

23 July 2018

Ms Monica Barone
Chief Executive Officer
City of Sydney
GPO Box 1591
SYDNEY NSW 2001

Dear Ms Barone,

Re: Planning Proposal – City of Sydney Affordable Housing Review

We understand that the City of Sydney (Council) has prepared a Planning Proposal that seeks to increase the amount of affordable housing in its local Government area (LGA) by extending the existing affordable housing contributions requirement throughout the entire LGA. It is also understood that the proposed affordable housing contribution rate will vary across the LGA, as determined by the area in which a proposed development site is located i.e. Green Square, Southern Employment Lands, Residual Lands, Central Sydney and Ultimo/Pymont. It is noted that these provisions are triggered when a private developer proposes a new development – both for residential and commercial purposes.

Whilst we acknowledge the need and commend the City for its laudable efforts to increase the supply of affordable housing within its LGA, and we strongly support the need to increase the supply of both market and supported forms of accommodation, the Urban Taskforce raises several issues and matters for consideration by Council, as outlined in this submission.

We thank you for the opportunity to comment on this Planning Proposal, and seek to work collaboratively with Council, and all levels of Government, to identify appropriate mechanisms which can deliver a sustainable supply of affordable housing without harming the economics of housing supply.

Overview of the key issues/considerations

A summary of the key issues and matters for consideration by Council, as outlined in detail within this submission, are as provided below:

- A. The Urban Taskforce supports the provision of affordable housing as part of new developments provided any extra levy does not affect the economic feasibility of the overall supply of new housing.
- B. Low affordable housing levies spread across more building types are preferred.
- C. Staged introduction of levies over a reasonable timeframe of some years, is a preferred approach.
- D. The City of Sydney Planning Proposal relies heavily on 'independent economic advice', mentioning testing 19 times throughout the proposal. We understand this advice was given in 2016, when the housing development market was at its peak. A review of this independent economic advice now that the market has dropped

significantly must be undertaken, so that the proposed contribution rates are accurate, appropriate and current in support of economically viable development.

- E. Your proposal states that it is "commonly accepted that 50 percent of any residual land value gain being directed towards the public benefit is economically viable but the Urban Taskforce does not accept this.
- F. The proposal for uplift to fund affordable housing in the Southern Employment Lands are considered by our members to be economically unviable.
- G. The Urban Taskforce supports the use of the Affordable Rental Housing SEPP 2009 if modified to provide 20% floor space uplift with 20% of the project as affordable housing for a 10-year period. This is similar to the NSW government agency Landcom's recent proposals.
- H. The Urban Taskforce recommends that developers should be able to provide affordable housing in joint ventures with Community Housing Providers rather than doing this through Council.

Detailed comments on the above summary are provided below:

A. The Urban Taskforce supports the provision of affordable housing as part of new developments provided any extra levy does not affect the economic feasibility of the overall supply of new housing.

The Urban Taskforce believes there is a critical need for affordable housing and is aware of and concerned about the negative impacts created by a lack of affordable housing stock, particularly in Sydney which is rapidly becoming one of the most unaffordable cities in the world. We applaud Councils work in identifying this need, and in proactively seeking to find solutions to this issue.

It is vital that housing be considered holistically with consideration to the wider economic and social goals. Despite Councils well-meaning intentions and belief that developers of new housing can give away a significant percentage of their new homes, it is imperative that Council understands how the economics of the complex supply system works.

In the current environment, the feasibility of new housing projects is diminishing as prices are dropping across Sydney and the housing supply market is slowing down through restrictions on lending from banks. Introducing new taxes on property development will exacerbate the current downturn in the market, with approvals and purchases falling already, it will reduce housing production and deter investment.

In this regard, we are concerned and strongly encourage Council to ensure that any new policy or additional levy adequately account for these factors and does not impact the economic feasibility of the overall supply of new housing. We are also concerned that the focus of this approach is on the development industry funding the provision of affordable housing, which has the impact of increasing the cost of housing production.

B. Low affordable housing levies spread across more building types are supported.

The Urban Taskforce is generally supportive of low affordable housing levies being spread across more building types to ensure equity and fairness across landowners and industry. That

said, some of our members have raised concerns about this approach as proposed being applied to commercial development.

While the levy for commercial development is less (1% of total new GFA as opposed to the residential development at 3%) it will still have an impact. This is inconsistent with other Councils that mainly focus their affordable housing levies on new residential development. This may have the reverse effect on the City's attempts to encourage commercial development in the CBD.

C. The staged introduction of levies over a reasonable timeframe of some years, is a preferred approach

The Urban Taskforce is supportive of the proposed staged approach to the introduction of this policy over several years. However, it is critical that the levies remain appropriate and responsive to the market climate of the time. In this regard, we request that the contributions be reviewed regularly with a high degree of transparency, probity and accessibility, as well as with thorough engagement with industry. We strongly recommend Council ensure that the contributions rates are reasonable, sensitive and responsive to the changing market climate and consider additional and alternate incentive-based approaches.

We also note that the phased introduction is not proposed for Green Square, this will have impacts to already commenced planning projects which have not accounted for this new contribution policy. We request that the commencement of this new policy does not apply to development proposals that are already lodged with Council at the time the policy may commence to ensure that the projects maintain feasibility through to delivery.

D. A review of this independent economic advice now that the market has dropped significantly must be undertaken, so that the proposed contribution rates are accurate, appropriate and current in support of economically viable development.

As stated in the planning proposal, Council "engaged independent economic advice to test identified housing sub-markets in the city." The economic advice is understood to be contained within the *Affordable Housing Study – December 2016*, as prepared by AEC.

The Urban Taskforce made requests to the City to review this report, which resulted in the commencement of a freedom of information (GIPA) process. Ultimately, Urban Taskforce was furnished with a highly redacted version of the report, specifically excluding the sites that had been investigated. This lacks the necessary transparency and equity to ensure the accuracy of the testing and recommendations, including contribution rates.

The Urban Taskforce raises significant concerns as this review is underpinned by inadequately considered and outdated economic information/advice. Specifically:

- the report was finalised in December 2016, the research undertaken is based on information from the peak of the market. As previously stated, In the current environment, the feasibility of new housing projects is diminishing as prices are dropping across Sydney and the housing supply market is slowing down through restrictions on lending from banks. Introducing new taxes on property development will exacerbate the current downturn in the market, with approvals and purchases falling already, this will reduce housing production and deter investment. It is imperative that the contribution rates be reviewed to ensure they are aligned with

the current and forecasted market trends. In this regard, the policy should not commence until such investigations are completed and consultation undertaken,

- in the absence of key information concerning the location of sites in the economic advice it is not possible to interrogate the advice provided to ensure that it is sound.

The Urban Taskforce strongly request that this study be reviewed in a transparent and equitable manner to account for the last two years and incorporate current forecasts. Moreover, that the policy should not commence until such investigations and consultation is undertaken.

E. Your proposal states that it is “commonly accepted” that 50 percent of any residual land value gain being directed towards the public benefit is economically viable but the Urban Taskforce does not accept this.

The Urban Taskforce note that the planning proposal indicates that a “commonly accepted benchmark is 50 per cent of any residual land value gain being directed towards the public benefit.”

The Urban Taskforce strongly reject this assertion, and again encourages active engagement with the development industry to ensure contribution rates are consistent with delivering new homes that are economically viable.

F. The proposal for uplift to fund affordable housing in the Southern Employment Lands are considered by our members to be economically unviable.

In discussions with our members it has been indicated that the proposed contribution rates for the Southern Employment Lands are economically unviable and should be reviewed and corrected.

G. The Urban Taskforce supports the use of the Affordable Rental Housing SEPP 2009 if modified to provide 20% floor space uplift with 20% of the project as affordable housing for a 10-year period. This is similar to the NSW government agency Landcom’s recent proposals.

The Urban Taskforce’s long-standing position has been in support of the creation of new affordable housing. Our key position is in support of incentive-based policy for affordable housing that could provide a significant increase new affordable rental homes across NSW. Our policy is consistent with the NSW Government’s Affordable Rental Housing SEPP, which provides opportunities for 20 percent of a project as affordable housing for a 10-year period with a 20 percent floor space uplift. We are also of the view that where affordable housing levies apply, these should be linked to uplift/rezonings, to ensure a fairer way to levy for affordable housing and sustain the impact on projects.

We strongly encourage the City the introduce this 10 year-period for all new affordable housing generated under Councils proposed policy. This would ensure a flexible, sensible and pragmatic approach to the provision of affordable housing, and enable the release of market housing, likely to be more affordable given its age, at the end of this 10 year-period. A recent example of this approach is seen with the Tallawong Station development by Landcom.

A link to the Urban Taskforce Affordable Rental Housing proposal is provided below:

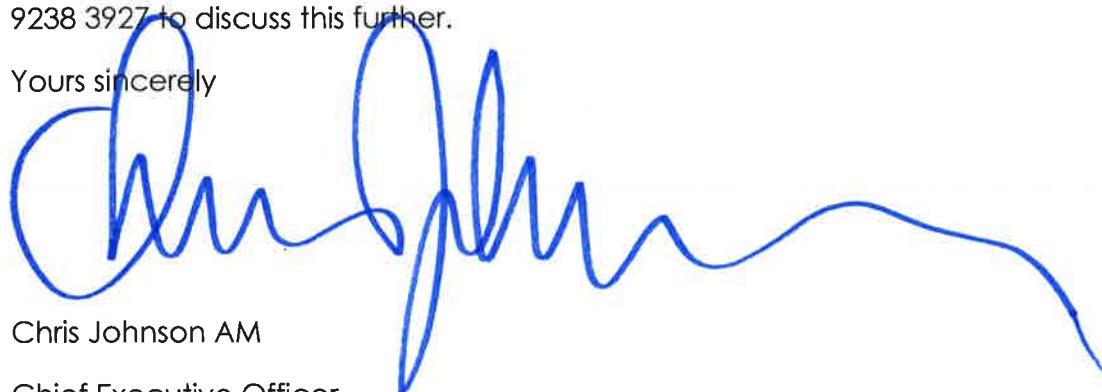
https://www.urbantaskforce.com.au/wordpress/wp-content/uploads/2016/11/edwardjames_urbantaskforce_affordable_housing_flyer_ART2-spreads-LR.pdf

H. The Urban Taskforce recommends that developers should be able to provide affordable housing in joint ventures with Community Housing Providers rather than doing this through council.

The Urban Taskforce also recommends that developers should be able to provide affordable housing in joint ventures with Community Housing Provider, independently from involvement with Council. This would enable a more efficient, streamlined and direct approach to ensuring affordable housing is delivered and operated in a timely and effective manner.

The Urban Taskforce is always willing to work closely with Council to provide a development industry perspective on these issues. Please feel free to contact me on telephone number 9238 3927 to discuss this further.

Yours sincerely



Chris Johnson AM

Chief Executive Officer

Urban Taskforce Australia