

18 October 2023



The Hon. Paul Scully, Minister for Planning and Public Spaces
52 Martin Place
SYDNEY NSW 2000

Cc: The Hon. Rose Jackson, Minister for Housing and Homelessness

DELIVERING AFFORDABLE HOUSING AT SCALE THROUGH THE AFFORDABLE HOUSING BONUS

Dear Minister Scully,

The Urban Development Institute of Australia, NSW (UDIA) in partnership with our members and Regulated Community Housing Providers (CHPs) City West Housing, St George Community Housing, Pacific Link Housing, Housing Trust and Link Wentworth commend the NSW Government on its commitment to tackle our growing housing crisis and increase the supply of social, affordable and market housing in NSW. In this regard, we were encouraged by your government's announcement in June this year to increase the affordable housing bonus under the Housing SEPP to incentivise private industry to deliver affordable housing at no cost to government or the CHP sector. There is however continued concern that the Draft Policy now the subject of targeted consultation will fail to deliver on this stated ambition and be a missed opportunity.

UDIA NSW, City West Housing, St George Community Housing, Pacific Link Housing, Housing Trust and Link Wentworth are united in our efforts to address the housing supply crisis and boost the supply of affordable rental and market housing in NSW. We encourage your government to continue working with stakeholders who will ultimately build, own and operate the housing delivered under the affordable housing bonus to ensure the policy settings are appropriate to maximise its success.

For the bonus policy to achieve its desired intent the undersigned have identified a series of agreed principles which, if delivered, will support the development industry and CHPs to maximise the benefit of the bonus and deliver at scale affordable housing outcomes. These principles are:

1. Maintaining the status quo will not deliver improved affordable or market housing outcomes. The existing state and local development standards, controls and mechanisms have been a barrier to sufficiently incentivise the delivery of affordable rental housing in NSW. Given many local planning controls are set having regard to the current maximum permitted building height, it is unlikely that most sites will have access to the full 30% bonus unless new standards are set by Government, or existing standards are relaxed.
2. A 30% height and FSR bonus can incentivise the development industry to deliver 15% affordable rental housing, at no cost to government, but is most economically feasible where the full 30% bonus is achievable.
3. There is rapidly diminishing economic feasibility where the full 30% height and FSR is reduced as the risk and cost of providing the affordable rental housing quickly outweighs the benefit of increased market housing. This is even more critical in the current economic conditions which are making development feasibilities more marginal. As such providing a pathway to access a pro rata allocation to the bonus where it can only be accessed in part due to local controls is unlikely to be accessed by most developers.

4. Scale is preferable to deliver affordable rental housing under a bonus mechanism.
 - a. Scale ensures less fragmentation of the affordable rental housing making development more viable for industry and ownership and operation easier for CHPs.
 - b. There is greater opportunity to mitigate environmental impacts such as overshadowing and solar access through well designed development at scale.
5. The final policy must be simple to access and provide certainty and predictability in its assessment for the development industry or the CHP sector to take up the bonus. The exhibited proposal, including the requirement for a 4.6 variation in many circumstances, is overly complex and will fail to give industry certain and timely outcomes, making it an unattractive planning pathway.
6. A bonus mechanism which provides for a reduced amount of affordable rental housing to be owned and managed by a CHP in perpetuity is preferable to the existing model which only requires the affordable housing be provided for 15 years. Providing affordable housing in perpetuity capitalises the CHPs and will benefit both current and future generations of NSW residents by providing a permanent increase to the portfolio of affordable housing in NSW.

Increasing the supply of affordable housing and market housing is critical to address the persistent housing crisis in NSW and provide equal opportunity to safe, secure, and affordable housing in NSW. UDIA NSW in partnership with City West Housing, St George Community Housing, Pacific Link Housing, Housing Trust and Link Wentworth call on government to deliver a bonus mechanism that delivers upon the principles identified in this letter. UDIA and our members stand ready to work with government and the Department of Planning to refine the policy and ensure it ultimately delivers for the people of NSW. We would welcome a meeting discuss these matters further. Please contact Gavin Melvin, General Manager Policy, Research and Corporate Affairs at UDIA NSW on 0418 422 981 or gmelvin@udiansw.com.au to arrange an appropriate time to meet.

Yours sincerely,

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