



Community Housing Industry
Association NSW

Submission on the NSW Productivity Commission Review of Infrastructure Contributions

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This report was prepared by:



About this submission

This submission is made by the Community Housing Industry Association NSW (CHIA NSW) in response to the NSW Productivity Commission's Review of Infrastructure Contributions. CHIA NSW supports the need to ensure the contributions system and the planning system facilitate the delivery of infrastructure and provide greater efficiency and certainty to developers and communities.

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.

This submission responds to specific questions identified in the Issues Paper:

- Integrating land use and infrastructure planning
- Planning agreements
- Affordable housing
- Sharing land value uplift.

The 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.

About CHIA NSW

CHIA NSW is the industry peak body for registered community housing providers in NSW. The community housing sector builds and provides low-cost housing for individuals and families who cannot afford to rent or buy a home in the private market. CHIA NSW represents more than 100 community housing providers delivering rental housing for very low to moderate income and disadvantaged households across NSW.

CHIA NSW's work is focused on four key areas:

- **Supporting sector growth**, through policy, research, advocacy, communications and stakeholder engagement with government, politicians, and partners
- **Promoting service excellence and continuous improvement**, through benchmarking surveys, data collection, resources, and toolkits
- **Equipping current and future leaders and staff in the community housing sector** through the delivery of accredited education and training, professional development, and events which connect our leaders and staff to share experiences, challenges, and best practice.
- **Supporting the establishment of the Aboriginal Community Housing Industry Association.**

The community housing industry in NSW is growing and diversifying. It now manages more than 50,000 homes. Between 2012 and 2020, CHIA NSW estimates that its members have invested more than \$1 billion to deliver around 3,200 new homes.

CHIA NSW response to Issue 2.2: Integrating land use and infrastructure planning

The NSW Government's collaborative infrastructure planning approach supports the housing development pipeline in Greater Sydney and in regional areas by ensuring infrastructure requirements for new housing supply are planned upfront. New approaches, for example through the Greater Sydney Commission's Place-based Infrastructure Compact, have enhanced that approach by ensuring planning supports growth, liveability, and sustainable communities.

Those processes to date, however, have not incorporated planning for social and affordable housing. While the Greater Sydney Region Plan identifies that the feasibility of an affordable housing rental target must be assessed in all locations that undergo a rezoning, this assessment is done after infrastructure planning is completed and infrastructure contributions are set. This policy will importantly ensure that new social and affordable housing is integrated in mixed communities in locations close to transport and services. In practice, however, assessing the feasibility of delivering affordable housing as a secondary priority means that lower levels of social and affordable housing will be delivered.

Internationally, place-based planning for infrastructure, jobs, and development has sought to deliver integrated planning, local creativity, and local capacity building, but housing opportunities for lower income rental households have often not improved through these approaches. Housing affordability continues to be challenging particularly in place-based renewal locations where the investment in new infrastructure and services is linked to increases in market values¹.

Developing a workforce housing plan as part of integrated infrastructure planning would provide a clear indication of the number and types of jobs required to support the local economy and social infrastructure and identify the housing needs of lower income employees. For example, when a medical precinct is being developed, a workforce housing plan would identify:

- The number of low wage workers required to support the precinct, including cleaners, medical and allied health staff, retail workers, and clerical staff
- The number of staff working shifts that will not be able to access frequent public transport services
- How much these staff can affordably spend on housing costs
- Existing affordable housing supply in the local area that **will not be displaced** during the development or renewal process

¹ Pill, M., Gurran, N., Gilbert, C. and Phibbs, P. (2020) *Strategic planning, 'city deals' and affordable housing*, AHURI Final Report 331, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/331>, doi: 10.18408/ahuri-7320301.

- The number of targeted affordable or lower cost housing options required as part of the development
- The range of mechanisms to ensure delivery of the required housing supply.

This Review of infrastructure contributions can enhance the place-based model of infrastructure planning and provide the opportunity to unlock both the quantum and type of housing supply required by incorporating affordable housing as critical infrastructure in the initial planning stages. The current policy and process must be strengthened to:

- Identify the importance of a developing a workforce housing plan in all new social infrastructure projects, planned precincts, and major projects.
- Include affordable housing requirements in the infrastructure planning processes to ensure contributions for affordable housing are assessed at the same time as other critical infrastructure.

CHIA NSW response to Issue 3.1, 3.2, and 3.3: Planning agreements

The NSW planning system has delivered an improved focused on strategic and integrated planning through the Greater Sydney Region Plan and the District Plans. As these plans are being implemented and as the strategic planning cycle continues, however, CHIA NSW appreciates that planning agreements will at times be the most appropriate and efficient mechanism for facilitating development that delivers community, public, and private outcomes.

The Greater Sydney Region Plan currently requires that the feasibility of affordable housing contributions be assessed when an area is being rezoned. Similarly, where a planning agreement is being negotiated for a specific site, the same principle and requirement should apply. When a proposal for increased yield or upzoning is assessed on its merit as being an appropriate development outcome, the viability of an affordable housing contribution should also be assessed. This will be particularly important when a proposal has good planning merit but is out of sequence with broader strategic planning processes.

This approach does not impede development, but recognises that increased development potential has a direct impact on local housing costs, can at times directly reduce the availability of low cost housing in the area, and may also increase demand for low cost accommodation due to the increase in jobs and commercial activity.

CHIA NSW supports reform to improve consistency in the negotiation and implementation of planning agreements. Supports for councils including tools and resources to undertake a standardised assessment of development feasibility, land value uplift, as well as associated infrastructure costs and implications for housing need are anticipated to improve outcomes.

CHIA NSW also supports greater transparency in planning agreements, including reporting on the assessed value provided through amended land use planning controls and the value and form of material community benefit secured through the planning agreement. The current notification system makes it challenging to monitor and track agreements and outcomes. A centralised, online register would improve transparency and accountability without burdening councils or the state.

CHIA NSW response to Issue 3.10: Affordable housing

Affordable housing contributions are an established mechanism in the planning system in Sydney and internationally for securing the supply of affordable housing required for the workforce in a local area. The framework for affordable housing contributions provides a clear upfront indicator to developers of in the local area and enables developers to incorporate the contribution into land purchase prices. Developers in Sydney have consistently indicated willingness to deliver affordable housing or make a monetary affordable housing contribution when provided with sufficient notice and details of the contribution, including the approach to calculating the amount, the timing of providing the contribution, and the form of the contribution.

Facilitating affordable housing through contributions is an efficient and appropriate mechanism for delivering the planning system's objectives to facilitate mixed and productive communities and to provide a diversity of housing that meets the needs of local communities. The affordable housing contribution framework:

- Facilitates private development and the housing development pipeline,
- Reduces land value inflation and can support housing affordability, and
- Provides an efficient and non-distortionary mechanism to supply affordable housing.

While CHIA NSW supports contributions as an effective mechanism to facilitate the supply of affordable housing, there is potential to consider the appropriate contribution level and the geographic base. The current approach outlined in the Greater Sydney Region Plan of assessing the feasibility of a contribution in a specific location at the time of rezoning is appropriate and sensible as an introductory measure. A strategic, long-term approach should be adopted to complement the current policy. This approach should involve an increasing contribution level and/or a broader geographic base. A broader geographic base could offset the need for resource intensive planning agreements.

Internationally as well as in the City of Sydney it has been demonstrated that a broad-based contribution amount does not impede development, as developers incorporate the contribution into the land purchase price². On sites where developers can demonstrate that a contribution in the form of

² Gurrán, 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, <http://www.ahuri.edu.au/research/final-reports/297>, doi: 10.18408/ahuri-7313201.

dedicated dwellings is not feasible, planning authorities can allow monetary contributions less than the value of a single dwelling.

There is significant evidence that affordable housing contributions do not impact the ability of the planning system to increase housing supply, but they do improve the ability of the planning system to increase the supply of housing at the required price points. Focusing on the quantum of housing supply alone does not necessarily result in the provision of housing supply that is affordable and appropriate for local communities or the workforce required in the local area. According to research commissioned by CHIA NSW and Homelessness NSW in 2018, it is estimated that NSW will require an additional 317,000 social and affordable homes by 2036 to meet current housing shortfall and future need driven by population growth and demographic change³.

NSW has experienced record high levels of housing completions in recent years, and during this period market rents have stabilised. The new housing supply, however, has not increased the proportion of private rental supply that is affordable for households on very low or low incomes or improved housing affordability more generally. Expanding the affordable housing contribution framework is required in order to address the significant discrepancy between supply and need across Greater Sydney and NSW.

CHIA NSW response to Issue 4.1: Sharing land value uplift

Both land use planning decisions and public infrastructure investment can directly lead to increasing land values. While the planning system can facilitate both increased development potential and increased amenity and liveability, public investment in transport, services, and other infrastructure also improves amenity and directly supports increased land values in the local area.

Analysis of the land value uplift resulting from land use planning decisions in Melbourne estimated that the value of agricultural land rose from less than \$35,000 to more than \$300,000 per hectare⁴. Similarly, analysis of the impact of infrastructure investment found that land within 400m of the new Gold Coast light rail stations increased in value by 7% more than land between 400m and 2km from the stations—only in the year following the light rail opening⁵.

The *Environmental Planning and Assessment Act 1979* provides for the economic development of land and the delivery of outcomes that support the social and economic welfare of the community. It is

³ Troy, L, van den Nouwelant, R, Randolph, B (2019) Estimating need and costs of social and affordable housing delivery. Sydney: UNSW City Futures.

⁴ Kulish M., Richards, A., & Gillitzer, C. (2011). *Urban Structure and Housing Prices: Some Evidence from Australian Cities* (RBA Research Discussion Paper No. 2011-03). Sydney: Reserve Bank of Australia. Cited in Pawson, H, Milligan, V, Yates, J. (2020) *Housing policy in Australia: a case for system reform* Singapore: Palgrave Macmillan.

⁵ Murray, C. (2016, September 20). *Gold Coast Light Rail Study Helps Put a Figure on Value-Capture's Funding Potential* [Internet]. *The Conversation*. Available from: <https://theconversation.com/gold-coast-light-rail-studyhelps-put-a-figure-on-value-captures-funding-potential-65084>. Cited in Pawson, H, Milligan, V, Yates, J. (2020) *Housing policy in Australia: a case for system reform* Singapore: Palgrave Macmillan.

consistent to ensure that a portion of land value uplift as a result of planning decisions and direct infrastructure investment should be secured for material community benefit rather than purely for private profit. Value capture acknowledges that this land value uplift does not arise due to productive activity or investment, and that the increase in land value should not be attributed to private endeavour. Value capture also has the benefit of offsetting land speculation and inflationary land values.

Mechanisms to implement this are varied. Proposals include mandatory contributions that are in effect funded through adjusted land values, broad land tax reforms, and government purchase and re-sale of land subject to significant rezoning or uplift⁶.

In the NSW context, a combination of land tax reform and contribution schemes has the potential benefit of attracting large-scale investment in rental housing as well as providing a direct contribution for material public benefit. These settings would need to be balanced to achieve the outcomes of increased overall housing supply, improved affordability and targeted affordable housing, and other appropriate public benefits.

Land use planning decisions and state infrastructure investments to date have led to significant increases in land values as the Greater Sydney area, in particular, has developed over time. Land owners have benefited from significant windfall gains that have not resulted from productive effort, activity, or investment. This private, passive gain has not been matched by, or offset by, the delivery of sufficient housing supply nor the supply of housing that meets the mix of housing requirements at the required price points.

This Review should address the imbalance in the current system and support the planning and infrastructure systems' objective to facilitate sustainable and productive communities and local economies by highlighting and supporting the efficiency and economic benefits of value capture.

⁶ Pawson et al. cite the case of Germany, where local authorities acquire land at agricultural values and re-sell the land to developers. The land value uplift that is realised then funds local infrastructure requirements.