

27th August 2021

Mr Gary Fielding
Chair Regional Housing taskforce
NSW Department of Planning, Industry and Environment
Locked Bag 5022,
Parramatta NSW 2124

Online public submission

Regional Housing Taskforce

Dear Mr Fielding

I write in relation to the work of the Regional Housing Taskforce *"to identify challenges in the planning system that are preventing the delivery of housing supply and formulate recommendations to improve housing outcomes in regional NSW."* Urban Taskforce welcomes the formation of the Regional Housing Taskforce and strongly supports the approach you have taken through industry and community consultation to date.

As I am sure you are aware, there is currently a chronic shortage in housing stock available in some areas of regional NSW.

The NSW Productivity Commission identified the systematic under-supply of housing in NSW. The [NSW Productivity Commission White Paper 2021](#) on page 26 identified that:

"Housing supply has failed to keep up with demand. That has led to an undersupply of housing, increasing the cost of living for households and making New South Wales a less attractive place to live and work".

While this undersupply of housing has historically been most pronounced in Greater Sydney, the dramatic escalating cost implications of supply not keeping pace with demand in Sydney, together with changes to settlement preferences (driven more severely in recent times by the COVID Pandemic) has seen this housing supply and affordability crisis shift to Regional NSW.

The housing supply shortage is crippling many regional communities.

Since the arrival of COVID-19 population growth in many regional communities has accelerated. People are remaining in or relocating from metro areas to many regional centres. The subsequent lack of housing supply thus arising in regional NSW has inflated prices and squeezed locals out of the rental market.

The *Domain Rent Report, June quarter, 2021* states that weekly rents in more than 20 major regional markets have jumped by 10 per cent or more in the space of one year. The table below shows that this escalation in prices reflects an under supply across NSW.

Regional NSW LGA	% change in last 12 months
Snowy Monaro	28.6
Bellingen	26.8
Byron	26.2
Wingecarribee	20.0
Parkes	16.7
Orange	15.8
Yass	14.5
Port Macquarie / Hastings	12.9
Bega Valley	12.5
Lismore	12.5
Richmond Valley	12.3
Bathurst	11.1
Dubbo	10.0
Singleton	10.0

The key driver in terms of housing affordability, whether it be for renters or home purchasers, is the lack of housing supply. Lack of supply is due, primarily, to the lack of responsiveness of the NSW Planning System to changes in patterns of demand.

The NSW Planning System's tendency toward over regulation by the Department of Planning and councils as well as the requirements of the NSW EP&A Act often results in delayed and slower decision making, adding risk and costs to development proposals. Additionally, the NSW planning system adds further costs to housing under the system, including economically inefficient levies and charges.

Excessive prescription and regulation undermines the housing market and adds to cost.

Further, given the recent significant uptake of available land lots in the regions, Councils have been caught out with a very narrow rezoned land pipeline.

While many have been caught unawares, this has been exacerbated by a simultaneous shortfall arising from the lack of long-term strategic planning, including the identification of land suitable for future rezoning. This is an important piece of uncompleted (and in some cases, unstarted) work, especially given the timeframe of the rezoning process.

There are clear lessons from the NSW Productivity Commission's *Reviews into Infrastructure Contributions* and the [White Paper on Productivity Reform in NSW](#).

These are particularly relevant in the context of NSW' post COVID-19 economic recovery and important to note in light of the particular challenges faced by the Regions in terms of skilled labour shortages.

The broad mandate of the Regional Housing Taskforce is an honest and welcome reflection on the extent of the policy and performance issues which have manifest in this space.

See the following Urban Taskforce specific feedback for consideration and inclusion in your recommendations to Government.

Regional housing demand and pipeline

Up to date qualitative research needs to be undertaken to ensure the current regional housing demand is collated and is properly understood by State and Local Governments. The demographic projections in the regions are too low and the dwelling targets set are reacting to past underestimates rather than forward planning a realistic growth for the future. The housing targets set in Regional Plans are no longer relevant and demand immediate reassessment.

Housing supply for regional NSW must urgently consider current trends and migration patterns to identify future supply pipelines, that are mandated and enforced through revised LGA dwelling targets. Pipelines that 'overshoot' projected demand – will be important in allowing for a 'catch-up' to the current undersupply and to deliver opportunities for housing that is affordable into the future.

There is a risk that councils may be tempted to only rely on the forthcoming 2021 Census Data to forecast demand. The error in that approach would be to take the long term growth numbers on a four yearly basis – rather than take the most recent land sales data – and to conduct more qualitative research of pre-sales of land which in some instances can be 12 months or so from sale to settlement. The use of historical data to forecast future demand is fraught and has resulted in a manifest undersupply of housing across NSW.

Urban Taskforce recommends that Regional Housing Monitors and Supply Forecasts (including a review of current sales rates and data) be generated on a LGA basis across Regional NSW and that this work inform the setting and monitoring of council housing targets. In the meantime, councils should be rewarded for delivering an over-supply of housing with supporting grants and infrastructure funding.

The re-zoning and DA process in NSW

The current complex planning system with its poor and limited capacity to efficiently manage rezonings and DAs within many regional councils is creating confusion, duplication and delays.

In particular, the re-zoning process in NSW is too slow to respond to demand and enable efficient supply.

In NSW it takes 5 years and more to have a planning proposal finalised. As a consequence, the pipeline of zoned, land supply is constantly in a state of 'catch-up' – both in terms of volume and locational responsiveness.

Most regional councils are slow in processing planning proposals. Some councils use the process to stymie new development as a means of pandering to the small, but vocal, calls for 'no change' to local character that are heard in many communities.

At all stages, but particularly at the DA stage, too much information is often being requested. Some Urban Taskforce members believe this has been brought about, by councils having lost control of the Construction Certificate (CC) process, so the DA process is used to deal with construction and compliance issues. This practice is duplicative, and resultant delays add substantially to the cost of development approvals. A case in point is Urban Taskforce members reporting a South Coast council recently taking more than 12 months to process a CC.

Many Urban Taskforce members are reporting an increased number of regional councils lack the planning resources and expertise to efficiently and effectively deal with the growing number of planning proposals and larger development applications. This lack of specialist expertise particularly relates to engineering and infrastructure referrals and assessment. This needs to be urgently addressed.

Members with longstanding experience in development of housing in regional communities of NSW have expressed great frustration that the planning policies applied by DPIE fail to consider the circumstances and peculiarities of each regional community. This lack of flexibility is endemic in the NSW Planning system and is the root-cause of many of the housing supply and affordability issues that brought about the need for this Taskforce.

Some members are so frustrated with both the practice and the outcomes of the Statewide NSW EP&A Act, that they have called for a complete re-think when it comes to dealing with regional housing supply, the assessment and approval process.

Urban Taskforce recommends urgent consideration of the following initiatives to deliver much needed rezonings and approvals for new housing in regional NSW:

- Expand the State Significant Development (SSD) pathway for projects in regional areas that stimulate high yield housing supply
- Fund the outsourcing of Planning Proposal preparation and medium yield housing DA assessment in regional areas where there is insufficient planning expertise

- Pool the expertise of council engineers and other specialist officers across regional councils to establish a Regional Infrastructure Centre of Excellence to drive more efficient referrals and decision making and facilitate professional development opportunities.

Urban Taskforce recommends the reform of the NSW planning system to streamline the process, prescription and regulation associated with Planning Proposals (particularly in regional communities) that is a hinderance to the supply of new housing and threatens NSW's post COVID-19 economic recovery.

Urban Taskforce recommends that consideration be given to the creation of a specific Regional Planning Bill which is designed to meet the needs of regional NSW in a timely and efficient manner.

State Government policy initiatives

Recent draft, state-wide policy initiatives such as the Housing SEPP and Design and Place SEPP will result in less, not more, lower cost housing supply. Potentially this supply deficit could be more pronounced in regional NSW where there is a proportionately higher demand for new affordable housing. The escalation of rents reflects the high demand for housing and the apparent undersupply across regional NSW.

The draft Housing SEPP significantly undermines the feasibility of existing affordable housing types. The draft SEPP has effectively killed the feasibility boarding houses. For the newer housing form known as "co-living," sometimes referred to as a 'new generation boarding house' the SEPP having reduced the Floor Space Ratio bonus, prohibiting its development within the R2 zone and further mandating car parking requirements has simply conspired to add cost and thereby reduce the feasibility of these more affordable housing types.

Urban Taskforce recommends that DPIE work with NSW Treasury to complete a full regulatory impact assessment and cost benefit analysis of the draft Housing SEPP's impact on the delivery of more affordable housing options such as Boarding Houses and Co-living developments before this SEPP is finalised. The cost benefit analysis should cover a range of projects, both existing and proposed, in rural and coastal NSW.

Similarly, the draft Design and Place SEPP is proposing additional steps and requirements for most larger development projects via a new State-wide Urban Design Guide. The draft SEPP will also include an updated Apartment Design Guide and BASIX with additional requirements.

While the Government is undertaking a cost benefit analysis of the impacts of the Design and Place SEPP's new ADG requirements, this is coming quite late in the process and many in the industry are gravely concerned that the full impacts of the policy will only be evident once introduced.

In light of the uncertainty created by COVID and the urgent need for housing supply State-wide, the **Urban Taskforce recommends** a twelve month deferral of the following draft policies:

- Design and Place SEPP, and
- Housing SEPP.

The deferral period should be used to review the policies to ensure they do not result in *“additional impediments within the planning system to the delivery of affordable housing types and housing generally.”*

Conversely, the **Manufactured Homes and Estates SEPP**, which has the potential to create both housing diversity and affordability, particularly for regional areas, is languishing in the Department of Planning despite the exhibition of a discussion paper in 2015. Increased permissibility of manufactured homes, particularly across Regional NSW, would be an efficient, progressive and responsive policy outcome. Manufactured homes, by being affordable and quick to deliver, have the capacity to almost immediately provide the new homes for the new workers greatly needed in many parts of regional NSW.

Urban Taskforce recommends the Manufactured Homes and Estates SEPP is urgently re-drafted and made to facilitate a significant increase to the permissibility of this housing type.

Delivery of Affordable Housing

The biggest contribution to affordable housing is an over-supply of housing. Notwithstanding interest rates and APRA controls, this would drive prices down (or at least limit the escalation of prices).

If the planning system is to directly contribute to the social imperative of affordable housing, it needs to establish an incentive-based affordable housing scheme where developers are encouraged via faster approval pathways, additional floor space (FSR bonus) and height bonuses etc. Unfortunately, the policy trend of DPIE appears to be going in the opposite direction as noted above in relation to co-living, boarding houses and manufactured homes.

Urban Taskforce contends that an incentive-based scheme is the only way to deliver significant numbers of affordable homes without deterring investment and driving up the cost of housing for free-market buyers. The pursuit of mandatory affordable housing contributions by councils and other authorities only drives up the cost of market housing, penalises new homebuyers and negatively impacts on project feasibility thus resulting in less supply and exacerbating the housing supply crisis.

Urban Taskforce recommends the Regional Housing Taskforce advocate for incentive-based approaches to encourage the supply of affordable housing in the regions.

Another significant contributor to housing affordability would be the removal of overly prescriptive and excessive planning controls. For example, minimum lot sizes for many regional centres and surrounds are too large and are affecting affordability. Regional councils need to ensure that their planning instruments and control plans are conducive to the feasible development and consistent with the housing preferences of those choosing to live outside of a major city but still within an urban environment.

Urban Taskforce recommends an urgent review of regional councils' plans and policies by the Department of Planning to ensure that controls relating to housing supply in urban environments are fit for purpose.

Bio-diversity Planning

There are significant issues with the efficacy of the Biodiversity Offsets Scheme in NSW. The Urban Taskforce supports the NSW Deputy Premier's assertion that the Biodiversity Offsets Scheme is the "greatest handbrake" to investment in NSW and welcomes the Government's review of the policy. (["Greatest handbrake to investment": NSW to review biodiversity offset scheme", SMH, 26/08/21](#))

Critical to the delivery of increased regional housing supply will be the recognition that the cost of bio-diversity conservation should not be borne entirely by the new home buyer. The benefits of additional green space and species protection are wide reaching and not limited to the new homes supplied via a particular rezoning.

Urban Taskforce recommends the Regional Housing Taskforce acknowledges the impact of biodiversity offsets on new home buyers in regional communities – in many cases this involves those least able to afford to pay these additional costs.

Urban Taskforce recommends that to provide certainty of land supply all government policy reviews consider the impact of their policy recommendations on regional housing supply and housing affordability. Specifically, the Government's review of the Biodiversity Offsets Scheme, must consider the impact of its deliberations on regional housing supply and affordability. In the Regional housing planning context, it is critical that any bio-diversity offsets are specifically known at the time land is re-zoned. Further, any biodiversity offsets must be established, costed and fixed as part of that process and not subjected to future alteration or review.

Infrastructure servicing

Urban Taskforce members are reporting many cases of delays in the infrastructure servicing of zoned land. This can relate to roads, sewer, stormwater and energy

supply and is occurring across the State. Better monitoring of this aspect of housing supply needs to be undertaken under a new Regional Housing Monitor. (See recommendation 1).

Some infrastructure providers have made policy changes that are contrary to the need for efficient and affordable new housing in Regional NSW.

In 2016 Essential Energy changed their connection policy (Essential Energy's Connection Policy (CEOP2513.06)) to shift the responsibility of "engaging an approved service provider to design and construct required substations" to developers representing the new home creation sector. Prior to this change Essential Energy would deliver key electricity provision infrastructure such as substations to service major new development sites and could do this as 'development without consent' under the provisions of the Infrastructure SEPP. The policy change adds an extra step in the approval process, thereby slowing down and adding to the cost of the delivery of new homes.

Urban Taskforce recommends the Regional Housing Taskforce takes up the revised Connection Policy (CEOP2513.06) with Essential Energy, with a view to re-instating the pre-2016 policy position, and; recommends to Government further opportunities to support the provision of regional electricity infrastructure to areas that have been included for re-zoning.

Some councils, in their role as a local infrastructure provider, use this function to frustrate the delivery of new homes. This can occur where due to the scale of the development the council was not the consent authority or, where a decision was made in the Land and Environment Courts.

Delays to any component of the development process, adds to costs, which are ultimately borne by the new home buyer or renter. Fundamental changes are required to ensure that zoned land can be promptly supported by the infrastructure needed to service new homes.

Urban Taskforce recommends that consideration be given to a mandated option of local infrastructure being delivered by the private sector when the local Council refuses or is unable to provide within a prescribed period after a rezoning decision.

Delays are not confined to local councils but extend to the infrastructure and service providers. Sydney Water has delayed the servicing of significant residential release areas due to competing pressures. For example, land that was zoned for 10,000 new homes in the Illawarra region has had its servicing delayed by five years due to Sydney Water's focus in the Aerotropolis and Western Sydney area.

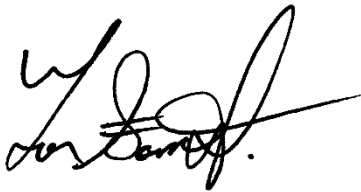
Urban Taskforce recommends the Regional Housing Taskforce strongly advocates for DPIE's Planning Delivery Unit to focus on un-locking infrastructure servicing delays to significant residential development projects in regional areas.

Further, **Urban Taskforce recommends** the Regional Housing Taskforce advocates to Government to identify opportunities to support the provision of infrastructure to regional areas that have been included for re-zoning.

Table 1 includes a summary of Urban Taskforce recommendations.

The Urban Taskforce is always willing to work closely with the Government to provide a development industry perspective on barriers to housing supply in NSW.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tom Forrest', with a stylized flourish extending to the right.

Tom Forrest
Chief Executive Officer

Table 1:
Summary of Urban Taskforce recommendations

	Urban Taskforce recommendation
1.	Urban Taskforce recommends that Regional Housing Monitors and Supply Forecasts (including a review of current sales rates and data) be generated on a LGA basis across Regional NSW and that this work inform the setting and monitoring of council housing targets. In the meantime, councils should be rewarded for delivering an over-supply of housing with supporting grants and infrastructure funding.
2.	Urban Taskforce recommends urgent consideration of the following initiatives to deliver much needed rezonings and approvals for new housing in regional NSW: <ul style="list-style-type: none"> • Expand the State Significant Development (SSD) pathway for projects in regional areas that stimulate high yield housing supply • Fund the outsourcing of Planning Proposal preparation and medium yield housing DA assessment in regional areas where there is insufficient planning expertise • Pool the expertise of council engineers and other specialist officers across regional councils to establish a Regional Infrastructure Centre of Excellence to drive more efficient referrals and decision making and facilitate professional development opportunities.
3.	Urban Taskforce recommends the reform of the NSW planning system to streamline the process, prescription and regulation associated with Planning Proposals (particularly in regional communities) that is a hinderance to the supply of new housing and threatens NSW's post COVID-19 economic recovery.
4.	Urban Taskforce recommends that consideration be given to the creation of a specific Regional Planning Bill which is designed to meet the needs of regional NSW in a timely and efficient manner.
5.	Urban Taskforce recommends that DPIE work with NSW Treasury to complete a full regulatory impact assessment and cost benefit analysis of the draft Housing SEPP's impact on the delivery of more affordable housing options such as Boarding Houses and Co-living developments before this SEPP is finalised. The cost benefit analysis should cover a range of projects, both existing and proposed, in rural and coastal NSW.
6.	In light of the uncertainty created by COVID and the urgent need for housing supply State-wide, the Urban Taskforce recommends a twelve month deferral of the following draft policies:

	<ul style="list-style-type: none"> • Design and Place SEPP, and • Housing SEPP. <p>The deferral period should be used to review the policies to ensure they do not result in “<i>additional impediments within the planning system to the delivery of affordable housing types and housing generally.</i>”</p>
7.	<p>Manufactured homes, by being affordable and quick to deliver, have the capacity to almost immediately provide the new homes for the new workers greatly needed in many parts of regional NSW.</p> <p>Urban Taskforce recommends the Manufactured Homes and Estates SEPP is urgently re-drafted and made to facilitate a significant increase to the permissibility of this housing type.</p>
8.	<p>For the planning system to directly contribute to the social imperative of affordable housing, without deterring investment and driving up the cost of housing for free-market buyers, it needs to establish an incentive-based affordable housing scheme where developers are encouraged via faster approval pathways, additional floor space (FSR bonus) and height bonuses.</p> <p>Urban Taskforce recommends the Regional Housing Taskforce advocate for incentive-based approaches to encourage the supply of affordable housing in the regions.</p>
9.	<p>A significant contributor to housing affordability would be the removal of overly prescriptive and excessive planning controls.</p> <p>Urban Taskforce recommends an urgent review of regional councils’ plans and policies by the Department of Planning to ensure that controls relating to housing supply in urban environments are fit for purpose.</p>
10.	<p>Urban Taskforce recommends the Regional Housing Taskforce acknowledges the impact of biodiversity offsets on new home buyers in regional communities – in many cases this involves those least able to afford to pay these additional costs.</p>
11.	<p>Urban Taskforce recommends that to provide certainty of land supply all government policy reviews consider the impact of their policy recommendations on regional housing supply and housing affordability. Specifically, the Government’s review of the Biodiversity Offsets Scheme, must consider the impact of its deliberations on regional housing supply and affordability. In the Regional housing planning context, it is critical that any bio-diversity offsets are specifically known at the time land is re-zoned. Further, any biodiversity offsets must be established, costed and fixed as part of that process and not subjected to future alteration or review.</p>

12.	Urban Taskforce recommends the Regional Housing Taskforce takes up the revised Connection Policy (CEOP2513.06) with Essential Energy, with a view to re-instating the pre-2016 policy position, and; recommends to Government further opportunities to support the provision of regional electricity infrastructure to areas that have been included for re-zoning.
13.	Urban Taskforce recommends that consideration be given to a mandated option of local infrastructure being delivered by the private sector when the local Council refuses or is unable to provide within a prescribed period after a rezoning decision.
14.	Urban Taskforce recommends the Regional Housing Taskforce strongly advocates for DPIE's Planning Delivery Unit to focus on un-locking infrastructure servicing delays to significant residential development projects in regional areas.
15.	Urban Taskforce recommends the Regional Housing Taskforce advocates to Government to identify opportunities to support the provision of infrastructure to regional areas that have been included for re-zoning.