particularly in Sydney, has made a difference, particularly the additional ability to build along transport routes, and also the determination of substantial developments by independent planning panels rather than local town councils also appears to have made a difference. They both make decisions more quickly and they make decisions that are more likely to result in redevelopment.

That said, Sydney could go further. It has still, through various provisions of the planning scheme, locked up a lot of the housing in the middle rings of Sydney. It is quite hard to take an existing block of 750 square metres and turn it into four to six townhouses. Of course, every time you do that that makes a really big difference in terms of the number of people living there and it is worth remembering that does not mean that Sydney turns into some kind of Hong Kong style high rise; it means that there will be more two-storey developments. It is worth remembering that a city as ugly as Paris is essentially four-storeys as far as the eye can see. Of course the other issue is that State governments also need to make sure they get the infrastructure right behind that. So obviously in terms of transport links, making sure there is enough capacity on public transport and on the roads. It is also about making sure there are enough places in schools and making sure there is enough capacity in the water pipes and all the other infrastructure that goes to making a successful city.

We have a substantial problem created by a decade of under supply. That is why housing affordability has worsened. It is State governments that can do the most about this, particularly in terms of planning. They can also do things in terms of taxes, such as reducing stamp duties and increasing general property taxes as the Australian Capital Territory has already done. It makes it easier for people to move to housing that better suits their needs; it might be closer to the job that they really want to take. Also, State governments can look at the structure of their land taxes. The New South Wales Government, like other State governments in Australia, taxes much more highly if you own a lot of land. The consequence of that is that in contrast to most other developed countries, Australia has very few institutional landlords. The consequence of that is that it is very hard to get a long-term tenancy in Australia because those institutional landlords are happy to give you a long lease but individual mum and dad investors, who often own only one or two properties, want to maintain liquidity so they are very reluctant to provide long leases. There is more that State governments can do and we hope that this inquiry will provide further impetus for New South Wales to improve housing affordability.

**The ACTING CHAIR:** Brendan, did you wish to make a brief statement as well?

**Mr COATES:** No, I think John has spoken for both of us in this regard.

**The ACTING CHAIR:** Please keep identifying yourselves to assist Hansard, otherwise they will not know who is talking. Gentlemen, your submission makes reference to the practice in the Australian Capital Territory and Queensland of automatically approving some re-zonings and planning decisions that have not occurred within the statutory time frame. Would this process work in New South Wales? What kind of applications receive automatic approval? Has this practice resulted in making these processes more disciplined and making the time frames for development more accurate and reliable?

**Mr COATES:** The question is about automatic approval, that is pre-approval?

**The ACTING CHAIR:** Yes.

**Mr COATES:** We believe that would make a difference in New South Wales. One of the issues we have identified in New South Wales and elsewhere is, as John said, a challenge in trying to get councils that represent the community to allow more housing to be built and, therefore, represent the interests of the whole community. To the extent that it has led to some councils not operating within statutory time frames—either as a way of delaying housing from being approved or saying no to housing being approved—it would make a difference to apply those statutory time frames or to have a system whereby if a development approval is not approved within those statutory time frames, it is automatically approved.

**The ACTING CHAIR:** I think Mr Daley made reference to affordability and rents. Do you think the effect of the short-term rental economy on those longer term tenants has made a big impact on costs and prices?

**Mr DALEY:** In terms of costs, regular turnover of tenants obviously will increase costs because, by definition, you end up with a greater time of vacancy. I think the more significant problem is the social cost it imposes on the tenant. It is well known in psychology literature that moving house is one of the most traumatic things that you can do. It is essentially up there with losing a partner or having someone in your household passing on. It is pretty traumatic. Yet two-thirds of Australian renters have moved in the last two years. It is a much higher rate of moving house than those living in public housing where the tenancy is confirmed or for those who own their own housing. That is the real vice of short tenancies. The economic cost to them is not immaterial but the bigger issue is the social cost. As I mentioned earlier, we think an explanation for that is the absence of institutional landlords from the Australian market. The reason for that absence is that land taxes make it uneconomic to be a landlord of many residential properties in Australia.



It is worth understanding that that feature of Australian land taxes, where the amount of tax payable depends on total landholding within the State, is an unusual arrangement and does not hold in most countries and is a consequence of deliberate policy reforms in late nineteenth century Australia that aimed to break up squattocracy. They were very effective at the time but of course the social problems we face today are a little different from those that we faced 120 years ago. We think it is time that those land taxes were reviewed and shifted to a system in which the amount of tax that you pay on land is the same no matter how much land you happen to own in New South Wales.

**Mr MARK TAYLOR:** One of the comments in your submission was to use existing transport infrastructure better. Will you expand on that?

**Mr DALEY:** When you build greenfield housing right on the edge of your city, inevitably you have to build extra transport links to those places and, by definition, that is expensive. In an ideal world, one would see more of the additional population going to places that already have good transport links. Some of the time that means that the capacity of those transport links needs to be expanded but usually that is more efficient and less expensive than building a brand new transport link. The other thing I would observe is that ideally additional housing will be located in places that are close to those transport links and that is something that Sydney appears to be doing better.

Page 49 of the report that we published today shows where the additional medium high-rise development is going in Sydney and it is very obvious from the so-called crane map that it is predominantly along existing transport links. This is where a lot of the medium high-rise development is occurring in Sydney. It is worth remembering that the volume of those additional apartments and townhouses is very substantial. Sydney has gone from building about 5,000 apartments and townhouses a year in developments of more than one to about 22,000 a year. Remembering that Sydney's population is growing by only a little more than 100,000 a year, going from 5,000 or 20,000-odd apartments is a very substantial shift and one that only got steam in the past two years. The thing we think is the real danger for Sydney is that public pressure to wind back that development along transport corridors will mean that Sydney kicks an enormous own goal, just at the point that it was starting to find the mechanism for substantially increasing the number of dwellings in a way that started to catch up with the increase in population.

**Mr MARK TAYLOR:** Following on from that, where are we falling down if we understand that density along transport lines and infill density have great benefits? Where is the disconnect between that and the public perception?

**Mr DALEY:** The disconnect between that and the public perception is that everybody agrees it is a good idea in the suburb next to theirs. There is a growing so-called Yes In My Back Yard [YIMBY] movement in the United States. It is certainly true that in a lot of fights about development it is the local residents who yell long and loud about the impact it will have on them. Of course they are right; it will have an impact on them. But the impact of not developing is felt across the community by all of those people who cannot afford to move out of home as a result of not enough housing being built.

**Mr ANOULACK CHANTHIVONG:** You make the point that the best option is to increase supply in the inner and middle rings of Sydney. By that are we saying that the closer you are to the city the more dense it should be?

**Mr DALEY:** As a rough rule of thumb, yes. Simply because Sydney, like most large cities, is seeing more of the jobs go towards the centre than towards the edge. That is because if you are running a services business, and most businesses are service businesses, typically there is a large advantage to being really close to all the other service businesses. They tend to cluster together, not only in Sydney but in every large city around the world. That is why you get the most pressure to have more accommodation towards the centre where it has by definition got better access to the additional jobs that have been created.

**Mr ANOULACK CHANTHIVONG:** That produces a much better outcome for the State as we increase the levels of supply and density the closer you are to the job centres and employment centres and the use of existing infrastructure. That would be the best outcome, would it not?

**Mr DALEY:** That would absolutely be the best outcome. One of the catches is that whereas State governments do have quite a lot of control about where the additional accommodation goes—because essentially when you change the planning rules you allow people to develop stuff and when they develop it people typically move into it—the State has much less control over where businesses choose to go because that is driven by economics. If businesses find their business will be more profitable close to other businesses it does not matter what incentives you provide—they will tend to set up wherever the other businesses are. At a crude level you can see it. It is not as though rent for businesses in the centre of Sydney's central business district is

cheap relative to setting up the business in the outskirts, but they nevertheless choose to be in the centre because there is a substantial business advantage in being there.

**Mr JAMIE PARKER:** I am concerned about the stereotyping of people as anti-development, as that lets the main issue go into the background. From my experience in local government and Parliament people are happy for development to take place but they want to make sure that it is accompanied by appropriate infrastructure. That has always been the biggest challenge. Just blaming local residents for opposing it does not deal with the infrastructure problem. We heard that today in the submissions we received. I will ask you about approvals. Councils have been delivering record approvals, huge numbers in Sydney, and only about two-thirds of those are being taken to construction because of infrastructure issues. Some of the council submissions said that areas have been rezoned and they are ready to go but because of the lack of coordination and the cost of delivering infrastructure they have not proceeded. We now have the Greater Sydney Commission. What is your sense of the role of coordination and problems in delivering the right infrastructure to unleash the potential we have in rezoning that has been granted?

**Mr DALEY:** That is not something that we have studied in detail. What we can see from other work that Grattan has published, such as "**Roads to riches: better transport spending**", is that we have very disproportionately spent our infrastructure money, particularly on roads and rail, in regional New South Wales rather than in Sydney. Whether you think about it as spending per capita or spending per additional resident, either way it has been disproportionately in regional New South Wales. That may have changed in the last 12 months or so with a substantial number of additional projects getting underway in Sydney, but that has been the historical pattern.

In terms of the record number of approvals, it is worth remembering that although Sydney is seeing a record number of approvals for housing it is also seeing record population growth. It is worth remembering that the current level of construction in Sydney is only just enough to keep up with the Sydney plan and current levels of migration. There is an accumulated backlog from the last decade of undersupply that means we need a decade of oversupply in order to bring the housing market back into balance. That said, infrastructure of course is a big deal and hopefully things like the Greater Sydney Commission will be effective mechanisms for improving that coordination you talked about.

**Mr JAMIE PARKER:** Part of your recommendations include the issue of the Commonwealth Government undertaking an explicit population policy and looking at how the Federal Government should be managing immigration and population. As a State Government we have to deal with whatever the Federal Government delivers in terms of people moving to this country or other forms of population growth through birth and interstate travel. What is your sense of the settings that the Government has at the moment? Do you think it is about right? Do you think more work needs to be done?

**Mr DALEY:** At the moment—this is more true of Melbourne rather than Sydney—we have a situation where population growth is continuing to outstrip construction of housing. The reason that housing is not responding is essentially a consequence of State Government policies that, one way or another, have been there for a long time. You have a classic disconnect between Commonwealth Government policy and State Government policy. We think that, in a best world, states would ensure that the planning policies and the infrastructure that has been mentioned, one way or another, were able to accommodate the population growth from migration. If they do not do so then that is a reality that ultimately we think the Commonwealth should be considering in an explicit population policy.

We note that the Productivity Commission has historically called for the Commonwealth to have an explicit population policy, which in practice means an explicit migration policy, about what kind of numbers we are aiming for. What are the costs and benefits of those numbers, taking into account optimal policy but planning policy as it really is and taking into account the complexities of the migration scheme? It is not as simple as saying "Just cut permanent migrants." If you are going to try and regulate growth of the population through migration you have to look at temporary migration programs as well. Temporary migrants are the majority of the population increase in Australia, and of all of the permanent migration visas that are granted half go to people already in Australia as temporary migrants. If you are going to alter migration policy in Australia it is a complex thing to do. You have a multiplicity of programs. That is why you want a conscious, deliberate, carefully thought-through migration policy. That does not exist on paper in the public domain today.

**The ACTING CHAIR:** Your submission refers to the Greater Sydney Commission and recommends that it have more enforcement powers over councils, particularly regarding housing targets. How should the GSC enforce those housing targets?

**Mr DALEY:** In an ideal world you would have something in which the Greater Sydney Commission is able to essentially step in when councils do not set sensible targets that are consistent with the overall plan.

Essentially, tell them what their targets are going to be if they are not going to work it out for themselves. Tell them this is how it is going to work in terms of shifts to the local planning scheme such that there is a fighting chance that development might actually keep those targets. As we put it in the report, you need a mixture of carrots and sticks: things that say that, where you do hit the targets, the State Government will support them with additional infrastructure, as well as sticks that say if, as a local council, you do not do your fair share of heavy lifting and of increasing the quantity of accommodation, essentially the State Government—either directly or through the Greater Sydney Commission—will step in and ensure that planning does deliver that.

**The ACTING CHAIR:** What type of stick?

**Mr DALEY:** The kind of thing that we have seen elsewhere in some Canadian jurisdictions is one in which you set your targets across your city; you break them down across individual councils. You then look at individual councils, you see what is being delivered and to the extent that they are falling materially short, then you look at how the planning scheme should be altered and you alter it irrespective of the wishes of the local residents. Of course, what that means is you get a change to the planning scheme which is somewhat centrally driven and may be less than optimal.

The advantage of it is that you create significant incentives for the local council and the local residents who then think through one way or another the population in our local government area is going to go up by X; we are going to choose that this is how we are going to do it; these are the areas that we are going to rezone or change the rules on or whatever in order to accommodate that additional growth; and we have made trade-offs with the local community to ensure that happens. Rather than what often happens at the moment, which is that one way or another the local council simply does not make any changes, so that it is pretty obvious to everyone that there is no way they are going to keep their increase in accommodation target.

**The ACTING CHAIR:** That whole process, even so far as the independent hearing and assessment panels go—I believe you have recommended that the threshold be reduced from \$5 million to \$2 million—there is going to be a risk that it excludes the input of councils when it comes to major developments. How do you believe they could sell that to the general community? I have often thought to myself that I do not see protests supporting a development, I always see protests against developments. How does the institute sell that message to the broader public?

**Mr DALEY:** I think you have to do two things. First, as a State Government—because really this is a city-wide conversation and obviously it is the State Government that can conduct a conversation across the whole of Sydney—you have to have the public conversation that very clearly says: This is what is at stake here. We need to build more accommodation. We would rather that we did not build most of that accommodation on the edge of the city. That means we are going to have to take existing areas and increase the number of people who live there. If we do not do that, our children will not be able to buy their own home, and when we turn 75 and want to downsize, which is what most 75-year-olds want to do, we will not be able to do that. The first thing you have to do is have that conversation so the people understand there is a trade-off. If you want all of those things in general then essentially there is going to have to be an increase in the quantity of housing across the State.

The second thing that you have to do is acknowledge that many councils are not going to be keen about this happening in their area. I am not surprised that local residents are more vociferous about anti-development than pro-development. There is no question that they are the people whose lives will—one way or another—be a little worse off. The issue is that if you do not develop, then a lot of people across the city will have lives that are much worse off. If the trade-off is between a local resident who says, "I am going to have a few more cars in my street, there will be a few more people in the park", there is no question they will be a bit worse off, but the consequence across the city is that people will not be able to buy their own housing and they will keep living with their parents or living in accommodation in ways that they would much rather not do.

It strikes me that the balance of interest there is one that should often be struck in favour of those wider interests, but if we simply leave councils to make their decisions, inherently they are more likely to favour the interests of local residents. That is why you need these kinds of targets that are being set down, and in an ideal world you do have it so that the local residents are saying, "We know we have to accommodate X more people in our local council area and we are going to make local choices about how we do that." But the minute you give them any choice about whether they do that, chances are they will choose not to, because essentially they are not the people bearing the costs of it. The costs are borne across the whole of the city.

**Mr COATES:** As we say in the report released today, Brisbane City Council's engagement process is one example where we think that this has worked relatively well. Obviously, Brisbane City Council is a larger local government area than the kinds of local government areas that exist in either Sydney or Melbourne. It is home to 1.1 million people. Therefore, in the initial conversation about where are we going to put all these

additional people, there was certainly no option for the council to say that they should go to the council next door because there is no council next door that is close to the centre of the city.

That process involved a very upfront conversation with lots of community consultation over the course of essentially 10 years about where the additional residents should go and received a lot of submissions. This is a copy of the report. It is on page 116 at box number nine. That then led to the council taking on board that feedback and essentially making changes to the Land Use Planning and Approvals Act that made it much easier to build apartment buildings on the central business district fringe. We have seen it and documented it in the report. There has been quite a lot of new apartment construction in those areas. I think it is an example of if you have the conversation upfront, you set out what the trade-offs are. Brisbane City Council does not have to go through the process of forcing one council to do what is needed or the other, essentially because it has had to internalise that process within the bounds of the whole local government area. It is something that Sydney could certainly look to as it seeks to engage with residents ahead of the well-recognised need for continued strong housing construction, particularly in those inner and middle ring suburbs where those housing affordability price pressures are.

**The ACTING CHAIR:** The institute's impression—from what I have seen here in Sydney and I assume it is evolving in Melbourne and Brisbane—is there seems to be a cannibalisation of industrial land into residential land, and as you move out through the rings it gets more intense closer to the centre and keeps moving out. Therefore, it has the tendency to push jobs further out. How do we deal with that?

**Mr DALEY:** I think that conversion of brownfield land to housing is usually happening because the industry has moved out. A lot of those brownfield sites were essentially manufacturing sites. Many of those businesses no longer exist, or if they do exist, they choose to be a lot further out where the land is cheaper. But by and large they have been replaced by services industries that inherently require less land per employee and which also tend to want to be closer in than most of those manufacturing businesses.

It is worth remembering that if you go back 30-odd years, manufacturing was about 25 per cent of the Australian economy—much of it in the middle suburbs of Sydney, Melbourne and our other major cities. Today manufacturing is well less than 10 per cent of the Australian workforce and has been pretty rapidly falling over the past five years. I am not worried about the fact that those brownfield sites have been converted to residential and, indeed, often they have been converted to medium density residential, which is exactly the right thing to do.

The issue is more that there is a limited supply of those brownfield sites, that kind of conversion from manufacturing industries to services industries. It is a one-off shift in the economy which has largely played itself out. One of the big challenges for housing affordability is that we are unlikely to have nearly as many brownfield sites to develop over the next 20-odd years as we did for the last 20 years, so we are going to have to look a lot more at taking existing residential land and look at how more people might live on that residential land than do so at the moment.

**The ACTING CHAIR:** Gentlemen, I think you have satisfied the Committee. We may wish to send both of you some additional questions in writing. Your reply will form part of the evidence and be published. Would you be happy to answer any additional questions?

**Mr DALEY:** We will certainly do our best, yes.

**(The witnesses withdrew)**

**(Luncheon adjournment)**

**JANE FITZGERALD**, New South Wales Executive Director, Property Council of Australia, sworn and examined

**The ACTING CHAIR:** Do you have any questions about the information we sent you regarding the process for today?

**Ms FITZGERALD:** No, I am fine, Mr Chair. Thank you.

**The ACTING CHAIR:** Would you care to make a brief opening statement?

**Ms FITZGERALD:** I do not want to spend too long at the beginning because I am very happy to answer your questions and I know that you would probably like to stay on time. I just thought it might be useful to draw together a bit of a story of where we are at the moment from the Property Council's perspective. I am sure that you know that in New South Wales we represent about 700 members—investors, owners, managers, developers. Everyone from small sole trader architects in Newcastle to the largest investment and development companies in the country. It has been a really interesting couple of years and we are very pleased to be involved in this conversation.

Last year when the Premier nominated housing affordability as a key priority for her Government we were very pleased to hear that. We were also very pleased to sit down and talk with Glenn Stevens and have the opportunity to contribute to that conversation. Of course, our view about the solutions to housing affordability rest with the issue of supply. I am very happy to take questions about other potential solutions but we do believe that it is a supply and demand problem put at its most simplest and that is where the solutions are. We gave Mr Stevens a five-point plan and we focused in those five points on two key things. The first was the lack of land available for housing in Sydney. I do not just mean greenfield land; I mean generally speaking.

From the statistics and data that we looked at last year, roughly for a greenfield development the cost of land in Sydney is double that of Melbourne. First of all that is a massive component of unaffordability. Then there is the complexity and cost of the planning system in New South Wales. About four years ago now we did a development assessment report card looking at planning systems across the country. Sadly, New South Wales was at the bottom of the list. I hasten to add I know that the legislation that was passed last year by your Government, Mr Chair, was very good legislation. I know that with the Premier and the political will behind this we have made strides, but there is a lot more to do.

This is where I want to focus and the message I want to give you today. Since the Government released its response to Mr Stevens's report in June last year, there have been quite a few disconnected policy and regulatory changes that we would say at the Property Council are a grave risk to supply. The first is section 94 changes. The means by which local government funds infrastructure at a local level have been uncapped and the Local Infrastructure Growth Scheme [LIGS] has been abolished over time. This means that what used to be a \$30,000 line item in a feasibility study is now a question mark. I will come back to why that is important.

Secondly, biodiversity legislation has been changed. I am not here to debate the merits of protecting biodiversity. We believe at the Property Council that sustainability and biodiversity are important things. I am here to say to you that we do not actually know the cost of those reforms yet. You are going to hear a theme from me that cost and delay equals a negative impact on supply. Those reforms have been passed. Some commenced on 25 February. Some areas have been carved out but for others the impact is unclear.

Thirdly, the new Special Infrastructure Contributions [SIC] scheme is in the process of being rolled out. We have seen two in draft form so far, one for the Hunter and one for the Rhodes East Precinct. I think in the budget last year it was about an extra \$545 million over four years that those SICs are going to raise. If that was all offset by an equivalent reduction in the amount of money brought in through voluntary planning agreements then it would not be an additional cost. But we do not have transparency around what money is being offset against the new SICs. I have to say, we are involved in a consultation process with the Department of Planning and Environment around the draft SICs and we will do that in good faith. But having seen the Hunter SIC in the first instance, first iteration, we have some concerns that we want to work through about the costs that might be added to housing in areas like the Hunter.

There are two other quick things on my list. Foreign investment surcharges were passed two budgets ago now. We have successfully worked with the Government to make sure that they are not a negative impact on housing supply as opposed to end purchases of properties in this State, but we are not there yet. We are still waiting for the final guidelines to be published. There is still some uncertainty around that aspect as well.

Finally, we have a succession of local councils around the State—because I think they are genuinely wanting to improve housing affordability in their communities—putting out all sorts of draft levies that relate to affordable housing. Strathfield Council is the most recent one that I am aware of that has suggested a 30 per cent levy on developments in the Strathfield area for affordable housing. It is important that I impress upon you that if developers particularly of apartment complexes—because that is generally what we are talking about here—are seriously being asked by local councils to effectively gift 30 per cent of a particular development for affordable housing, development simply will not go ahead in those communities. I can talk a little more about that later on.

I have a whole bunch of comments about why those things are relevant to you, but the key point on which I want to wrap up is that I have no doubt of the Premier's commitment to improving housing affordability — and yours as well; the Committee will have heard from a succession of people about this—that supply is a key part of this. We were about 100,000 homes behind about three years ago, and the Greater Sydney Commission—and I know that you heard from it this morning so I will not go over the material—says we need 725,000 more by 2036. If we are going to make policy decisions in this State that make it harder to deliver housing supply, we need to think about the cumulative impact of those decisions on one track, whilst over on another track the Government is making a whole range of policy changes and decisions that are really positive.

Someone needs to be bringing together all of these levers and making sure that we are not taking away with one hand what we are giving with the other hand. My members are saying to me at the moment that the cumulative impact of the fees, taxes and regulatory changes that I have mentioned means that it is becoming even more expensive and harder to go forward with feasibility for housing in New South Wales. As I said, I think that there is goodwill and good intent at play here, so I am hopeful that with reports from your Committee, as well as today's report from the Grattan Institute and another report that we have released today from the Residential Development Council, we can work through some of the challenges that exist. I will leave my comments there. I have lots of notes, but I am sure that you have lots of questions.

**The ACTING CHAIR:** In your submission you recommend that the New South Wales Government increases its role in funding local infrastructure that is required to support growth. Which taxes, charges and fees should be reduced, and what impact would this have on funding local infrastructure?

**Ms FITZGERALD:** When you are talking about funding local infrastructure, I assume that you are talking about infrastructure at the local government level through section 94?

**The ACTING CHAIR:** Yes.

**Ms FITZGERALD:** As I mentioned at the get-go, particular policy decisions have been taken in the past 12 months in relation to local infrastructure. One is the uncapping— so \$30,000 caps that used to be in place—and the abolition of the Local Infrastructure Growth Scheme [LIGS]. What we have had and will continue to have until 2020 to some degree is State Government subsidising certain local government areas— high-growth local government areas—for certain types of local infrastructure. That means that rather than the whole of the State contributing to local infrastructure in high-growth areas, we are actually asking buyers of new homes, who will often be first-home buyers, to effectively be part of the user-pays approach in relation to that local infrastructure to a far greater extent. As I mentioned, when a development is subject to local or State taxes and charges, one of two things happen. First, it goes into the feasibility when that figure is known and ultimately that cost goes onto the price of the product. That is how these things work in any supply chain, as we know. The second possibility is that, if the cost is too uncertain or becomes too high, that product simply will not be delivered. That is the problem in areas that are talking about 30 per cent taxes on 'affordable housing'.

The risks that we have in Sydney and, indeed, in New South Wales is that the communities that are already shouldering a lot of the growth in the city will just keep getting bigger and the people buying into those communities will just keep paying more, whilst other communities, which can share the growth that Sydney is experiencing, do not do anything at all. I would say that ideally the State Government would hypothecate some of the stamp duty money that it collects in order to make sure that infrastructure at a local level is being delivered equitably, fairly and to those communities that need it—whether that is a school, a community facility, a park or whatever it might be. It is really important that Sydney grows and that we try to make that as equitable and as fair as possible. Frankly, the beauty of the Greater Sydney Commission's work is that it has gone through the process and, in a very evidence-based and empirical fashion, looked at what parts of Sydney can accommodate what growth.

**The ACTING CHAIR:** Do you think the Greater Sydney Commission should have more power? Should it wield a stick or offer a carrot?

**Ms FITZGERALD:** Someone needs a big stick and someone also needs a big carrot.

**The ACTING CHAIR:** What carrots would the Property Council offer?

**Ms FITZGERALD:** We saw a really interesting carrot in the Western Sydney City Deal that was released yesterday. Our Chief Executive, Ken Morrison, and I were privileged to be invited by the Premier and the Prime Minister to the announcement. The Property Council has done a great deal of thought leadership around what a good city deal looks like, and it is great that we have got a good one in Western Sydney. Within that deal, incentivisation has been proposed in relation to local infrastructure. Communities in local government areas who are meeting their housing targets or growth targets will get the capacity to have additional funding provided precisely for parks, for community centres, for libraries and for all of those sorts of things. The Property Council wants to be really clear that we are interested in creating a better Sydney for the next generation, as much as you are as elected members of this Parliament. We do not want to have development in isolation; we want to make sure that the schools, the hospitals, the parks are delivered in a timely way because that is the thing that people get upset about and concerned about. It is when the growth or the development comes without those extra things that people get concerned.

**The ACTING CHAIR:** What stick measures would the Property Council consider if targets were not met?

**Ms FITZGERALD:** I could go back to Thomas Hobbes and talk about a Leviathan, but that would probably be a bit over the top so I will not. I do not want to say whether it should be the Greater Sydney Commission or the department; I do not care who it is, quite frankly, but I want to make sure that first, those district plans are delivered and the LEPs are updated in accordance with those plans and if they are not then someone steps in and says, "This is what we are going to do next." Whether that is the Greater Sydney Commission, the Department of Planning and Environment, a new body or a new agency, I don't care, but there has to be someone with a direct line of sight and responsibility that will, when things start to go off the tracks, pull them back on the tracks. As I said, the 100,000 housing deficit that we started with three or four years ago was because, when things started to go south 15 years ago, everyone reacted way too slowly.

**Mr MARK TAYLOR:** Did you talk about the Metropolitan Development Program in your submission?

**Ms FITZGERALD:** Yes.

**Mr MARK TAYLOR:** Can you run us through that?

**Ms FITZGERALD:** The Metropolitan Development Program—and it is not the world's most exciting name, is it; maybe you could give it a more interesting and enticing name—was a program whose main benefits were the transparency and the forward-looking capacity for land supply in New South Wales. It was effectively wound back from the end of 2015 and there is something that is not as good that has been put in its place. We think that what is needed is for someone to be very closely monitoring what land supply is here now, what is needed for the next five years, 10 years et cetera, and that is the role that the Metropolitan Development Plan played. We would very much like to see it reinstated.

**Mr MARK TAYLOR:** We have received a couple of submissions about planning proposals being approved and then developers or land holders sitting on those proposals and they have not gone ahead. Do you accept that that is an issue and you are the main underlying reason for that?

**Ms FITZGERALD:** You might have seen last year—you would have because we put it in our submission—research we released about the leakage at the five different stages of development. I do not think that there is one individual problem here. I think that there is a range of problems that happen at each stage of the process, and if we think about the release stage to the rezoning stage, a whole raft of issues could go wrong at that part of the process, I think part of the reason that things do not go forward is holding costs or delay—it all gets too hard and the rezoning does not happen. Again, the year before, in 2016, we released a report called "Zoned Out", which showed that at that stage of the process what is actually happening now on the ground, particularly in Sydney, is that—coming back to your point, Mr Chair—because the strategic planning is not being done and councils are not rezoning the land as a strategic priority, what happens is a developer comes in and seeks the rezoning, which may or may not get up at the end of the day, and if it does not, you lose that potential land; if it does, it might move forward.

An interesting side effect of that, if I can describe it that way, is that councils are off the hook—no-one is doing the strategic planning and then the big bad developer comes in and says, "I would like to rezone this land for housing", so the impetus for the rezoning is coming from the housing supplier as opposed to from the local government authority or, indeed, the State Government. I note in that regard that I think the Premier, as part of her commitment, has committed to 10,000 State-led rezonings per year, which I think is a really good initiative, making sure that there is a strategic State Government focus. If I look at the loss that occurs between

rezoning and servicing, it is obvious: it just takes too long to get the trunk infrastructure that is needed. The Housing Affordability Fund is one initiative that has been put in place to assist with that.

But coming back to the issue of coordination and bringing people together, it can be a real challenge in terms of getting all of that stuff right at the right point in time. As the Property Council, we have waded into this a bit ourselves through our industrial committee—not our residential committee—in terms of bringing those people together, bringing the trunk infrastructure suppliers together to say, "What are the problems? Why do you not have visibility over here of what they are doing over there?" Again, it comes back to this coordination point. If I can also hark back to the city deal from yesterday, one of the non-sexy things that was in the announcement yesterday was that the State and Federal governments are going to look at modelling that can be done for telecommunications and trunk infrastructure so that that does not slow things down, because it can often be that really non-sexy stuff that slows things down.

I promised myself I would not come in here with 100 apocryphal tales, but you hear the stories of the one roundabout that is needed to unlock 500 housing lots and you just cannot get the approvals done. That is crazy, right? But it is far too common, and when you put it all together across the whole of Sydney and then the whole of the State, you find that 100 roundabouts could be the problem. I should say too, because I want to acknowledge the work that is being done, the Housing Delivery Unit within the Department of Planning and Environment that has been there since mid last year, they are getting in there and rolling their sleeves up and trying to get this stuff done, for sure—the flying squad. Sorting out rezonings and troubleshooting and all of that sort of thing. I think the challenge for you as policy makers in this Committee and for us as people contributing to that policy making is, how do you systematise that? How do you take it from being a flying squad with firehoses, putting out fires all over the place, to a systemic improvement that delivers the significant numbers that we need in a way that does not send communities all over the city into meltdown? That is the conversation that I want to be part of.

**Mr JAMIE PARKER:** I agree with a lot of the things that you are saying—they make sense and we have heard about it all day—about coordination, and West Dapto is a good example. It is a huge opportunity, but they cannot unlock it for a whole range of reasons. SICS, obviously, are impenetrable; they need to be more transparent. There is no doubt that is something we need to be looking at. I want to address the issue of affordability because supply is a critical part of it. In my electorate you can supply all the housing you want, but an apartment is still going to cost \$1 million; so we need to have different mechanisms for how we promote affordability. One of the things that you spoke about is the Strathfield affordable housing target. Members of this Committee have heard me say this before: Part of the problem and why councils are doing this are examples such as Lords Road in Leichhardt, in my area. It is an industrial site that is being flipped to residential. The Q and A are saying that the uplift to the developer, the owner of the land, is about \$90 million. So there is no productive benefit; it is just a rezoning.

When you take into account section 94 and the 5 per cent to 10 per cent affordable housing, there is still \$60-odd million in uplift. Why should that developer get \$60 million when the community cannot even get affordable housing? There is no productive benefit because it is a rezoning. In places like Strathfield the community is saying, "We want to value capture that", and it needs to be done in a more systematic way. I understand that. If we do not do that kind of value capture through affordable housing proposals, what mechanism can we use to try to deliver social housing? That is where the State has been really negligent in terms of delivering social housing. I am not saying just this State Government but in the history of delivery. What is the Property Council saying about how we deliver housing for key workers—supply is not going to do it—and low-income communities?

**Ms FITZGERALD:** Let me just make a few points and then if I miss anything I am really happy to come back on it. I would want to acknowledge the excellent work that is being done through the Communities Plus program that the Land and Housing Corporation is rolling out as we speak. One of our members, a company called PAYCE, is building a great community at Riverwood, which is very close to where I live, and it has taken a not very well-designed precinct, if I can put it in those neutral terms, and is turning it into a vibrant, multipurpose, multiuse, mixed development. Similarly, another of our members, Frasers, is involved in the Ivanhoe Communities Plus development. I do think that that is a really good program. How we do more of that is a policy problem to be explored.

**Mr JAMIE PARKER:** Because it is an existing State asset that is being renewed basically. What about general—

**Ms FITZGERALD:** Yes, that is just point one. On the social housing front there is some interesting work going on and I would encourage you to look into that. In terms of the problem that you are describing—and I think your electorate is a wonderful example of a community that has changed really dramatically over my



lifetime, and certainly yours—I think it is a massive challenge. We do not disagree with you that the affordability question is a massive challenge. The Greater Sydney Commission, through its draft district plans, has done a lot of work around 5 per cent to 10 per cent affordable housing targets in those district plans.

We, like lots of others, are waiting to see the result of those and the final district plans that are released. We do know that the work that the Greater Sydney Commission has done has paid due regard to the feasibility issues that I have described. An even worse outcome than the situation we are currently in is no housing being developed, and that is the risk if the balance is not kept right. I hear what you are saying about value capture, but the challenge is ensuring that we do not throw the baby out with the bathwater and do not deliver the development at all.

**Mr JAMIE PARKER:** Does the Property Council of Australia support the affordable housing mechanism?

**Ms FITZGERALD:** We think that the affordable housing targets in the district plan can be incentivised—that is my third point. The most straightforward way for me to describe it is if the target is 10 per cent for affordable housing and the unit block is going to be 10 stories, the eleventh story is the 10 per cent extra that could be handed over as affordable housing stock.

**Mr JAMIE PARKER:** Do you want floor space ratio [FSR] bonuses in order to create affordable housing?

**Ms FITZGERALD:** I do not know if it would necessarily be FSR bonuses because, as you know, every development is different. But if there is a way to make it an incentive rather than a tax that will ultimately be a win for everybody. That is very much our preferred policy position. Having said that, we have worked collaboratively and cooperatively with the Greater Sydney Commission because it is on the right track with the work it is doing. We want to ensure that housing stock is delivered—as do you. The other point I want to make is that we have been having productive discussions with Property NSW on the build-to-rent asset class. You are a lot younger than me—

**Mr JAMIE PARKER:** Not that much younger—you would be surprised. I just look very young.

**The ACTING CHAIR:** Mr Parker, you are under oath!

**Ms FITZGERALD:** One of the challenges for me when people started talking to me about build-to-rent was that I had a generation X mindset. I came to the conversation with, "No, hang on a minute, you want to buy a house. You just don't know that you want to buy a house yet." I had to be persuaded that the generation 20 years younger than me—whether it is because they cannot or because they have a different lifestyle and world view than me—may want to rent for 10, 15 or 20 years or for the rest of their lives. My point is this: We need to think about affordability in ways other than the linear question of buying the house or affordable housing in the narrow definition of the term.

We need to be delivering a diverse range of products and types of ownership and tenure and build-to-rent is the obvious option that we have not tried in Australia. It has worked successfully in other places around the world. If done well, build-to-rent will not only help boost rental supply and overall supply, it will also—most importantly, some would say—massively improve the rental experience for long-term renters and people who choose to rent. It is a really interesting policy area and the Property Council of Australia, the Tenants' Union of NSW and the NSW Federation of Housing Associations all probably think there is something in it in terms of affordability and supply over the long term. We very much applaud the Treasurer's position on this at a State level and, as I said, we have had very productive discussions with Property NSW so far.

**Mr ANOULACK CHANTHIVONG:** This morning we heard from our friends at the Greater Sydney Commission that two-thirds of approvals have not proceeded to development. What ideas does the Property Council have to ensure that once the product is approved it gets to market as soon as possible and is not delayed? This is part of the supply issue that a lot of people are talking about.

**Ms FITZGERALD:** We need to look at the individual blockages at each stage. As I mentioned, when those district plans hit the table, hopefully sometime in the not too distant future—

**Mr JAMIE PARKER:** First quarter of this year, we heard, which is now.

**Ms FITZGERALD:** That is right. That means this month, does it not?

**Mr JAMIE PARKER:** Yes, it does. That is what was said.

**Ms FITZGERALD:** That is good. This is the first quarter. We need to ensure that councils get on with updating their local environment plans and zone the land as quickly as it can be in accordance with those

district plans. Forgive my brief diversion, but I do want to say that there are challenges that the Property Council acknowledges, such as the tension between industrial lands and residential lands. The approach should not be "Let's zone everything to residential and put up 45-storey apartment blocks." It is a much more sophisticated conversation than that. But we need to ensure that that job gets done and—going back to the Chair's point—if it does not, who is going to wave the big stick to make sure it does? We need to work out what is holding up the approvals in the development application [DA] process.

**The ACTING CHAIR:** Without naming them, are some councils better than others in approving things more rapidly?

**Ms FITZGERALD:** That is a nasty question.

**Mr JAMIE PARKER:** You named them in the "Missing the Mark" report.

**Ms FITZGERALD:** It is undoubtedly the case that there are. I am going to avoid going off into a sad face moment about local government amalgamations, because that will just invite a whole range of responses—

**The ACTING CHAIR:** Yes, we have spoken about that in this place.

**Ms FITZGERALD:** At the moment, there is a shortage of planners.

**Mr JAMIE PARKER:** That is really true.

**Ms FITZGERALD:** For some councils, it is not because they do not want to or are being obstructive; it is because they are small and do not have the financial clout of some of the big guys. If you go to some of the biggest councils—

**The ACTING CHAIR:** Do you see a role for Government in that area?

**Ms FITZGERALD:** In providing—

**The ACTING CHAIR:** The planners. They could pull people from public works or—

**Ms FITZGERALD:** Absolutely. What I see and what I am being told by my members and the people I talk to in the councils and State government is that the planning pond is pretty shallow at the moment. If that means that we need strategies to get planners from elsewhere, then we should be doing that. We have done it for teachers, nurses and other professions.

**The ACTING CHAIR:** Doctors and fruit pickers.

**Ms FITZGERALD:** If we are saying that, based on the Grattan Institute report and other reports, dealing with this issue is a high priority for public policy makers, then perhaps we need to be thinking about how to get planners to come from somewhere else.

**The ACTING CHAIR:** You have identified blockages—that is a blockage.

**Ms FITZGERALD:** That is correct. Coming back to what else we could do, we need to work out what is getting stuck in approvals. Today, the Residential Development Council has released a report, and I will provide copies for all members of the Committee. Queensland has the State Assessment and Referral Agency [SARA] and there may be an argument that we need a SARA in New South Wales so that we have a one-stop shop for approvals. Even though there is a whole raft of State agencies that might need to have their say, at least it would make one agency responsible for approvals and would ensure that deadlines could be followed up and adhered to. The other point I would make on the pinch points is that the development application aspect often comes back to the question of planners and the hard copy, outdated processes that some councils have. Technology needs to be brought to bear. There are still some councils in Sydney today where someone wanting to look at a DA has to go to the council offices and sit in the foyer to look at it. It does not make sense; it slows everything down.

**Mr ANOULACK CHANTHIVONG:** Undoubtedly as we streamline we can make the approval process much more efficient, but after the approval has happened how do we get that product to market? If we assume the approval has happened, how do we work with industry to ensure that the 1,000 lots that have been approved come to market within X number of years?

**Mr JAMIE PARKER:** Not land banking.

**Mr ANOULACK CHANTHIVONG:** How do we incentivise the work with the industries such that once approved it comes on to market as soon as possible?

**Ms FITZGERALD:** I think you will find that for sheer bottom line purposes, if a housing developer has bought and has all the approvals in place, noting that a DA only lasts for five years in New South Wales—

**Mr JAMIE PARKER:** But substantial commencement can be next to nothing.

**Ms FITZGERALD:** Sure, but in most instances, certainly in the housing cycle we have just been through, which has been pretty hot and there have been plenty of buyers out there, I do not think people have been sitting on their hands. I hear about land banking as an issue, but I do not see evidence of land banking, certainly from my members. I am not here to tell you that it is not happening.

**Mr JAMIE PARKER:** We have received some submissions about it.

**Ms FITZGERALD:** I would be really interested to know if any of the State agencies have any actual data set around this because I certainly have not seen any data. Someone has to know who has got what land, whether it is Land Titles Office—they are not called that any more. I have not seen a cogent, evidence-based report about land banking. I think you will find if I wheeled in any of my large residential members today that they would tell you that over the past three years they have been getting product to market as quickly as they can because the buyers have been lining up out the door. That is where you see the data that the Minister for Planning released last week, and the record completions number attached to it evidences that. What I would say to you is that if there is an evidence base, if this is happening and it is Property Council of Australia members who are doing it, we are here to be part of the solution. I think it is much more likely the case that houses are being delivered as fast as they can be.

**Mr ANOULACK CHANTHIVONG:** This morning John Daley from the Grattan Institute said that development on the urban fringe is probably the third best option. What is the Property Council of Australia's thoughts on that?

**Ms FITZGERALD:** Again, I come back to the work the Greater Sydney Commission has done and the draft district plans, whilst noting the Western Sydney city deal—I will come back to it as well. We really like and support the conceptualisation that Lucy Turnbull, Sarah Hill and others have done at the Greater Sydney Commission about the 'three city' Sydney. We think that is a really useful conceptual approach to looking at Sydney over the next 20 to 50 years. Obviously, the third city, the Western Parkland City, is currently to a large degree urban fringe. But if we can take the wonderful opportunity that the city deal is providing us with now, to actually deliver a city where jobs are within 30 minutes of where people live, then that will be a great outcome. I think we have got the infrastructure and the thought leadership behind that at the moment. Having said that, if I come back to the rest of Sydney, a lot of the solutions lie in things like the medium-density housing code that was released in a draft form, but we have not seen the final form yet. If I come to your electorate, I will see some of the finest medium density that this country has in terrace houses.

**Mr JAMIE PARKER:** That was the pattern of development in 1880.

**Ms FITZGERALD:** Correct, that is exactly right. We are not sure where that is at the moment but we would love it to pop out the other side, because what something like that will do is it will speed up the delivery of higher density than we currently have, but density that is appropriate for particular existing built form. The final point I make on that question—and I alluded to it at the beginning—south-western Sydney is growing, Western Sydney is growing. You know that; you live there, you have grown up there. The broader plans from the Greater Sydney Commission give us an opportunity for it to grow into the future with a strategic plan overlaying, not just a reactive approach, like we have currently. But the eastern city needs more density too, there is no two ways about it. We need to make sure that the housing targets that go into the districts that are not just in the Central City or the western city, but the eastern city as well and are also taken seriously and that they are treated as fair dinkum. Councils need to get on board and make sure that they grow in accordance with their existing built form so that Western Sydney, south-western Sydney and north-western Sydney have a shot at achieving the potential that we heard a lot about yesterday when the Prime Minister and the Premier made the announcement.

**The ACTING CHAIR:** Well stated.

**Ms FITZGERALD:** Thank you.

**The ACTING CHAIR:** What is the Property Council of Australia's view on the effect of short-term rental accommodation on affordability of rents?

**Ms FITZGERALD:** We made a submission to the Government after the other parliamentary committee's inquiry which focused on two things. One was commercial short-term holiday letting operators being treated as such—and that is just a kind of like-with-like argument—and also the party house aspect. What do you do if you are living in a strata scheme and the boofhead upstairs has people there every other weekend? How do you manage that? We only really submitted on those two things because we do not have a view that short-term holiday letting is driving the rental market at this time. We think that short-term holiday letting is a

massive innovation that has occurred the same as Uber. We talk about all the disrupters. We have not seen any evidence to date that short-term holiday letting is driving anything in particular in Sydney. Who knows what will happen over time. I do not have a crystal ball, but I think we have enough problems here and now that we can address about housing supply to keep us busy and we can see what happens over time, if anything, around short-term holiday letting.

**The CHAIR:** As an overview, if there is one wish—

**Ms FITZGERALD:** My magic wand.

**The ACTING CHAIR:** —that we could grant you, what would that wish be?

**Ms FITZGERALD:** I would have to come back to the cumulative impact of the fees, taxes and charges that I mentioned at the get-go. That would be one. Can I have two?

**The ACTING CHAIR:** You can have two.

**Ms FITZGERALD:** We need people to hear us as an industry when we are saying that—

**The ACTING CHAIR:** It is not so much the red tape, it is the monetary value of those?

**Ms FITZGERALD:** That is my second point. We need people to hear us when we say we are at the tipping point of supply. If we do not know how much the SIC is going to add or we do not know how much biodiversity is going to add, the large national housing suppliers will just go elsewhere. That is the last thing any of us want to happen because the problem will get worse. The other part I have to come back to is the planning system. The legislation that went through at the end of last year was really good and put the word "strategic" into the planning legislation in New South Wales. What that should do over time is free up councils to do more strategic planning work. It should, if you like, bring right up-front a whole bunch of the potential problems that currently occur down here and slow things up. However, there is so much to be done in relation to the planning system. Members should look at Queensland and Victoria if they want to see some solutions in that regard.

**Mr ANOULACK CHANTHIVONG:** If we change the taxes, fees and charges, how do we ensure there is a flow-on effect to the consumer? Section 94 was recently capped, but at the same time house prices have increased. If transaction costs are reduced, how do we ensure that that results in lower prices for consumers?

**Mr JAMIE PARKER:** So the developers do not pocket the profit.

**Ms FITZGERALD:** We provided a briefing when we released our five-point housing affordability plan. One of the major developers made it clear that it was working on a 10 per cent to 18 per cent margin most of the time. We are not talking about enormous margins. We must come back to the cost of the supply of land. I said at the get-go that land in Sydney is twice as expensive as equivalent land in Melbourne. We need to drive down each of these factors to ensure that the price of the land does not kill the affordability of the end product. I am not sure whether that answers the question, but the margins are not huge, and we are talking about prices during a housing boom. I think that the solution lies elsewhere. No-one would expect housing suppliers not to make a profit on the product they are delivering.

**The ACTING CHAIR:** Thank you for appearing before the Committee.

**Ms FITZGERALD:** I thank the Committee for this opportunity. Its work is very important and timely. If we can help in any way in finalising the Committee's recommendations, whether it be through me or the members, we would love to do so.

**The ACTING CHAIR:** That leads me on to say that the Committee may wish to send you some additional questions in writing, the replies to which will form part of the evidence and will be published. Would you be happy to answer any additional questions?

**Ms FITZGERALD:** Yes, and I am happy to have provided the segue.

**The ACTING CHAIR:** I appreciate it. Thank you for appearing before the Committee today.

**(The witness withdrew)**

**ADAM FARRAR**, Principal Policy Officer, ShelterNSW, affirmed and examined

**LEO PATTERSON ROSS**, Senior Policy Officer, Tenants Union of NSW, affirmed and examined

**The ACTING CHAIR:** Do you have any questions about the information the Committee sent you about the committee procedures?

**Mr FARRAR:** No.

**Mr PATTERSON ROSS:** No.

**The ACTING CHAIR:** Do you wish to make a brief opening statement?

**Mr FARRAR:** I thank the Committee for the opportunity to answer questions and to reiterate what is in our brief submission rather than to provide additional information. The point of the submission is to ensure that consideration of affordability is front and centre in any discussions about the best ways to increase housing supply. Having listened to some of the proceedings, I note that that is clearly part of the conversation. I thank the Committee for already being on board with that. One of the points in our submission that we want to highlight is the extent of the affordability challenge. Clearly, that will not be solved by the kind of mechanisms that land release might employ more efficiently to deliver housing, and even more efficiently to deliver affordable housing because the quantum is very large.

It would be wonderful if we had the analysis of the latest census, but that is done by the Australian Housing and Urban Research Institute [AHURI] and it takes a couple of years to go back to unit record data. We are not there yet. However, according to the 2011 Census there was a more than 130,000 unit shortage of affordable and available rental housing for very-low-income and low-income households. I say "available" because of course the market will allocate that housing to whoever is able to pay for it. As a result, even when there is a net supply of affordable housing, it is often not the people who need it who access it. Overall and in the real-world market situation, the shortage is about 135,000 units, which is a big challenge. Whenever we talk about mechanisms, there are two lessons to learn. First, it is clear that one silver bullet will not work; and, secondly, we must examine how much affordability will be delivered over a period recognising the extent of the challenge. I could make some remarks about the Greater Sydney Commission's approach simply on that question about how much heavy lifting that would achieve, but unfortunately the answer is very little.

The other point that we want to make is that as part of a suite of mechanisms there are measures such as State Environmental Planning Policy No. 70, and particularly the recent amendments to it, which could be made more efficient rather than having a fairly laborious process. Interestingly, one hears about the need for efficiency in planning at a local government level, but we also need efficiency in accessing mechanisms such as SEPP 70 that might help to deliver affordable housing and to make the process much less cumbersome. That seems to me to be an area of efficiency that is not often discussed. It would be useful to see that as part of the suite of responses.

In terms of the Greater Sydney Commission's affordable housing target, obviously we need to wait for the Government's response. However, potentially it is one of the breakthrough moments when we see some acceptance of a mechanism that will deliver affordability as part of our planning system and planning framework. We have worked closely with the commission and support its establishment. We do have reservations about the numbers involved; we support 30 per cent for government-owned land and—

**The ACTING CHAIR:** We noted that earlier with the Greater Sydney Commission and its 5 per cent to 10 per cent.

**Mr FARRAR:** The other issue that we are very keen to talk about is the issue of when you impose, if you like, the considerations around viability. The current approach that is being proposed by the commission is one which we think might actually have a price attached to it as to the efficiency of delivering even the little that the target would otherwise deliver. If I just briefly mentioned that: The issue is that despite what we are often told, affordable housing targets, inclusionary housing, do not necessarily mean that the cost is passed on to the consumer. The reason for that is a simple economic one, that is, if those are clearly established, then that price gets priced into the land, it lowers the cost of land; the developer is not affected in terms of their margins and the consumer is not affected.

But that mechanism can only work if there is a clear, simple, straightforward, well-understood system. If it is ad hoc, if you do not know what "subject to viability" might mean in any particular area or circumstance, then there is no way that the seller is going to price that into their offering, so by creating that degree of uncertainty, we lose some of the economic efficiency, which would play quite a considerable role in reducing

price of land. I note that the Property Council saw that as one of their number one issues. That seems to me to be something which we probably need to think about.

Finally, while I say that there is a suite of solutions that we need because there is not a single silver bullet, one of those things that government can do with government land, you will be aware that the Commonwealth Government is just about getting their new bond aggregator up and running, which is something that is meant to, in the delivery of affordable housing, be able to parcel up the need for debt to go into the construction of affordable housing so that rather than going through the retail banks at the moment, you can then get a lower price for the cost of funds, which is a crucial development that will mean nothing if that is all we do because it is not enough to get over the hurdle.

However, if we can—again, rather like the Property Council—get cheaper land into the equation, then that makes all the difference and it means that those sorts of mechanisms can really do their job and we can get the supply of affordable housing and a pipeline rather than a one-off deal here or there. We are very keen to see, particularly new release areas where government owns land, that it seriously considers providing not just the highest and best use—seeking that and delivering that—but rather making that available at times for the delivery of affordable housing as part of the State's contribution to this overall effort.

**The ACTING CHAIR:** Thank you. Mr Patterson Ross?

**Mr PATTERSON ROSS:** I have an evidence package that I would like to share. What is the best way to do that?

**The ACTING CHAIR:** Members will start reading it so it would be better if you spoke to it first and then handed it out.

**Mr PATTERSON ROSS:** All right. Thank you to the Committee for inviting us to appear today. We are the peak body representing tenants' interests in New South Wales and that is our approach to this inquiry—representing renters' interests. I will draw upon our submission, make some new points and expand on some of the points we raised but at the time did not provide the data for. I encourage you to consider that my ultimate aim and your ultimate aim is not merely to explore how best to supply bricks and mortar and buildings but also how to enable people to make homes.

The evidence available to us suggests that absent other reforms, increasing land release and housing supply will not put significant downward pressure on rents or produce new housing with the interest of rent to households in mind. We raised in our submission that we have been examining the evidence on this front and I would like to expand on that. It is in the package that I referred to.

**The ACTING CHAIR:** That you will hand out shortly?

**Mr PATTERSON ROSS:** Sure. The charts show how many rental bonds are lodged in each quarter and how many of those bonds were being turned from the previous quarter. This represents tenants being moved around the rental sector. That proportion is a very large one; by far the majority of bonds lodged in each quarter are really coming from movement from tenants previously. We looked at those areas where the increase in bonds was the largest. At the time we did it this was the Botany Bay, Camden and Ku-ring-gai council areas over the previous 10-year period and they all showed significant growth because of these additional bonds but there was not a correlating reduction in increases for new rents. The pages in the article, except from a publication called *Rent Tracker*, which expands upon the issue, but briefly we suggest that a large factor in this lack of correlation is in security of tenure, which is a fundamental and unusual characteristic of the private rental market in Australia and New South Wales.

It means that for every new rented dwelling that may become available through the supply chain the demand for that dwelling is largely made up of tenants who have already been moving around. This appears to mitigate the ability of new stock to make a significant difference to the affordability. It may be possible to build enough to tip over the balance but that amount of housing may end up being unrealistically high. I note in passing that the Legislature in New York considers a rental vacancy rate of less than 5 per cent a housing emergency. I am sure you are all very aware that Sydney has not reached that level in a very long time.

**Mr JAMIE PARKER:** What is our number now?

**Mr PATTERSON ROSS:** It is around 2 per cent citywide. There are areas higher and lower. Vacancy rates and their usefulness as a measure of success in planning might be a matter of consideration for the inquiry but I will not dig in deeply to that today. I also provide data that expands on the work that Mr Farrar mentioned looking at the changing shape of our rental system. As Mr Farrar said, the record data take some time to explore. We have been using the statistical area 2 [SA2] level of the census data released so far and we have been

examining the changing proportion of housing in New South Wales which is affordable to households in the first two income quintiles or those receiving 80 per cent or less of the median household income.

I have maps for 2011 and 2016 showing both Greater Sydney and New South Wales. These rents are reported by sitting tenants, so the census data is itself a reported dataset, so it is a useful thing to hold alongside bonds data and advertised trends which both are measuring new entrants into the market. A sitting tenant may have been there for years and years; their rent will be different from a new rent. Basically the story is that across Sydney, while there is variance, there are areas which have increased the amount of housing that is affordable, at least as a proportion. We are losing the battle to provide affordable homes. From our numbers between the 2011 and 2016 census the total number of rented homes in Sydney increased by 67,000; around 15 per cent or 10,000 of those added to the pool of affordable homes.

However, on census night we were still short around 60,000 homes, and the shortfall figure had grown by 15,000 so we are moving backwards. I also have charted the overall increase in rentals with the increase in affordable rentals for each SA2 area and you will see that there is no correlation between the increase in rental housing and increase in affordable housing within this dataset. We would expect to see a positive relationship and it is just at the model essentially, in the middle. And this applies to Sydney as well as New South Wales generally, although outside Sydney, across New South Wales, by our measure many of these SA2 areas look affordable but this is using statewide income levels. It is looking at where in New South Wales the first two income quintiles might be able to afford?

Obviously what is affordable to a Sydney income, it loses its affordability very quickly if there are no jobs or infrastructure to support it in a regional town. This data looks at sitting rents. As soon as a person moves they are part of the churn of rental bonds. From our data, looking at census night and the bonds lodged in the next three months, the jump up for a two-bedroom apartment across Sydney, which on census night was \$463 as the median figure, for the following three months in bonds the median figure was \$500. That is nearly a \$40 increase if you had to move in the next three months after census night. That is nearly \$40 a week or \$2,000 over a year. Once you add in moving costs, stress and lost economic opportunity during house hunting you can start to see the economic impact of supplying insecure and unaffordable rental housing.

We support many of the proposals ShelterNSW has put forward, such as the inclusion in zoning measures, expanding and strengthening State Environmental Planning Policy No. 70. These calls have come from ShelterNSW as well as Yfoundations and the NSW Federation of Housing Associations, who will be speaking to you soon. For us, any target scheme around affordable housing has to consider the real affordability rather than using any per cent of market rate and ensuring that the house provided is affordable to the household living in there. We believe that Government owned housing does remain the best residential use of Government owned land.

I suggest it falls within the remit of this inquiry to consider the legal infrastructure which should accompany the development of housing in the State and continues to making the property they rent their home.

The Department of Planning and Environment should coordinate with NSW Fair Trading and Family and Community Services to ensure a whole of government approach to the provision of decent homes for New South Wales residents wherever they live in the State. This includes an end to unfair evictions made without grounds, which the Minister responsible for Fair Trading acknowledges has undermined other rental rights and we suggest prevents tenants from making the property they rent their home. The mission of Tenants Union of NSW is to make a positive difference to the lives of residential tenants in New South Wales and particularly tenants who are economically and socially disadvantaged. I invite you to join us in that mission.

**The ACTING CHAIR:** The Committee has heard a range of evidence which includes evidence from a New South Wales Government submission that states an increase in housing supply will result in an increase in housing affordability, what is your view on that?

**Mr FARRAR:** Of course housing supply at some level matters. It would be a nonsense to say anything else. It is also very clear that it does not in any timely or immediate way impact on housing affordability across the system. We have seen record delivery of housing in New South Wales. It has done an excellent job on that front. It has not done it in any way that has an impact on affordability. I acknowledge that this takes time; you do not turn the *Titanic* immediately. Nevertheless, you would expect to have seen more of an impact than we have. I note there has been a recent debate, particularly last month's report by the Grattan Institute arguing that some of the Australian Housing and Urban Research Institute research, which has said there is not a detectable relationship, is mistaken.

There are two arms to their argument, one is a technical one about the methodology and they rework the data showing that in terms of homes the majority of homes that were being delivered were in the lower end

of the spectrum but the majority of apartments were being delivered in the highest cost areas. When we think about the shape of Sydney and the densification of Sydney it is that renewal which is driving the market. I might add, it is taking the existing affordable housing out of the market because renewal basically knocks down the old, which was affordable and in many cases where people, for example, who have retired with very low incomes but have managed to get the toehold into home ownership, are being forced out by redevelopment. There is a real risk there.

That goes to the second comment of the Grattan Institute response. They suggest that high cost will filter down in the market into affordability. They say it is just under 2 per cent a year. In 50 years it will have filtered down. Once upon a time an economic life of 50 to 100 years was a reasonable thing. New apartments in particular have no such economic life. It will not be there to filter down in time. As soon as it has filtered down to an affordable level we will see the urban development displacement effect take it out of the market again. I accept that filtering can happen but it happens in a way which is pretty immediately undercut. One of the big challenges is that where it has happened to date is the only places in Sydney that we have a decent supply of affordability with all the attendant problems of concentrations of disadvantage. As fast as we can go we are taking that back out of the market.

**Mr PATTERSON ROSS:** I echo Mr Farrar's comments. I will add that the time delay that it takes to filter down also means that the quality of the properties are much less. Currently that is something that tenants have to deal with all the time. We have building standards and we have basic environmental and efficiency standards that tenants do not get to enjoy because we have the 50-year-old properties that the Home Building Act does not apply to. If we have put these standards in well today they might still apply in 50 years. I suspect that we will develop further our understanding of what is good housing, so this filtering effect will mean that the lowest income people will remain in the lowest quality and in some ways harmful housing.

**The ACTING CHAIR:** Do we have your permission to publish that?

**Mr PATTERSON ROSS:** Yes.

**The ACTING CHAIR:** Have you identified any value capture models which you have discussed with the New South Wales Government and is any progress being made on those value capture models?

**Mr FARRAR:** For us when we are talking about value capture we are talking about inclusionary housing and inclusionary zoning. Rather than describe it as a tax, as some do, we would much rather describe it as sharing value uplift. That is where we would expect it to be applied. We think that value uplift is the critical issue rather than just saying let us impose a tax across everywhere, particularly when we are talking about new release value uplift, which is one of the very things that matter most. We would most certainly say that value sharing is a crucial part of both good corporate citizenship and good planning so that everyone can benefit from the changed land use that delivers the increased supply. I reiterate that done properly it is priced into the land in the first place so it is not passed on to developers or consumers.

**Mr PATTERSON ROSS:** I will stick with Mr Farrar's comments.

**Mr MARK TAYLOR:** I am interested to know what the Tenancy Union's definition of affordable housing is?

**Mr PATTERSON ROSS:** That was 30 per cent of household income. I used the first two quintiles of income; 30 per cent of the bottom 40 per cent is affordable housing.

**Mr MARK TAYLOR:** Is that the same for ShelterNSW?

**Mr FARRAR:** We go for the 30:40 rule because that is widely accepted and it is an easy rule of thumb. We want to stress that you have to unpack that and say, "Why do you have that and what is it meant to do?"

What it is basically meant to say is that after you have paid the cost of housing, you have got enough to live on at a community-accepted standard. There has been work done around budget standards, which have not been widely accepted, partly because it is a bit complex to do and partly because it tends to suggest that even the 30:40 rule does not quite cut it, particularly for lower-income households.

One of our very strong qualifications goes to the very lowest income households, which is why public housing, for example, only charges 30 per cent for the top end of public housing tenants, and 25 per cent for others, because when you apply a proportion to a very low income, what is left changes and that is what matters. I guess that is the unpacking; the rule of thumb is easy. There is just one more thing I want to say though. Of course, if you are interested in low-income households, rental housing is going to be your first and foremost



issue, but there are home owners and there is home owner product which matters too, and it then links into the overall urban form kinds of questions.

One of the things that we want to say is we would want to see the increase and supply that is needed and the densification that is needed spread across the city in a more equitable way and done through new housing form, which includes, if you like, everything from townhouses to some small apartments in newer release areas and certainly in some of our existing less densely developed urban areas.

**The ACTING CHAIR:** Mr Patterson Ross, did you want to say anything?

**Mr PATTERSON ROSS:** No, I agree with that; 30:40 is the rule of thumb.

**Mr MARK TAYLOR:** What about from a regional perspective? You talk a bit about Sydney, have you dabbled in the regions?

**Mr PATTERSON ROSS:** I have the raw numbers that those charts are made up of.

**The ACTING CHAIR:** On that point, Mr Patterson Ross, could we get that sent electronically to the team here? It makes it a lot easier for them.

**Mr PATTERSON ROSS:** Yes. Using that rule of thumb at a statewide level, regional areas certainly look very affordable, but obviously we have got to take into account that incomes are not the same across the State either. I do not want to put too much weight on that. Even within that, along the coast there are areas which really struggle to provide affordable housing for these households. We do need to consider that supply across the whole State and not focus too heavily on Sydney. It is probably most useful when I send through the data and you can see those stories yourself.

Looking at the impact of increasing pure supply of rental housing and its correlation to an increase in affordable housing, it is not strong, even in the regions where there is already quite a high proportion of affordable rental housing from a statewide perspective. So we do need to consider, even in a place like Lismore or down the South Coast, how we are actually going to house people and how much are they going to actually be asked to pay. We have been approached by people from the South Coast who have not been able to find private rental because their income was not high enough for agents to have confidence about being able to pay the rent.

**Mr FARRAR:** I would certainly support those sorts of comments and just want to add one—and it does not go to the whole of regional New South Wales—but certainly we are seeing more of, if you like, the satellite cities around Sydney acting as housing dormitories simply because of affordability. The one point that I think is crucial to build into that is to recognise that housing affordability goes to the definition, it gets complex all the time, goes to the other kinds of costs that are entailed and transport is the most obvious of those. If your transport costs, either in time or in the cost of accessing public transport or running a car, eat away at what is left over to live on, it is a housing affordability cost. There are real impacts for some of the closer to Sydney regional areas around people being driven by housing affordability to live there but paying a price.

**Mr JAMIE PARKER:** Thank you for your submission, I think it was very worthwhile. I wanted to talk about this mechanism for delivery of affordable housing. We know that the Property Council and others always talk about a tax, but what we often forget is once upon a time there was rural zoned land which was rezoned to residential; that is when the big value uplift happened. It is important that before that land is rezoned all the costs are understood, so developers do not pay too much. At that point when there is that windfall profit that the landowner can get, we need to be making sure as a government, as a State, that those rules are clear, and that is why I appreciate you raising the issue about subject to viability, because it means basically developers will say, "I will not have to pay that" and think they can get away with it and not factor it in.

Putting aside that kind of affordable housing, inclusionary zoning and strengthening renters' rights—which is something you have raised, about no forced evictions and so on—what other mechanisms should this Committee be aware of that you might be exploring or you think would be useful, or is it basically the inclusionary zoning, investment in social housing and strengthening renters' rights? Are they the three things that we need to hear?

**Mr FARRAR:** Also combinations of both. For example, again, just ripping off the Property Council's previous discussion, build to rent is clearly something which has some interest. But the reason that I say it includes a couple of things, for a long time housing advocates have said that there is a problem with the way in which rental housing is delivered, because it is basically a retail product at best—a sort of "Mum and dad, I want to touch the wall" kind of product, at worst usually. If we could get professional landlords operating in a scale into it, then we might have a more informed, more literate landlords and someone who is actually prepared to accept not the capital gain as the way that you make your money, but patient investment. However, recent

research internationally has suggested that while, we tended to look to other countries and say that is where it all works wonderfully, it does not always and you can get big monopoly build to renters who are not good landlords at all. It is the combination of that, with effective regulation that might provide another mechanism.

I will come back to my point about quantum. It would be a nonsense to suggest that we do not need to find every possible avenue that you have got to get this market working as efficiently as we can to deliver affordable housing. There is not going to be one nice, quick fix. I mentioned the delivery of government land as part of public investment to be used together with other mechanisms about bringing down the price of borrowing for non-government agencies delivering affordable housing. I think there is a suite of those. I will leave it at that for the moment.

**Mr PATTERSON ROSS:** The only other thing I would bring into the mix for consideration is the Tenants Union has a longstanding platform of supporting land tax, a broad-based land tax, that would encourage more efficient use of land by property owners.

**Mr JAMIE PARKER:** This is the same thing that the Grattan Institute are proposing.

**Mr PATTERSON ROSS:** They have certainly proposed it. I saw in their report that they had it as having a large impact but unpopular politically.

**Mr JAMIE PARKER:** It is a bold Government, so you never know what will happen.

**Mr PATTERSON ROSS:** There are mountains of literature on land tax, an efficient tax.

**Mr JAMIE PARKER:** Have you looked at the Australian Capital Territory, to see what impact that has had in the ACT?

**Mr PATTERSON ROSS:** They are in a 20-year process of phasing out stamp duty and bringing in land tax. They are about three or four years in, I believe. There has been some preliminary study by Cameron, who has found that it has been having an impact on bringing down sales prices in a non-catastrophic way rather than a catastrophic one which we may yet see here.. There is good evidence that it is having a positive impact, but it is early in a very long project.

**Mr FARRAR:** I should say that ShelterNSW has for some time supported a land tax approach. We have tended to say that a land tax is a benefit in and of itself simply as a very efficient tax to raise much-needed revenue if we seem to have a blockage about our ability to invest directly in the supply of affordable housing and social housing. Any sources of revenue are welcome. However, the politics is real. You cannot just add taxes. Therefore, of course, we would support the shift from stamp duties to a land tax. I would note that our stamp duties too seem to be at record levels. Every budget suggests that they are about to plunge and so far they have been stubbornly staying at record levels. We will see what happens when the next one comes in. It is going to be a crucial issue about how those revenues are applied, but in itself a land tax is more efficient.

**Mr ANOULACK CHANTHIVONG:** There are two categories of people who need access to affordable housing. One is those on low incomes or social incomes and the other is key workers on middle incomes who cannot break in. Should there be different methods or incentives given to the industry to ensure that both groups can get affordable housing? I think they have different means, factors and constraints. If there are, what do you think they should be?

**Mr FARRAR:** I like your saying "different incentives" although they are probably not incentives in the normal sense. What I think we need is different levels of subsidy, not necessarily different mechanisms. The deeper the subsidy, the more you can house people on very low incomes and then you can have shallower subsidies. Rather than creating a plethora of products—at least government products—the market will deliver a range of products. It does that well. Government should not be putting up silos around its programs but simply deepening the subsidies to deliver for very low income households. However, crucially, it does take government subsidy. There is no magic fix that says somehow the private sector partnerships or new borrowing mechanisms will cover the cost of delivery. It is simply not true.

**Mr JAMIE PARKER:** But that word will not be uttered by people like those from the Property Council, who are very good people. When they say, "We need support for infrastructure," it means, "Please subsidise our companies to deliver product." There is a range of language used to try to mask what are actually State subsidies for the delivery of housing product. I appreciate you being frank with your description.

**Mr FARRAR:** I used the tax word too.

**The ACTING CHAIR:** What effect is the short-term rental accommodation market having on affordability? There are estimated to be more than 2,000 properties in my area. Constituents walking in my door

have found it increasingly difficult to find something that they can live in for the price. What is your overview of the short-term accommodation market?

**Mr FARRAR:** This is going to be an interesting conversation. The reason it is going to be interesting is that there has been on the surface of it a difference of opinion between ShelterNSW and the Tenants' Union based on research which the Tenants' Union conducted. Mr Patterson Ross can speak to this, but basically you cannot detect an effect. I have no reason to doubt that. What I would say though is that it is not remotely surprising. In a city like Sydney that has all of the unaffordability drivers you would expect them to mask any economic effects that come from something like short-term letting. Remember that short-term letting only has an impact when we talk about whole dwellings that have been listed multiple times. All the other people letting rooms and so on can only be generally probably a fairly good thing for people. It is only that very small part. The economic analysis would suggest that it must be having an effect. In some other places you can detect that effect but not in Sydney.

One thing we do know is that the rate of that long-term letting has been growing fast. There is a point at which you would expect that effect to become manifest. Anyway, since we need to put all shoulders to the mill to get decent affordability we should be thinking about the potential impact of this niche in the drivers. It certainly is not the driver of unaffordability. It probably—but we cannot detect it—is a contributor to it. It would make good sense to put in the kinds of regulation that apply across the world as a sensible mechanism to allow it to do what it does well and prevent it from doing what it might be doing badly.

**Mr JAMIE PARKER:** You did the quantitative work on it?

**Mr PATTERSON ROSS:** Yes, we did some work on it. Mr Farrar has really put it very well. It is not the cause of unaffordability. In some local areas it may well have an impact. Our data has not found that yet. That does not mean that it will not have an impact in the future. Our position has been that now is a good time to regulate and bring in sensible limits like we have seen around the world on days per year and so on. The commercial use of short-term letting has been around for a while independent of Airbnb. Regional coastal areas know this very well.

The other point is for it to have an impact on renters it needs to be a property that would have gone to a renter and now is going to short-term holiday letting. In most cases, if a tenant has been evicted in order for a listing to be made on Airbnb or any other site, our real problem is with the eviction. That eviction has probably been facilitated by the "no grounds" provisions. A landlord who makes the choice to change the use of the premises should be making that choice under some sort of planning regulation, considering the impact in the local area and having someone like council look at that decision and decide that it is acceptable or it is not. But in the first instance the tenant should be protected until that approval has been given. When we talk about renters being affected by short-term letting, I think the very first thing to deal with is the eviction of the tenant.

**The ACTING CHAIR:** Thank you. That was very informative and I am sure the Committee has got a lot out of it. We may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be published. Would you be happy to answer any additional questions?

**Mr FARRAR:** Yes.

**Mr PATTERSON ROSS:** Yes.

**The ACTING CHAIR:** On behalf of the Committee I acknowledge that both of your organisations do a great job under very trying conditions at times. You have our full support. Thank you.

**(The witnesses withdrew)**

**(Short adjournment)**

**CLARE HARLEY**, Manager Strategic Planning, Bayside Council, affirmed and examined

**MICHAEL McCABE**, Director City Futures, Bayside Council, sworn and examined

**ELENA SLIOGERIS**, Acting Coordinator Strategic Planning, Randwick City Council, affirmed and examined

**DAVID JOHN BIRDS**, Group Manager Strategic Planning, Inner West Council, affirmed and examined

**The ACTING CHAIR:** I welcome witnesses representing local councils. Do you have any questions about the information that was sent to you about our process?

**Ms HARLEY:** No.

**The ACTING CHAIR:** Would you like to make a brief opening statement?

**Mr BIRDS:** I have not prepared a submission, but thank you for the opportunity to attend. We, like the other councils represented, welcome an opportunity to talk about the demands that are pressed upon us of trying to meet our local housing needs and contribute to the housing supply across the city. It is a major challenge for us, and people would be aware that we are almost inundated with rezoning proposals from people very keen to build apartment buildings all over our newly formed council area. It is a major challenge for us, not least because we are a recently formed amalgam of three former councils. We are looking to establish a strategic planning approach for the area as a whole, and quite often we find that incremental proposals get in the way of us achieving that. We would be very interested to talk to you about how we interact with the State Government around that. It is an ongoing process, but fundamentally our council is very keen to have a large role in the playing out of the strategic planning of our area and how it grows.

**Ms SLIOGERIS:** I have not prepared an opening speech.

**The ACTING CHAIR:** This is very refreshing.

**Ms SLIOGERIS:** We are keen to work with the department. I commend the Greater Sydney Commission and the approach that this lead agency is so far playing. We believe that an evidence-based local housing strategy is the best approach towards housing growth in our area. We would like a truly collaborative effort with the community and the council with understanding and commitment towards infrastructure delivery.

**Mr McCABE:** Bayside Council is also a merged council of the former Rockdale and Botany councils. We share a bay and we also share some economic drivers of Sydney. We are also strategically located to service the central business district [CBD]. We are faced with an environment where there is great demand to deliver product, and the ability for skilled staff to respond to that is very challenging. Mr Birds mentioned the priority precincts [PP] versus the greater master plan approach, and we are faced with that. We have some inherent challenges around brownfields sites. Sometimes when we have conversations with State departments it is not truly identified until that conversation occurs. We are very willing participants and we are already putting together a plan to establish a new LEP for Bayside to harmonise the two existing LEPs and development control plans [DCPs].

**Ms HARLEY:** Bayside is forecast to have an additional 50,000 people between now and 2036, which is a very significant increase in population. One thing that we have noticed—and the Census and profile.id have backed this up—is that lots of children are now living in apartments. That brings to the fore the need to have open space integrated into our environment, but not only open space that is accessible to adults; it needs to be open space that is accessible to children and other people with limited accessibility to move around the city. That means that the infrastructure as provided—and by that I mean open space and recreation facility—is going to impact on the people who live there. For instance, we have areas subject to very significant increase in density in the priority precincts as well as elsewhere that are surrounded on three sides by major roads. There is not a lot of open space provided in those precincts, and about 16 per cent of families in our municipality, the Rockdale and Botany area, live in apartments. Botany was the second highest for children living in apartments in the local government areas [LGAs] across Sydney. That is a very significant issue that we need to look at in supplying housing: Where are people going to be able to access other infrastructure as well as the housing itself?

**The ACTING CHAIR:** Please describe your experience working with the Department of Planning and Environment versus that of the Greater Sydney Commission in developing strategic plans in your local government areas. Is there a clear and adequate delineation of roles?

**Mr BIRDS:** I might clarify that I am a relatively recent employee—

**The ACTING CHAIR:** You cannot get out of answering that easily.

**Mr BIRDS:** Wait until I tell you the other half. I joined the Inner West Council in November from State Government where I worked in housing policy and it is probably fair to say that I got a perspective.

**The ACTING CHAIR:** This will be a very informative answer.

**Mr BIRDS:** I have spoken to my team about their experience prior to me joining. Of course, the Inner West Council has been working both with the commission and the State Government. Insofar as where we sit at the moment, we are very keen to work with the commission. We have high-level discussions with them about high-level strategic issues. In a sense, they sit between us and the State Government on some rezonings. I think you have heard today about one we have in Leichhardt called Lords Road, where our current Commissioner, Maria Atkinson, was chair of a panel that recommended against a rezoning, which will hopefully protect some of our employment lands. We are now waiting for the Minister for Planning to determine that. That decision was made by the panel in August. So we now sit tentatively awaiting the decision and we have a very concerned community, which you might have heard a bit about today. Community members are worried about what might happen, because we have heard in the interim—and this is probably not a bad example—that the department is being petitioned to change its decision. The community got wind of that and there is great concern. We sit in that chain of dialogue; we explain to our community what is going on. In a sense we are at the bottom end of that cascade of decision-makers. Nonetheless, we are very much attuned to what our community wants; we engage with them, we often have to explain, of course, how the decision-making process works.

**The ACTING CHAIR:** The Greater Sydney Commission assured us this morning that they have done thousands of public consultations and they are loved by many.

**Mr BIRDS:** That is a fair comment; I think they do. But I suppose the challenge for us is that we are where the rubber hits the road; we are the specific proposals, we are the one in communities where they can see tangible proposals of large apartment buildings crowding into their industrial areas, potentially overshadowing them and the like. So it is not until you get to our stage where we are assessing rezoning proposals and having that discussion with the community that they say, "Why can't you stop this?" I say, "That's not wholly within our powers." We can make recommendations. Quite often we have the power of a planning authority effectively taken away from us. So there is a concern in our community that they want to be heard and we work, of course, with them to advocate, but we also look, as professional planners, to see how the area can make its contribution towards the growing needs of housing supply.

**The ACTING CHAIR:** Do you prefer to work with the commission or the Department of Planning and Environment?

**Mr BIRDS:** We work, in broad strategic terms, with the commission. They do not engage on specific proposals. Ironically, our real engagement is with the Department of Planning and Environment's regional team and we go through that rezoning process. The decision-making goes back up the line almost in the way I outlined—through the Minister who is delegated to make rezoning decisions then to the commission, but quite often it may go back to the Minister to determine. I guess that might typify the frustrations that our community put to us. We just want to engage and have a strong say. Obviously, we would like to have a very strong influence, but we appreciate we are part of a bigger picture.

**The ACTING CHAIR:** Do you think that process is too slow?

**Mr BIRDS:** The proposal I just outlined indicates we are waiting on a decision from August on something. It is not typical; some things are quicker. We know it is a slow process. If it is rezoned we still then wait for the development applications to come in. It is a long process. We are quite happy to work as quickly as we can to expedite things. We would like to have a strong strategic planning framework in place which gives certainty to our community and the development industry on what can and cannot be approved. Quite often our energies are spent fighting fires—dealing with one-off proposals which take us away from the main game. I can talk about this for quite a while but I am conscious others probably need to speak.

**The ACTING CHAIR:** Ms Sliogeris?

**Ms SLIOGERIS:** There was that point of does it take too long? To raise an example, Randwick City Council prepared an award-winning draft planning strategy for the Kensington and Kingsford town centres, Anzac Parade, in response to light rail coming through in 2019, redevelopment pressures, et cetera. We prepared a planning proposal and a planning strategy, which was endorsed by council and the broader community. We submitted that to the Department of Planning and Environment in December 2016. We only received Gateway determination—which is the approval to exhibit the draft strategy and draft planning proposal—in December 2017, with conditions that drastically changed the intent of the strategy. For example, imposing an additional

600 dwellings within the corridor and removing our community infrastructure contribution scheme, which is based on a value-share principle.

Given that year, that demonstrates why we could not come to some sort of agreement or at least put it out to consultation and then work through some of these issues as part of that consultation process. In terms of the GSC, as I said earlier, it is early days but they do demonstrate the very collaborative effort. I attended all the workshops that are preparing the district plan and the Greater Sydney Regional Plan, but, as I said, I am not sure how much legislation backing they have in working with the department and implementing some of our planning proposals, et cetera.

**The ACTING CHAIR:** We asked them today whether they needed more power.

**Ms SLIOGERIS:** And their response?

**Mr JAMIE PARKER:** Everyone said yes.

**The ACTING CHAIR:** It was qualified. They gave me the distinct impression they were more interested in consultation, but that was mainly to do with their numbers and target figures. Mr McCabe?

**Mr McCABE:** First, I will talk to the Greater Sydney Commission. As a merged council we initially went into a collaboration workshop environment with the Greater Sydney Commission, and Rockdale was in the southern Sydney district and Botany was in the central district. So we had two commissioners workshopping different ideas, and then when we were merged the question was: Where do we sit? It was like an overnight decision: You are in the central. There are still questions about the transfer of that information on that workshop—did it carry across? That is one thing. The knowledge base of the Greater Sydney Commission is developing, and I welcome that; it has got some great objectives and strategies, but we are still establishing that. The draft plan at the moment talks about a collaborations area in Kogarah and deals with both Georges River and ourselves the scope of that, et cetera.

I do not know if the Greater Sydney Commission have a great knowledge on local infrastructure. From a regional perspective they understand what is needed for the three cities model, but on a local front, what does that mean on the ground? Maybe their scope has not got to that conversation yet. Whilst we were developing a collaborative environment with the Greater Sydney Commission and as the initial draft plans were out, the Department of Planning and Environment announced some priority precincts that impacted on Bayside, which were Bardwell Park and Turrella. When we asked where the science of that came from, we seemed to be lacking any response from the Greater Sydney Commission and the Department of Planning and Environment. It was a vague response, a sort of, "Where is collaboration here between local, the commission and the department?" Recently, the department has offered up some resources to respond to individual planning proposals, and we really welcome that.

**The ACTING CHAIR:** They have given you extra resources to assist?

**Mr McCABE:** Yes, to assist.

**The ACTING CHAIR:** Because this has been a thing with other councils.

**Mr McCABE:** We have not taken it up yet; it has only been very recent.

**The ACTING CHAIR:** Is that because of money or—

**Mr McCABE:** No, it is human resources. We are more about getting it right for the community and having that holistic community message and a united strategy. We are more of the view that those resources would be better suited to that Bayside citywide approach around bringing two LEPs together and responding to the priorities of the draft district plan. One example is regional and local recreation, the actual ability to attract skills is really difficult—we have gone to market so many times. Whilst we really appreciate resources to respond to individual planning providers, we think there are some other areas that really need some skill that the marketplace out there is just lacking.

**The ACTING CHAIR:** Do you ever bring anything like that up at the Local Government Association?

**Mr McCABE:** Yes, we do. We have brought up local government. With Southern Sydney Regional Organisation of Councils [SSROC], time and again we have brought up the fact that we are crying out for recreation planning roles and have been unsuccessful. It is really difficult. Skill and knowledge and resources for local government and the State—I just do not think we have got a broad enough marketplace for skilled staff in Australia. The other thing about the Department of Planning and Environment is they are issuing a State infrastructure levy and there are some calculations being done. There has not been much consultation with local

government on that and what that means. There is a nexus of works to be delivered, but we understand, through that, that that will be the responsibility of the relevant authority. So if it is a local infrastructure product, it is local council; if it is a road, it is Roads and Maritime Services; if it is a school, it is the Department of Education and Communities. Yet we have not been part of that conversation on that nexus and the cost—

**The ACTING CHAIR:** That has been mentioned by a few others as well.

**Mr McCABE:** The other model is affordable housing. I think everyone on all levels of government really want a solution, but I suppose it is trying to sign up to a few methods and applying that. The knowledge is in its infancy in Sydney on that and you sort of benchmark off other councils. We obviously want to improve that space ourselves for Bayside, but being united with the department and the Greater Sydney Commission and other councils and having an agreed approach so that the whole marketplace know how to respond would be great as well.

**The ACTING CHAIR:** Ms Harley, would you like to contribute?

**Ms HARLEY:** I would. Just building on some things that Mr McCabe said about Turrella, Turrella was declared a priority precinct. We have some industrial land and the draft district plan says that no industrial land in the eastern city district should be rezoned from industrial to residential. However, we also have the Department of Planning and Environment undertaking a priority precinct urban renewal project and the urban renewal team are running with that. They are currently looking at master planning of that precinct and what that might turn over to. At the moment it looks like it could be residential but I believe they are still looking at it.

The Department of Planning and Environment's other team is also not entirely certain what the urban renewal team is doing. So when we have a planning proposal, we have a developer who wants to lodge a planning proposal on one side of Turrella and on the other side of Turrella there is another developer who has had different advice from the Department of Planning and Environment whether to progress a planning proposal or wait for the priority precinct work to continue. At the moment there is a disconnect between what the Greater Sydney Commission has done in the district plan and what the Department of Planning and Environment has implemented. It seems to be a matter of interpretation to some extent and also empowering the Department of Planning and Environment to implement what the Greater Sydney Commission has actually put in the district plan. I do not think there is clarity around the role of the two organisations.

**The ACTING CHAIR:** Can you please describe the areas of the planning system which are unnecessary or duplicate the efforts of council?

**Mr BIRDS:** You will see in our submission that we have a couple of major transport corridors in our area—Parramatta Road and Sydenham to Bankstown. The Department of Planning and Environment has been leading some higher order strategic planning for those areas. What we would dearly like is to be deeply engaged from the outset so we do not have a long chain where we are all responding to each other in a reactive way. If we could be a bit more proactive and be more engaged I think it probably would be helpful and could condense the strategic planning chain of decision-making. If the proposals come from higher up without deeper engagement, the community distrust reaction makes it so much harder to move it forward. If we can engage in decision-making early on—and I think some of this goes to things about local strategic planning around housing delivery—it is a lot easier for the proposals that flow. It is very much a step-by-step process. We quite often go backwards and forwards in it. If we could work a little more collaboratively, that might help. It is a more general approach but I think it could lead to something if we could have those open discussions.

**Ms SLOGERIS:** I totally agree with Mr Birds. I was going to raise the top-down approach of identifying where housing growth should be through the plan precincts, the priority growth areas or the former urban activation precincts. That top-down approach and not even giving council any notice or consultation that that area will be identified for future housing growth is unhelpful. As I said earlier, the best approach is for the department to work collaboratively with the council and at least consult with the councils should they be investigating some areas within a local government area.

**Mr McCABE:** I would not say there is any area that is unnecessary but I would say there is some room for improvement.

**Mr JAMIE PARKER:** What a diplomat.

**Mr McCABE:** What I would say is unnecessary is developer contributions. There has been a cap now of \$20,000 per dwelling, which has been in place since 2010. It has not been indexed for all that time. Council is charged with funding the residue of infrastructure. I think that needs to be looked at and also planning proposals and the process that time being of the essence. As soon as they hit council, a lot of the time we do not have the resources to respond quickly. There is a 90-day time ticking against a planning proposal, which then gets

escalated to the State and it is out of our control. The community asked us, "Why haven't you delivered? Why haven't you responded to this?" I think maybe that mechanism should be looked at better to make it a bit more collaborative between the Department of Planning and Environment, councils and the community.

**Ms HARLEY:** Definitely improvement could be done in process and systems improvement from policy through to implementation. At the moment the State Government tends to announce policies then local government is left to implement them. At the moment there is a resource shortage and it is sometimes very difficult to implement, even with the best will in the world, some of those things around, say, State infrastructure contributions. Council might get money but we do not necessarily have the resources or the expertise to implement that in a timely way. I think the State Government looking at process mapping and outlining step-by-step and giving support to councils to implement policies would be very helpful.

**Mr MARK TAYLOR:** Mr McCabe, in your opening statement you talk about brownfields and issues with the State Government. Was that what Ms Harley was talking about with Turrella? Were there specific issues around brownfield development? Is there brown tape now as well as green tape and red tape?

**Mr McCABE:** No, I think it is just the inherent features of brownfield sites, particularly in the inner circle of Sydney, compared to greenfield sites. In relation to the delivery of infrastructure, the actual physical capabilities of delivering infrastructure from a local council are really problematic. You have an existing road network that is already exceeding capacity and you have timing—I think in your terms of reference there was something in relation to timing of delivery mechanisms following rezoning through to construction. With brownfield sites it is proponent led at each individual land parcel and the timing of that can be years, even decades, and the ability of the council to respond to that to actually create a liveable mixed-use environment and also deliver the infrastructure in a cost-effective way is really challenging.

In a greenfield, you can package up a scope of works and get it done. In a brownfield it is not like that. You have to be very selective, particularly in, say, stormwater infrastructure, amplifying the capacity. You can only do a section at a time, with the cost to scope it and then do the next piece of the puzzle. I suppose it is the physical challenges of a brownfield site and the costs associated to respond to that.

**Mr JAMIE PARKER:** It has been really interesting to hear. We have had discussions with stakeholders about this before this meeting and even today we had some very interesting feedback, particularly from the Greater Sydney Commission. I think there is now a tussle between different documents as to which has supremacy—whose document is the document that rules? The Greater Sydney Commission would like to think its document will but we have to convince the Department of Planning and Environment of that, and then the panels need to be convinced of that, and so on and so on. My sense is that we are moving towards the view that the district plans and the Greater Sydney Commission plan will be the go-to documents that will be the basis for decisions. I understand that is still very contentious. One of the things we have talked about, and I am interested to get your views, is affordable housing. The Property Council said that these types of provisions that councils are introducing are a tax. It took aim at Strathfield Council's proposal for 30 per cent affordable housing in particular areas. Could you talk us through whether your councils have a mechanism for the delivery of affordable housing, whether it is on private land or your own land, so we can get a sense of that? It has been referred to in some of the submissions but not all of them. Do you have a specific mechanism for implementing affordable housing in your local government area?

**Mr BIRDS:** I actually worked in the affordable housing policy space in the other place before I joined the council I am with now. I am pleased to be able to say that our council is one of five which has been listed to enter into State Environmental Planning Policy 70—I do not want to use too much planner's jargon; I presume the room is familiar with that.

**Mr JAMIE PARKER:** We have been talking about it, yes.

**Mr BIRDS:** There are few and far between tools for us as a council to deliver affordable housing. Voluntary planning agreements are the principal tools. By their nature they are voluntary. That is a mechanism that we go in to discuss proposals with developers. We have a policy position that was approved by our newly elected council, which is to seek 15 per cent affordable housing for new developments and indeed 30 per cent on government land.

**The ACTING CHAIR:** That is very impressive.

**Mr BIRDS:** Indeed. That was founded in an evidence base which effectively was given the tick by the Minister when he put us into the draft SEPP 70 amendment. To get into SEPP 70 you have to prove an evidence base for affordable housing need, and we have done that. But that is all it has done. If we get into SEPP 70, that gives us nothing other than the opportunity to bring forward detailed schemes to seek affordable housing



contributions as part of the overall rezoning of a major site. That is just one call that would be on the development.

We have heard talk about infrastructure already this afternoon. We know when a developer comes in for a major precinct we will be asking for affordable housing. We will also be asking for contributions to the section 94 plan, which we are capped at \$20,000 for a long time. It goes nowhere near to the local infrastructure we are looking for. Similarly, in a lot of the precincts the State Government is also looking for a slice under a State infrastructure charge. We understand all of those have to come off the cost of the development and the scheme has to work for the developer to deliver the housing. We understand there is a balance and negotiation to be had, but ultimately it is another cost on the developer's budget.

If the message is clear and the policy settings are there for all to see, the deals that are done by the developers to acquire land is factored in; it is just another cost. Ultimately it may come down to the cost of the land which, we know, is incredibly high in our parts of Sydney in particular, and that is a major obstacle. Essentially it is no more of a tax than any other cost on the developer if it is clear in the policy settings and is justified. Our council will be looking to achieve that but we appreciate it cannot be at the overall expense of delivering anything, otherwise we get nothing.

**Ms SLIOGERIS:** I am glad you asked that question. Randwick City Council has been an active council in the affordable housing policy area. Since 2006 we have had an affordable rental housing program of 20 units. It is small but that is because we have had to rely on voluntary planning agreements to achieve our affordable housing units as part of master plan sites. It is part of large redevelopment sites. This year we were successful to get into SEPP 70. We prepared the evidence base to get into SEPP 70, which was the economic argument that we have the Randwick education and health precinct and a need for key workers for this precinct.

We have also proposed an affordable rental housing scheme for the Kensington and Kingsford town centres. The rate is to commence at 3 per cent and increasing to 5 per cent. It will apply to the total development potential as a result of the rezoning and not just the planning uplift, as proposed by the Greater Sydney regional plan and district plan. It has been such a hard slog to get into SEPP 70, which has not yet been finalised. It will be a huge opportunity for those councils that are to be included to be able to require affordable housing dwellings as a mandatory requirement as part of any development proposal in growth areas. The pity of it all is that the time taken to get moving on this means that we have missed a lot of property cycles and property booms. We have lost a big opportunity.

**Mr JAMIE PARKER:** Will you clarify your definition of the application of affordable housing as opposed to the Greater Sydney Commission's definition?

**Ms SLIOGERIS:** The scheme of the Greater Sydney Commission proposes a 5 to 10 per cent requirement, only on the planning uplift of areas to be rezoned. Our Kensington and Kingsford scheme proposes that it apply to the total development potential and not just the planning uplift. That will deliver much more affordable housing. We provided the evidence base to show it can be afforded. Independent financial feasibility testing was done. I understand the department has their own feasibility model they can test schemes on. I believe that should be publicly available so the different planners can see, yes, that scheme does stack up.

**Mr McCABE:** Bayside Council do not have a policy of affordable housing. We have engaged professionals to help us with that and it is in its infancy. We are asking basic, fundamental questions such as what percentage is appropriate, et cetera. We are being guided by the Greater Sydney Commission's 5 to 10 per cent benchmark at this point in time as the minimum standard and beyond that what can be achieved. The question of what can be achieved is in response to the individual planning code proposals at this point in time through voluntary planning agreements [VPAs]. It actually is not responding to the whole city. Will the priority precincts and the value uplifting of the priority precincts be captured within an affordable housing mechanism or not? Or will they simply be rezoned and there is no VPA opportunity for council to have the discussion with the proponent? That is a concern for us. At this point in time, although we are in our infancy, we can already see that even if we come with the solution it might be a drop in the ocean for the city overall.

**Ms HARLEY:** In terms of affordable housing, there are opportunities for Sydney and our part of the world to be more resilient to change. Part of that is going to be social and economic change which is happening because of the densification of the city. Bayside Council also has a lot of land and housing corporation sites. We are seeing a lot of redevelopment of those sites and that is contributing to social housing. In relation to affordable housing, I also make the comment that there are real opportunities that as a community or perhaps as an industry we are not grasping, and that is around the cost of operations and maintenance. We talk a lot about the cost of land supply but we are not really talking about how we will continue to maintain the affordable housing. There is an opportunity for it to be designed in a better way so that the ongoing costs around energy and asset renewal can be addressed now. That is a major opportunity for the community.

**Mr ANOULACK CHANTHIVONG:** I will start by asking for some brief comments about balancing development demands with maintaining a community's suburban character—the aspects of development and liveability. In particular, how are the inner-city councils—which the Grattan Institute mentioned this morning—in their LEPs balancing the initiative of greater density, because of their geographical advantage to jobs, and the existing infrastructure with their community's needs?

**Mr BIRDS:** It is a major challenge. In our submission we talked about the SSROC Liveability Indicator which we recommend are given consideration. We put that to the commission and hopefully they will be thinking about that when they finalise their Greater Sydney and district plans. It is a massive issue for our community, as I have indicated. The community is concerned it is being pressed to take lots of development but in a sense it does not feel it has any ownership in the development of those ideas. It does not understand. Is it for them? Is the housing to be built to meet their needs or is it coming from another idea? There is a great concern that it is an inner-city area and it has certain infrastructure but the infrastructure needs a lot of renewal anyway. There is a great concern about the impact on the built environment and the area in which people love to live.

I know the Department of Planning and Environment has come up with the idea of looking at local character issues. It is an important issue for us. I know every area is concerned about impacts of new development on its character. But if we can find a way through that in engagement with the community in the strategic planning—almost more of a bottom up as opposed to a top down approach—then we can engage in that and work out what does fit. Then everybody buys in, which might helpfully enable the later chain of approvals to be a bit simpler and less, I guess, antagonistic. In our community we have a proposal on a site called Carrington Road in Marrickville, which you might have heard of. It has proposed tower buildings on an employment site which are higher than the aircraft flight path will allow. Of course that creates uproar in a very well-informed, articulate community. They were marching up and down the High Street in Marrickville not long ago over the issue. It would be good if we could avoid getting into that confrontational situation, but I appreciate that is not easy. It is really important that we do respect local character in every area. It does not mean you cannot undertake growth but you have to plan carefully for it.

**Ms SLOGERIS:** There are two points I would like to raise: The unplanned densities that we are seeing through the State environmental planning policy and affordable rental housing. Since that was introduced in 2009, Randwick has had more than 500 boarding house rooms approved in the area. That has caused a huge community backlash. It overrides local planning controls. We cannot plan for the density. The streetscape of single dwelling houses changes and density is increased significantly—that versus council-led strategic planning for growth. Take, for example, the Kensington and Kingsford town centres, where increased growth can be supported by infrastructure, investment and funding through value share policies and you can demonstrate the public benefits that can be funded tied with this growth. That shows the two key areas that should be looked at.

**Mr McCABE:** Similar to boarding houses, we are challenged with childcare facilities. It seems as though proponents spot a location because of its inherent features and ability to provide open space within the site, but they are not necessarily in the right location for the population growth. You then have a local community saying, "This is displaced."

**The ACTING CHAIR:** Are these big organisations or little backyard businesses?

**Mr McCABE:** You have operators with a portfolio of sites. They are not one-offs. The boarding houses are similar. What are the parking provisions in the space? I think there is a great mix of housing that is needed for Sydney. I do not oppose boarding houses but it is the location and strategic merit of where they go. We have a nexus under section 94 and what works we can deliver in response to new development. We are trying to resolve things. Establishing a site link through a private development we may negotiate a section 34 process through the courts—we are trying to get people off the main roads and on to friendly pedestrian paths through bigger sites. It is as if it is a private strata plan but the public can freely access it.

Then there are other things like the proponents simply responding to the minimum standard of the apartment guidelines and State Environmental Planning Policy No. 55. How do you go beyond that? I had a walk through tour with Ms Harley and the quality of the open space or common areas of the new product was quite questionable. In generations past there used to be backyards and now there is a balcony and you go to the common property and say, "Where could you kick a ball or smell the roses?" That often is not there.

**Ms HARLEY:** Before I pick up on that point around the development we walked through I want to talk about the land speculation and the increase in density we are seeing around places that have been declared to be priority precincts. There is a lot of speculation. There are a lot of developers taking options over people's land. This is with fragmented land ownership, it is mum and dad owners of property. It is not people who have bought large parcels of land. They are waiting for the new controls to come in so that they can sell. They see that they are going to get a massive uplift in value. From an individual point of view, one can understand that.

What that speculation is doing is increasing the cost of the land and we therefore are also seeing the developers wanting increased floor space. They are saying, "My cost of acquiring this land is so much higher. We need to get our development margins. We need more floor space so that we can achieve that". That means more people going in.

The strategic plan that might have been put in place is overridden by land speculation. From a community point of view we need to provide more infrastructure. The infrastructure is not necessarily set up to provide for that population. We get that with land speculation and potentially out of sequence development. In terms of that development that was a good example of where we see a site with no space for children to play and it is surrounded on three sides by the Princes Highway, West Botany Street and another major road I cannot name. But there would be nowhere for a child up to about 12, 13 years to access open space easily.

**Mr JAMIE PARKER:** And 16 per cent of the apartments in the local government area [LGA] have children living in them?

**Ms HARLEY:** Sixteen per cent of families live in apartments in our LGA—around 16 per cent. Botany Bay was the second highest LGA in the Greater Sydney Area and Rockdale is about the ninth. That came out of the census. A profile ID provided a report on that in August last year.

**Mr JAMIE PARKER:** Why is it the quality of that development was so poor? Is that because there is no SEPP or planning control that promotes more open space? What was the issue?

**Mr McCABE:** It is meeting minimum standards and developing in isolation. Their site was ready.

**The ACTING CHAIR:** There were many submissions that discussed the need for modernising housing targets to account for liveability, sustainability and local character. How do you define and measure these targets and what were the outcomes of the Southern Sydney Regional Organisation of Councils liveability indicators and mapping projects?

**Mr BIRDS:** There are quite a few points in there. I mentioned the liveability indicators. I cannot comment on them in detail. Our council was involved in the development of them as were some of the others here today. We think it is important that there is something like that because there is not at the moment. We need to focus on those details. We have heard about all the children living in apartments and there will be more and more of them. We have touched on land costs—section 94s are capped at \$20,000. As a council, we cannot afford to buy land to build parks. How do we provide these parks for these new residents unless we look at a better way to fund local infrastructure?

I have not mentioned local infrastructure in any depth at all, but it is key to us. There is a section of the community that is being asked to take a lot of development but they are not getting even catch-up infrastructure, let alone stuff to provide for the needs of the new residents. They will be like everybody else, residents of the community. To your first point, hopefully this housing will be planned in a way that it will meet the needs of the community. We need to look harder at the characteristics of the community we are planning for and provide a diversity of housing. With an ageing population it is difficult to accommodate the needs of people as they age but people want to transition into new types of housing. We need to look at that. For us, it comes down to being more deeply involved with a bottom-up approach. We do local housing planning in a strategic way so we work on the specifics of proposals, which leads to the community to buy in.

The last point is affordability, which is key to us—A range of affordability. Our administrator brought in our affordable housing policy and the newly elected council took it on. It is key to us. Finally, we are worried we are losing our employment land. It is very important. It is not as valuable as housing land. It is an easy hit for a developer that comes in, and this is where one-off proposals get in the way of us doing strategic planning. It is important. The commission has come out with its most recent draft plan which encourages a retention of that land. We are very worried about that. It is part of the bigger picture. As a new council, and a group of three others, we are producing a new local environmental plan—a harmonised one—and we want to have coordinated strategic planning that the community will buy into which hopefully will streamline the process for everybody.

**Ms SLOGERIS:** Again, I understand the targets have been informed by population forecasts and historical development trends. Randwick has always been able to meet its targets. I commend the Greater Sydney Commission's plan for councils to actually come up with a six- to 10-year housing target as part of a local housing strategy. I think that is a logical way. I would really like to see more of a creative approach towards housing supply, a place-based approach which is tied to infrastructure, so with less focus on high towers and more innovative approaches to low-scale medium-rise villas, and diversity of housing, but that does need to be linked and committed to infrastructure. We desperately need a review of the section 94A development contributions as well. That has been capped at one per cent since 2006 and other funding mechanisms available to councils are limited. Apart from value-share, I think that is another key area that really should be looked at.

**Mr McCABE:** Bayside was part of the assessor process who developed the liveability index and obviously we have relied on that as part of our submission and also informed the Greater Sydney Commission in that work. What I will say is I think diversity in housing supply is important, not only to cater to different individuals but also to activate these town centres. At the moment we are seeing product that is very much the same and, with very much the same product, you get very much the same behaviours of that population. You might see a population there before 7 or 8 in the morning and not there at all until seven o'clock at night. I think housing diversity might actually stimulate a bit more activity in town centres with a greater variety of demographics. How you get that and how the marketplace would respond to that is really hard.

The other thing in relation to liveability and the issue for us is that the funding we have got addresses the bones—or let us say the engineering, the concrete, the capacity and that sort of thing—and then it is the dressing on top: how to make it liveable, how to make it green. Then you have staff who say, "Okay, that's a pretty good idea but what about the maintenance costs?", and it is an unknown. That technology and knowing which way to go to escape the traditional path is a challenge as well. Land acquisition going at a greater speed than funds we are collecting is a real issue, as are, again, employment lands and actually having a localised community rather than moving out of the towns every day.

**Ms HARLEY:** I was also involved with the liveability indicators when I was at the former Leichhardt Council and my understanding of why they were developed was that the fundamental principle of strategic planning is about trying to achieve some broad objectives—social, environmental, economic objectives—for the city and trying to understand what it is that we need to deliver in a city. If we are going to be a resilient city, what does that actually mean in terms of how much open space there is; how we look after our waterways; how much public transport needs to be provided; how close you need to be to public open space; the quality, quantity and location that makes that place a good place for people to live; and what is reasonable?

Yes, I think that is where some of it came from: an environmental focus and a social focus. I think at times housing supply is not focusing on the long-term environmental impacts of what we are doing as well and the costs of sometimes just supplying housing and not thinking about the constraints, and taking those constraints seriously. We seem to have moved away from taking environmental constraints as seriously. Flooding is one that we see is not taken as seriously as it has been.

**The ACTING CHAIR:** On behalf of the Committee I thank you for your attendance and your very informative answers. As you know from our terms of reference, we will soon hand down our report. Sydney and the whole planning mechanism are at a very important stage. The planets are starting to align, from what I have heard, but there is still a long way to go and a lot more community involvement needed. We may wish to send you some additional questions in writing. Your reply will form part of your evidence and be published. Would you be happy to receive any questions from us?

**Ms HARLEY:** Yes.

**Mr McCABE:** Yes.

**Ms SLIOGERIS:** Yes.

**Mr BIRDS:** Yes.

(The witnesses withdrew)

(Short adjournment)

**MIKE SCOTT**, Life Member, Urban Development Institute of Australia NSW, sworn and examined

**STEVE MANN**, Chief Executive Officer, Urban Development Institute of Australia NSW, sworn and examined

**The ACTING CHAIR:** Do you have any questions on the information we sent to you about the procedures for today?

**Mr MANN:** No. We are ready, willing and able.

**The ACTING CHAIR:** Would you care to make an opening statement?

**Mr MANN:** Thank you for the opportunity. It is great to be here. This has been a real focus for the Urban Development Institute of Australia [UDIA]. We are the largest association representing developers across the country and we have over 500 members in New South Wales. I will try to give you a bit of a nuanced position given you have heard a few today. My thought was that this is a matter of global competitiveness for New South Wales. Obviously, Sydney has been a big focus over the last three to four years and this has created a perfect storm of demand. We have low interest rates, changing demographics, baby boomers looking to downsize and their children looking to be first home buyers, property investors looking for the safety of bricks and mortar after the global financial crisis, strong immigration levels and pent up demand of more than 100,000 buyers that have not been satisfied over the last decade in New South Wales.

Sydney is now the second least affordable city in the world according to Demographia 2018. That has been the case for two years. It is slipping in its global liveability ranking—it is now down to eleventh, it was sixth a year ago—based on falling productivity, affordability and congestion now costing the economy more than \$6 billion per annum. A generation of first home buyers are virtually locked out of the Sydney market. Average time to save for a new deposit is about eight years, the average age is now 33 and a bunch of younger people are leaving Sydney.

UDIA recognises the initiatives of the New South Wales Government, particularly over the last couple of years. We have reached nearly 39,000 in supply for new dwellings in 2017; however, the price of an average home is now over \$1 million and up 15 per cent over the last year. Increasing supply is widely seen as the solution; however, we have not been able to reach the targets of the Greater Sydney Commission. If we have the backlog we need 41,000 dwellings a year of supply and we need it for the next 20 years. We have never delivered that much supply before. This crisis is also being felt outside Sydney. It reverberates into our regional markets. We are now approaching the top of a market cycle, a typical peak. Housing approvals actually peaked about a year ago in New South Wales at 68,500 in 2017. Maintaining record levels of supply is unlikely given the headwinds and the capacity constraints we are experiencing in the market.

What do we do to try to fill a possible flattening—a dip—in this very important sector for our economy? UDIA has several recommendations. Developers need to restock in new projects; however, uncertainty and blockages are slowing the supply of replacement sites. Governments should prioritise the rezoning of projects stuck in gateway approvals and prioritise funding of trunk service infrastructure to sites that have been rezoned in growth areas to catalyse new supply. Recent policy decisions like the uncapping of section 94 contributions and adding 23 new Special Infrastructure Contributions [SICs] for infrastructure funding may see a doubling of taxes and levies over the next few years, which are already one-third of the cost of a new home, placing further pressure on prices for new homes at a time when the market can least afford it.

The New South Wales Government should provide additional funding on the back of taxes from the property sector boom and freeze the proposed increase to developer charges for the next two years. The Government should tackle the need for affordable housing for low and very low income families, not as a tax to industry but rather as incentives to help deliver new supply. The Department of Planning and Environment should reintroduce the urban development program to accelerate the introduction of ePlanning to track approvals and better manage a pipeline of supply over the medium term. We think it is a crucial time for the industry to meet these challenges. We are ready to partner with the Government to achieve it for Sydney and New South Wales.

**Mr SCOTT:** Thank you for the opportunity. You made comments at the start that this is a very complex issue; there are lots of people involved. We have made a lot of headway. I am a life member because I happened to be president 25 years ago. Having been in this place to see planning Ministers for 25 years on and off, we always get to this point in the cycle and supply switches off again and then the problem builds up and builds up. We have a unique opportunity to have a quality discussion at this point as to how we navigate that part of the cycle where the prices are going sideways and it is going to be all about how we keep costs down but

maintain liveability. There are obviously a lot of stakeholders in the process and it is important we get that balance.

I think everyone is approaching it in good faith and the biggest thing is sharing information and coordination of information between agencies, councils, industry and everybody else. It seems as we go forward there are still a lot of people in their silos. As to how we coordinate them better and more efficiently with everyone screaming "I need more resource", efficiency and productivity is a big part of the game going forward. Again, thank you for the opportunity.

**The ACTING CHAIR:** The UDIA proposes the establishment of an infrastructure prioritisation model to align dwelling targets with the provision of infrastructure. What powers does the Department of Planning and Environment need to achieve this alignment? What changes to the current portfolios would be required for this model to operate?

**Mr SCOTT:** One of the things that has happened in the last decade with servicing authorities is that many of them have been privatised. Many of them have to run their own economic models internally so to run infrastructure out—sewer, water electricity, et cetera—they need to get an internal business case up. In the internal business case they want to know that developers are going to buy the land. They want to know that the housing is going to come so that they can turn meters on and get return on that infrastructure because in the past they have been burnt. One of the issues is that Planning as a coordination agency does not necessarily have power over those infrastructure authorities to compel them to put in servicing in certain time frames. This is going to be about a cooperative environment going forward rather than being told to, but the biggest issue is that Planning does not have the ability to tell them where they need to go with infrastructure at what times. That is causing enormous coordination issues in the development of land.

Just as an anecdote, I know of land at the moment where there have been blocks with roads finished, 100 per cent done, but they are waiting for a Sydney Water connection because of the upgrade of the infrastructure. The blocks have been finished for 18 months. The coordination again is a big issue. It is about how the Department of Planning and Environment can get those agencies to follow them in an urban development program. At the moment it is a bit of a free-for-all.

**Mr MANN:** I guess we need to know the edge of investment to ensure the blockages are unlocked for that trunk infrastructure. That will then ensure that supply flows.

**The ACTING CHAIR:** The UDIA proposes a lead agency to be established to manage infrastructure funding. To which Minister should this agency be responsible? Which agency should have primacy in the overall management of land and housing supply and infrastructure provision in New South Wales?

**Mr SCOTT:** I think the task force that falls under Premier and Cabinet is the place that should sit, because Ministers have jurisdiction over different servicing authorities as well as the Minister who has jurisdiction over planning. Again, it is going to require coordination.

**Mr JAMIE PARKER:** Which task force are you talking about?

**Mr SCOTT:** From the government statement, I think it is called the affordable housing task force.

**Mr JAMIE PARKER:** There are a couple of task forces, so I want to make sure I had the correct one.

**Mr SCOTT:** I would have thought that task force would have those agency Ministers represented and it would be a clearing house for those issues.

**The ACTING CHAIR:** We heard from the Greater Sydney Commission this morning. Which agency should be the lead agency, the commission or the Department of Planning and Environment?

**Mr SCOTT:** I do not want to avoid the question, but it is a question of what you are leading on. The Greater Sydney Commission seems to be putting together the vision of where the city is going, whereas the department is doing implementation. It depends on whether you are talking about the big vision or implementing the plan at the back end.

**Mr MANN:** We think it flows right to the Premier, though, and therefore Treasury is a big part of that and has made some of the decisions recently that are putting challenges in front of us.

**The ACTING CHAIR:** That was a common theme. We brought up having a cross-border commissioner, and the reason they are successful is that they report directly to the Premier.

**Mr MARK TAYLOR:** Do you see a specific supply issue in housing diversity for ageing populations?

**Mr MANN:** Yes, definitely. The housing need is changing; it is becoming a downsizing need. I used to run a retirement living business and retirement living is coming much later in life now, usually the early eighties. There is a period in early to mid-seventies where downsizing is a very important need. The medium-density accommodation is a very important part that is missing at the moment from our supplier pathway.

**Mr SCOTT:** Not only are we going through growth as a result of immigration and other things including a lack from a decade of underbuilding but one of the biggest issues is the baby boomers' children leaving home. You might have heard from Grattan this morning that one of the big drivers is a population of over-65s in a lot of outer-city councils like Hills, Blacktown, Penrith, where predominantly the housing is large, detached housing. The population of over-65s is going to double, and those large homes are becoming an equity trap in terms of them being able to downsize going forward. Those houses are often full of 20-year-olds who will not move out, which is why we have had a lot of calls about parking. There are always four cars at those houses, because the kids are still there—as I can tell you from personal experience.

We are seeing home ownership plummeting in the under-35s and the need for downsizers in the over-65s. In areas of our cities that were produced in a suburban context for large families, we are seeing large families splitting into multiple low-income households, because people will be on retirement benefits and kids will be trying to find their own way on low incomes and casual employment. How you change that housing mix and diversity but maintain a suburban streetscape—otherwise the residents will not let you do it—is going to be the big challenge for us going forward. How do we keep that quality and amenity but offer that diversity?

**Mr JAMIE PARKER:** We are all on the same page: We need to keep up supply and make sure that we can do it in a way that does not affect productivity and other issues that we have heard about today. One issue we are focusing on is the delivery of new housing while managing infrastructure impacts. We have heard that councils and affected individuals do not want to pay taxes but government needs to generate revenue. We are looking at capturing value, while the community has seen massive windfall profits for property owners. In my electorate there are half a dozen examples, such as in Lords Road in Leichhardt where the property developer is going to pull about \$90 million just from flipping from industrial to residential. That is not a productive benefit; it is just a regulatory change.

Why should the State not be capturing value from such value uplifts, especially from greenfield sites? Why should the State not be trying to satisfy the community's need for renewal of and additional infrastructure? How do we do that in a way that does not stifle development but recognises the uplift? Part of the problem is that the developer comes in after the land has been sold; perhaps part of the issue is that expectations of the value of that land are not internalised at the point of purchase by the developer. The developer then goes to council or the State Government and is told there are additional charges. Do we need to make sure that the rules are really clear at the time of sale and rezoning of that land? The State is looking for money from developers. Apart from asking for money for infrastructure, how can we capture that value?

**Mr MANN:** You have hit on the most important part of the process—that is, transparency and certainty. That is what we do not have in this market. We have changing circumstances very regularly. What industry has a doubling—or, over the next couple of years, potentially a more than doubling—of its levies at the flick of finger, as we did in last year's budget?

**Mr JAMIE PARKER:** How is it a doubling?

**Mr MANN:** With the uncapping of the section 94 contributions, some of those plans are already valued at in excess of \$100 million by the Independent Pricing and Regulatory Tribunal; \$100,000 per lot, and they were capped at \$30,000 per lot. That is more than a doubling; it is a tripling on some of those over the next couple of years. In 18 months we will have a near doubling of section 94 contributions, together with the 23 new Special Infrastructure Contributions. You made a very important observation that, when that land is purchased, let us not forget the developer is often just the risk-taker but does not necessarily own the dirt. When that land is purchased, if there is not good transparency about the costs then that risk-taker—whoever they are, government, developer, it does not really matter—takes on an enormous time, financing, sales, costs and approvals process, and those risks have to be valued as part of the feasibility. If there is uncertainty at that point, that is when we create real problems for this industry.

Will the industry pay its way? Absolutely, the industry will pay its way. It is paying its way; it is paying all of these levies now. One-third of the cost of a new home is local, State and Federal taxes. Of your \$800,000 home, a third is GST and all those other taxes. The process for a complete rezoning often takes between four and 10 years—10 years for a greenfield piece of land. When you buy land, the uncertainty is enormous. There is a very important discussion around the vendor of wholesale land, and are they getting this windfall profit—

**Mr JAMIE PARKER:** And most often are.

**Mr MANN:** —and not managing to hit the taxes at that point versus the developer. I do appreciate that sometimes the developer is both, but more and more the developer is just the risk-taker because it cannot afford to hold the land. If you hit the bridge to your future too hard then you lose your future.

**Mr JAMIE PARKER:** We have heard evidence about low-yield greenfield sites that are ready to go, but the problem is taking the development to market sometimes because of infrastructure, such as Sydney Water not connecting. We have talked about coordination, but apart from improving collaboration and consultation, what mechanisms—carrots and sticks—should be considered to ensure a collaborative approach towards sequencing correctly? Often the sequencing holds things up because one agency getting out of sequence means you have a problem getting stock to market even though the rezoning has been approved.

**Mr SCOTT:** We used to have a metropolitan development program where the servicing authorities, the council and the developers would be in the room and they would talk about what the lot production was likely to be in the next year, two years, three years. They would do the forward forecasts and they would then say things like, "You are going to need to bring on the pump station earlier." The Department of Planning and Environment used to facilitate this program and in the consultation sessions, which were held in the local council chambers around the city, there was a discussion about what was happening on the ground. We would discuss things like a vendor that would not sell for a variety of reasons.

**The ACTING CHAIR:** Does the commission not fill that role now?

**Mr SCOTT:** No. It would be fantastic to get the urban development program back, because the servicing authorities—

**The ACTING CHAIR:** Was that more at the pointy end of the stick?

**Mr SCOTT:** Yes, that was through the delivery.

**Mr JAMIE PARKER:** That is what the housing delivery task force is supposed to be doing now. Apparently it is supposed to be coordinating that.

**Mr SCOTT:** No, we are not aware of that. One of the things on UDIA's agenda for this year is to continue to quietly—or loudly—advocate for that urban development program as much as possible, because of the point that you made about the developer contributions and costs. The industry is happy to pay its way and pay for those charges, and it does go off the land value. The developer has either got to get it off the buyer and wait for land prices to rise or pass it back to the land. Because we are just a conduit making a set margin at the banks, as you have to make. If you are buying your land at auction or at tender it is the person who is prepared to make the least profit who is buying the land. It is how the process generally works.

The issue with the section 94 caps being removed is it is all on zoned land. The land has been rezoned and for seven years we have had that cap. So people have been buying sites in good faith, doing feasibilities, kept telling shareholders, raising money, taking loans from banks, and now the cap is off. It is all happening post rezoning when people have been buying sites and factoring it into their decision. Do you advise shareholders you have got an abnormal event in it? It has put a rush on councils because people are trying to shove DAs through. It is a very complex issue. But, as you were alluding to, if all the work is done prior to rezoning, because that is a piece of residential land—you now have legal rights on that; it is a residential piece of land—if you keep then changing the rules after that, that is when it gets very, very difficult.

**Mr MANN:** Can I just add to your question on value caps? I think the Government has to be very careful with that question around value capture. Conceptually, the development industry is fine with it because ultimately it is about value sharing—a win for Government, a win for the community in a way the developer can handle. But it is coming at developers from absolutely every level of government; so it is value capture on value capture on so many different levels. I would call the one from rezoning a betterment tax, and a betterment tax probably is a relevant issue where it is managed carefully. But then we have got a value capture coming in when you are often getting a larger rezoning scenario or you are getting a sick environment hitting a betterment tax. And then we will get the Federal Government having a go on major transport infrastructure.

**Mr JAMIE PARKER:** Or the affordable housing component.

**Mr MANN:** Affordable housing would be another value capture sort of measure. So we do not think that all of these are well understood on its impact on affordability. If you take the taxes at one-third and you blow that out closer to 40 per cent and see what happens in the market, as it did in 2004-05 where it absolutely dived. That is where section 94s were capped because the market was supplied. For four years we had less



supply than Adelaide. So if you get this thing wrong, the lead times and the slowdown is enormous. You have got a cliff ahead of you if you get it wrong.

**Mr SCOTT:** I think those three levels of government do not see what the other ones are doing too. At the moment they are talking about the Western Sydney deal and the Federal Government is talking about value capture. We just heard council talk about having an affordable housing strategy and getting value capture, and then you have got the State talking about with infrastructure charges it getting value capture. They all run their own feasibility models. You cannot look at them, but they are all convinced they know what your planning uplift and planning game is. So these things are very difficult to deal with, and once it is zoned and the certainty slips away, that makes it very, very difficult. It is easy to complain and, yes, as you say, it sounds like developers do not want to pay their fair share, but the other thing to mention is being the collectors of all those charges is a very inefficient way to do it.

If it was paid directly by the land vendor or by the purchaser, the moment we make on section 94, for example, if it goes to \$100,000, we have got to make a 15 per cent margin on it because the bank is not going to lend us the money to pay the council unless we make a margin on it, and then we have got to pay GST on it. So all those charges have 25 per cent on them because it is going straight through the hands of the developer. At the moment, the Australian Taxation Office [ATO] is talking about changing GST legislation where the purchaser is going to pay a cheque made out to the ATO at settlement—this has arisen because of that phoenixing issue—but the result of it is it does not pass through the developer's hands anymore. So it is actually a much more efficient way to collect taxes. We do not have to borrow the money and we do not have to make a margin on it. If the vendors of the land could be paying a betterment tax directly it would save developers having to make margins and raise the capital to pay all those charges.

**The ACTING CHAIR:** One of the issues that we face as a government—and you mentioned it before—is diversity in character of an area. As soon as a change in density is announced or considered, there are usually protests, concerned residents, and the thing will spiral out of control—a bit like a bushfire in many regards. From your perspective, how do you protect the character of an area while still increasing the densities and diversities of an area? You did mention it, Mr Mann. How do you do it?

**Mr MANN:** It is a huge challenge and a very important challenge, particularly now for this market. The "not in my backyard" is very strong in Sydney and the sort of lack of understanding of the process that a developer goes through to get those approvals, get the presales, get the financing and deliver these things is very difficult. I think the challenge is a mix of ensuring that we maintain the things we love about Sydney, the things that make this one of the best cities in the world, and, at the same time, recognise that our lifestyle is changing. We have got a different future, we have got a different requirement from the millennials and the ones younger than that, and that has to be managed in amongst those beautiful bits of history and characteristics that we have got.

**The ACTING CHAIR:** Whose job is that?

**Mr MANN:** It is a partnership between government and industry. Density actually can deliver a lot of fantastic outcomes.

**The ACTING CHAIR:** All I hear is if we increase density there are not enough car parks out the front, it is going to be crowded. No-one says that a density increase is going to be good.

**Mr MANN:** On how many sites do you hear that after it is built? There are so fewer after it is built. We do hear it on large precincts, but people are looking at that development and they go, "Wow, that's fantastic", because it delivers more open space if it is done well, it delivers community facilities—

**The ACTING CHAIR:** I suppose the biggest one is Barangaroo, down the road.

**Mr MANN:** Yes. It took us 10 years, but it is absolutely fantastic.

**The ACTING CHAIR:** It is a partnership. Define the word "partnership" for me? Is it government and industry?

**Mr MANN:** It is. We are good at selling that particular development, we are not necessarily good at selling the community and the story for that region. I think we have got to get better at that. UDIA is very active on that; we have developed a community consultation phone-based app that we want the Government to use—the urban pin board. You can pin your thinking on a release, on a DA and say, "I wish it was green" or "I wish it was half the size", and it can show the alternatives: If this development is smaller you get less open space because it is wider, you get less community facilities because it does not have as much funding; if it is bigger you get these outcomes.

So, quite clearly, the idea of precincts where there is infrastructure and transport, that whole balance of live and work is so crucial to our family structure that we have got to get it right. The North South Rail decision over the weekend by the New South Wales Government and the Federal Government is absolutely fabulous. As long as we do it, it will ensure our global competitiveness. At the moment it is terrible to travel from Western Sydney; it is terrible to travel from a lot of areas in Sydney because the infrastructure has not kept up with development. But if we get good developments that are delivering community facilities, based on taxes that we have been paying along the way, we will have a better response from community. There is starting to be a broader understanding of: Where am I going to downsize to? Where are my children going to live? What does the future look like? I think we can start a new debate around that with community as long as we are focused on delivering on outcomes that balance growth and the assets that we have got today.

**The ACTING CHAIR:** There is a lot of PR that could be done on these partnerships. There may be a view that they do not trust the government and perhaps they do not trust the development world, but we can work together for the betterment. It is going to be a hard road.

**Mr MANN:** But there is not another road. The other road is "We're full. Go somewhere else", and that is not—

**The ACTING CHAIR:** I think we have all moved away from those famous words.

**Mr SCOTT:** I think the other issue is the streetscape character in suburban areas. I mentioned before about large detached homes in streets, whether one of those is a three-unit dwelling that fits in the envelope and then you do not do another one for another six or eight houses. I think one of the issues we have in planning is that we always talk about one minimum, and if that person can do it then the next person can do it and the next person can do it. You heard the comments before from the council. It all looks the same and we do not get any diversity. So if you have one minimum, everyone has got the same. I worked on a project in Canberra where the affordable housing policy down there was that 10 per cent of dwellings could be a certain size—not all of them, but a certain minimum number—just to get more affordable dwellings produced. But there is a tendency, for the ease of processing applications and to keep everything the same for everyone, to just have the one minimum standard. But, surprise, surprise, when you have the one minimum standard they are all the same and you do not get any diversity. I think that is something worth exploring as well.

**The ACTING CHAIR:** We had a witness today who described Paris with four-storey buildings as the ugliest city in the world.

**Mr JAMIE PARKER:** Maybe sarcastically. My question is about ePlanning. The community is a lot like the development community. When there is certainty and they know what is going to come to them, people are pretty much prepared to accept it but when there are drop-in planning proposals and priority precincts people get fatigued about the lack of certainty. I liked what you saying about ePlanning and making sure there is more transparency so that people better understand performance. We as a Committee should be thinking about recommending that. Can you tell us a little more about those ideas? Obviously the private sector has a job to do but what should the Government be doing in that area?

**Mr SCOTT:** The Department of Planning and Environment is running a trial on ePlanning. It will be uploaded and made part of the process going forward. Essentially it is about recording land information in the one place, through a portal, so that people can get access to it. If you want to find out about a piece of property over the road, you can go online and find out if there has been something submitted. If something has been submitted at the rezoning stage, and all the traffic reports and threatened species reports were done, you can find them on there so that when you do the next application you know all the previous reports; you do not have to do them again and lodge them again. It is a way of tracking and saving information electronically through the ePlanning portal and then applications can be uploaded electronically and then applications can be issued electronically.

**Mr JAMIE PARKER:** Do you think that will make a significant difference?

**Mr SCOTT:** Absolutely.

**Mr JAMIE PARKER:** I know they have been talking about this trial for a while.

**Mr SCOTT:** Absolutely. I think it is one of the few places in the world that has not caught up with 2018. If I order a pair of shoes I can ring up and find out if they are in the Atlanta hub but I cannot find out where the referral to the RMS is on a road widening. I have got to keep ringing the same person at council and hassling them or ringing the person at the Department of Planning and Environment and hassling them. Surely you could just see online that that referral has gone here and there like everything else we operate.

**Mr JAMIE PARKER:** You talked also about performance management and part of that is transparency. We have talked with other witnesses about key performance indicators. We have the 40 days for deemed refusal and 90 days for planning proposals. Does that need to be internally as well for Department of Planning and Environment work?

**Mr SCOTT:** You can put those things in place if you want to but until you actually know what are looking at and what people's performance is, it is hard to actually manage their performance at the moment because it is all paper files and things are not happening. I think the main thing is to get the diagnostic tool in place first and then you can figure out as a manager how you deal with it and what it is telling you. The Land and Information Group, which was broken out of Land and Property Information, has a thing called the pipeline project where they want to track everything through the approval process and put it into the ePlanning portal. I turned up to a gateway process to try to advocate for \$14 million worth of funding, I think, last September—I am not criticising the process but I believe they are still trying to get it underway. Given the critical nature of where we are with this land supply and housing supply, that would be a great thing to get going.

**Mr MANN:** It should link to ePlanning. It actually begins with the emergency services in understanding where that lot is and then goes all the way through. The second last attachment of this document was the 27 steps it takes a developer to deal with government. Nearly every one of those 27 steps is a different part of government and you start again with your approach. That is what makes the thing is so slow. It is one of the most important pieces of work going on in New South Wales.

**Mr SCOTT:** If we did nothing else but got that system so that people could efficiently, from their desktop, log in and find out where things are at, who has got them and get resource documents without having to produce them again and lodge them again—

**Mr MANN:** It would save government a lot of time too.

**Mr SCOTT:** It would save them enormously in productivity benefits.

**The ACTING CHAIR:** I am the Chair of the Joint Committee on the Office of the Valuer General.

**Mr JAMIE PARKER:** Have a talk to them about that.

**The ACTING CHAIR:** Absolutely. Thank you for your robust discussion and your frank and honest answers. As you know, part of the Committee's role is to investigate and then make recommendations to the Government and after a time the Government will respond.

**Mr SCOTT:** Can I add one thing, please?

**The ACTING CHAIR:** You certainly can.

**Mr SCOTT:** It is just about affordable housing because we did not talk about affordable housing specifically. I think government land is the big potential way to shift the needle there. There is State land, there is Federal land and there is local council land. I know from doing some work and sitting on a panel for Penrith council that they own nearly 25 per cent of the LGA. A lot of that is flood prone and has other constraints on it but there are enormous opportunities to take that public land and turn it into other public assets, which is public, social or community housing. The Federal Government has a bond aggregator model. They are looking at raising money from superannuation funds, which will give low-cost capital to develop that. You could develop some of it, sell some of it off and get the loan to value ratio down to a level where it can then carry on concessional rents. All these affordabilities go through SEPP 70—okay, fine, but they are only going to have to produce five or six or 10 houses through the developer contributions. If you want to move the needle on affordable housing, I think there is a great opportunity to improve the public assets of rural land to public housing using the bond aggregator funding. I just wanted to put that on record.

**Mr MANN:** And Landcom could drive it.

**Mr JAMIE PARKER:** We heard the same thing today from the community housing providers.

**Mr SCOTT:** There is a huge opportunity. It has happened in many other countries. I was contacted by someone who wanted to land \$500 million in Australia and put it into affordable housing five years ago. He could not actually have a conversation with all the people to put it in place and they lost their mandate, so it would be a great opportunity.

**The ACTING CHAIR:** Thank you. We may wish to send you some additional questions in writing. Your reply will form part of your evidence and be published. Would you be happy to answer any additional questions?

**Mr SCOTT:** Absolutely.

**Mr MANN:** Absolutely, we would.

**The ACTING CHAIR:** Once again on behalf of the Committee, thank you very much.

**(The witnesses withdrew)**

**WENDY HAYHURST**, Chief Executive Officer, NSW Federation of Housing Associations, affirmed and examined

**The ACTING CHAIR:** Do you have any questions about the information we sent you on the procedures for today?

**Ms HAYHURST:** No.

**The ACTING CHAIR:** Would you like to make a brief opening statement?

**Ms HAYHURST:** Yes, just a short one. I represent an organisation which has nearly 100 members that are Aboriginal community housing providers and what we call mainstream. Although we represent the industry we also advocate very strongly for more social and affordable housing across New South Wales. The supply of land is incredibly important to the delivery of that social affordable housing. I really would like to start by saying what the situation is with social and affordable housing because I think the amount that we need to meet the needs of people in New South Wales—and I would argue for the economic health of the State as well—is something that is not discussed sufficiently.

We have recently had some work done by Professor Judy Yates, whom you may be aware of—a renowned economist. What we are looking at is a projection for the next 10 or 20 years for the amount of social and affordable housing, basing it on very conservative assumptions. We look at a situation where we feel we need at least 6 per cent of the housing portfolio across New South Wales being social housing, that is for people on very low incomes. At the moment we are around about 4.5 per cent. Looking at the projected growth—and we are taking information here from the census and from reputable statistics—we estimate that to get to 6 per cent in round about 10 years, which is a long time for a lot of people to wait. We need an additional 5,000 new homes every year for social housing.

On top that we have—you read the newspapers as much as I—a number of people on higher incomes and working but not sufficient to purchase or unable to afford the rent at the moment. We are making a conservative estimate. We are looking at people who would be eligible for the National Rental Affordability Scheme [NRAS]. There will probably be other households who are in rental stress. To meet their needs we need another 7,500 over the next 10 years. We can extend that to 20 years. That is a major issue facing New South Wales and one we think the supply of land—it is not just supply for housing supply but how it is targeted at affordable housing can make a massive difference for us.

**Mr JAMIE PARKER:** They are big numbers.

**The ACTING CHAIR:** What are your preferred mechanisms for delivering low-cost housing?

**Ms HAYHURST:** I do not think there is just one mechanism that will do it; it is the layering of different opportunities. The access to land is fundamental. Even where there are in other jurisdictions grants to support the construction, access to land is fundamental. The not-for-profit community housing sector will not compete on equal terms with private developers for land. A mechanism which allocates a proportion of a site for social and affordable housing is important. It is not the sole mechanism but it is incredibly important, the access to land. The access to government land would make a tremendous difference. We recognise that with the announcement from Landcom on Friday that 5 per cent to 10 per cent is going to be required on those sites. We would argue this is a missed opportunity for government to use a larger portion of sites, up to 30 per cent.

**The ACTING CHAIR:** More than 5 per cent?

**Ms HAYHURST:** Much bigger than 5 per cent to 10 per cent, yes.

**The ACTING CHAIR:** You are talking about 30 per cent?

**Ms HAYHURST:** Yes, we are talking about 30 per cent.

**The ACTING CHAIR:** How did you determine 30 per cent?

**Ms HAYHURST:** We thought that was reasonable. We thought there would be a need for government to have some form of return from the sale of land. We feel that 30 per cent will be a huge difference to what we are getting now and will get us somewhere along the targets we are talking about or that amount of need there is across New South Wales. It is a target that is below what other jurisdictions do in other parts of the world but far higher than what is on the table at the moment.

**The ACTING CHAIR:** Your submission recommends that councils explore a variety of incentives to facilitate affordable rental housing projects. What types of incentives?

**Ms HAYHURST:** We have to look at a variety of measures to get more social and affordable housing. We can have the big measures like access to land or we can try to improve the efficiency with which the planning system deals with affordable housing. You will be aware, again from newspaper reports, that social and affordable housing often faces a community backlash, quite often from a misunderstanding of who might be provided with that accommodation. We feel developing expertise in local councils will facilitate that.

**The ACTING CHAIR:** Do you see that lacking at the moment?

**Ms HAYHURST:** Yes, in certain places. We are doing what we can. We are producing information and networking with local councils.

**The ACTING CHAIR:** Is there engagement between the councils and your organisation?

**Ms HAYHURST:** Some of the councils are very good and others are less good. That may reflect where they are and perhaps their previous experiences. There is some willingness. The fact that five councils have come forward and asked to be able to do more affordable housing by applying for SEPP 70 is an indication of that.

**The ACTING CHAIR:** You like SEPP 70?

**Ms HAYHURST:** It would not be my preferred approach.

**The ACTING CHAIR:** What would be?

**Ms HAYHURST:** If councils can come forward with well-evidenced affordable housing policy that demonstrates the need then why make them jump through hoops and go through SEPP 70, and every time they have a project to go back for approval? You are extending the time it will take for that to be on the ground. If they come forward with something reputable and the assumptions made about affordable housing are there I do not see the need for that bureaucratic addition to the process. There are other things as well. With affordable housing, I do not see why it should not be something we can negotiate complying development on as well.

That is one of the suggestions that we have made in our submission. We are not saying that we want to produce low-quality, badly designed housing, we want to produce stuff that is affordable to live in. So it has to be energy efficient and the rest of it. If we can negotiate complying development for affordable housing that would be useful. It would cut the fees for community housing providers to develop as well. We are not-for-profit; we do not have huge surpluses to fund these things. Anything we can do to make it more efficient for the sector is useful.

**The ACTING CHAIR:** One of our earlier witnesses spoke about a development of high-rise within their area, where 16 per cent of people living in that LGA had children yet this building was approved because it fitted all the building codes. It was surrounded on three sides by major roads so there was no accessible open space even though it conformed. That was a problem. Is that a concern to you?

**Ms HAYHURST:** We are doing quite a lot of work. One of the pieces of work we have done, apart from winning community acceptance for social and affordable housing, is looking at multi-tenure design and maintenance. Remember the community housing provider is going to hopefully own this property and be responsible for the long-term maintenance of it and ensuring that the tenants are satisfied, otherwise it is not going to do well under regulation. There are a series of carrots and sticks to make sure they design things that are acceptable to tenants and fit in with the local character of the place. If they are looking to house people with disability they are not building things that people are going to have huge problems getting in and out of. I think the guidance that we are giving them—I have not seen anything to the contrary—I defy you to go to see a recent development and say it is anything but something you would want to live in.

**Mr MARK TAYLOR:** The witnesses before you were talking about the provision of affordable housing on government land. Have your federation or your members had experience with that or ideas about different ways that could be done?

**Ms HAYHURST:** I do not hear well and I am not picking you up.

**Mr MARK TAYLOR:** The witnesses that gave evidence prior to you mentioned using government land for the provision of affordable housing. I want to know whether your federation had been involved in those types of ideas or how that would work?

**Ms HAYHURST:** We do not do the development ourselves. Many of our providers have already accessed land. The most recent one that is probably going to be the next cab off the rank is an example from Penrith which Evolve Housing is doing with PAYCE. That is on government land, Harts Landing. That is a textbook example of how it could work. It is a multi-tenure estate—social affordable and some house purchase.

In those circumstances, what happened was the tender was put out by Landcom and our providers made bids to do that and had to come up with the financing for that. That particular scheme is one that I would call "layered". It had the government land going in, it had National Rental Affordability Scheme tax credits—which are coming off the boil now but were useful to get those off the ground—and a bit of equity from Evolve and support from PAYCE in terms of being able to get the upfront finance to construct. It is a textbook example of how you can make it work.

**Mr JAMIE PARKER:** Community housing is a big issue in my electorate and across all of Sydney. We are trying to get more community housing and social housing. The investment pathway is something that both State and Federal governments have been focusing on. The Federal Government has the bond aggregated and they have the guarantees in the State. Is your concern that without the provision of basically lower-cost land through Government that the investment pathway does not work, you cannot stack it up outside of that? We are looking at land releasing. Landcom's decision of 5 per cent to 10 per cent was something. We can promote more of that. Is there a fundamental problem with the economics, making that stack up within areas where there is high-value land?

**Ms HAYHURST:** Yes. The Harts Landing example I have just given shows you that it is not just the land. Something else went in there, so at that stage the Federal National Rent Affordability Scheme went in there as well. This is not a question about community housing providers particularly. This is a question about trying to build housing that you are going to rent submarket. Essentially, you get a certain amount of income from tenants. That does not cover what you need to maintain and pay back the finance from it. The bond aggregator is great but it is like a bank. It is not a form of grant or subsidy. It will shave off a little bit of the cost of building and we are not against it—we are very pro that because it is long-term finance. The land is excellent. A capital grant or a tax credit scheme then brings you towards being able to do both social and affordable housing.

You can tell by my accent that I am from the United Kingdom. I would not spruik all of the things in the United Kingdom but there has been concerted investment in social and affordable housing over there from governments of all descriptions. It is recognised through a grant regime that is supplementing access to land by the planning system and a housing benefit scheme that helps tenants pay those rents as well. Ideally, we would have all of that.

**Mr JAMIE PARKER:** We are really missing that social housing funding. We are funding the Land and Housing Corporation through selling houses at the moment. It is not just this Government; it was also the former Government. I do not want to look like I am being partisan. Your submission was interesting but I wanted to ask about something slightly related that people have spoken about, which is the rent to buy model. There are different levels of enthusiasm for it. Is it something you have looked at, and do you think there is something of value in there for the community housing sector?

**Ms HAYHURST:** We have looked more at shared home ownership where someone purchases a proportion of a property and then, as and when their income changes, they can staircase up and purchase another proportion of it. There are certainly schemes in Western Australia where the Government has supported loans where that has taken off. Here the banking community is a little bit reluctant, as it always would be with a new product, but I think it is still worth exploring for that group of people who could afford a house comfortably. We would not spruik it with people who we might be putting into excessive debt or who are in casual employment, but it is certainly an option. Whether it is a volume option is a different matter. With rent to buy there is a similar question as to whether it is a volume measure. But do not get me wrong: We are not against the concept of home ownership. Many of us are home owners and see the value of people having a stake in their property. If a scheme can be designed that the banks are willing to then fund as part a multi-tenure scheme it is a good idea.

**Mr JAMIE PARKER:** My last question is about the alarming statistics which you brought to this Committee. All other things being equal, do you have some numbers around what the sector will be able to deliver in community housing provision unless there is land supply intervention or other interventions? How much of that 5,000-odd figure will the community housing sector be able to meet?

**Ms HAYHURST:** We have just recently done a survey of our members' development pipelines. We have looked at what they built up in 2017 and then we have extended it out. What you have to realise is that NRAS has been absolutely critical in getting affordable housing off the ground. I am not saying it is perfect. When that stops the pipeline really does stop for members, except for particular schemes related to Communities Plus and the Social and Affordable Housing Fund. Our best estimates at the moment, if we take Communities Plus and the Social and Affordable Housing Fund, is that we are looking at around 10,000 to 11,000 homes over the next 12 to 13 years depending on how long it takes for the Communities Plus scheme to get going.

**Mr JAMIE PARKER:** Less than 5 per cent of what is required?

**Ms HAYHURST:** Yes, at the moment. It is very difficult to know how much government land will come forward but those are the figures that we can see from looking at what the Government has committed to do at the moment and what the outstanding pipeline from past schemes is. That is why we are really concerned about that gap between what is needed and what is being built. We feel at the moment that, if this is really all that is available, we will be in a worse position in 10 years than we are in now. We will have built new housing but it will not have kept pace with population growth and household growth.

**The ACTING CHAIR:** Do you think there is a need for affordable housing to be addressed outside of Sydney? Can the current planning system deliver both in metropolitan and non-metropolitan areas? One of your members is Aboriginal Community Housing. I come from the North Coast where Aboriginal community housing is a fairly large issue. A lot of the stuff we have been focused on with you and others has been in the Greater Sydney area. What is your feeling about the regions?

**Ms HAYHURST:** There are two types of regions. There are regions where the affordability problem is more or less similar to Sydney. Any moderation in house price is often offset by the fact that incomes are lower as well. Anywhere up the coast—particularly on the far North Coast where you have the competition for second homes as well—is probably going to need similar sorts of levels to what I am talking about for Sydney. In fact, the figures I quoted are for New South Wales; they are not just for Sydney. I was in Dubbo visiting one of our Aboriginal providers about three weeks ago. It has an issue with some additional supply because of overcrowding, but the condition of some of the housing it is managing, which is old mission housing, is really not up to twenty-first century standards. In particular, they are incredibly unaffordable to live in.

As well as talking about affordable housing, the concept of affordable living is really important. That includes the fact that people's energy bills can be reduced if the housing is well designed for that, and that they should be located in places where people are not paying huge amounts to travel to the nearest shop or to work as well. There are issues everywhere. That is why we have mentioned that I have given you some figures but they are the best that we can do with the available data. Understanding what housing needs there are and investing some money into a proper housing needs survey across New South Wales would reap a lot of benefits because you would be targeting the investment and targeting the land release where it was really needed.

**The ACTING CHAIR:** How do we manage the perception of the community when we start talking about social and affordable housing? From my limited experience up north, when we talk about extra social housing there can be concern in the local community and a backlash at times. In your experience, how do we handle that next step? If we need all these places and we somehow get some money and start delivering them, we do not want to break down the character and fabric of our cities, villages and towns.

**Ms HAYHURST:** I live in a mixed community; I live in Petersham. It has got social housing, affordable housing and home purchase. It is the classic mixed community. People tend to forget that. They tend to think of social and affordable housing built in a block and something different, but in fact most of us live in mixed tenure places. We are not talking about building huge estates like Waterloo now. We are talking about building things where we are mixing people up and putting facilities in. There are issues that we might have with something like Communities Plus but the way that Ivanhoe has been designed to include a school, an old people's facility and other facilities to accommodate a mix of people living there is the ideal way of proceeding.

It is also about doing it with the community. If you are going to plonk something down that looks completely alien to the surrounding area you will face a backlash. I am not one who says you cannot densify: Some of the most attractive areas in Sydney are very dense but they are well designed and have access to parks and things like that. They have trees. We should be expecting that when we are building these new schemes on roads, not in a cul-de-sac.

**The ACTING CHAIR:** Is demand in the Aboriginal sector increasing?

**Ms HAYHURST:** For this type of development? I cannot think of a development that community housing has done that has not been mixed. We have not done any huge ones; there have not been huge amounts of money. But if you look at the BlueCHP one at Campbelltown, that is a mixed community. It is right by the railway station, beautifully designed, of wood construction, and of modular construction, so as well it was built very quickly once it got development application approval.

**Mr JAMIE PARKER:** You mentioned a housing study and that the State should consider undertaking a housing study, which should inform land releases.

**Ms HAYHURST:** Yes.

**Mr JAMIE PARKER:** So it is not just about what is the nearest piece of infrastructure, but housing needs. Who would undertake that kind of work? What kind of methodology would be used for that? Is it



something from which your experience in the United Kingdom [UK], for example, might be able to help inform us?

**Ms HAYHURST:** Both the English and the Scottish governments have guidance on how to do these. There is a slightly different structure because local authorities in the UK generally are larger than they are here. They usually undertake them in their own localities and that informs their planning policy and their housing policy. But there is definitely methodology. You do not have to start from scratch. These are not massively expensive things to do, by the way. They are reasonably cheap. Even here I think many local councils, now that some of them are larger, would be able to perhaps join together. The eight councils that have been banded together in the Western Sydney City Deal ought to be doing this sort of thing collaboratively and they can leverage off the methodology in Britain. It would need to be customised to here and the availability of different types of data, but it is not rocket science.

**Mr JAMIE PARKER:** So you think local councils should undertake that role other than the Department of Planning and Environment looking at that across—

**Ms HAYHURST:** I think you want a standard methodology because—do you know why—then you can aggregate the results and then you have got one for the State. But I do not see why local councils should not be encouraged to do it. They are closer, and I think that if they can collaborate more—as I say, for those eight councils in the Western Sydney deal, this seems to be an ideal thing to get them working together.

**The ACTING CHAIR:** On behalf of the Committee, thank you very much for coming in.

**Mr JAMIE PARKER:** Very interesting.

**The ACTING CHAIR:** Your response has been informative and very much to the point. I personally thought it was a commonsense approach, so well done. We may wish to send you additional questions in writing. Your reply will form part of the evidence that will be published. Would you be happy to answer any additional questions?

**Ms HAYHURST:** Thank you. Yes, that is not a problem.

**The ACTING CHAIR:** Thank you very much.

**(The witness withdrew)**

**The ACTING CHAIR:** That brings the Committee's proceedings to a close. I thank all our witnesses and Committee members for their valuable contributions. I also thank staff members and of course Hansard. The Committee will reconvene in Campbelltown Civic Centre on Monday 26 March 2018 for its second public hearing.

**(The Committee adjourned at 17:02)**