

19 December 2018

Director, Housing & Infrastructure Policy
Ms Deborah Brill
Department of Planning and Environment
GPO Box 39
SYDNEY NSW 2001

Dear Ms Brill,

Re: Draft Affordable Housing SEPP 70 review

The Urban Taskforce thanks the Department of Planning and Environment for the opportunity to comment on proposed changes to State Environmental Planning Policy No. 70 – Affordable Housing (Revised Schemes) (SEPP 70) and draft guideline for developing an affordable housing contribution scheme.

We understand that SEPP 70 currently allows councils named in the SEPP to prepare an affordable housing contribution scheme (AHCS) for certain precincts, areas or developments within their Local Government Area. The proposed amendments will amend SEPP 70 to include all local government areas in NSW (councils will not longer be required to seek the Minister's approval to be included in SEPP 70, amend the definition of affordable housing in SEPP 70 so that household income outside of Sydney region is accounted for in the SEPP and amend one of the affordable housing principles in SEPP 70 to clarify that affordable housing is to be made available for very low, low and moderate-income households or any combination of these households. The Department also seeks feedback on the draft guideline which aims to assist councils in developing AHCSs.

Our comments are provided below for consideration.

1. A sustainable supply of affordable rental housing is critical for Sydney's future

The Urban Taskforce believes there is a critical need for affordable rental housing and is aware of and concerned about the negative impacts created by a lack of affordable rental housing stock, particularly in Sydney which is rapidly becoming one of the most unaffordable cities in the world. We applaud local and state government's work in identifying this need and in proactively seeking to find solutions to this issue. We are however concerned that the focus seems to be on the development industry funding the provision of affordable housing, which has the impact of increasing the cost of housing production. The property industry wishes to work collaboratively with all levels of government to identify appropriate mechanisms which can deliver a sustainable supply of affordable rental housing without harming the economics of housing supply.

2. The Department must independently and rigorously assess the impacts of council's affordable housing contributions schemes upon the economic feasibility of development and housing affordability

Affordable housing contribution schemes have significant consequences upon the economic feasibility of development and housing affordability within the affected areas.

It is the responsibility of the Department to transparently, independently and thoroughly review these proposed schemes to identify potential impacts and make modifications where necessary. Each council's contribution scheme must be accompanied by a feasibility study / report which should be made available to the public. We note that the opportunity to provide feedback to the Department on proposed AHCS's will be provided as part of the consultation process for amending a Local Environmental Plan. The Department should use this stage of the approval process to assess the impacts of the proposed AHCS.

At the barest minimum, the Department should ensure:

- Any case studies or examples used in these studies are thoroughly reviewed and checked for accuracy. (E.g. in a recent feasibility study supporting the introduction of new affordable housing levies and value capture policies in Parramatta, the Urban Taskforce found significant errors in calculations, in one instance a case study site was undervalued by more than \$135 million);
- All calculations must include goods and services tax where applicable;
- Construction costs are competitive and reflective of current market rates;
- Market conditions in the report are realistic and not overly optimistic, due to the anticipated downturn in the property market;
- Take into consideration the cumulative impacts of the affordable housing levy when combined with other levies, such as the proposed light rail levy, the removal of the cap on local infrastructure contributions, the introduction of 2% strata building bond, value capture policies, special infrastructure contributions and any other costs.
- Consider the impacts of affordable housing levies upon the financing of development projects. Generally, banks and financial institutions will not fund the affordable housing levy as there is no capital to secure this should the developer fail. Ultimately, the developer must find the capital or pursue more costly finance options.
- Use accurate values for land in case studies, factoring in the assumption that developers must pay over the market value in order to amalgamate sites for development.

The Department should not rely solely on studies provided by council as sufficient evidence that the draft affordable housing contributions schemes will not impact on the feasibility of development projects without undertaking independent assessment.

We note that the Department of Planning has 'uncapped' local infrastructure contributions. These contributions are anticipated to rise to as much as \$80,000 per dwelling in some council areas. We request the Department factor in the 'worst case scenario' in their calculations and assume that councils will raise their local infrastructure contributions significant.

We understand that the Department is developing a feasibility assessment tool to determine the impacts of a proposed AHCS upon development. The tool should be placed on public exhibition to ensure the development industry and other stakeholders have the opportunity to provide feedback.

3. The contribution should not target residential development

We note that the proposed policy will levy a contribution on up-zoning of residential development. An alternative approach is to expand the policy to also include up-zoning non-residential zoned land (commercial, industrial retail, etc). This approach has been adopted by the City of Sydney

Council. A smaller levy, imposed across a larger number of development sites is far more equitable and less distortionary on the residential housing market.

4. Funds collected under any affordable housing contribution scheme must be managed efficiently

Councils, particularly smaller councils, may not have the resources to effectively and efficiently collect, manage and expend funds collected for affordable housing in a transparent, accountable and responsible manner. We strongly encourage the Department of Planning to investigate options which ensure that councils are adequately equipped or take on this role, or alternatively allow the funds to be managed by a state-level authority.

5. Any identified contribution rate must be independently reviewed on a regular basis to ensure that this reflects current market conditions

As the property and land market changes constantly, the AHCS should be reviewed on a regular basis to ensure that the contribution rate is reasonable and development feasibility is not impacted.

6. Influx of development applications and delays

Should the amendment to SEPP 70 be introduced, Councils could be swamped with a huge number of development applications and rezoning proposals as developers attempt to obtain an approval before the introduction of any affordable housing tax.

Councils would need additional resources in order to ensure that these applications can be processed in a timely and efficient manner. The Department must also ensure councils do not delay approval of any planning proposal or development application in order to impose the affordable housing contribution upon the project.

The Urban Taskforce is always willing to work closely with the Government 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

 19/12/18.
for

Chris Johnson AM

Chief Executive Officer

Urban Taskforce Australia