

29 February 2024

NSW Treasury  
52 Martin Place  
SYDNEY NSW 2000

*Electronic submission*

To whom it may concern

## **Re 2024-25 pre-budget submissions**

The Urban Taskforce is a not-for-profit peak industry association representing Australia's most prominent property developers and equity financiers. The Urban Taskforce provides a forum for those in the development and planning of housing and the urban environment to engage constructively with both government and the broader community.

The Urban Taskforce welcomes the opportunity to outline what we see as the greatest challenges facing families, businesses and the broader national economy – namely the cost of housing and the apparent inability of the States to ensure adequate supply to meet growing demand. The supply and affordability of housing (new housing, existing dwellings and rental accommodation) has a major bearing on the productivity, liveability and fairness of our nation.

The NSW Treasurer, the Hon Daniel Mookhey MLC, has been a powerful voice in the need for more housing in NSW. Recently the Treasurer described the housing supply crisis as an economic and social catastrophe:

*“A healthy democracy, a fair society, and a liveable city depend on everyone having a place to call home. That is why acting on the housing crisis is one of the NSW government's most important missions.”<sup>1</sup>*

The 2024-25 Budget will be handed down shortly before the commencement of the five-year National Housing Accord, an agreement between the Commonwealth and the States/Territories to complete 1.2 million new homes in the five years from July 2024 to the end of June 2029.

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<sup>1</sup> The Hon Daniel Mookhey MLC, Address to Sydney Summit, February 6, 2024

## Setting the scene - Housing Supply not meeting demand

Whilst NSW has embarked upon much needed planning reforms and other initiatives aimed at bolstering housing supply, the trendlines are most concerning and show that approvals and new housing completion numbers are actually going backwards.

The NSW Premier has stated that the State would not be able to deliver the 75,000 new homes that equates to the annual average of the 5-year Housing Accord target in the first year of the Housing Accord. This is in no small part due to the deficit in infrastructure (water infrastructure and classified roads are the big ticket items).

The reality of playing catch up in terms of housing completions is borne out in recent housing data from the Australian Bureau of Statistics.

In relation to commencements and completions, ABS data shows how far behind NSW is in terms of reaching the National Housing Accord Targets. In the 12 months to the end of September 2023, NSW saw only 45,882 new dwellings completed. During the same period, only 46,060 new dwellings were commenced.

	<b>Completions</b>	<b>Commencements</b>
<b>December 22</b>	11,480	11,443
<b>March 23</b>	11,409	12,654
<b>July 23</b>	14,006	13,343
<b>September 23</b>	<b>8,987</b>	<b>8,620</b>
<b>12 months to Sept 23</b>	<b>45,882</b>	<b>46,060</b>

**ABS Building Activity, NSW, seasonally adjusted figures 8752.0**

Of great concern are the most recent quarterly figures (highlighted), which show a collapse in both completions and commencements.

The bleak data in commencements is reflected in the most recent ABS data on NSW housing approvals, where annualised data (see Table 1) showed that a mere 44,456 new dwelling approvals were issued in NSW in the 12 months to December 2023<sup>2</sup>, the lowest annualised figures in over a decade.

The data shows the housing pipeline is blocked and across-Government reforms and support is needed for NSW to meet its targets.

Given that not all approvals translate into new dwelling completions, this is approximately only half of the new dwelling approval numbers needed to deliver the housing that NSW is required to produce under the National Housing Accord.

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<sup>2</sup> ABS, Housing Approvals. Series 8731.0, 9 January 2024

There is a concerning downwards trend in NSW dwelling approvals on the eve of the commencement of the National Housing Accord. There is a need to send a strong signal in the upcoming NSW budget that the Government is taking strong measures, in planning policy, infrastructure funding and financial support/relief for the development and construction industry, to ensure NSW is best place to deliver on its commitments.

<b>NSW new dwelling Approvals data - Released by ABS 1/02/2024</b>	<b>Apartments (multi unit dwellings)</b>	<b>Approvals Stand alone homes</b>	<b>Total Seasonally Adjusted</b>
12 months till end Dec 2023	22,145	22,311	44,456
12 months till end Dec 2022	26,670	27,334	54,004
12 months till end Dec 2021	31,338	30,714	62,052
12 months till end Dec 2020	24,251	26,616	50,867
12 months till end Dec 2019	26,833	25,290	52,123
12 months till end Dec 2018	35,400	31,023	66,423
12 months till end Dec 2017	42,656	29,878	72,534
12 months till end Dec 2016	45,078	29,710	74,788
12 months till end Dec 2015	43,473	27,994	71,467
12 months till end Dec 2014	31,032	24,893	55,925

**Table 1: Source ABS, Building Approvals 1 February 2024**

### **Resourcing for planning and infrastructure agencies**

A key component of the NSW Government reforms is the re-establishment of State led assessment and approval pathways for housing. This is strongly supported by Urban Taskforce.

Tier One Transport Oriented Development projects will be assessed through the State Significant Pathway (SSD) for projects with a Capital Investment Value greater than \$60 million.

Similarly, Affordable Housing incentive program establishes thresholds where projects with a Capital Investment Program of more than \$75 million in the Greater Sydney region, or \$30 million if located elsewhere in NSW, are also to be assessed through the SSD assessment and determination pathway.

There are also existing SSD pathways for a number of key greenfield projects in Southwestern Sydney. This shift towards more SSD assessments is critical to overcoming the housing supply crisis that has emerged under the former Government and their reliance on Councils taking responsibility for housing assessments.

High value and high yield projects, often crossing council boundaries or having an impact on multiple LGAs or requiring consent from large state government agencies, must have a State Government led assessment and determination pathway.

These projects will deliver a significant portion of the new housing required under the National Housing Accord, and it is critical that the assessment

phase is conducted in a timely fashion to improve the chances of the housing being delivered within the 5-year horizon.

It is therefore critical that the Development Assessment functions within the Department of Planning, Housing and Infrastructure is sufficiently resourced.

**Recommendation 1 - that Treasury approve submissions from DPHI for additional funding for their SSD Development Assessment budget to improve assessment timelines for housing projects assessed through the State Significant Development pathway**

Similarly, key infrastructure agencies, particularly Transport for NSW (TfNSW), must also be resourced to provide timely input into these State Significant Development proposals. TfNSW has become a critical bottle neck for planning approvals. They should be resourced to fulfill these functions or have their consent powers removed.

**Recommendation 2 - that Treasury approve any bid from Transport NSW for enhanced funding for staff to assess the transport components of new housing projects**

### **Enhanced funding for the Land and Environment Court**

One of the few planning successes of the former Government was when they directed additional funding to the Court in the context of the COVID shutdown, including the appointment of a new Judge as well as two additional Land and Environment Court Commissioners.

More recently, Urban Taskforce members have raised concerns with the lengthening timeframes associated with appeals to the Court. We have previously written to your colleague, the Attorney General Michael Daley MP, on this matter.

With the NSW Government undertaking significant planning reform to deliver on its commitments under the National Housing Accord, it is expected that there will be increased numbers of referrals to the Court, particularly when aspects of the new planning reforms are challenged.

Delays in the Courts will lead to delays in housing approvals, which will ultimately affect the ability of the State to achieve the housing completions required of it under the National Housing Accord. The sad fact is that with some Councils seeking to frustrate sensible housing supply render the Courts the only option for relief.

As a proactive measure, and to address current lengthening of waiting times for hearings, the 2024-25 Budget should provide additional funding to the

Land and Environment Court. To meet anticipated demand on the Court, Urban Taskforce recommends that 2 new commissioners and an additional judge be appointed.

**Recommendation 3: that the NSW Budget provide additional funding for 2 additional commissioners and a seventh Judge on the NSW Land and Environment Court**

### **Increased funding for Tier One Accelerated precincts infrastructure**

The NSW Government has recognised the need to incentivise and reward Councils willing to boost housing supply through various funds, such as the Accelerated Infrastructure Fund (AIF) and the Housing Acceleration Fund for critical infrastructure projects.

In December, the Government announced \$520 million fund for Tier One Accelerated Precincts for infrastructure. Whilst welcome, it is insufficient. An example showing the magnitude of the infrastructure investment needed is that one council with a Tier One precinct is seeking more than a quarter of the \$520 million fund alone.

While Urban Taskforce supports NSW's position that the Commonwealth Government should shoulder much more of the cost when it comes to housing-enabling infrastructure, Urban Taskforce calls for additional infrastructure funding from the NSW budget as this will both drive housing supply as well as productivity supporting economic activity. The Tier One Accelerated Precincts fund is an unheralded but critical support to rapidly growing communities.

**Recommendation 3: that the NSW Government allocated an additional \$3 billion to the Tier One Accelerated Precinct program for housing enabling infrastructure.**

### **Boost investment in education and training in property construction sector**

One of the great challenges for the property construction sector is the availability of skilled labour. It is critical that the State's support the education and training of students who will be needed to deliver the record number of new dwellings under the accord. This is on top of existing shortages.

Labour supply and the costs associated with labour are critical factors in determining the feasibility of new development.

Urban Taskforce is aware that there is a review underway of the NSW vocational education and training sector. It is critical that the 2024-25 Budget

makes allowances to fully fund recommendations stemming from the review, the final report of which is expected to be delivered to Government by mid-2024.

**Recommendation 4 - that the 2024-25 Budget fully funds recommendations from the VET review as they pertain to training in the property construction workforce.**

### **Tier 2 TODs infrastructure incentive funds**

The large majority of the housing to be delivered through the 31 Tier 2 TOD precincts identified thus far will be approved by local Councils. It is important that Councils are incentivised to deliver on their housing targets and identified these precincts as locations where well-located housing can be delivered.

Whilst the developer funded Housing and Productivity Contribution will assist in some situations, it needs to be supplemented by a fund for Councils that meet or exceed their housing targets.

Much of the reasoned resistance to date from local Government has been the need to provide local infrastructure funding support commensurate with the housing expected from the Government's reforms. A dedicated fund for affected Councils that meet or exceed their housing targets would be welcome and recognise that good urban development outcomes are predicated on the delivery of appropriate infrastructure.

**Recommendation 5: that the NSW Government support a housing ready infrastructure fund for Councils with Tier Two TOD precincts.**

### **Western Sydney Housing and Jobs Enabling Infrastructure – roads, water and sewerage**

The completion of the Western Sydney Airport and the potential economic and employment boost deriving from it is predicted on road infrastructure servicing the adjoining employment lands. Presently, there is no funding allocated to upgrade critical roads that will service these employment lands – such as 15<sup>th</sup> Avenue, Badgerys Creek Road, Elizabeth Drive and Mamre Road.

While it is too late to change the delivery program now, the former State and Federal Governments' focus on the delivery of the M12 motorway and the Western Sydney Metro was misplaced. These infrastructure assets will be needed many years after the airport is fully operational.

But for now (and the next ten years), the focus on these vanity projects has diverted funding away from the investment in classified road augmentation and water infrastructure – all far more critical to enabling private sector investment in employment and logistics facilities that the new airport development always promised.

As noted, there is little that can be done now about the funding allocated to the new Metro line between Badgerys Creek and St Marys, or the M12. However, there is significant scope for Commonwealth government support for the upgrade of Elizabeth Drive and Mamre Road – each critical for the development of those employment precincts and both projects which are yet to be funded.

Whilst a combination of Federal, State and Local Government funding has been allocated for 5 greenfield projects to deliver 30,000 homes, additional projects within the Northwest and Southwest Growth Areas and Wilton, if funded, could realise significant new dwelling completions.

Unlocking infrastructure is critical to realising the potential of greenfield development, particularly in terms of the ambitious targets set for NSW in the National Housing Accord.

**Recommendation 6: That the NSW Government allocate a targeted funding pool towards a Western Sydney Housing and Jobs Enabling Infrastructure Fund and where possible, re-allocate funding to infrastructure that supports housing supply and jobs growth.**

### **Regional Housing assistance**

While the undersupply of housing in NSW 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 has seen this housing supply and affordability crisis shift to Regional NSW.

This too has productivity impacts, particularly in the difficulties the agricultural sector has in attracting and retaining a labour force for its seasonal work.

The inability of regional NSW to provide housing for current and future residents continues to place pressure on the cities, with the concomitant impacts on productivity due to congestion etc.

Given the recent significant uptake of available, zoned land lots in the regions, Councils have been caught out with a very narrow rezoned land pipeline. This has resulted in a record low rental vacancy rate in regional

NSW, currently only 1.1%. This, in turn, constrains the growth of these regional centres as there is no-where for the employees of new businesses to live.

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 under the former government.

Many regional communities have suffered from not having the funds available to commit to the construction of critical infrastructure (water, sewerage, roads). This causes local Councils to be conservative when it comes to planning. However, the changes in demand as reflected by the current supply shortage across NSW is clear evidence that support for regional infrastructure is greatly needed.

This is particularly the case in regions such as the Tweed Shire, which is facing considerable population pressures which will only be heightened in the lead up to the 2032 Olympic Games in Brisbane – a mere 100 kilometres north of Tweed Heads.

While many support growth in their local communities, some regional councils are slow in processing planning proposals.

To highlight the significance of the housing supply shortage, many regional communities have businesses ready to invest in new business activities in regional NSW. The biggest problem is there is no-where to accommodate the staff, including the planners needed to do the assessments to allow for the expansion of housing.

Many regional Councils struggle to recruit staff required to address the planning requirements needed for new housing because they are unable to offer appropriate housing options for potential staff.

This is a real chicken and the egg conundrum that is having real impact in terms of housing and the local economic development in many parts of regional NSW. Rental prices have risen rapidly.

The impact of bio-diversity conservation charges is also having a major impact on regional housing supply and support from the NSW Government is desperately needed.

The housing supply shortage in the regions represents a serious bottleneck for economic development and productivity. Regional Australia can play a key role in boosting the nation's economic productivity.

**Recommendation 7: NSW create a targeted Regional Housing Acceleration Fund to build regional infrastructure in areas where there is potential for high growth like Tweed Shire and the North Coast. This fund will also assist Councils with biodiversity offset payments so as to directly reduce the cost of housing supply across regional Australia.**

### **Water and wastewater infrastructure charges**

Greenfield housing will need to play a key role in delivering not just the new housing required under the National Housing Accord, but offer housing choice in Western Sydney.

The reintroduction of water infrastructure charges from 1 July 2024 (with full implementation from 1 July 2026) represents another levy placed on new housing, the cost of which is ultimately borne by the purchasers of that new housing – which comprises a significant proportion of those entering the housing market.

Placing a levy on the providers of a product which the Government wishes to stimulate and encourage is perverse in its logic. It is akin to taxing bakers when there is a bread shortage.

With the commencement of the National Housing Accord, there is an opportunity to remove or at least defer further the reintroduction of these charges for the duration of the Accord.

**Recommendation 8: that the NSW Government defer the implementation of infrastructure contributions for water, wastewater and stormwater service until July 1, 2029.**

### **Incidence of Housing and Productivity Contributions, section 7.11 and 7.12 levies**

Besides regulatory obstacles and infrastructure challenges, another significant threat to the delivery of housing lies with developer financing. Most developers rely on finance to deliver their projects. Financial institutions are risk averse and want to see a developer demonstrate a clear pathway, along with a healthy return, before they will commit to financing a project.

Cashflow through a project is critical and issues in the ongoing financial health of a project can present significant threats.

The Housing and Productivity Contribution, levied at \$10,000 per apartment and \$12,000 per detached housing unit is levied at the stage of issuing of the Construction Certificate.

The NSW Productivity Commission engaged with the industry when it prepared and released its *Review of Infrastructure Contributions in NSW* in November 2020.

Amongst its recommendations addressed issues with cash flow, which at the time were critical owing to the COVID pandemic. Recommendation 4.10 of the Report recommended that the Government defer payment of section 7.11 contributions from the construction certificate stage to that of the occupation certificate stage. The NSW Productivity Commission identified a number of benefits from this change, stating that the “**deferral of payment can provide significant benefit and allow more development projects to commence**” (Productivity Commission, 2020, p.71).

The same logic clearly applies to section 7.24 payments.

Payment of contributions at Construction Certificate stage comes when cashflow is tightest, and the drawdown on finance from lenders is at its highest.

In 2021, the Government of the day adopted the Productivity Commission’s recommendation in relation to the deferral of section 7.11 and 7.12 local infrastructure contribution payments till Occupation Certificate.

The measure was so successful in keeping project finance and construction work going during COVID, that the NSW Productivity Commission recommended that the change be permanently applied. However, this requires legislative change, as the authority for the changes made during Covid expired in March 2022 (see section 7.17 (1A)).

A permanent change to the timing of the payment of all infrastructure contributions arising from sections 7.11, 7.12 and 7.24 would be of significant assistance to the industry at a time of severe financial constraints and ultimately lead to the delivery of more housing in NSW.

**Recommendation 9: that legislation is prepared as a cognate Bill to the Budget Bills moving the payment of all HPCs, section 7.11 and 7.12 local infrastructure levies to the stage in any development immediately prior to the issuing of Occupation Certificates.**

### **Remove Stamp Duty for “downsizers”**

Whilst the need for new housing lies at the heart of the housing supply crisis, there are other levers the State can pull to improve housing choice.

One such lever is to remove the requirement for “downsizers” (say over the age of 55) to pay stamp duty on the subsequent purchase of their primary residential home after the sale of their previous residential home.

Currently the requirement to pay stamp duty is a significant disincentive for older homeowners who may occupy a family home much larger than what they need or can maintain. Unfortunately, the presence of an upfront stamp duty payment on a new family home is significant, and the older an individual or couple get, the greater the disincentive.

To remove stamp duty would remove the “stickiness” in this segment of the population (assuming it is matched by new housing supply) – thereby opening up housing choices for younger families and helping facilitate more appropriate living arrangements for “downsizers”.

At the very least, stamp duty could be paid off over a period of time to help incentivise older citizens to downsize.

**Recommendation 10: that the NSW Government remove the requirement for individuals and couples (with at least one owner over the age of 55) to pay stamp duty on the purchase of a new residence.**

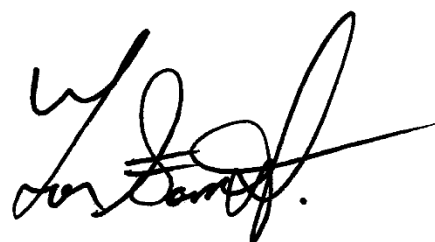
## Conclusion

With the commencement of the National Housing Accord in July 2024, the 2023-24 budget presents the ideal opportunity for NSW to position itself in a stronger position to deliver on the commitments made through the Accord.

Any investment in the NSW budget will be repaid in interest as a result of the economic stimulus generated by the development and delivery of new housing. It will also deliver on the various statements and public comments made by the Treasurer in ensuring a fairer society that delivers more safe and secure housing for those on the margins, including younger generations increasingly frozen out of the housing market.

Should you wish to discuss this matter further, please call our Head of Policy, Planning and Research, Stephen Fenn on 9238 3969 or via email [stephen@urbantaskforce.com.au](mailto:stephen@urbantaskforce.com.au).

Yours sincerely



**Tom Forrest**  
Chief Executive Officer

## **Urban Taskforce Recommendations:**

**Recommendation 1** - that Treasury approve submissions from DPHI for additional funding for their SSD Development Assessment budget to improve assessment timelines for housing projects assessed through the State Significant Development pathway

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