

**INQUIRY INTO ENVIRONMENTAL PLANNING AND
ASSESSMENT AMENDMENT (INFRASTRUCTURE
CONTRIBUTIONS) BILL 2021**

Organisation: Community Housing Industry Association NSW (CHIA NSW)
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Via email:

PortfolioCommittee7@parliament.nsw.gov.au

Submission: Inquiry into the Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021

This submission has been prepared by the Community Housing Industry Association NSW (CHIA NSW). CHIA NSW is the peak body representing 94 registered, not-for-profit community housing providers in NSW. Our members currently own or manage more than 51,000 homes across NSW for individuals and families who cannot afford to rent or purchase a home on the private market. This includes people in very low to moderate income jobs that are essential to supporting the economy, such as health and childcare workers, retail and hospitality staff, and other essential service workers. Since 2012, community housing providers have delivered more than 4,000 new homes across NSW, representing an investment of over \$1.5 billion. Critically, these are new homes that the private sector cannot – or will not – deliver in response to housing need.

The planning system and infrastructure contributions are critical elements of the policy and delivery context that impact housing affordability, the availability of affordable rental housing, and the development of sustainable communities with good access to services, transport, and opportunities for employment and education.

CHIA NSW recognises the benefits of a clear and consistent infrastructure contributions system. However, any reforms need to strike the right balance to ensure the system can adapt to local needs and provide state and local government with sufficient funding to deliver the infrastructure growing communities require.

A priority for CHIA NSW and its members is to ensure the planning and infrastructure contributions systems deliver an adequate supply of safe, affordable, and appropriate housing across NSW. Alongside transport, open space and other community facilities, social and affordable housing is critical infrastructure, as it is needed to house people in lower paid jobs that are essential to supporting productivity and liveability across the state.

Investment in social and affordable rental housing is critical to tackling the housing affordability crisis in NSW, noting that the COVID-19 pandemic has not eased affordability pressures for vulnerable households. Pre-COVID, modelling undertaken by the University of NSW (on behalf of CHIA NSW) showed that, across the State, an additional 317,000 social and affordable rental housing properties are needed by 2036 to meet current and future demandⁱ. More than 50,000 applicants are currently on the waiting list for social housing in NSWⁱⁱ.

Without significant investment in social and affordable housing, some people will be left waiting for 10 years or more to be housed, forcing people to remain in unsafe or unhealthy circumstances, pay unaffordable rents, live in substandard housing, or, at worst, into homelessness.

Affordable housing contributions

Increased development in an area has a direct impact on local housing costs. It can at times directly reduce the availability of low-cost housing, and may also increase demand for low-cost accommodation due to the increases in lower-waged jobs created or increases in property values and rents.

However, despite record high levels of housing completions in NSW in recent years, the proportion of housing supply that is affordable for lower-income households has not increased. The lower rates of return from housing that is genuinely affordable to lower income households, compared to the returns from build-to-sell market housing, mean the private sector cannot – or will not – deliver long-term affordable housing. As a result, planning interventions are required to deliver viable affordable housing projects and address the significant discrepancy between supply and need across NSW.

For this reason, CHIA NSW is encouraged to see that the *Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021* (the Bill) retains the ability of local councils to secure contributions towards affordable housing, under Division 7.2 of the *Environmental Planning and Assessment Act 1979* (the Act).

CHIA NSW also welcomes the classification of affordable housing as infrastructure which can be funded through regional infrastructure contributions. However, clarity is needed from the NSW Government on how it intends to implement the proposed new regional infrastructure contributions (RICs) system to ensure it realises its potential to deliver additional funding for much needed infrastructure across NSW. The Productivity Commission recommended RICs be implemented as a modest broad-based charge across regions, with an additional transport contribution for major projects. Such an approach would provide greater transparency, consistency and certainty and have minimal impact on development feasibilityⁱⁱⁱ.

Affordable housing contributions schemes are an efficient and effective mechanism. They provide certainty to the community and developers, enabling local councils to plan for and fund affordable housing in partnership with not-for-profit organisations, such as community housing providers.

Internationally as well as in the City of Sydney it has been demonstrated that a broad-based affordable housing contribution does not impede new housing supply, as developers incorporate the contribution into the land purchase price^{iv}. The Centre for International Economics, in its evaluation of infrastructure contributions reforms, also concluded that, over-time, infrastructure costs will be factored into lower land values, rather than higher housing prices^v.

However, while the Bill retains the affordable housing contributions mechanism, implementation of these schemes requires councils to amend their local environmental plans. This can be a complex and time-consuming process and requires sign-off from the NSW Government.

CHIA NSW's strong recommendation is that the process for implementing affordable housing contributions schemes is streamlined and fast-tracked, and councils provided with necessary resources and support, to ensure schemes are established in a timely manner. Delays in the implementation of schemes will lead to missed opportunities for the delivery of much needed housing.

Exemptions

As well as contributions schemes, exempting affordable housing from other infrastructure contributions will also help support supply. Currently, exemptions are inconsistently applied across contributions plans. The Environmental Planning and Assessment Regulation 2000 currently exempts affordable housing from section 7.12 contributions. However, exemptions from section 7.11 contributions are at the discretion of councils.

While the Bill does not include any specific proposals relating to exemptions for infrastructure contributions, the NSW Government has indicated its intention to produce a simple, clear, standardised exemptions policy. This could be enacted through regulations or Ministerial directions.

As part of this work, CHIA NSW strongly recommends that all social and affordable housing development is exempted from infrastructure contributions. This will ensure community housing providers are strongly positioned to continue building the social and affordable housing needed across NSW.

Community housing providers typically have an operating margin of 2-3%, which is primarily comprised of rental revenue received from tenants. Most tenants will contribute 25% of their income support payment, plus 100% of Commonwealth Rent Assistance, towards rent. As not-for-profit organisations, CHPs will reinvest any surpluses generated from their activities back into building and sustaining new housing developments.

If exemptions are lost, this would impose significant additional costs on community housing projects, impacting viability, increase the government subsidy needed to deliver schemes, and/or reduce the amount of social and affordable housing that can be delivered.

Better strategic planning

The Bill proposes to reduce the timeframe for councils reviewing their local strategic planning statements from 7 years to 5 years. This is in line with review timeframes for state and regional strategic plans. While this is welcomed, more can be done to support the delivery of social and affordable housing.

There are opportunities for broader reforms to infrastructure planning and funding processes so that the needs for and cost of providing social and affordable housing are considered up-front alongside other critical infrastructure.

Under current approaches, the feasibility of affordable housing contributions or targets is assessed after infrastructure planning is completed and infrastructure contributions are set. Assessing the feasibility of delivering affordable housing as a secondary priority means that lower levels of social and affordable housing will be delivered.

In addition to reforms to infrastructure contributions mechanisms, consideration needs to be given to a broader review of infrastructure planning and delivery processes. The current policy and process needs to be strengthened to:

- Better coordinate local and regional infrastructure planning, particularly for growth precincts. New approaches, for example through the Greater Sydney Commission's Place-based Infrastructure Compact, demonstrate a model for a more collaborative approach to infrastructure planning.
- Incorporate consideration of affordable housing requirements as part of the infrastructure planning processes to ensure contributions for affordable housing are assessed at the same time as other critical infrastructure. This should be undertaken through the preparation of a comprehensive plan that identifies how all levels of government will work collaboratively with the not-for-profit and private sectors to deliver the social and affordable housing that is needed.

CHIA NSW appreciates the opportunity to participate in the Inquiry.

Kind regards,

Mark Degotardi
Chief Executive Officer

References

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ⁱⁱ NSW Department of Communities and Justice (2020) *Guide to waiting times for social housing as at 30 June 2019*, Department of Communities and Justice, Sydney.

ⁱⁱⁱ NSW Productivity Commission, (2020) *Review of Infrastructure Contributions in New South Wales – Final Report*, NSW Productivity Commission.

^{iv} Gurran, N., Gilbert, C., Gibb, K., van den Nouwelant, R., James, A. and Phibbs, P. (2018) Supporting affordable housing supply: inclusionary planning in new and renewing communities, AHURI Final Report No. 297, Australian Housing and Urban Research Institute Limited, Melbourne.

^v The Centre for International Economics, (2020) *Evaluation of infrastructure contributions reform in New South Wales - Final Report*, prepared for the NSW Productivity Commission.