

Submission
No 1

**INQUIRY INTO ENVIRONMENTAL PLANNING AND
ASSESSMENT AMENDMENT (HOUSING AND
PRODUCTIVITY CONTRIBUTIONS) BILL 2023**

Organisation: Community Housing Industry Association NSW
Date Received: 5 June 2023

Portfolio Committee No. 7 – Planning and Environment
Parliament of NSW
Via online submissions form

Submission: Inquiry into the Environmental Planning and Assessment Amendment (Housing and Productivity Contributions) Bill 2023

This submission has been prepared by the Community Housing Industry Association NSW (CHIA NSW). CHIA NSW is the peak body representing registered, not-for-profit community housing providers in NSW. Our members currently own or manage more than 54,000 homes across NSW for individuals and families who cannot afford to rent or purchase a home on the private market. Since 2012, community housing providers have delivered more than 5,800 new homes across NSW, representing an investment of over \$1.82 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 the delivery of sustainable communities with good access to services, transport, and opportunities for employment and education, including the availability of social and affordable rental housing. Contributions frameworks can help better align infrastructure investment with development, helping to address a common concern with growth amongst existing communities.

Support for funding social and affordable housing through infrastructure contributions

CHIA NSW recognises the potential for the Housing and Productivity Contributions (HPC) framework to establish a reliable and ongoing funding base for infrastructure. CHIA NSW strongly welcomes and supports the inclusion in the Bill of affordable housing as infrastructure which can be funded from HPCs.

This recognises the important role that affordable housing plays as growth enabling infrastructure, by providing housing for people in lower paid jobs that are essential to supporting productivity and liveability across the state. Increased development in an area can also directly increase the need for affordable housing by replacing existing low-cost housing or creating lower-waged jobs.

Investment in social and affordable rental housing is critical to tackling the housing affordability crisis in NSW. The National Housing Finance and Investment Corporation (NHFIC) conservatively estimates that 132,600 households in NSW are in housing needⁱ. Modelling by the University of NSW's City Futures Research Centre projects unmet housing need for more than 320,000 low-income households by 2041, without sufficient investment in social and affordable housingⁱⁱ.

The delivery of below market housing requires a subsidy to ensure its viability as the rent revenues generated by social and affordable housing are insufficient to fund the cost of its provision. Current Government investment in social and affordable housing falls far short of the ongoing investment required to address the current and projected shortfalls. HPCs will provide an additional source of funding that could be leveraged with co-funding provided by CHPs to drive affordable housing delivery.

CHIA NSW welcomes the inclusion in the Bill of provisions to remove section 7.32(6) of the *Environmental Planning and Assessment Act 1979*. This will ensure that the operation of the new HPC framework does not undermine local council's ability to impose affordable housing contributions schemes to meet local housing needs.

Given the significant need for affordable housing across NSW, both local and state government have an important role to play in increasing the supply of affordable housing. HPC funding must complement, not replace, locally based affordable housing contributions schemes, particularly given there is no certainty over the extent of funding from HPCs that will be made available for affordable housing. It is noted that local council affordable housing contribution rates are subject to feasibility testing. This will ensure the HPC charges are taken into account when local requirements are set.

Process for allocating HPC funding to infrastructure projects

The design of the prioritisation and governance processes for allocating HPC funds to projects is critical to realising the potential of the new contributions framework. The process must be efficient and transparent, and incorporate measures that ensure funding is allocated to a range of infrastructure needs.

The Bill includes provisions that allow for allocation of funding to be informed by representations by public authorities, councils, and the development industry (section 7.31D(3)). While this is supported in principle, it is critical that this process enables representation from a broad range of government and industry stakeholders.

It is [understood](#) that infrastructure opportunities and priorities will principally be identified through Urban Development Programs (UDP) covering the Six Cities Region. While this will provide an opportunity to align infrastructure funding with growth, the membership of UDP committees is currently limited. For example, the community housing industry is not directly represented.

The HPC governance framework must ensure the full range of infrastructure needs are considered, including affordable housing, not just roads, transport and open space infrastructure which have typically been the focus of state infrastructure contributions schemes. Processes need to be established which enable representations from industry groups who are not represented on UDP committees, but have a stake in how infrastructure funds are allocated.

The priority setting and funding allocation process must include representation from the Department of Communities and Justice (and subsequently Homes NSW, once established) in its capacity as a housing agency. DCJ's role includes oversight of various funding programs for the delivery of affordable housing across NSW. CHIA NSW recommends that where regional plans identify affordable housing as a priority, a portion of HPC funds be allocated to DCJ for distribution to social and affordable housing projects in the Six Cities Region.

CHIA NSW supports provision in the Bill enabling HPC funds to be distributed to local councils (Section 7.24(3)). Further clarity is needed on the arrangements for how local councils will be engaged in this process.

The Bill provides for a Ministerial planning order to specify whether the HPC includes a transport project component. Where transport infrastructure is required to be funded, a transport project component must be added to the HPC charge, instead of using up base contributions that could be directed to other projects.

Exemptions from HPCs

The Bill requires a Ministerial planning order to be issued that includes details of exemptions from the HPC. It is understood it is intended to exempt seniors housing and affordable housing from paying the contribution. This will need to be confirmed in the forthcoming planning order.

CHIA NSW strongly supports exempting seniors housing and social and affordable housing carried out by or on behalf of social housing providers from paying HPCs. This will ensure the HPCs do not act as a barrier to the efficient and cost-effective delivery of this vital infrastructure.

CHPs do not receive a market return from the housing they build. They typically have an operating margin of 2-3%, which is primarily comprised of rental revenue received from tenants on very low to moderate incomes. CHPs have limited scope to increase the rents they charge to cover additional construction or operating costs.

Consequently, the revenue generated by social and affordable housing is insufficient to fund the cost of its provision. While the extent of the gap is dependent on geographic location, research by the Australia Housing and Urban Research Institute (AHURI) in 2018 estimated the average funding gap, nationally, at \$13,000 per social housing dwelling per yearⁱⁱⁱ. More recent modelling by NHFIC also demonstrates this funding gap and the need for additional support to make projects viable^{iv}. Even where land is provided at concessional rates, a funding gap can still remain.

The HPCs charge represents an additional cost that is not already imposed on CHPs and will increase the subsidy needed to overcome the funding gap and make affordable housing schemes viable.

Alongside government grants, exemptions from infrastructure contributions is an effective means through which the NSW Government can support the delivery of much needed social and affordable housing.

CHIA NSW recommends that the exemptions extend to any seniors housing or social and affordable housing component of mixed-use developments.

Summary of CHIA NSW position

CHIA NSW supports the introduction of the HPC Bill, in principle, on the basis that the new contributions framework will:

- provide funding for affordable housing and will not undermine the ability of councils to implement local affordable housing contributions schemes.
- exempt seniors housing and affordable housing, which is itself critical infrastructure, from paying contributions.

CHIA NSW recommends that:

- The Ministerial planning order or Regulations makes it clear that the exemptions apply to seniors and affordable housing delivered within mixed use schemes.
- Arrangements are made for industry groups not currently represented on UDG committees to input into the identification of infrastructure projects to be funded.
- DCJ (and subsequently Homes NSW, once established) be represented in the funding allocation process. Where regional plans identify affordable housing as a priority, a portion of HPC funds needs to be allocated to DCJ for distribution to social and affordable housing projects.
- Where transport infrastructure is required to be funded, a transport project component must be added to the HPC charge, instead of using up base contributions that could be directed to other projects.

CHIA NSW appreciates the opportunity to participate in the Inquiry. Please contact Michael Carnuccio, Senior Policy Officer, on [redacted] or at [redacted], if you require any further information about this submission.

Kind regards,

Caitlin McDowell
Head of Policy

References

ⁱ National Housing Finance and Investment Corporation (2023) *State of the Nation's Housing 2022-23*, NHFIC, Sydney.

ⁱⁱ van den Nouwelant, R., Troy, L., and Soundararaj, B. (2022) *Quantifying Australia's unmet housing need – A national snapshot*, prepared for the Community Housing Industry Association.

ⁱⁱⁱ Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C (2018) *Social housing as infrastructure: an investment pathway*, AHURI Final Report No. 306, Australian Housing and Urban Research Institute Limited, Melbourne.

^{iv} National Housing Finance and Investment Corporation (2021) *Delivering More Affordable Housing: An Innovative Solution*, NHFIC, Sydney.