

**Submission
No 53**

INQUIRY INTO PROPOSAL TO DEVELOP ROSEHILL RACECOURSE

Organisation: Sydney YIMBY

Date Received: 17 July 2024



Submission to the Select Committee on the Proposal to Develop Rosehill Racecourse.

Sydney YIMBY greatly appreciates the opportunity to make a submission to the committee.

Sydney YIMBY is a grassroots, membership-based nonprofit organisation that advocates for abundant housing in Sydney. We are a mix of planners, economists and laypeople who are all committed to a more affordable, sustainable and liveable city through urban consolidation. We have hundreds of paid members and thousands of supporters from across Sydney, representing a diverse range of views, and do not accept memberships, donations or support of any kind from developers.

In our view, Rosehill Racecourse represents a generational opportunity to shape a better Sydney, and the government should do whatever it can to ensure it proceeds.

We would be happy to provide further information or give evidence to the committee.

Kind regards,

Justin Simon
Chair, Sydney YIMBY

Executive Summary

Sydney YIMBY greatly supports the development of dense housing at Rosehill Racecourse.

Sydney is in a housing crisis. The last three years have seen asking rents increase by 50%, from already too-high levels. This has put pressure on family budgets, forced many young people out of Sydney entirely and contributed to rising homelessness.

There is an overwhelming volume of high-quality evidence that addressing this crisis will require building large amounts of new housing, particularly in areas well-served by transport infrastructure. The amount of housing that could potentially be built at Rosehill is significant enough to meaningfully impact affordability in Sydney. It represents more homes than the five-year target for any council in Sydney, and more than Sydney has delivered in most of the last 50 years.

In a few years' time, Rosehill could be served by two brand new light rail lines and a station on Metro West, making it among the most well-connected sites in Sydney. Opportunities to deliver a Wagga Wagga's worth of dense, transit-oriented homes on a single site are vanishingly rare, and need to be seized with both hands.

In order to fund infrastructure, site remediation and subsidised housing, the government should capture as much of the windfall gain from rezoning this land as possible. This should be done through a transparent, monetary mechanism to ensure certainty for all stakeholders and to minimise unintended consequences.

Sydney YIMBY recommends that:

- 1) The NSW Government should actively work to facilitate the redevelopment of Rosehill Racecourse for as much dense, transit-oriented housing as possible. This should include fast-tracking master-planning and rezoning, commencing the design and construction of an additional station on Sydney Metro West, beginning remediation, and enabling infrastructure works.
- 2) The NSW government should capture at least 75% of the land value uplift resulting from the rezoning of Rosehill Racecourse, and use the revenue to fund infrastructure, amenities and subsidised housing. This should be applied transparently and monetarily, instead of opaque inclusionary zoning mechanisms.
- 3) If the ATC pulls out of the proposal, the NSW government should rezone Rosehill for residential development anyway, and instruct the Valuer General to re-value the land on the basis of its potential for residential development.

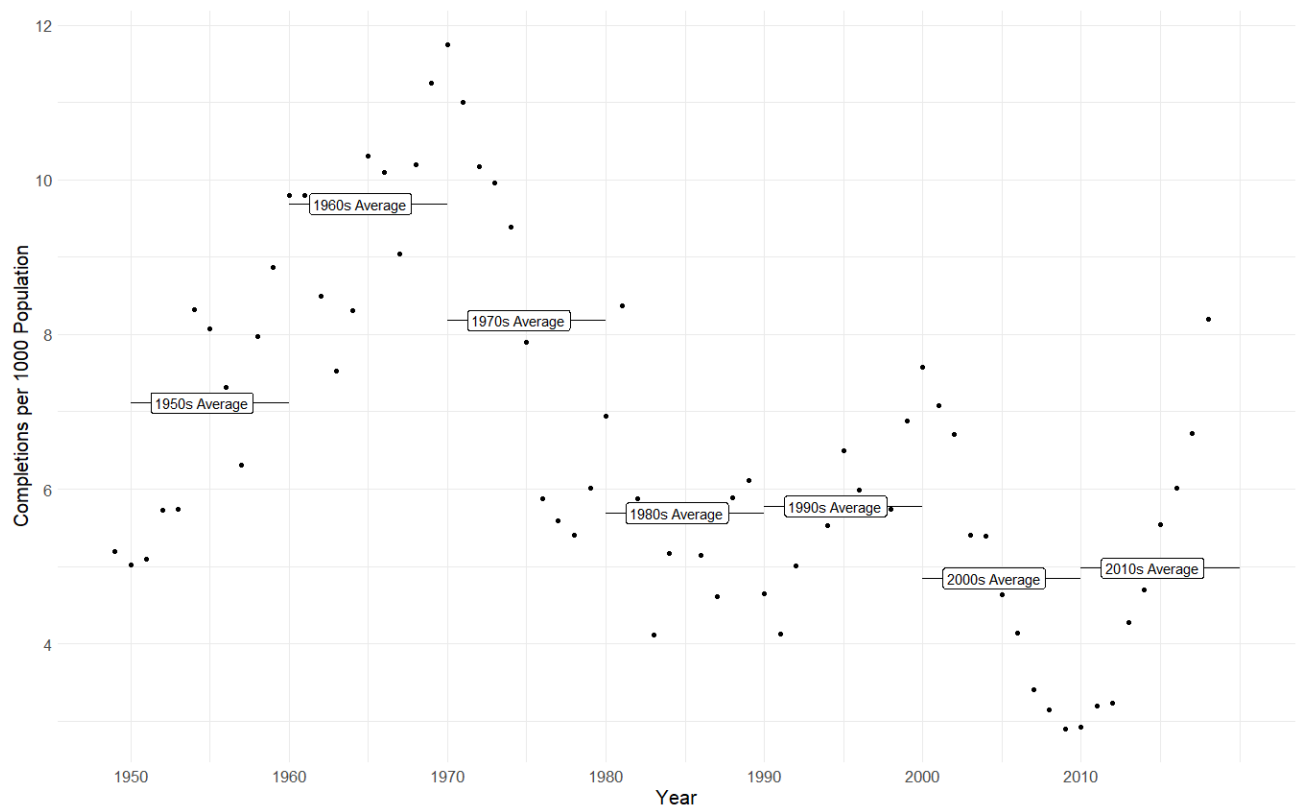
Sydney Needs More Homes

Sydney is in a housing crisis. In the last three years, asking rents have increased by more than 50% from levels that were already too high¹. Families are being forced into impossible decisions- to pay crushing amounts in rent or move far from work, families and friends in search of cheaper housing. Homeownership is increasingly out of reach for those without inherited wealth- with a mortgage on the median house in Sydney requiring an income earned by fewer than 20% of households². Most tragically, increasing numbers of vulnerable Sydneysiders are facing homelessness.³

The primary reason for this is simple- we haven't built enough homes.

Housing construction per capita peaked in 1970 and has never recovered; even the late 2010s building boom was around a third lower than the peak 50 years earlier.

Figure 1: Dwelling completions per capita, Greater Sydney Region



Source: NSW DPPI/DPE (1949-2017), ABS (2017-2019)

¹ SQM Research (2024)

² Canstar (2023)

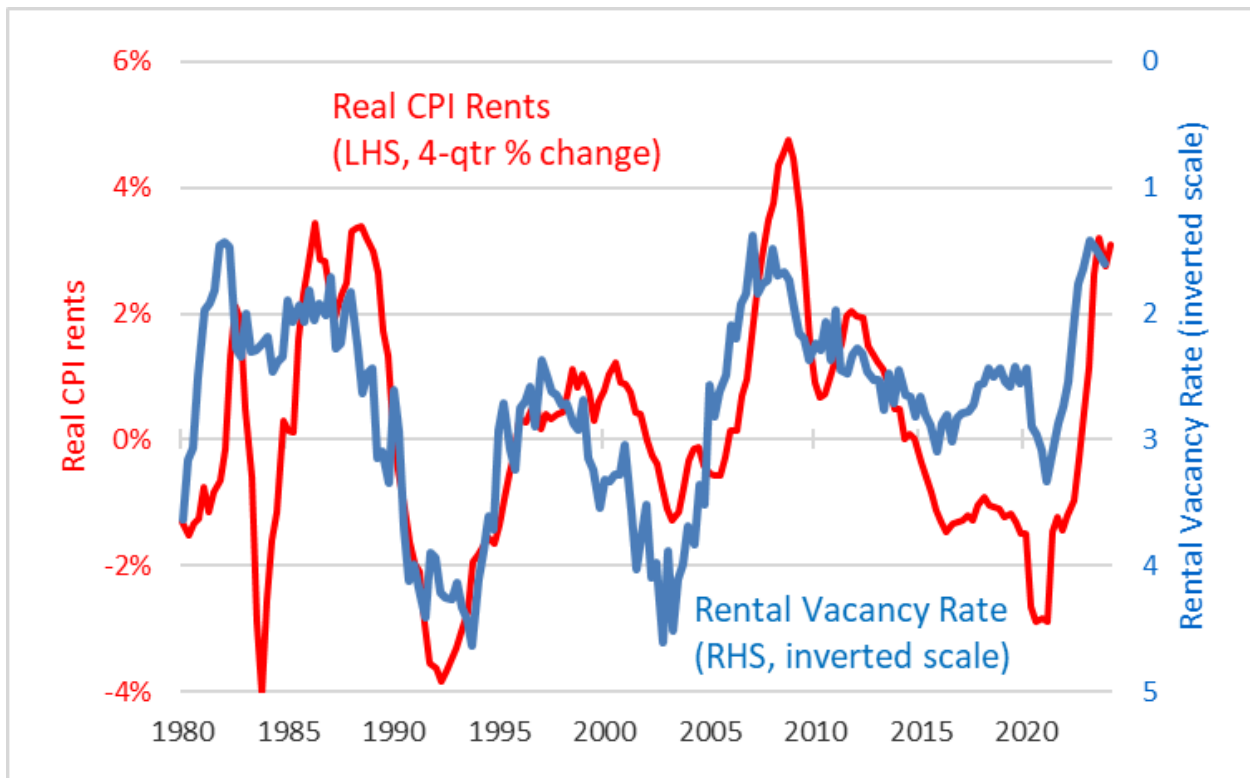
<https://www.smh.com.au/property/news/defies-logic-how-much-income-buyers-need-to-purchase-a-typical-house-20230602-p5ddex.html>

³ ABS Census (2021)

Over the last 20 years, despite by far the highest prices in the country, NSW has built almost 20% fewer homes per capita than Victoria, and almost 30% less than Queensland.⁴ The largest city, with the best job opportunities, transport infrastructure, natural beauty and cultural amenities, should be leading the way when it comes to housing, not lagging behind.

There is extremely strong evidence that this undersupply is the primary reason for housing costs that are too high. Rental vacancy rates, a key indicator of the balance between supply and demand, almost perfectly explain rent changes. The economic logic explaining this is simple: when many renters compete for a small number of homes, they compete to bid up the price to the highest bidder. Conversely, when tenants have many options, landlords are forced to compete to attract a tenant, bringing housing costs down.

Figure 2: Vacancy rates and changes in rents



Source: Tulip and Saunders (2019), updated

One only needs to look a few hours down the Hume Highway to see this principle in action. Over the last two years, the ACT has built almost twice as many homes per capita as NSW- and as a result, vacancy rates are the highest in the country and nominal rents are lower than they

⁴ NSW Productivity Commission (2023)
https://www.productivity.nsw.gov.au/sites/default/files/2023-12/202305_02-building-more-homes-where-people-want-to-live.pdf

were in 2022, despite double-digit inflation.⁵ In recent memory, Sydney has seen similar outcomes- during the peak of construction in the late 2010s, rents were falling.

More formally, leading Australian econometric estimates find that for each 1% the dwelling stock expands, all else equal, costs fall by approximately 2.5%.⁶ Similar findings have been made by other researchers both in Australia⁷ and overseas^{8,9}, and have been endorsed by a range of leading institutions and inquiries, including NSW¹⁰ and Commonwealth¹¹ productivity commissions and treasuries, the RBA, several parliamentary enquiries and an overwhelming majority of economists.

The evidence could not be clearer- if we are to undo the acute housing pressures of recent years and address a shortage decades in the making, we simply have no option but to build many, many more homes. The key question then becomes: where should they be built? Sydney YIMBY believes that Rosehill racecourse should be a significant part of the answer to that question.

Rosehill is a once-in-a-generation opportunity to deliver well-located homes

In the context of an acute housing shortage, the opportunity to redevelop Rosehill for housing is simply too good to pass up.

Current estimates suggest that as many as 25,000 homes could be built on this land- an amount large enough to meaningfully impact Sydney's housing shortage. This would represent an increase of more than 1% in Sydney's housing stock. To put this in context, the highest of the recently announced five-year council housing targets is The Hills Shire, at 23,300.¹² Between 1974 and 2014, there were just four years in which more than 25,000 homes were built across the entirety of Sydney.¹³ Delivering a Wagga Wagga's worth of homes at Rosehill would help to ease the pressure on Sydney's renters, giving breathing room to families struggling with the cost of living and prevent even more young people from being priced out of Sydney.

⁵ ABS Building Activity (2024), SQM Research (2024)

⁶ Tulip and Saunders (2019) <<https://www.rba.gov.au/publications/rdp/2019/pdf/rdp2019-01.pdf>>

⁷ Abelson et al (2005) <<https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1475-4932.2005.00243.x>>

⁸ Girouad et al (2006)

<https://www.oecd-ilibrary.org/economics/recent-house-price-developments_864035447847>

⁹ Oxford Economics (2016)

<<https://www.oxfordeconomics.com/resource/forecasting-uk-house-prices-and-home-ownership/>>

¹⁰ NSW Productivity Commission (2023)

<<https://www.productivity.nsw.gov.au/building-more-homes-where-people-want-to-live>>

¹¹ Productivity Commission (2022)

<<https://www.pc.gov.au/media-speeches/articles/better-housing-outcomes>>

¹² NSW DPPI (2024) <<https://www.planning.nsw.gov.au/policy-and-legislation/housing/housing-targets>>

¹³ NSW DPPI (2018)

Not only does Rosehill have the potential to deliver a large amount of housing, it will do so in a location served by high-quality public transport, providing access to jobs, shops and services. In the coming months, the site will be served by stage 1 of the Parramatta light rail, and in the medium-term will be served by stage 2 of the light rail, as well as a potential station on Sydney Metro West. This will make the site one of the best-served locations for public transport in Sydney, with fast, frequent access to both Parramatta and the CBD, as well as high-quality public and active transport connections to local centres including Sydney Olympic Park, Wentworth Point, Carlingford and Westmead.

Across these three projects, the NSW government will have spent more than \$30 billion on projects serving Rosehill¹⁴, and redeveloping the racecourse for housing will allow 25,000 additional families to make use of them. This will help these projects deliver value for money for taxpayers, while easing congestion, contributing to environmental sustainability and a more vibrant, compact urban form.

Single sites with capacity for 25,000 homes are extremely rare. Single sites with capacity for 25,000 homes served by multiple brand-new public transport projects are almost unheard of. The government has declared that housing is its top priority. If it wants to be taken seriously, it needs to deliver on its word and pull out all the stops to deliver as much dense, transit-oriented housing at Rosehill as possible.

Recommendation 1: The NSW Government should actively work to facilitate the redevelopment of Rosehill racecourse for as much dense, transit-oriented housing as possible. This should include fast-tracking master-planning and rezoning, commencing design and construction of an additional station on Sydney Metro West and beginning remediation and enabling infrastructure works.

Land value uplift should be captured

Racecourses are wasteful uses of extremely scarce land. Rosehill Racecourse covers almost 60ha, but produces little economic or social value. The entire horse and dog racing industry in NSW employs only 3,100 people, of which Rosehill is responsible for a tiny share.¹⁵ Almost all of the time, the vast majority of the racecourse sits empty and unused.

This is reflected in the current value of the land on which the racecourse sits- just over \$25 million, or approximately \$43 per square metre.¹⁶ Directly across James Ruse Drive, the land containing the Rydges hotel is valued at almost \$1,800/sqm and land containing apartments is valued at almost \$5,000/sqm.¹⁷ In purely economic terms, land used for housing produces more

¹⁴ Transport for NSW (2024)

¹⁵ ABS Census (2021)

¹⁶ NSW Valuer General (2024) <<https://portal.spatial.nsw.gov.au/portal/apps/webappviewer/index.html>>

¹⁷ Ibid.

than 100 times greater value than land used for racing. By shielding the ATC from facing the full opportunity cost of its use of this land, the government is effectively subsidising the racecourse by millions of dollars each year.

Such a large subsidy to an economically unproductive use of land could be justified if the racecourse produced positive community benefits- for example, parks and libraries produce little direct economic activity, but deliver substantial amounts of broader social value. However, it is unclear that racing contributes positively to the community, with the social benefits or harms of racing being hotly contested. Sydney YIMBY does not take a position on these specific issues other than to note that there is certainly not a clear case for racing to be subsidised to preserve its inefficient use of scarce land.

A key implication of the low current land value is that rezoning Rosehill for residential development will lead to a substantial windfall gain to the ATC, the current landowner. Using comparable sites nearby, this windfall is likely to be in the order of hundreds of millions of dollars. Far from being a reason not to progress from the rezoning, this is an enormous opportunity. At the stroke of a pen, the government can create a huge amount of economic value, which can be taxed.

This revenue should be used to cover the costs of infrastructure, site remediation as well as the provision of subsidised housing. As highlighted in our submission to the Sydney Metro West inquiry¹⁸, similar value capture approaches have been successful in funding infrastructure projects overseas, including the Elizabeth Line in London and MTR in Hong Kong.^{19,20}

We note that inclusionary zoning (IZ) and affordable housing requirements effectively act as a form of value capture. Sydney YIMBY believes that monetary value capture is a more transparent and efficient approach and is likely to lead to better outcomes than IZ.

Firstly, by capturing the value in monetary form, the government is able to use the funds for a variety of purposes, including enabling infrastructure, rather than just extracting concessionary rents for a small number of units. Secondly, monetary calculations are more transparent and clear for all participants. Calibrating IZ requirements is a complicated, assumptions-driven task requiring projections of construction costs, interest rates, rents and sales prices. It is easy to set them too high, in which case development feasibility will be impacted, or too low, in which case value is left on the table.

¹⁸ Sydney YIMBY (2023)

<<https://www.parliament.nsw.gov.au/ladocs/submissions/82001/Submission%2020%20-%20Sydney%20YIMBY.pdf>>

¹⁹ Buck (2017)

<<https://learninglegacy.crossrail.co.uk/wp-content/uploads/2017/09/1C-002-Finance-Funding-and-Value-Capture.pdf>>

²⁰ World Bank PPPLRC (2014)

<<https://ppp.worldbank.org/public-private-partnership/library/land-value-capture-mechanism-case-hong-kong-mtr>>

The fairest and simplest way to capture the value is to levy a monetary tax. This could be collected in a variety of ways- for example, when the land at Rosehill is sold to developers, the government could levy a tax on the ATC equal to a share of the difference between the previous land value and the land sales revenue. Given the uplift in value is a pure windfall gain to the ATC, Sydney YIMBY would suggest a high value capture rate of at least 75%.

This would benefit all parties: the ATC would still receive a significant benefit, enticing it to sell the land and allowing it to invest in facilities elsewhere, the government would earn substantial revenue to fund infrastructure, and developers and the community would have clarity about the future of the site.

Further, now that the potential for redevelopment has been identified, the opportunity cost, or tradeoff, of preserving the land as a racecourse is clear. Media reports have suggested that some figures inside the ATC are attempting to scuttle the redevelopment.²¹ In order to strengthen its negotiating position and ensure that the redevelopment does go ahead, the government should commit to rezoning the land regardless if the ATC agrees to proceed. This would prompt a substantial revaluation from the valuer general and an increase in rates paid to Parramatta Council as well as land tax revenues to the NSW government. This would expose the ATC to the true opportunity cost of using prime land for such a low-value purpose.

If the ATC wishes to continue racing at Rosehill, it should pay the true cost of doing so, rather than being subsidised by the community.

Recommendation 2: The NSW government should capture at least 75% of the land value uplift resulting from the rezoning of Rosehill Racecourse, and use the revenue to fund infrastructure, amenities and subsidised housing. This should be applied transparently and monetarily, instead of opaque inclusionary zoning value capture mechanisms.

Recommendation 3: If the ATC pulls out of the proposal, the NSW government should rezone Rosehill for residential development anyway, and instruct the Valuer General to re-value the land on the basis of its potential for residential development.

²¹ Pengilly & Segart (2024)

<<https://www.smh.com.au/sport/racing/will-rosehill-racecourse-ever-turn-into-its-promised-mini-city-we-asked-the-people-in-the-know-20240321-p5fe44.html>>