

Regional Housing Taskforce

UDIA NSW Submission

August 2021

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ABOUT THE UDIA

Established in 1963, the Urban Development Institute of Australia NSW (UDIA) is the peak industry body representing the leading participants in urban development in NSW. Our more than 500 member companies span all facets of the industry including developers, consultants, local government and state agencies. We have a strong commitment to good growth in the regions. A quarter of our members are based in regional NSW, and we have active Chapters in the Hunter, Central Coast, and Illawarra Shoalhaven. Our advocacy is based on creating liveable, affordable and connected smart cities.

INTRODUCTION

We welcome the creation of the NSW Regional Housing Taskforce (Taskforce). UDIA strongly believes that addressing housing concerns and enabling sustainable growth requires close collaboration between government and the development sector and accordingly, there is a clear facilitation role which UDIA actively provides.

The regions have different challenges compared to Greater Sydney, and every region has its own unique needs and pressures. UDIA has extensive experience in the Hunter, Central Coast, Illawarra and Shoalhaven regions where we have active Chapters. These regions make up what has been referred to as the Sydney Megaregion, being those high-growth regions within a two-hour radius of Greater Sydney. These areas share opportunities and challenges that are different from other regions that are more distant from Sydney. Our submission focuses mainly on the Hunter, Central Coast, Illawarra and Shoalhaven, although our recommendations would likely benefit all regions.

Our research and experience on the ground, both give credence to the existence of housing stress in these regions, where demand is outstripping supply. Unfortunately, the situation is on track to worsen without intervention and thus the Taskforce's work is timely and necessary.

UDIA's submission details our recommendations which are summarised below under three focus areas:

- Establish cross-government coordination to deliver more housing supply
- Accelerate housing delivery
- Create a sustainable housing pipeline

We arrived at these recommendations through workshops with our members and more formal research. Many of our suggestions have been included in other submissions, e.g., to the [Illawarra Shoalhaven Regional Plan 2041](#), and our [NSW 2021 Pre-Budget submission](#).

We have provided links to several detailed reports that outline specific infrastructure items and planning proposals, whose delivery could be accelerated to increase housing supply in the specific regions, and a seniors housing solution.

In addition, we will supplement this submission shortly with further papers that are currently being developed on the topics of biodiversity, the draft Housing SEPP and rezoning reform.

Recommendations:

Focus Area #1: ESTABLISH CROSS-GOVERNMENT COORDINATION

1. “Housing supply” should be measured in terms of the number of dwellings available to be brought to market now, i.e. Developable Supply - land or units that are DA-approved, with biodiversity arrangements in place and fully serviced.
2. To keep prices affordable, a region must coordinate planning to deliver a minimum of twice the supply relative to forecast annual demand.
3. Establish a robust, digitally enabled Urban Development Program Committee (UDP) with government and industry stakeholders in each region that influences planning and funding decisions by the NSW Government Cabinet to better coordinate infrastructure and the delivery of housing.
4. Provide confidence to invest in NSW (including in the regions) by delaying Government Planning Reforms which are in-consultation and will adversely impact on development feasibility and housing supply as industry looks to recover from COVID shutdowns. Policies include:
 - The Design and Place SEPP EIE, and
 - The Housing SEPP

Focus Area #2: ACCELERATE HOUSING DELIVERY

5. Invest in enabling infrastructure now: Create a \$1bn fund, similar to the Housing Acceleration Fund (HAF), to build the infrastructure outlined in the UDIA *Building Blocks* reports (attached).
6. Provide incentives for councils to forward fund their enabling infrastructure by borrowing via TCorp and unlock Development Contributions held by councils. A grant fund up to the value of \$100m would help deliver councils’ existing enabling infrastructure projects, catalysing the spending of \$1bn of infrastructure funding.
7. Utilise a site’s full yield potential as allowed under its zoning by limiting the avoid-minimise test to the rezoning stage. For zoned development sites, biodiversity impacts that are not serious and irreversible impacts (SAII) should be mitigated only through the offset mechanism. For sites seeking rezoning, approval processes should allow for decisions to be given early on SAII entities to provide clarity for all parties.
8. Expand council reporting to include additional development categories.
9. Utilise a project’s detailed study throughout the planning process, rather than requiring “repeat assessments” of the same issue at planning proposal, Development Application and Construction Certificate stages. Where additional detail is required, allow existing work to be built upon instead of duplicated.
10. Use contractors to supplement council resourcing to help address the “backlog” of DAs presently in the system.
11. Extend the First Home Buyer grants and assistance scheme for apartments purchased off the plan.
12. Remove/reduce foreign investor surcharges on new build apartments.
13. Provide loan guarantees in exchange for lower project pre-sales thresholds to get apartment construction moving.
14. Run a positive campaign to restore confidence in the quality of construction for off the plan apartments and the good work the NSW Building Commissioner has done to tackle this issue.

Recommendations continued

Focus Area #3: CREATE A SUSTAINABLE HOUSING PIPELINE

15. Bring forward the assessment of the planning proposals in UDIA's Greenfield Land Supply Pipeline report (attached). DPIE should lead the process if necessary.
16. Publish deadlines for rezoning decisions and precinct approvals, creating transparency and accountability to enable investment confidence.
17. Review the maximum height controls in Medium Density Residential zones to ensure they enable feasible development.
18. Review the use of SP1 and SP2 special uses zones to ensure they remain fit for purpose, with a view to allowing some existing sites to provide affordable regional housing.
19. Commission a study to explore the viability of expanding the Mines Grouting Fund to cover all areas in NSW that are subject to mine subsidence.
20. Consider the UDIA recommended LEP clause for the Central Coast and other regions where seniors housing is inadvertently constrained by environmental zones.
21. Avoid imposing affordable housing levies on development which will overall reduce housing supply and result in increased prices.
22. Encourage partnerships between local councils and community housing providers to own and manage a dedicated affordable housing dwelling once it has been dedicated to a council.
23. Avoid the provisions of the proposed Housing SEPP that would impede supply of diverse, affordable and seniors housing (see upcoming separate submission).
24. To successfully create lasting change in the regional housing supply pipeline, Government needs to identify how the Taskforce recommendations will be delivered and by whom, with funding and an implementation program including frequent reporting requirements.

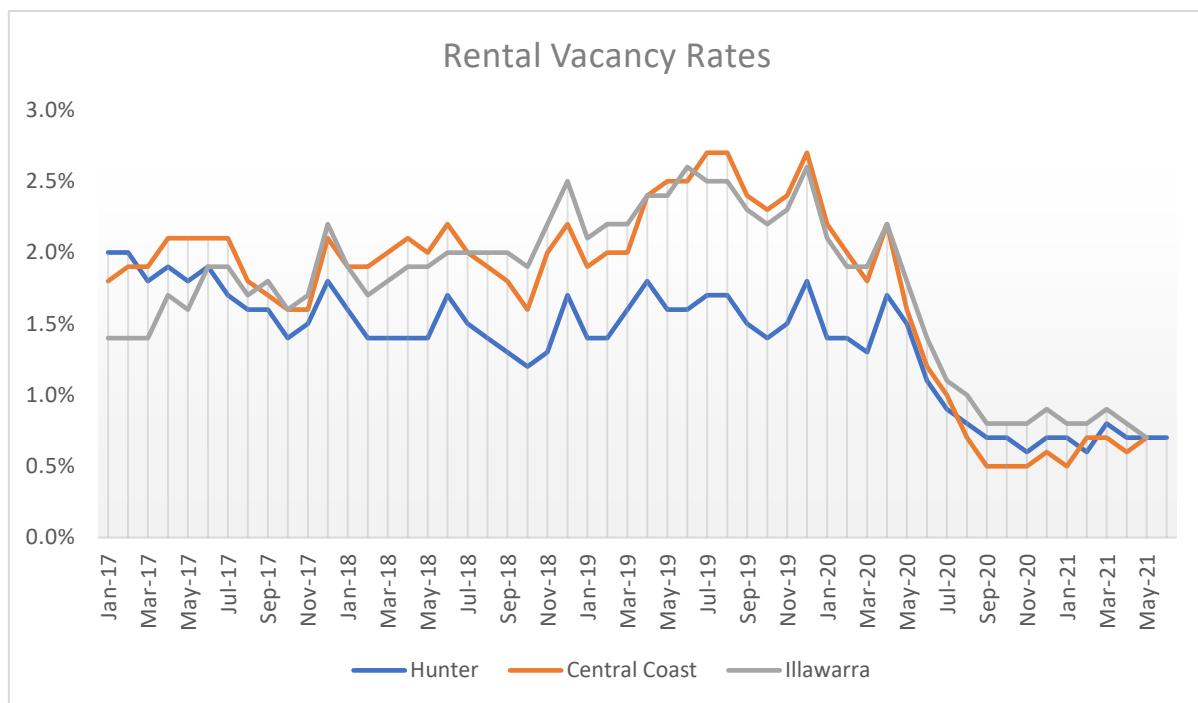
BACKGROUND: INDICATORS OF UNDERSUPPLY

The Taskforce understands that the population of the regions is growing and that the undersupply of housing is leading to rapidly rising prices and rents.

Australian Bureau of Statistics (ABS) data¹ backs up the Taskforce's suppositions, showing that in the 12 months to March 2021, there was a rise in the number of people arriving in the NSW regions and a decline in the number of people leaving the regions. Housing supply is struggling to accommodate demand, particularly in the high-growth outer-Sydney regions of the Hunter, Central Coast and Illawarra Shoalhaven, where we see record low rental vacancy rates, indicating high housing stress and significant undersupply. The Reserve Bank Australia (RBA) has identified² that a 'very low' vacancy rate is indicative of high rental demand, and that a relationship exists between vacancies and dwelling completions. The RBA finds that real rent growth is observed when vacancy rates drop below 3%.

In the case of the Hunter, Central Coast and Illawarra regions, the rental vacancy rates:

- Have been below 3% since 2017 (when the current Regional Plans were implemented)
- Have been below 1% since mid-2020³, indicating a significant undersupply of new dwelling stock.



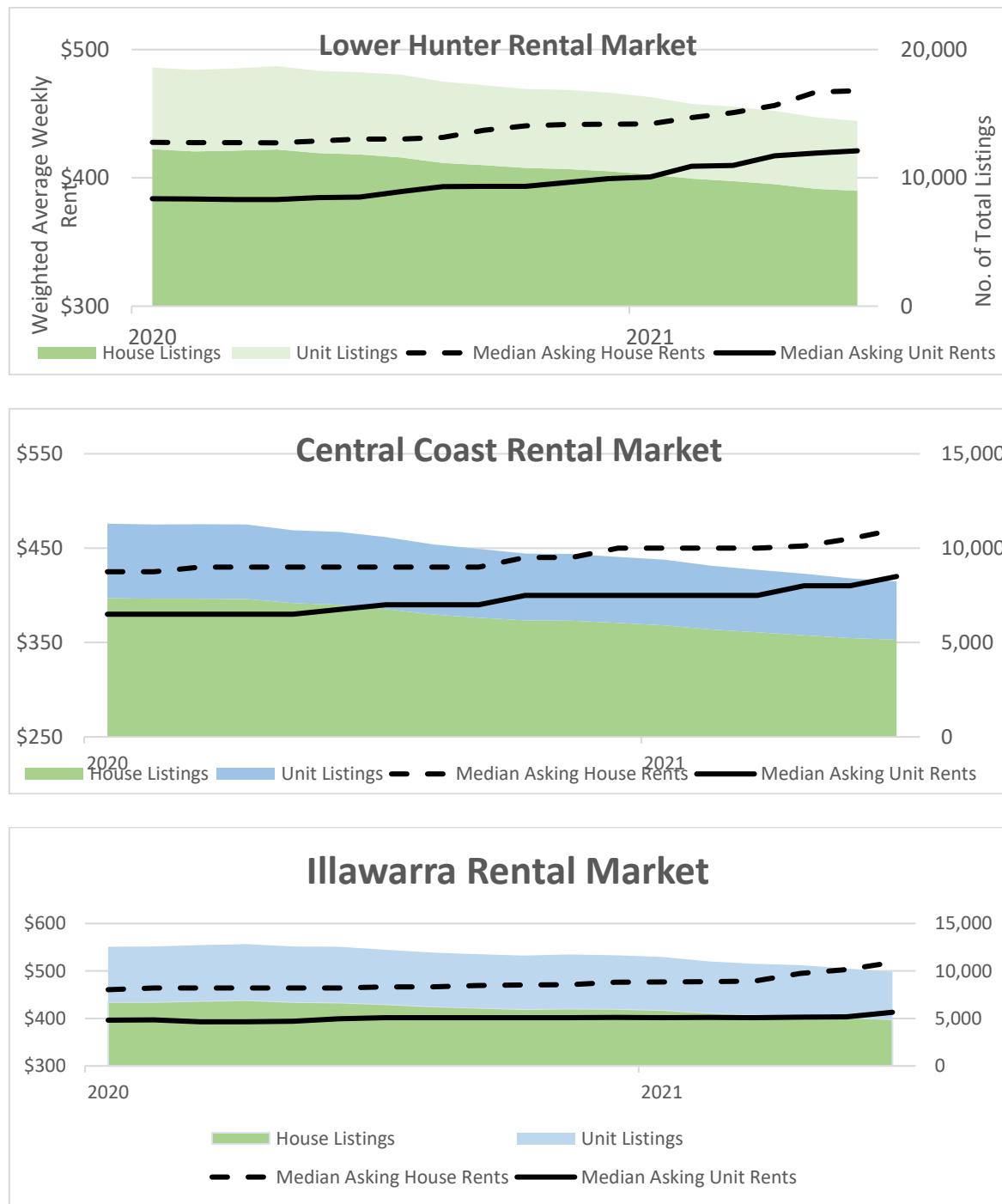
Source: SQM Research (to June 2021)

¹ ABS Regional internal migration estimates, provisional, March 2021

² Saunders, D. and Tulip, P. (2019). *A Model of the Australian Housing Market*, Reserve Bank of Australia

³ SQM Research (to June 2021)

The lower rental vacancy rates correspond to reductions in the number of house and unit rental listings in the Hunter, Central Coast and Illawarra, and recent increases in asking rental prices.



Source: CoreLogic, Median asking rents + Rental listings (data to June 2021)

Falling rental listings, rising rents and record low vacancy rates indicate significant undersupply of housing. Supply should be increased by providing more certainty and coordination in the planning system; accelerating delivery of the existing pipeline; and refilling the pipeline with diverse and affordable stock.

FOCUS #1: ESTABLISH CROSS-GOVERNMENT COORDINATION TO DELIVER MORE HOUSING SUPPLY

UDIA's research partner Research4 has explained the relationship between housing supply and affordability: to keep prices affordable, it is necessary to have a minimum of twice the number of dwellings approved and serviced as the market demands. When a market falls below this 2:1 metric, prices rise into unaffordable territory. The 2:1 factor allows developers to quickly respond to demand pressure and release more lots to market, stabilising prices.

The sales and rental data outlined in the section above supports this hypothesis. We have seen this work in practice in the Maitland greenfield housing market over recent years, where abundant stock keeps prices lower relative to under-supplied LGAs like Lake Macquarie, Central Coast or Wollongong.

Unfortunately, the planning system tends to measure housing "supply" in terms of zoned land. Zoned land does not always convert to developable supply, and when it does, the process is slow. Indeed, it typically takes years to deliver zoned land to market, during which time housing prices and housing stress will rise.

UDIA recommends:

1. **The NSW Department of Planning, Industry and Environment (DPIE) should track the number of dwellings available to be brought to market quickly, i.e., Developable Supply - land or units that are DA-approved, with biodiversity arrangements in place and fully serviced, and government should use the data to make decisions that enable the maintenance of a healthy housing supply pipeline.**
2. **When measuring greenfield supply, DPIE should set a target of delivering a minimum of twice the number of developable dwellings compared to forecast demand - the number of dwellings required to meet expected population growth in a region and keep prices affordable.**

The planning system is not fit for purpose to achieve this goal of 2:1 – developable supply to demand. UDIA believes unequivocally that the primary challenge to delivering housing supply in the regions and indeed throughout all of NSW, is the uncertainty and complexity of the NSW planning system and the lack of integrated delivery of enabling infrastructure that results in unnecessary delays and costs.

The planning system touches all parts of the NSW Government, not just the Planning and Assessment functions under the NSW Department of Planning, Industry and Environment (DPIE). In recognition of this reality, our submission adopts a broad definition of "the planning system" and our recommendations sometimes necessarily touch on actions outside of the realm of planning and public spaces. UDIA has endeavoured to prepare this submission to focus specifically on improvements for the benefit of the regions, as per the Taskforce Terms of Reference, although most of our recommendations would benefit the whole of NSW.

So, what is different in the regions?

- Traditionally, planning system challenges are often exacerbated by lower returns on investment due to lower sales prices and slower sales rates. This has changed somewhat over the past year, but it is unclear whether higher prices and turnover in the regions will be maintained.

- New land considered for development faces higher biodiversity challenges. This has become an acute problem since the implementation of the Biodiversity Conservation Act 2016 (BC Act).
- Some planning policies developed in Sydney are one-size-fits-all that are inappropriate in a regional context. For example, affordable housing development standards that require sites to be within a certain distance of a business centre or public transport, may not match a regional town's configuration.
- On the other hand, some innovative planning approaches utilised in Sydney are not applied for the benefit of the regions. For example, tools like Place Infrastructure Compacts and Land Use and Infrastructure Implementation Plans, designed to achieve early agreement across agencies on infrastructure needs for future development, have not been implemented in the regions.
- High-growth regions closest to Sydney have had lower investment in enabling infrastructure. The Illawarra Shoalhaven and Central Coast are facing long delays for critical water and sewer projects. The Hunter, which accounts for 8% of the State's population, has only received 1% of the Transport for NSW (TfNSW) capital works budget over the past 5 years, resulting in 18,000 residential lots constrained by an under provision of regional road infrastructure.

These shortcomings should be addressed through a greater focus on providing more certainty and coordination within each region. Such reforms are essential to meet the critical needs of the high-growth regions in the Sydney Megaregion, i.e., Hunter, Central Coast and Illawarra Shoalhaven, and their implementation across the state will benefit all regions.

Implement an Urban Development Program Committee in Each Region

Both the Illawarra and Hunter regions have their own Urban Development Program (UDP) Committee, which is attended by State and local government officers, members of the development industry and utility providers, who meet quarterly to discuss regional planning and coordination issues.

UDIA firmly believes the UDP Committee's function should be strengthened within the planning and funding governance framework, to directly inform decisions by the NSW Government Cabinet to fund infrastructure that supports housing delivery. We believe that each growth region should have a dedicated UDP Committee consisting of representatives from DPIE, Regional NSW, councils, water authority, TfNSW, electricity distributor and industry.

Each UDP Committee should:

- monitor the delivery of housing and track progress against NSW strategic plans (e.g., Regional Plan);
- agree on and document the enabling infrastructure and other needs of each place and their status in overcoming hurdles;
- prioritise the sequencing of places; and
- recommend infrastructure funding priorities to support the delivery of places.

As a coordinating body, the UDP Committee's recommendations should influence planning and funding decisions by the NSW Government Cabinet, including its agency capital program priorities and

investment of any State developer contributions collected. This could be assisted by the adoption of a digitally enabled UDP tool that can be used to undertake modelling for rapid preparation of infrastructure business cases, so that relatively low-risk investment decisions can be made quickly, supporting housing supply with the ultimate goal of managing affordability outcomes.

UDIA has developed a next generation UDP technology tool in the Southwest Sydney Stage 2 Pilot undertaken in 2020, with the collaboration of DPIE, the NSW Digital Twin, four local councils, utilities providers and developers. The vision is to develop a ‘one-source-of truth’ of forward residential and supply locations, yields and timings with requisite enabling infrastructure to better inform growth planning and growth servicing. We would be pleased to demonstrate the Urban Pinboard UDP with our technology partner Giraffe Technologies, which visualizes the outputs in a 3D digital twin of the existing city that enables planners to see the necessary infrastructure and decision making required to plan the future city and analyse the best return on investment for enabling infrastructure.

This digital tool delivers better places by providing:

1. An accessible and interactive map of future infrastructure delivery and planned development facilitating better co-ordination, reduced delivery times and lower costs;
2. Planning tools that allow for rapid simulation of different outcomes based on user-defined constraints, enabling a quick exploration of options and timely communication with the community; and
3. Embedding a new collaborative methodology between government agencies, LGAs and industry to coordinate and monitor housing supply and targets in urban renewal areas, infill and new communities in land release areas.

UDIA recommends:

3. **Establish a robust, digitally enabled Urban Development Program Committee in each region that influences planning and funding decisions by the NSW Government Cabinet to better coordinate infrastructure and the delivery of housing.**

Improve the biodiversity system

Biodiversity represents the greatest uncertainty for a land development site.

When a developer analyses the feasibility of a site, a known risk margin can be applied to most line-item cost assumptions, but not for biodiversity. In trying to understand the cost impacts of biodiversity under the Biodiversity Conservation Act there is no certainty or safety margin that can be justified, nor any way of forecasting the price change. The developer can only guess. Will their yield be reduced by a council’s interpretation of the avoid-minimise test? Will the price of their offset obligation stay affordable? The BC Act system is full of surprises, with the only certainty that the cost of offsetting is likely to change, sometimes by 100% or millions of dollars.

The design of the BC Act encourages site-by-site offsetting that produces unlinked pockets of conservation land. A more coordinated approach can be achieved via strategic conservation planning, i.e., bio-certification. DPIE has led broadscale strategic conservation planning in Western Sydney and is currently undertaking the process for many of the zoned sites across the Central Coast, which UDIA supports. While we acknowledge the complexity involved in the project, we are disappointed in the timeframes involved. We encourage the NSW Government to devote more resources to deliver the Central Coast plan sooner, which will provide more confidence to invest and increase housing supply.

This type of broadscale strategic conservation planning should be considered in other regions where housing supply is needed, including the Hunter.

The NSW Government has acknowledged that the current biodiversity offset scheme and the offset payment calculator should be improved to bring more certainty and transparency of pricing. The Biodiversity Conservation Trust (BCT) is currently developing proposed changes to the calculator and pricing model and UDIA is engaging with the BCT in that process. While we are hopeful some improvements can be found on this discrete issue, there are many other issues in the overall biodiversity system that must also be addressed.

To bring more certainty to biodiversity requirements on development and further benefit the environment, UDIA is working on a more comprehensive set of recommendations to improve the biodiversity system. Our paper will be released in mid-September, and we will share its outcomes with the Taskforce at that time.

Provide Confidence to Invest in NSW

The complexity of the NSW planning system adds time and cost to development. Current reform proposals have introduced even more uncertainty and are causing concern in the industry that could hinder new housing supply. UDIA recommends:

- 4. Delay Government Planning Reforms which are in-consultation and will adversely impact on development feasibility and housing supply as industry looks to recover from COVID shutdowns. Policies include:**
 - 1. The Design and Place SEPP EIE, and**
 - 2. The Housing SEPP**

FOCUS #2: ACCELERATE HOUSING DELIVERY

The undersupply of housing can be alleviated in the short term by accelerating the delivery of both greenfield sites that are already zoned for residential purposes, and apartments already approved but not commenced. The delivery of housing supply requires infrastructure investment.

21,000 greenfield lots across the Hunter, Central Coast and Illawarra Shoalhaven regions are unable to be delivered by FY29 due to a lack of enabling infrastructure according to UDIA's *Greenfield Land Supply Pipeline* report. Many zoned sites also experience a reduction in yield under the BC Act which imposes the avoid and minimise test more than once through the land use planning process (i.e., at both rezoning and DA stages).

There are currently 78,000 potential apartment units across NSW that are approved but not commenced. The single biggest issue in the apartment market is the inability to achieve off the plan pre-sales which can then unlock financing.

We believe the best way to increase supply and reduce pressure on housing affordability in the short term, is to find ways of converting existing approvals into construction projects by accelerating enabling infrastructure, utilising the full value of a site's zoning, and tackling apartment financing.

Invest Now in Critical Enabling Infrastructure Identified in UDIA Building Blocks Reports

Many currently zoned sites are constrained by a lack of enabling infrastructure such as state roads, water, sewer and power. The NSW Government should invest now in delivering critical enabling infrastructure to unlock significant housing in the regions.

UDIA has produced three updated *Building Blocks* reports that identify the specific critical enabling infrastructure items currently needed in the Hunter, Central Coast and the Illawarra Shoalhaven regions respectively. Our *Building Blocks* reports are linked to this submission:

- [Building Blocks Hunter](#)
- [Building Blocks Central Coast](#)
- [Building Blocks Illawarra Shoalhaven](#)

To fast-track the delivery of this critical infrastructure and the housing it supports, UDIA recommends:

5. Create a \$1bn fund, similar to the Housing Acceleration Fund (HAF), to build the regional infrastructure outlined in the UDIA *Building Blocks* reports.

When enabling infrastructure falls to councils for delivery, upfront financing is a challenge. Infrastructure contributions collected by councils for pieces of infrastructure can take many years to become fully funded. Unfortunately, until they are fully funded, under the current infrastructure contributions systems, it is very difficult for councils to deliver infrastructure, despite significant unused total contributions. UDIA's [Infrastructure Funding Performance Monitor](#) report outlines the close to \$350,000 unspent contributions held as restricted assets by councils in the Hunter and Illawarra Shoalhaven regions. The inflexibility of the system results in long delays to housing development. The Productivity Commissioner has recommended making it easier for councils to borrow via TCorp and this has been accepted by the Government. To motivate councils to make use of the facility and create momentum, the NSW Government should provide a council grants program for specific pieces of enabling infrastructure for the final 10% of the cost of infrastructure.

UDIA recommends:

6. Provide incentives for councils to forward fund their enabling infrastructure by borrowing via TCorp and unlock Development Contributions held by councils. A grant fund up to the value of \$100m would help deliver councils' existing enabling infrastructure projects, catalysing the spending of \$1bn of infrastructure funding.

Utilise a Site's Full Yield Potential

When a potential housing site is identified, the prospective developer runs a feasibility analysis to determine the likely costs against the possible yield to make an informed investment decision. During the course of the land use planning process, many variables can change a site's viability. In the sections above, we outlined the risks associated with enabling infrastructure and market barriers. Biodiversity is another major challenge in the regions.

The BC Act is based on the concept of the avoid-minimise-offset hierarchy. When considering land development, the project must first avoid biodiversity impacts as much as possible, by adjusting the development footprint; then it must minimise the impact, again by adjusting the development footprint; and finally, unavoidable impacts must be offset through setting aside other land for conservation, and/or paying into the Biodiversity Conservation Fund.

The BC Act grants wide discretion to councils to interpret the avoid-minimise test. Interpretations vary across councils and even among individual ecologists within a single council. The avoid-minimise test imposes enormous uncertainty, time delays and costs on development and results in reduced housing supply.

Under the BC Act, the avoid-minimise test can be applied at both the rezoning and the DA stages. The result is that a precinct can have its yield reduced at rezoning, and then again when DAs are considered. For example, we are aware of a precinct that was rezoned in 2013, with some land set aside under environmental zoning and some land zoned residential. In other words, the precinct rezoning avoided and minimised the environmental impact by setting aside land for conservation. Investors purchased R2 zoned land in this precinct with the expectation that it could be fully developed. The subsequent implementation of the BC Act has allowed the council to impose additional avoidance and minimisation across the precinct through the DA assessment process. In this example, the council is seeking further avoidance such that the land's housing yield potential would be reduced by 87%. The developer has spent tens of thousands of dollars over several years in trying to negotiate a lesser yield loss that will allow the project to proceed. Their best hope under the BC Act is to be able to get 50% of the original expected yield.

When councils engage in this practice, housing yield is reduced or even eliminated altogether by undermining a project's viability. The outcome cannot be known to the developer at the start of the planning process.

UDIA contends that this double-dipping is completely unreasonable and imposes too much uncertainty and risk on development. We recommend:

- 7. Utilise a site's full yield potential as allowed under its zoning by limiting the avoid-minimise test to the rezoning stage. For zoned development sites, biodiversity impacts that are not serious and irreversible impacts (SAII) should be mitigated only through the offset mechanism. For sites seeking rezoning, approval processes should allow for decisions to be given early on SAII entities to provide clarity for all parties.**

Accelerate Approvals

Many sites could deliver new housing in the short term if their approvals were accelerated. To fully understand the status of housing supply in an LGA, it is important to track the council's true performance in meeting assessment timeframes. UDIA understands that councils have legislative timeframes for DA assessment and that a council's performance is often measured against statewide timeframe averages and Departmental targets as Key Performance Indicators (KPI). These timeframes can be useful for their utility in promoting certainty and timely delivery outcomes, and we fully support their transparent reporting. However, the timeframe KPIs are not the outcome in themselves. Unfortunately, the system can be manipulated, and some councils can find themselves in the perverse situation of having what look like favourable assessment timeframe metrics, but not meeting their housing needs. It is also true that for many councils, reporting is skewed by the high numbers of simple, quickly-assessed DAs that mask the lower number of larger, more complex DAs – typical of UDIA members proposing land subdivision or other urban development – that often fall outside assessment timeframe goals.

To more accurately reflect councils' performance, UDIA recommends that councils report quarterly with a deeper analysis of development categories rather than just median/average turnaround times.

Reporting should be broken down to include the following categories:

- Median turnaround times for DA's >\$5M;
- Median turnaround times for DA's >\$30M;
- Median turnaround times for DA's involving the creation of more than 20 lots; and
- Median turnaround times for DA's involving the creation of more than 100 lots.

We recommend:

8. Expand council reporting to include additional development categories as outlined in our submission.

Duplication of effort at multiple stages in the planning process can add time. Under-resourcing of council staff also presents a challenge, particularly where councils have been unable to fill specialised roles in a timely way. While recruitment is underway, councils can use contractors to assist in assessment, engineering and other crucial roles in the approval process.

We recommend:

9. Utilise a project's detailed study throughout the planning process, rather than requiring "repeat assessments" of the same issue at planning proposal, Development Application and Construction Certificate stages. Where additional detail is required, allow existing work to be built upon instead of duplicated.

10. Use contractors to supplement council resourcing to help address the "backlog" of DAs presently in the system.

Encourage Construction of Approved Units

The apartment market is struggling across NSW with approvals down 46% in the regions from the 2016 peak and commencements down 43% across the state. Currently across the state, there are 78,000 potential units that are approved but not commenced. The single biggest issue in the market is the inability to achieve off the plan pre-sales which can then unlock financing.

Given the need to do something quickly, we believe the best way to fix the apartment market and reduce pressure on housing affordability in the short term is to find ways of converting existing apartment approvals into construction projects, by tackling the financing problem and reducing pre-sales barriers. UDIA has offered the following recommendations to the NSW Treasurer in response to his outreach:

11. Extend the First Home Buyer grants and assistance scheme for apartments purchased off the plan.

12. Remove/reduce foreign investor surcharges on new build apartments.

13. Provide loan guarantees in exchange for lower project pre-sales thresholds. The NSW Government provided up to \$750m via a loan guarantee scheme to help universities through the COVID-19 pandemic. We believe that an equivalent scheme for apartments could play a significant role in getting construction moving.

14. Run a positive campaign to restore confidence in the quality of construction for off the plan apartments and the good work the NSW Building Commissioner has done to tackle this issue.

FOCUS #3: CREATE A SUSTAINABLE HOUSING PIPELINE

Developers are deciding where to invest their money now to get the best returns, and it is essential that developers see that regional NSW is focused on delivering housing supply in the medium term. This means focusing on providing the re-zonings to enable housing supply and removing government initiatives that will undermine feasibility and housing affordability.

Accelerate Approval of Current Planning Proposals

A key barrier to increased supply is the slow rate of new land being rezoned and unlocked for development. UDIA's [*Greenfield Land Supply Pipeline*](#) report lists the current planning proposals that should be accelerated to bring more housing to the market sooner in the Hunter, Central Coast and Illawarra Shoalhaven. Where planning proposals of strategic importance have not been advanced, for example because of fragmented ownership or insufficient prioritisation by councils, DPIE should intervene and lead the process.

Currently, the NSW Government and Councils do not publish when a re-zoning will be delivered, nor the timing and progression of key milestones in the process. Putting this into the public domain will greatly improve accountability in the rezoning process and support the more reliable delivery of new homes.

We recommend:

15. Bring forward the assessment of the planning proposals in UDIA's *Greenfield Land Supply Pipeline* report (attached). DPIE should lead the process if necessary.
16. Publish deadlines for rezoning decisions and precinct approvals, creating transparency and accountability to enable investment confidence.

We acknowledge that there are efforts underway within DPIE to reform the rezoning process. UDIA is developing recommendations to inform this work and we will continue to engage closely with DPIE on the rezoning process and ongoing reform initiatives.

Encourage Housing Diversity

Having a wide range of housing choice is critical to meet the diverse needs of any community. However, community opposition to infill and new housing typologies often limit their supply.

Maximum building heights on land zoned Medium Density Residential can constrain delivery of housing. Setting maximum height controls at 8m or 9m, as is common, reduces the dwelling yield to the point that the sites are not viable for development. We recommend:

17. Review the maximum height controls in Medium Density Residential zones to ensure they enable feasible development.

Another potential source of housing supply could come from special use zones SP1 and SP2 that apply to historical places of public worship and schools in rural and regional areas. These locations are typically in the heart of or within a few blocks of the local retail, commercial and community land uses in townships, villages and hamlets.

Since the introduction of the Standard Instrument LEP, councils in regional areas have ostensibly applied the SP1/SP2 zone over existing church and school sites to preserve the land use for the community. Unfortunately, this zoning approach can constrain modifying land uses to surrounding zones which are often residential R2 or R3. The special uses zone construct is not relevant to modern times and sterilises the potential of religious organisations and schools to assist in addressing housing affordability. The approach being taken is contrary to a NSW planning circular which discouraged use of the special uses zone for existing uses.

Special uses zoned land in many locations does not correspond to the contemporary way of delivering places of worship or education. Changes in the demographic profile of communities, land acquisition requirements for school infrastructure and the built form of schools have evolved. School Infrastructure NSW has site selection and master planning criteria that do not align with areas of existing special use zoned land.

Many special uses zoned land sites are located in high amenity areas and are suitable for delivery of affordable housing in regional areas. It would be worthwhile to investigate rezoning special uses land or use incentives to unlock this land for affordable regional housing. We recommend:

18. Review the use of SP1 and SP2 special uses zones to ensure they remain fit for purpose, with a view to allowing some existing sites to provide affordable regional housing.

Many regions in NSW were built, literally and figuratively, on coal resources. Undermined land can often be built upon if the void beneath is filled with grout, but this process adds enormous risk to the project. The void area, and therefore the final cost of the grouting, is often unknowable before the grouting begins. To mitigate this risk in the Newcastle central business district, the NSW Government created a type of insurance program whereby \$17 million was set aside to pay the cost of grouting that exceeds a set threshold. The Newcastle Mines Grouting Fund has been hugely successful. Interestingly, payments from the Fund have been exceedingly rare, yet its mere existence has provided the certainty and confidence industry needed to invest and deliver Newcastle's recent revitalisation. The model could be extended to apply throughout NSW wherever mine subsidence is a risk. We recommend:

19. Commission a study to explore the viability of expanding the Mines Grouting Fund to cover all areas in NSW that are subject to mine subsidence.

In seeking to balance the needs and wants of communities, the planning system often sends conflicting messages. As a case in point, the draft Housing SEPP currently on exhibition claims to support housing diversity, including seniors housing and affordable housing, but contains many provisions that directly hinder their delivery. UDIA will make a detailed submission to the draft Housing SEPP, and we encourage the Taskforce to consider our full submission in addition to our comments here.

We particularly call the Taskforce's attention to provisions in both the draft Housing SEPP and the developing Design & Place SEPP that would impose unnecessary restrictions on innovation and affordable typologies such as:

- minimum lot sizes;
- inflexible provisions on bush fire prone land;
- overly prescriptive Urban Design or Apartment Design Guidelines; and
- prohibition of boarding houses from the R2 Low Density Residential Zone which will effectively eliminate co-operative housing from the market

Deliver More Seniors Housing

Many regions in NSW have a disproportionate share of seniors residents. Some regions such as the Central Coast are experiencing a critical shortage of seniors housing due to the challenges of finding a suitable site, with regard for both physical site characteristics and legislative constraints.

This sector is struggling to find appropriate land on the Central Coast where operators can establish facilities intended under the SEPP. In many cases, it is not specific site physical constraints that is the limiting factor, but an historical broad application of environmental zones under the LEP of the former Gosford City Council. A specific clause inserted into the LEP, as suggested below, would provide site-by-site opportunity for a proposal to be considered without circumventing proper planning assessment. See linked letter [Chronic Shortage of Seniors Living Land on the Central Coast](#) for more information.

We recommend:

20. Consider the following LEP clause for the Central Coast and other regions where seniors housing is constrained by environmental zones:

Part X Additional Local Provisions

X. Seniors living

(1) The objective of this clause is to permit development for the purposes of seniors living upon appropriately identified land.

(2) Despite any other provision of this Plan, development consent may be granted for seniors living upon land that is zoned B1, B2, B4, or B6.

(3) Despite any other provision of this Plan, development consent may be granted for seniors living upon land that is zoned E3 or E4, but only if;

(a) the land adjoins land zoned primarily for urban purposes consistent with the provisions of Cl. 4(4) of State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004, and

(b) the proposed development is of a form consistent with Cl. 17 of State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004, and

(c) if relevant, the provisions of Cl. 25 (2(c), (2A), 2(B) & (2 C) have been addressed.

(4) This clause does not apply to a development application made 5 years after the commencement of this Plan.

Provisions in the draft Housing SEPP may hinder seniors housing development through more prescriptive development standards. Some concerns we have with the draft Housing SEPP include:

- a minimum lot size of 1,000m² and 20m road frontage is required ;
- in residential zones where residential flat buildings are not permitted, seniors housing will be limited to 9m height and 2 storeys;
- for independent living units, a maximum FSR of 0.5:1, 30% landscaped area, 15% deep soil zone and private open space requirements (clause 97); and
- seniors housing is being phased out of the R2 Low Density Residential Zone – only residential care facilities will be permitted

UDIA will make a detailed submission to the draft Housing SEPP in the coming days, and we commend the Taskforce to closely examine that submission with regard to seniors housing.

Deliver More Affordable and Social Housing

Reduced housing supply and rising prices in the regions mean more people are experiencing housing stress. Delivering more market housing supply will assist in stabilising or reducing prices making housing more affordable. However, asking the development sector to contribute towards affordable housing, will reduce overall housing supply and be self-defeating. Alternative strategies to providing affordable housing should therefore be considered.

UDIA has been advised that a Community Housing Provider (CHP) can invest double the amount of community housing dwellings for every dwelling accumulated, either through grant funding or dedications from a local council. Like the City of Sydney arrangement with City West Housing, partnerships could be established to enable a regional council to transfer ownership of a dedicated affordable dwelling directly to a CHP to own and manage. This would increase the stock of affordable housing dwellings in regional NSW.

UDIA encourages the Taskforce to explore other innovative ideas with CHPs such as the dedication of surplus Crown or council land to the affordable housing sector, and the use of small lots or tiny houses.

We recommend:

- 21. Avoid affordable housing levies on development which will overall reduce housing supply and result in increased prices.**
- 22. Encourage partnerships between local councils and community housing providers to own and manage a dedicated affordable housing dwelling once it has been dedicated to a council.**

We caution that the proposed Housing SEPP could hinder supply of affordable housing. Some problematic aspects of the draft Housing SEPP include:

- The standardisation of development standards is a one size fits all approach that does not promote innovative market-led solutions.
- The draft SEPP is highly prescriptive and discourages innovative design or the ability to respond to market preferences. The proposed introduction of new development standards needs to be tested from both a design perspective and to determine any impacts to commercial viability.

- Inflexible provisions on, for example, location of affordable housing - Clause 15 requires infill affordable housing to be within 400m of land zoned B2 Local Centre, but often the distance will be slightly longer in the regions.
- The requirement for compatibility with local character can be used to refuse development.
- The limitation of 2 adults per room excludes young families.
- Maximum of 25m precludes any privacy or ability to zone the space for different uses.

UDIA will make a detailed submission to the draft Housing SEPP in the coming days, and we commend the Taskforce to closely examine that submission with regard to seniors housing.

23. Avoid the provisions of the proposed Housing SEPP that would hinder supply of diverse, affordable and seniors housing.

CONCLUSION

The Regional Housing Taskforce is an initiative strongly supported by the UDIA; however, it is only operating for a short period. To successfully create lasting change in the regional housing supply pipeline, we recommend:

24. Government needs to identify how the Taskforce recommendations it makes will be delivered and by whom, with funding and an implementation program including frequent reporting requirements.

UDIA appreciates this opportunity to offer our recommendations to support housing supply in the regions. We have linked several UDIA research documents to provide additional detail to assist the Taskforce:

- UDIA *Building Blocks* reports (July 2021)
 - [Hunter](#)
 - [Central Coast](#)
 - [Illawarra Shoalhaven](#)
- UDIA [Greenfield Land Supply Pipeline Report](#) (June 2021)
- UDIA [Infrastructure Funding Performance Monitor](#) (April 2021)
- Letter: [Chronic Shortage of Seniors Living Land on the Central Coast](#) (19 December 2018)

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