

3rd September 2021

Mr Brett Whitworth
Deputy Secretary – Infrastructure and Place
Department of Planning, Industry and Environment
Locked Bag 5022
PARRAMATTA NSW 2124

On-line submission

Dear Mr Whitworth

Re: draft Frenchs Forest Special Infrastructure Contribution

I write regarding *draft Frenchs Forest Special Infrastructure Contribution* (draft SIC) proposed by the Department of Planning, Industry and Environment (the Department).

There is a housing affordability crisis across NSW, due largely to a shortage of supply of homes. The housing affordability crisis is being acutely felt in some areas of the Northern Beaches, with recent data showing comparatively high increases in median rents¹ and property prices².

Recent research released by the National Housing and Finance Investment Corporation (NHFIC) confirms that an additional contributor to the housing affordability crisis is developer contributions.

The report found:

*“developer contributions increasingly act like a tax on new housing, which can impede new housing supply and reduce housing affordability for buyers and renters.”*³

The combined cost imposes the proposed SIC of \$6,500 to \$19,500 per dwelling, the proposed 10-15% affordable housing contribution combined with the existing local charges will go further than just impeding new housing supply – these costs will simply stop it from happening.

¹ Razaghi T, July 10 2021, 'Where Sydney rents are getting more expensive and where they're getting cheaper', <https://www.domain.com.au/news/the-sydney-suburbs-renters-have-turned-to-in-droves-driving-up-asking-rents-1070762/> accessed 31st August 2021

² Burke, K, July 31 2021, '<https://www.domain.com.au/news/the-sydney-suburbs-with-the-steepest-house-price-hikes-and-falls-1075641/>', <https://www.domain.com.au/news/the-sydney-suburbs-with-the-steepest-house-price-hikes-and-falls-1075641/> accessed 31st August 2021

³ National Housing Finance and Investment Corporation, August 2021, 'Developer contributions: how should we pay for new local infrastructure?' Australian Government, p 3

The combined impact of developer contributions, both existing and proposed are clear in the report prepared for DPIE by the AEC Group. Feasibility of development will be threatened if both the proposed Affordable Housing Contribution and proposed SIC are both applied across the precinct.

The AEC Group report finds:

“Testing demonstrates the inverse relationship of the capacity to pay a SIC with s7.11 and/or s7.12 as well as affordable housing contributions. Should affordable housing contributions be removed entirely, the capacity to pay a SIC increases significantly.”

“The analysis demonstrates capacity for development to contribute a SIC is generally limited to those sites with future densities greater than a FSR of 2:1 (both mixed-use and residential flat buildings-only).”

If development under the Strategy doesn't have the capacity to pay, then the supply of much needed new homes will be further constrained across the LGA.

In the interest of housing affordability and diversity it is imperative that the LGA is still capable of generating new housing supply and housing choice as set out in the GSC's assurance of the Northern Beaches Local Strategic Planning Statement.

Affordable Housing Contributions play a “minor role” in affordable housing supply. The NSW Productivity Commission has found that:

“Local contributions should be used to fund development-contingent costs; that is costs that would be avoided if a development did not go ahead. Affordable housing does not fall within this definition... The limited uptake of affordable housing schemes by councils suggests the contributions system plays a minor role in affordable housing supply. Moreover, it is not clear that housing is being made more affordable as a result of these schemes, as some stakeholders noted: the creation of a small quantity of “affordable housing”, may be at the cost of making other housing more expensive.”⁴

Affordable housing is best addressed by more approvals and faster re-zonings of land to boost supply, not the application of affordable housing levies.

Affordable housing contributions impact the ability of the planning system to increase housing supply in general. Affordable housing contributions actually push up the price of new homes as the price of 'market' homes is increased to off-set the cost of the affordable housing.

The best way to make housing more affordable is not to slap a tax on new home buyers.

⁴ NSW Productivity Commission, Review of Infrastructure Contributions in NSW, November 2020

Urban Taskforce recommends the proposed 10-15% affordable contribution is NOT included in the final Place Strategy.

The proposed SIC rates of \$6,500 or \$19,500 per dwelling are considerable. It is imperative that there is a clear correlation between the additional infrastructure demand being generated by the new development and the SIC rates.

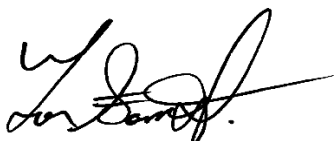
Urban Taskforce recommends the SIC only applies where there is a clear nexus between the increased development and the demand for new infrastructure and the AEC analysis finds there is clear capacity to pay.

The Urban Taskforce is also concerned about the potential for duplication of cost recovery in local and state contribution levies, particularly with respect to roads and greenlinks. In this regard, the Urban Taskforce **recommends** DPIE is rigorous in reviewing Council contribution plans and finalising any SIC to be applied to ensure there is no double counting.

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 proposed policy and planning changes.

Yours sincerely

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

Tom Forrest

Chief Executive Officer

Table 1:
Summary of Urban Taskforce recommendations

	Urban Taskforce recommendation
1.	<p>Affordable housing is best addressed by more approvals and faster re-zonings of land to boost supply, not the application of affordable housing levies.</p> <p>Affordable housing contributions impact the ability of the planning system to increase housing supply in general. Affordable housing contributions actually push up the price of new homes as the price of 'market' homes is increased to off-set the cost of the affordable housing.</p> <p>Urban Taskforce recommends the proposed 10-15% affordable contribution is NOT included in the final Place Strategy.</p>
2.	<p>The combined impact of developer contributions, both existing and proposed are clear in the report prepared for DPIE by the AEC Group. Further, the proposed SIC rates of \$6,500 or \$19,500 per dwelling are considerable. It is imperative that the quantum of contributions still allows for feasible development and that there is a clear correlation between the additional infrastructure demand being generated by the new development and the SIC rates.</p> <p>Urban Taskforce recommends the SIC only applies where there is a clear nexus between the increased development and the demand for new infrastructure <u>and</u> the AEC analysis finds there is clear capacity to pay.</p>
3.	<p>There is potential for duplication of cost recovery in local and state contribution levies, particularly with respect to roads and greenlinks.</p> <p>Urban Taskforce recommends DPIE is rigorous in reviewing Council contribution plans and finalising any SIC to be applied to ensure there is no double counting.</p>