



Community Housing Industry  
Association NSW

# Submission on the Productivity Commission Green Paper

25 September 2020

This report was prepared by:

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## About this submission

This submission is made by the Community Housing Industry Association NSW (CHIA NSW) in response to the NSW Productivity Commission *Green Paper: Continuing the productivity conversation*.

This submission first outlines the need for NSW Government productivity policy to incorporate recommendations on increasing the supply of social and affordable housing by developing an integrated policy framework aligning infrastructure planning, housing investment, and planning levers. The submission then focuses on the three topic areas in the Green Paper that are most relevant to social and affordable housing: smarter Infrastructure will support jobs and communities, planning for the housing we want and the jobs we need, and a better mix of state and local taxes can encourage growth.

## 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 and now manages more than 50,000 homes. Community housing providers develop new housing designed to meet the long-term needs of tenants and communities and work with private developers to design and deliver new mixed tenure communities. Between 2012 and 2020, CHIA NSW estimates that its members have invested more than \$1.2 billion to deliver around 3,200 new homes.

## CHIA NSW response to the Green Paper

CHIA NSW welcomes the opportunity to provide feedback on the Green Paper and help inform the directions that will drive productivity in NSW. Housing affordability and the housing market are key

components of productivity in NSW and increasing the supply of social and affordable housing will directly increase economic productivity as well as social outcomes across the state. CHIA NSW supports the priorities identified in the Green Paper, including:

- Making housing more affordable
- Lowering the cost of living
- Making it easier to do business
- Making it easier to move to NSW

Many of the recommendations in the Green Paper will support these priorities, by improving the transparency of infrastructure investment decisions, making housing development more efficient, and delivering important reforms to the taxation system.

The Green Paper noted that: “An undersupplied housing market burdens NSW households with more than just higher costs. By making the State a less attractive place to live and work, housing undersupply reduces inward migration and increases outward migration. That reduces the economy’s access to high-quality labour and reduces its productivity.”

CHIA NSW notes that although overall market housing supply is addressed through the Green Paper’s recommendations, the Green Paper does not include the reforms required to address the undersupply of social and affordable housing in NSW, and therefore will not deliver the improvements in housing affordability and the cost of living that are necessary to boost productivity. Changes to the planning system and land tax are welcome, but minor adjustments to housing affordability in the private market will not deliver the housing outcomes required for lower income households or make it easier to move to NSW.

Lower income households are most affected by the inability to access affordable accommodation near employment and education centres. Increasing the supply of housing opportunities for this cohort will unlock significant productivity gains through a more efficient labour market, improved participation in the labour force, reduced congestion, and consumer activity<sup>1</sup>. As the Productivity Commission’s Discussion Paper noted, “Well-located social and affordable housing and associated support services are important facilitators of economic participation and social inclusion.” As seen through the COVID-19 economic crisis, increasing economic and social participation amongst lower income households and the resultant increase in household expenditure is a key source of economic activity.

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<sup>1</sup> Gurrán, N., Phibbs, P., Yates, J., Gilbert, C., Whitehead, C., Norris, M., McClure, K., Berry, M., Maginn, P. and Goodman, R. (2015) *Housing markets, economic productivity, and risk: international evidence and policy implications for Australia—Volume 1: Outcomes of an Investigative Panel*, AHURI Final Report No.254. Melbourne: Australian Housing and Urban Research Institute Limited. Available from: <<http://www.ahuri.edu.au/publications/projects/p73038>>.

In order to deliver these productivity gains, the NSW productivity agenda needs to establish an integrated policy framework that includes targeted housing investment and tailored approaches to infrastructure delivery, planning levers, and taxation settings.

NSW Government strategic policy has committed to securing additional social and affordable housing supply through the Housing Strategy Discussion Paper, the Housing Diversity SEPP Explanation of Intended Effects, and the Greater Sydney Region Plan. The Green Paper now presents a significant opportunity to provide a clear, integrated NSW Government policy framework aligning mechanisms to increase social and affordable housing as part of a comprehensive productivity agenda.

## **Productive and sustainable communities**

An adequate supply of social and affordable housing underpins an efficient housing market and supports a well-functioning economy. Social housing can provide a pathway for vulnerable individuals and households to improve their economic and social participation when social housing is delivered in locations close to transport, employment, and education opportunities.

In addition to social housing for the most vulnerable families, delivering affordable housing close to jobs and services is essential to ensuring employment, education, and industrial centres are productive and sustainable. The lack of affordable and appropriate housing close to jobs and education centres has significant financial and social impacts on both businesses and individuals. While individuals face long travel times and limited housing options, there are also negative impacts on economic participation, labour force mobility, congestion, and consumer spending. Social and affordable housing in locations with good access to employment opportunities is vital to improving urban productivity and resilient communities<sup>2</sup>.

### **Case study: Urban development and affordable housing**

The Greater Sydney Region Plan *A Metropolis of Three Cities* outlined a vision of the 30-minute city, recognising that housing opportunities near jobs, education, and services are critical for economic productivity and social outcomes. Lower income employees are essential for social infrastructure, local communities, and economies, but in high cost areas, they encounter significant barriers to accessing appropriate housing.

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<sup>2</sup> Pill, M., Gurrán, N., Gilbert, C., Phibbs, P. (2020) *Strategic planning, 'city deals' and affordable housing*, AHURI Final Report No. 331, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/331>, doi:10.18408/ahuri-7320301.

The challenges are particularly acute for shift workers and people who are unable to rely on frequent public transport. This lost productivity in long travel times has been quantified at \$2,500 per person<sup>3</sup>. By investing in new affordable housing supply, government can directly support significant productivity gains. The total net productivity benefits of delivering 125,000 new affordable rental homes has been estimated at \$12 billion over 10 years.

Currently, lower income workers have significant challenges accessing affordable housing close to employment centres. For example, in the Randwick Health Precinct, nurses, domestic workers, cleaners, and retail workers are essential employees that struggle to find affordable accommodation.

Average wages for these groups range from a retail worker earning \$45,590 to an enrolled nurse earning \$62,000. These individuals would all be considered moderate income households if they lived alone. As single parents, retail workers and cleaners would be considered low income, but nurses and domestic workers would still fall into the moderate-income band.

These individuals would affordably pay between \$260 and \$360 in rent every week. For single parents, the closest location with affordable first quartile 2 bedroom rental units is Belmore, where first quartile rents are \$350. Belmore, which is more than 30 minutes from the Randwick Health Precinct, is also very close to the Canterbury Hospital, whose staff also compete for housing in the local area.

The Sydney Metro Southwest project has already translated to higher land prices in the Inner West and Canterbury-Bankstown LGAs, and home and rental prices in the area are anticipated to continue to rise over the medium-term, further reducing affordable housing options for lower income workers.

The affordability challenge is not restricted to current high cost housing markets. As major developments and renewal projects are implemented, house and rental prices are anticipated to increase beyond the level of affordability for key workers in areas that were previously considered to be more affordable.

Targeted local affordable housing approaches are critical to ensuring affordable housing is available for lower income workers. These approaches need to consider local housing costs, the required workforce, and provide mechanisms that secure the required housing for relevant households, which must include moderate income workers in high cost markets.

**The NSW Government has recognised the not-for-profit community housing sector as a key delivery partner in providing housing solutions for people whose need for safe, secure, and affordable housing is**

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<sup>3</sup> MacLennan, D., with Randolph, B., Crommelin L., Witte, E., Klestov, P., Scealy, B., & Brown, S. (2019). Strengthening Economic Cases for Housing Policies; City Futures Research Report; Sydney: UNSW.  
[https://cityfutures.be.unsw.edu.au/documents/515/Full\\_Report\\_Final\\_edited\\_logos.pdf](https://cityfutures.be.unsw.edu.au/documents/515/Full_Report_Final_edited_logos.pdf)

not being met by the private market. Community housing providers are registered, not-for-profit organisations that build, own, and manage low-cost rental housing for individuals and families on very low, low, and moderate incomes. They exist to help vulnerable or disadvantaged people who cannot afford to buy or rent a home on the private market, including those who require additional support services to maintain their tenancy.

Over the last decade, the community housing sector has grown rapidly. It now owns or manages 50,000 properties throughout NSW. With nearly 40 years' of experience and local knowledge in metropolitan, regional, and rural communities throughout NSW, the sector is strongly committed to delivering new social and affordable housing that is maintained in perpetuity, and, as per the title of this paper, is built to last. Having built more than 3,200 new homes throughout NSW over the last eight years, the community housing sector has significant capacity to deliver crucial new housing supply in partnership with the NSW Government and other key delivery partners.

A real commitment to providing more safe, secure, and affordable homes for people in NSW first needs the leadership of the NSW Government. Delivering on that leadership will take strong partnerships between Government, the private sector, CHPs, investors, and the community. By combining new investment, a renewed social housing system, an agile and efficient planning system, and strategic use of state resources such as government-owned land, the NSW Government can support economic recovery and address the historic undersupply and decline in social housing.

These opportunities and actions will underpin a dynamic housing system that delivers a diversity of housing products in the right locations at the right price points. Crucially, this framework will enable people to access the housing, jobs, opportunities, and services they need to build robust communities across NSW.

CHIA NSW recommends that the NSW Government establish a Social Housing Capital Fund to build 5,000 additional units of social housing, every year, for the next 10 years. Equity Economics (2020) has estimated that the program would cost \$1.88 billion in 2020-21 and support 18,000 construction jobs.

The Social Housing Capital Fund should be used for a major housing-as-essential-infrastructure construction program across NSW, starting with shovel-ready projects, to meet these supply targets and provide jobs in the process. Such projects should involve the application of a 'social procurement' approach to the housing construction and social housing maintenance programs recommended above, to create jobs for disadvantaged groups and provide opportunities for social enterprise. CHIA NSW's members have already provided a list of nearly 40 shovel-ready projects to LAHC for consideration.

The Social Housing Capital Fund should initially prioritise the provision of permanent housing for people in temporary arrangements through:

- The identification and purchase of vacant, or soon-to-be-completed, developments for conversion to social or affordable housing
- Identification of government properties for conversion to social housing`

Complementing this stimulus, the NSW Land and Housing Corporation (LAHC) should be funded to deliver more social housing. This funding would be used to deliver housing on Government land and the acceleration of the development approval process. This would include delivering 'shovel ready' projects within their portfolio, but also partnering with the CHP or private sector where appropriate.

## Smarter infrastructure

CHIA NSW welcomes the Green Paper's recommendations to make infrastructure planning and investment decisions more transparent and to improve housing outcomes by leveraging infrastructure spending.

By including assessment of the need for social and affordable housing supply as part of infrastructure and planning decisions, these recommendations will have a greater impact on unlocking productivity amongst lower income households.

### **Draft recommendation 6.1**

Change planning controls to enable more housing and business activity within reasonable walking distance of transport hubs on underutilised corridors.

CHIA NSW supports the recommendation that planning controls should be reviewed to ensure housing and business activity can be delivered close to transport hubs. Transport-oriented development facilitates good access to services, education, and employment opportunities, and can facilitate pathways for people to improve their skills and economic participation.

Transport-oriented development in appropriate locations also reduces reliance on private vehicles, which is a major household expense for social and affordable housing tenants who have poor access to transportation. Given their tightly constrained household incomes, reducing the need for private vehicles importantly lowers the cost of living and improves these households' ability to meet other households needs, such as medical costs and school fees, and increase consumer spending.

For social and affordable housing developers, where there are reduced car parking requirements in transport-oriented developments, this significantly improves the feasibility of new development projects, and thereby increases the number of social and affordable housing dwellings they can deliver.

Overall, CHIA NSW supports the recommendation to improve the housing supply capacity within planning controls, but also recognises that this recommendation alone will not deliver a significant improvement in housing opportunities for lower income households. Land close to transport hubs is



more expensive than other locations, and the ability of lower income households to access housing options in those areas is limited. As a result, very low and low-income households often have poorer access to transportation and services.

Addressing this inequality of opportunity will unlock potential productivity gains amongst these individuals and families and enable them to access jobs and education opportunities to improve their skills and employability.

Ensuring equitable access to infrastructure such as public transportation is critical to wider productivity outcomes and unlocking productivity gains amongst lower income households, including increased labour participation and consumer spending. The productivity agenda can address the unequal spatial distribution of social and affordable housing opportunities by acknowledging the need for an integrated infrastructure, housing investment, and planning policy framework.

### **Affordable housing contributions**

Within the planning system, 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. Affordable housing contributions provide a clear upfront indicator to developers and enables them to incorporate the contribution amount 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 mixed and productive communities close to transport and services and to provide a diversity of housing that meets the needs of local communities. Affordable housing contribution schemes:

- Facilitate private development and the housing development pipeline,
- Reduce land value inflation and support housing affordability, and
- Provide an efficient and non-distortionary mechanism to supply affordable housing.

While CHIA NSW supports the recent NSW policy reforms to allow all local governments across the state to develop affordable housing contribution schemes, a strategic, long-term approach would be to require contribution schemes in all local government areas.

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.

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 implementation of affordable housing contribution schemes is required in order to address the significant gap between supply and need across Greater Sydney and NSW.

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 change<sup>4</sup>.

Despite this wide-spread demand for affordable housing, there is reluctance in some councils to implement contribution schemes. The implications of poor and uneven implementation of affordable housing contribution schemes could include poor distribution of affordable housing options across the Greater Sydney area and NSW. CHIA NSW recommends that affordable housing contribution schemes be required state-wide to ensure an adequate supply of affordable housing is delivered equitably.

#### Draft recommendation 6.2

Require Infrastructure NSW to publish, within one week of an announcement for all Tier 1 and Tier 2 projects:

- Gate 1 strategic business case and Gate 2 final business case documents
- a simple 'social value for money' rating based on the project Benefit Cost Ratio
- a risk report, drawing on historical experience, with probabilities where feasible.

To further increase the transparency of spending priorities:

- Have Infrastructure NSW publish its five-yearly infrastructure plan (and annual updates), along with underlying analysis, at the time of the Budget.
- Provide additional justification in the Budget where investments are prioritised that do not align with the Infrastructure NSW priorities.

CHIA NSW supports the Green Paper recommendations to improve the transparency of infrastructure investment decisions and to improve the social value for money analysis in infrastructure decisions. CHIA NSW recommends that this process ensure social and affordable housing supply is incorporated in decisions on infrastructure investment, including through the social value for money analysis.

The NSW Government's collaborative 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.

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<sup>4</sup> Troy, L, van den Nouwelant, R, Randolph, B (2019) Estimating need and costs of social and affordable housing delivery. Sydney: UNSW City Futures.

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 secured in key locations close to transport and services and that new affordable housing will be integrated in mixed communities. 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<sup>5</sup>. 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 values.

Developing a workforce housing plan as part of the integrated infrastructure planning would provide a clear map 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 cleaners, lower income medical and allied health staff, retail workers and administrators.
- The number of staff working shifts that will not be able to access public transport.
- The proportion of income that 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.
- 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.

The Green Paper recommendations 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 identifying social and affordable housing as critical infrastructure in the initial planning stages. The current policy and process must be strengthened to:

- Make delivery of social and affordable housing mandatory in all new major projects in both council and state-led rezonings.
- Make development of a workforce housing plan mandatory in all new social infrastructure projects, planned precincts, and major projects.

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<sup>5</sup> Pill, M., Gurrán, N., Gilbert, C., Phibbs, P. (2020) *Strategic planning, 'city deals' and affordable housing*, AHURI Final Report No. 331, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/331>, doi:10.18408/ahuri-7320301.

- Include social and affordable housing requirements in the infrastructure planning processes to ensure contributions for social and affordable housing are assessed at the same time as other critical infrastructure.

## Planning for the housing we want and the jobs we need

CHIA NSW supports the Green Paper's recommendations to ensure planning decisions are focused on principles and outcomes, while ensuring new development meets urban form and positive design outcomes that support liveable and sustainable centres and communities.

The Green Paper recommendations can be improved by noting that diverse housing options are essential to a productive and efficient housing market, including different dwelling types and appropriate, secure housing at lower price points. The Green Paper has framed the problem around delivering "housing we want", whereas the housing challenge in many areas of NSW is a critical undersupply of the number and diversity of appropriate and affordable accommodation.

### **Critical need for targeted housing solutions**

At 30 June 2019, there were 151,814 social housing properties in NSW, consisting of 66 per cent public housing, 31 per cent community housing, and the remaining properties shared between the State Owned and Managed Indigenous Housing and Aboriginal (Indigenous) Community Housing sectors. During the same period, more than 51,000 eligible households were registered on the Housing Pathways waiting list. Of these applicants, 4,484 households were assessed as priority housing applicants who were either homeless or at risk of homelessness. However, it is important to note that the Housing Pathways register underestimates the extent of social housing need, due to strict eligibility criteria, and the potential for eligible applicants to be removed from the register for failing to comply with reporting requirements.

Prior to the recent economic impact of the NSW bushfire emergency and the COVID-19 pandemic, the shortage of social and affordable housing in Greater Sydney and the rest of NSW for very low, low, and moderate-income households was already critically low. According to research undertaken by the City Futures Research Centre at the University of NSW, it was estimated that NSW required an additional 317,000 social and affordable housing properties by 2036 to meet demand. Understanding the extent of current and projected unmet housing need is critical to guide the actions of government agencies and delivery partners under the NSW Housing Strategy.

For lower income households, the private rental sector is often their only viable housing option, due to house price increases since the late 1990s, which further escalated between 2011-2016. As a result, lower income households have been largely locked out of home ownership in Australia's large cities,

including Greater Sydney<sup>6</sup>. Lower income households are further disadvantaged in the private rental sector by having to compete against moderate and higher-income households for housing. According to Hulse et al (2019), 92 per cent of low-income households in Greater Sydney are in rental stress due to a critical shortage of affordable rental housing<sup>7</sup>.

In a well-functioning market, however, first quartile rental properties would be available and accessible for very low-and low-income households who do not have access to social and affordable housing. Moderate income households traditionally have occupied median rent properties, which would improve access, to some extent, for very low-income households to first quartile properties. In Greater Sydney, the undersupply of social and affordable housing and the inaccessibility of home ownership for higher income households means that demand for private rental is magnified.

The limited housing options for lower income households and the poor outcomes in the private rental market affect the drivers of productivity, including labour force mobility and participation.

#### Draft recommendation 7.1

Require councils to analyse housing supply capacity and show that planning controls are consistent with the dwelling needs identified by Greater Sydney's 20-year strategic plans for 5-year, 10-year and 20-year windows.

Where a lack of capacity is identified, ensure councils revise their Local Housing Strategies and Local Strategic Planning Statements to reflect the objectives identified in the Greater Sydney strategic plans.

Ensure councils immediately update relevant planning instruments to meet 6-to-10-year housing targets and report housing completions by Local Government Areas every six months.

Publish annual 10-year forecasts for State-led/partnered precincts.

Monitor housing forecasts and projections on a six-monthly basis. Where housing shortfalls arise, require councils to revise housing strategies and Local Strategic Planning Statements to indicate how the shortfalls will be remedied.

Ensuring that the housing supply pipeline provides an appropriate level of supply is critical to a well-functioning housing market. CHIA NSW supports the proposals in recommendation 7.1 to ensure housing supply capacity is available for meet quantum of housing supply required. Identifying targets

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<sup>6</sup> Parkinson, S., Rowley, S., Stone, W., Amity, K., Spinney, A. and Reynolds, M. (2019) Young Australians and the housing aspirations gap, AHURI Final report 318, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/finalreports/318>, doi: 10.18408/ahuri-5117101

<sup>7</sup> Hulse, K., Reynolds, M., Nygaard, C., Parkinson, S. and Yates, J. (2019) The supply of affordable private rental housing in Australian cities: short-term and longer-term changes, AHURI Final Report 323, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/323>, doi: 10.18408/ahuri5120101.

and ensuring that local and state planning policies and controls enable the targets to be achieved are critical to supporting the market to deliver the quantum of housing required.

The Housing Strategy Discussion Paper identified the total amount of new housing supply required in the Greater Sydney area (1 million homes) and the rest of NSW (290,000 homes) over the life of the Strategy. Over the next two decades, this means that, on average, 50,000 new homes will need to be built in Greater Sydney each year, and 14,500 additional homes will be required in the rest of NSW.

Recognising the scale of the housing supply challenge, CHIA NSW supports the Green Paper approach of assessing progress in achieving the housing targets and enabling planning controls to be updated where required to improve housing supply outcomes.

CHIA NSW notes that in addition to ensuring a sufficient supply of market housing is being delivered, it is also critical to monitor whether the required supply of diverse, affordable, and resilient housing is also being delivered. The lack of adequate housing supply in each of the stages in the housing continuum increases pressure and demand in adjacent products. The productivity agenda needs to view the housing market as a whole and support the delivery of housing outcomes across the continuum.

Targets for housing diversity should initially be defined based on employment trends and the anticipated income profile of households in Greater Sydney and Regional NSW. As previously noted, NSW requires an additional 317,000 social and affordable homes by 2036 to meet current housing shortfall and future need driven by population growth and change<sup>8</sup>.

The geographic breakdown of current and projected unmet need for social and affordable housing in Greater Sydney and the rest of NSW is outlined in Table 1 below.

**Table 1: Current and projected unmet need for social and affordable housing to 2036**

Geographic region	Current unmet need (SH)	Projected unmet need (SH)	Current unmet need (AH)	Projected unmet need (AH)
Greater Sydney	80,800	60,400	55,300	20,500
Rest of NSW	56,300	15,700	24,100	3,600
<b>Total</b>	<b>137,100</b>	<b>76,100</b>	<b>79,400</b>	<b>24,100</b>

Based on Troy et al's (2019) estimates of current and projected unmet need to 2036, Greater Sydney will be required to build, on average, an additional 10,850 social and affordable homes every year. The rest of NSW will need to achieve an annual supply target of 4,985 social and affordable homes.

<sup>8</sup> Troy, L, van den Nouwelant, R, Randolph, B (2019) Estimating need and costs of social and affordable housing delivery. Sydney: UNSW City Futures.

**Table 2: Social and affordable housing annual supply target by geographic region and tenure type**

Geographic region	Social housing target (annual)	Affordable housing target (annual)	Combined SH and AH target (annual)
Greater Sydney	7,060	3,790	10,850
Rest of NSW	3,600	1,385	4,985
<b>Total</b>	<b>10,660</b>	<b>5,175</b>	<b>15,835</b>

In total, more than 15,000 additional social and affordable homes will be needed across NSW every year in response to current and future demand.

CHIA NSW recommends that targets for residential housing supply are established as Premier's Priorities and incorporated into the NSW Housing Strategy, which are then monitored and reported on annually by the NSW Government. This includes targets for social, affordable, and Aboriginal housing, which would be set according to housing need by location, dwelling size, and type.

#### Draft recommendation 7.2

Review and revise SEPP 65, aiming to minimise prescriptions so as to ensure maximum flexibility for housing that matches consumer choice while maintaining minimum basic quality.

Review the Guide to Traffic Generating Developments by the end of 2021 to ensure it reflects current travel behaviour and the best approach to traffic management.

Review parking controls within strategic centres and areas with good public transport accessibility.  
Reduce car parking requirements within 800 metres of public transport nodes by the end of 2021.

CHIA NSW supports recommendations to ensure the planning system focuses on development outcomes, while providing flexibility in how outcomes are achieved. This is particularly relevant in terms of reducing car parking requirements and enabling diverse housing types to be delivered.

Reduced car parking requirements and maximum car parking requirements in metropolitan locations close to high frequency public transportation would reflect the trend to lower car ownership and reduce the cost of construction associated with unnecessary car parking.

Where social and affordable housing is provided in locations close to high frequency public transportation, social and affordable housing tenants have significantly lower rates of car ownership<sup>9</sup>.

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<sup>9</sup> Burke, T. and Stone, J. (2014) Transport disadvantage and low-income rental housing, AHURI Positioning Paper No.157. Melbourne: Australian Housing and Urban Research Institute. Available from: <https://www.ahuri.edu.au/research/position-papers/157>.

The requirement to deliver excess car parking is an impost that in effect reduces social housing providers' available investment for additional housing supply.

Both urban design and quality built form outcomes, however, are important for the long-term productivity, sustainability, and liveability of communities. CHIA NSW supports the need for design principles and guidelines that can improve development and community outcomes. There is an opportunity for housing and design guidelines to provide education on design outcomes, as well as to facilitate efficient assessment processes, where compliance with design principles and guidelines allows streamlined planning assessments.

#### Draft recommendation 7.6

Continue to implement measures to reduce red tape and complexity in the planning system. Bring NSW approval assessment times into line with other jurisdictions' times by the end of 2023.

CHIA NSW supports the Green Paper's proposal to implement measures to reduce complexity in the planning system. Planning assessment timeframes represent a significant cost for community housing developments, and community housing developments are largely approved with minor variations. While construction activity provides significant boosts to the wider economy and providing streamline assessment processes for social and affordable housing developments has significant economic benefits as well as reducing the costs of development, which will enable providers to deliver more housing.

CHIA NSW recommends that new approval pathways be provided for community housing developments, e.g. through nominating community housing provider developments as State Significant Development (SSD) if they have a capital investment of \$50 million or more. This would reflect the critical importance of increasing the supply of affordable housing in NSW.

For smaller developments, CHIA NSW recommends that DPIE develop an alternative approval pathway to streamline assessments and reduce development approval timeframes for community housing developments. While a range of mechanisms may be used to deliver this outcome, complying development provisions and a Code of Practice outlining design and development standards, similar to the Education SEPP, would be an effective approach. Review by DPIE or LAHC could be included in the process to improve transparency and accountability.

These provisions would enable community housing providers to deliver efficient, innovative mixed developments that meet the needs of a range of people and magnify productivity benefits.



### Draft recommendation 7.8

Progress reforms to the infrastructure contributions system after the NSW Productivity Commissioner's current review, to deliver a principles-based, transparent, and certain system.

The Productivity Commission's review of infrastructure contributions is anticipated to deliver important reforms for infrastructure funding in NSW. CHIA NSW's submission to the review highlighted the importance of ensuring infrastructure planning and investment decisions incorporate the need to deliver affordable housing as critical infrastructure. The current infrastructure contributions system must be strengthened to:

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

## A better mix of state and local taxes can encourage growth

CHIA NSW welcomes the NSW Productivity Commission's recommendation to replace inefficient taxes and to start by introducing a broad-based land tax. Fiscal policy at the state and federal level has significant impacts on the housing market, affordability, and economic productivity, and it is critical that taxation settings be aligned with broader policy objectives and levers in the environmental planning system and housing system.

Since the last major tax reform in the early 2000s, the property market in many Australian cities and regional centres has boomed, resulting in a scenario where a significant stream of revenue for states has been the proceeds of stamp duty. However, many sources and multiple government reviews have identified stamp duty as an inefficient, unstable tax that can deter people from downsizing or relocating to areas with more job opportunities.

There is widespread agreement that the answer is to swap stamp duty for a broad-based land tax paid annually. This was proposed in the Henry Tax Review in 2010 and endorsed by the Productivity Commission report on Australia's productivity and by the Council for the Economic Development of Australia, the Business Council of Australia, the Property Council of Australia, the Community Housing Industry Association, and others. CHIA NSW agrees that superseding stamp duty with a broad-based land tax on unimproved land value would encourage more efficient use of housing stock by reducing the transaction costs of buying and selling housing. Land tax would deliver a more even flow of revenue to state and territory governments without the volatility associated with stamp duties.

AHURI modelling of a universal land tax estimates that 46 per cent of the land tax revenue would be raised from land within 10km of CBDs where land is most expensive, while only 4 per cent of land tax revenue would come from the urban fringe. Since the impact of land tax would impact most on inner and middle-ring urban areas, this in turn may spur higher density development (to make better use of a valuable asset), which would assist in meeting housing demand in these areas.

## Summary

CHIA NSW recommends that the NSW productivity agenda be strengthened by:

- Establishing an integrated social and affordable housing policy framework that includes targeted housing investment and tailored approaches to infrastructure delivery, planning levers, and taxation settings.
- Establishing a Social Housing Capital Growth Fund that delivers at least 5,000 additional social housing dwellings per year for the next 10 years.
- Requiring affordable housing contribution schemes state-wide to ensure an adequate supply of affordable housing is delivered equitably
- Ensuring the social value for money assessment considers the supply of social and affordable housing required to support jobs, growth, and regional development
- Making delivery of social and affordable housing mandatory in all new major projects in both council and state-led rezonings.
- Making development of a workforce housing plan mandatory in all new social infrastructure projects, planned precincts, and major projects.
- Including consideration of social and affordable housing requirements in the infrastructure planning processes to ensure contributions for social and affordable housing are assessed at the same time as other critical infrastructure.
- Establishing social and affordable housing supply targets as a Premier's priority, and ensure that these targets are aligned with the Housing Strategy action plans developed by NSW Government agencies
- Introducing a new or streamlined development approval pathways for community housing providers to fast track social and affordable housing projects and increase available investment for social and affordable housing.