Urban Taskforce
AUSTRALIA

27 March 2024

Ms Sue Higginson MLC
Chair
Portfolio Committee No. 7
Legislative Council
Macquarie St
SYDNEY NSW 2000

Dear Ms Higginson

Re Inquiry into the Transport Oriented Development program

I write in relation to the NSW Legislative Council Portfolio Committee No.7's Inquiry into the Transport Oriented Development (TOD) program.

The NSW Government's Transport Oriented Development brings Sydney into line with a number of advanced cities across the globe. While transport oriented development is nothing new, its use in revitalising and reactivating infill parts of major cities is a more recent phenomenon that delivers housing and jobs close to existing and proposed transport infrastructure.

In doing so, TODs capitalise on the historic and future public investment in infrastructure, creating connected communities with high amenity and access to a range of goods and services with less reliance on motor vehicles. There are multiple benefits in terms of environment, cost of living and public health.

Cities such as Washington, Copenhagen, Singapore and Hong Kong have adopted TODs to deliver more liveable and connected cities. The NSW Government is to be congratulated for embracing TOD principles in the 39 precincts adopted thus far.

The recent series of papers by the NSW Productivity Commission has presented the wide array of economic, social, educational and environmental benefits ensuing from delivering more housing around transport nodes.

With the prospect of an entire generation being locked out of the housing market, this inquiry should be an opportunity to present a cross party endorsement of the principles underlying TODs, and to make positive recommendations to improve transparency, breadth and financial support for the rolling out of well-located housing across the six cities region.

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Recommendation 1: that the Committee support the concept of Transport Oriented Development and support the Minns Government's Transport Oriented Development program.

The TOD program should be expanded

Urban Taskforce is concerned over the lack of transparency around the selection of the 8 Accelerated Precincts and the 31 Tier 2 precincts.

> ## How were these locations selected?
>
> The department undertook analysis of 305 Sydney Train, Sydney Metro, and Intercity stations within the Six Cities Region to identify locations that have enabling infrastructure capacity near the transport station to support additional housing growth.
>
> This was informed by an evidence-based approach that used planning, infrastructure like roads, water and sewage capacity, and spatial data, along with expert advice and feasibility analysis. The analysis identified that these 8 stations have significant capacity to support additional growth.

Transport Oriented Development Program, December 2023, page 4

Urban Taskforce notes that in some time in March 2024, DPHI published a more detailed explanation of selection criteria.[1] It is unclear why this detail did not accompany the original announcement in December 2023.

There is still no clarity as to why certain sites were excluded. While it is fair to say that there was urgency to progress given, NSW is in the depths of a housing supply crisis, the exclusion of some obvious candidates for TOD development (like Burwood North, Five Dock, Edgecliff, Chatswood, Penrith and Bondi Junction) clearly raises significant questions.

While we are belatedly off to a good start, the TOD program needs to be expanded to encompass many more heavy rail stations, light rai, rapid bus routes and all metro station locations (planned or delivered).

Internal advice from the Department of Planning, Housing and Infrastructure showed that less than10% of the 138,000 homes that the Government believes can be delivered around the 31 Transport Oriented Development Tier 2 program may be built by the end of the National Housing Accord in June 2029.

The severity of the crisis demands that as many stations as possible are subject to the Government's reforms.

[1] Transport Oriented Development (TOD) Program - assessment criteria (nsw.gov.au)

Recommendation 2: that the Committee recommends the Government expand the number of Tier One and Tier Two TODs.

Governance framework for the TOD program

Notwithstanding the recently published Assessment Criteria for TOD precincts, nothing in those documents explains why obvious choices like Five Dock and Burwood North (both having new Metro stations), Cherrybrook, Chatswood and Edgecliff, Penrith and Olympic Park were not selected.

The TOD program appears to have been developed in a haphazard and inconsistent manner with the selection criteria unhelpful in establishing any logic for the choice of the TODs that were announced.

A program management approach to this volume of work is essential to ensure consistency and common sense.

This will facilitate a more positive relationship between DPHI and other stakeholders, including local councils.

This will also ensure Departmental capability and expertise is developed and preserved within a clear structure that enables the program to be both effective in its first round, and sustainable for the future rounds of the program that are essential to ongoing housing supply.

This program needs to be successful and trusted if it is to be accepted by the community as a legitimate pathway for the future development of Sydney and the wider region.

Recommendation 3: that the Committee recommend that DPHI establish a clear governance framework to ensure transparency and consistency in approach, while building capability for subsequent TOD rounds.

Greater engagement with development industry

Without the benefit of knowing what inputs went into the selection criteria, Urban Taskforce remains concerned that much of the feasibility assessment is reliant on a small number of economic analysis consultancies.

There is a need for the Government to engage more fruitfully with the private sector to better ascertain precincts where there is an ability and capacity to deliver housing in the short to medium term.

The Department of Planning's Urban Development Program is starting to establish better relationships with industry in order to best sequence land release across Greater Western Sydney.

With the appropriate probity protocols in place, there is an opportunity to select and prioritise precincts (along with the required infrastructure spend) so as to realise housing numbers more quickly.

This also applies in the earlier stages of planning when businesses cases are being developed (see recommendation 6)

Recommendation 4: that the Committee recommend the Government establish protocols to advance greater engagement and information sharing with the private development sector in order to more quickly realise housing in TOD precincts in the short to medium term.

Investment in public transport needs to be backed by strong business cases

Governments need to be transparent with the community in explaining the expectations around suburbs and localities that will benefit from the NSW taxpayers allocated significant amounts of funding towards such projects.

Approving large investment in public transport needs to be accompanied by a business case that justifies the investment. Housing and employment are critical outcomes and benefits of public transport.

The NSW Productivity Commission's White Paper recommended that the Government needs to public justify infrastructure spending.[2] Besides public transport considerations, there needs to be consideration given much earlier in the decision-making process on large, expensive infrastructure projects like Sydney Metro West.

Any significant Government decision on a major transport project must be accompanied by a detailed business case, which would have included specific outcomes/benefits, including anticipated residential development adjacent to or on top of transport infrastructure. The anticipated benefits that underpinned the business case should be carried over into the subsequent developmental outcomes.

To have public exhibitions on zoning, densities, and heights well after the decision to allocate funding for large public infrastructure projects risks the under delivery of public goods such as new housing, commercial space as well as other social infrastructure that would help justify these projects in the first place. There needs to be much stronger correlation between the decision to fund a particular infrastructure project and the development that will ensue on completion of the project.

[2] NSW Productivity Commission, White Paper, 2021, p. 311

Besides creating greater certainty and transparency around Government decision making, it will also help ensure maximising outcomes from any such decision. The rivers of gold from the initial rounds of asset recycling will not continue, and it is critical that the Government in the future maximise the public return on these mega projects.

Driving high density housing around public transport will not only address housing supply, but the new housing will also in itself deliver revenue for the government through property taxes and stamp duty. This, in additional to overall economic stimulus, needs to help underpin the business cases for these large public outlays on infrastructure.

Recommendation 5: in order to establish stronger correlation between decisions to fund infrastructure projects and the expected development outcomes stemming from that decision (namely housing and employment), that the NSW Government confirm development expectations at the time of the original decision to fund a major infrastructure project.

Business cases must be better informed through industry engagement

Further, when it comes to business case, there needs to be a more integrated process of engagement with industry as the business case is undertaken, not afterwards.

Presently there is no clear framework for industry participation in a business case process other than a supposed process of "industry engagement" which seem to happen late in the business case process if at all. A proponent is able to have meetings but has no clear understanding as to whether the proposal is being taken into account when costs and benefits are being assessed.

DPHI waits for TfNSW to make decisions. TfNSW wait for DPHI to provide guidance on the strategic merit of the development proposal. Neither agency is willing to take the lead and explore, in a transparent way, whether the proposal has merit. Any such industry engagement should be jointly led by TfNSW and DPHI, so that the above "chicken and egg" scenario can be avoided.

Probity processes appear to dictate the situation, instead of creating a framework of engagement under formal confidentiality arrangements.

Recommendation 6: that a clear and transparent framework is established to facilitate engagement with proponents when formulating business cases involving significant infrastructure investment by Government.

Strata renewal reform

It has become evident that many potential TOD precincts have been discounted due to the prevalence of strata developments, even though they are ideally located for increased height and density.

This is a perverse outcome, as many of these precincts have already been densified (3 storey walk up apartments built in the 1960s and 1970s). Many of these developments are comprised of older complexes that are increasingly expensive to maintain, have lower building standards, poor thermal performance and lower amenity.

The 2015 strata reforms allowed strata schemes to be renewed with a 75% majority. However, the current requirements are being gamed by a number of unscrupulous participants, either seeking extortionate pay outs, or holding out in the hope of taking over the renewal scheme themselves. The fact that many of these issues need to be resolved in the courts is another disincentive to proceeding with renewal proposals.

The area of strata renewal is a wicked public policy issue where private property rights intersect with the broader public benefits of urban renewal and deliver better housing and more of it close to public transport.

However, it is increasingly apparent that the current framework is holding back urban renewal through TODs in many parts of Sydney.

The Government needs to review the current arrangements around strata scheme and get a better balance that protects the interests of genuine homeowners against the broader benefits of TOD urban renewal.

Recommendation 7: that the Committee recommend the NSW Government undertake a review of the current strata renewal arrangements with a view to reducing unnecessary barriers to the redevelopment of strata complexes.

Infrastructure funding

To support new infill and well located housing, there must be a commensurate delivery of a variety of infrastructure to support these communities. With the vertical fiscal imbalance between Federal and State Governments, it is critical that the Federal Government provided significant upfront infrastructure support for these precincts and their surrounding communities.

The Commonwealth have correctly lifted immigration levels to deal with productivity, labour supply and an ageing population. It also enjoys the lions share of the taxation revenue benefits flowing form these decisions. The States (and to a

lesser extent local Councils) are largely left with the costs of accommodating these increases in population.

The Commonwealth also set the National Housing Accord Targets – yet unfortunately has merely offered a total of $3 billion in the "New Homes Bonus" for States that exceed the original targets – for NSW this would mean delivering more than approximately 310,0000 new dwellings over the next 5 years. Given that most experts doubt whether the States can achieve even their original targets, this funding (to be paid in untied grants from July 2029) may never be distributed at all.

Presently, State and local Governments are relying on a variety of fees, taxes and charges that whilst levied on developers initially (akin to taxing bakers when there is a bread shortage), are passed onto new home buyers in the form of higher house prices.

The end result is that the new purchasers of homes wear most of the cost of providing the new housing, which all Governments appear to agree is a board nationwide issue affecting the economy, society and the environment.
A national problem requires a national solution, and therefore it is critical that the Commonwealth provide a greater level of financial support for the States and local councils to deliver a wide range of infrastructure needs required to support more housing and density around these transport precincts.

Recommendation 8: that the Committee recommend the Commonwealth Government provide significant, upfront, infrastructure funding to the States and local Councils to facilitate the development of TODs and the associate infrastructure needs underpinning these developments.

Infrastructure coordination within NSW Government

Once planning approvals are in place, realising a TOD requires coordinated efforts across multiple sectors and a series of inter-connected development phases, where attention to details is crucial.[3]

It is critical that Government presents a coordinated front to other sectors, particularly developers, as the precinct rolls out. We can't have recalcitrant NSW government agencies seeking to frustrate the government agenda by delaying consent or calling for unreasonable numbers of additional studies.

To avoid haphazard planning decisions, there needs to be greater alignment between rezoning decisions, whether that be for housing or employment.

Clearly the TOD program is a more rational and sensible way to plan for growth. This contrasts to the approach of the former government where large swathes of

[3] https://blogs.worldbank.org/transport/transit-oriented-development-what-does-it-take-get-it-right

land in Western Sydney were rezoned without any plan to service these lands with infrastructure. We got a media release and a promise of jobs – but very little else.

Complementing the need for the Government to adhere to providing outcomes contained within the original business case for large infrastructure projects, there is a need for a coordinating role at the highest levels of Government such as an Infrastructure Coordinating and Delivery Committee chaired by the Secretary of the Premier's Department that brings in all NSW infrastructure agencies and holds them to account for the delivery of housing enabling and employment.

This could be achieved by expanding the role of Infrastructure NSW, however, it would be sensible to have either Infrastructure NSW or DPHI be both a member of the Committee and host its secretariat.

Recommendation 9: that the Committee recommend the government establish an Infrastructure Coordination function, header by the Premier's Department, is established to ensure proposed and future TODs are supported by the social infrastructure needed to build and sustain these new communities.

Conclusion

The Minns Government's Transport Oriented Program is a key initiative in its commitment to deliver more well-located housing across NSW. The policy, pursued across the developed world, will help generate a number of economic, social and environmental benefits, the first and foremost of which is the delivery of well located housing.

Given the housing supply crisis and the economic and social impacts it is having on the State, there is broad community support for measures to deliver more housing to place downward pressure on house prices, provide relief on skyrocketing rents, and to make available housing stock for an increasing segment of the NSW population who are struggling to put a roof over the head.

The first round of TOD precincts was limited in scope and poorly explained, particularly in terms of selection criteria. Urgent consideration must be given to expanding the program for both Tier 1 and Tier 2 TODs.

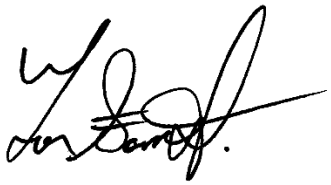
Greater funding support from the Federal Government is urgently needed. The NSW Government must look at coordinating the planning and infrastructure provisions around these precincts from a whole of Government perspective and this can only be achieved if it is led by the NSW Premier's Department.

Finally, it is important that the Committee supports the principle of Transport Oriented Development, noting the economic, social and environment benefits accruing to this type of development.

Addressing the housing supply crisis requires good policy, not cynical politics. The threat of a generation of Australians frozen out of the housing market should be sufficient motivation for the Committee to take a critical yet constructive approach to the rolling out of the TOD program.

Should any Committee member wish to discuss matters relating to this submission, please contact Head of Policy, Planning and Research, Mr Stephen Fenn on 9238 3969 or via email stephen@urbantaskforce.com.au.

Yours sincerely



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