



## Australian Institute of Architects

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To: NSW Productivity Commission

### **Discussion Paper Response: Kick starting the productivity conversation – Planning for the housing we want, and the jobs we need**

#### **OVERVIEW COMMENTS**

The Australian Institute of Architects (the Institute) welcomes the opportunity to make a submission on the NSW Productivity Commission Discussion Paper 'Kick starting the productivity conversation'. The Institute's response talks specifically to the section 'Planning for the housing we want and the jobs we need'.

The Institute is the peak body for the architectural profession in Australia, representing around 12,000 members, with 3200 members residing in NSW. The Institute works to improve our built environment by promoting quality, responsible, sustainable design. Architecture influences all aspects of the built environment and brings together the arts, environmental awareness, sciences and technology. By combining creative design with technical knowledge, architects create the physical environment in which people live, which in turn, influences quality of life. Through its members, the Institute plays a major role in shaping Australia's future.

Governments and industry in Australia must deliver places for communities that are built and connected in a way that enhances liveability, wellbeing, sustainability and productivity. Our cities are increasingly the generators of our national wealth. Rural and regional communities must be well-connected to urban centres and their services. This requires the integration of planning, transport, design and implementation.

The Institute strongly believes that good design supports productivity and to achieve the best outcomes will require more focus on reform and design policy change. Better alignment between both policies and connections across all levels of government is required to address urban development which is currently highly inefficient. While the Discussion Paper addresses each, they are treated in isolation whereas an integrated, coordinated approach is required for effective outcomes.

Design policy for design and building regulation should also recognise that the provision of appropriate, affordable, safe, secure, sustainable and well-located housing is a critical issue both now and into the future. Design policy and regulation plays an integral role in ensuring such housing is delivered. Poorly designed and built housing not only forgoes the wide-ranging economic benefits that appropriate housing delivers; it has an adverse impact on the physical and mental health of communities, resulting in increased economic costs associated with poorer health, social, educational and productivity outcomes.

<b>Recommendations:</b>
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An integrated, coordinated approach across all levels of government and regulations is required through the urban development design process to achieve best outcomes.
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Housing design and building regulation must ensure the provision of appropriate, quality housing.
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## Institute's Commentary

### 1. Focussing on reform and design policy changes

The Commission Discussion paper identifies the most productive areas of Sydney with respect to economic productivity. The areas identified are predominantly the leafy areas of Sydney with the highest percentage of open space – lower north shore, east, and 'global arc' towards Macquarie Park. The less productive areas have less amenity – a very strong link backed by the evidence in the Paper (NSW Treasury: SGS Economics)

<b>Recommendation:</b>
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Design policy should promote and recognise that place amenity is a key element of liveability and working environments and that this translates into productivity.
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### 2, Urban agglomeration and urban amenity

Australian architects have a worldwide reputation for creative and innovative design leadership and Australia has been producing contemporary and breakthrough architecture. We have a well-recognised, high quality and liveable built environment and to maintain this into the future to support a burgeoning population, we must create buildings and public spaces that are environmentally, economically, socially sustainable and culturally rich.

Government procurement should recognise the role of good design in maximising economic benefits and creating a rich legacy of functional and attractive buildings and urban spaces. Pyrmont/Ultimo is a stand out example of urban agglomeration supported by urban amenity, with some 35,000 jobs created there over a relatively short period of time. It has been catalysed by UTS and its high-quality campus, as well as the earlier Better Cities three levels of government collaboration, and the establishment of the place-based City West Department of Planning team. The collaborative governance structure efficiently delivered light rail, open space, and 600 affordable housing units.

<b>Recommendation:</b>
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Implement urban agglomeration where it is supported by urban amenity and coordinate planning across all levels of government.
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Use the State Government Architect as an expert advisor to support an integrated approach to built environment policy and practice across all tiers of government and to engage meaningfully with industry to advance public outcomes.
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Prioritise urban-related evidence-based research via the Australian Research Council.
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### 3. Tri-level government model

The tri-level government model can be applied more broadly to best leverage government spending. With respect to urban policy and planning, poor coordination between federal, state and local government can result in inefficiencies through a lack of policy alignment and inefficient use of funds. The Discussion paper reflects this by asking about federal tax issues, state planning and

local regulations in isolation of each other. When viewed in isolation, tax, planning and local regulations can compete or undermine each other.

**Recommendation:**

The Institute reinforces that housing affordability requires tax, planning and local regulations to be considered together, connecting the three levels of government.

#### 4. Reduced apartment size and quality won't necessarily reduce prices

The figure quoted by the Urban Taskforce in the Paper appears to be misleading and if accepted could result in poor outcomes with little saving. The suggestion that minimum apartment sizes could be 'unnecessarily restricting' the market will require additional investigation. The Residential Flat Design Code, which was superseded by the ADG in 2015, had larger minimum dwelling sizes (two-bedroom unit examples had sizes that ranged from 80-90 m<sup>2</sup>) but the minimum apartment size was reduced in the ADG (minimum 2-bedroom unit is now 70sqm). It should be possible to now quantify the impact on housing affordability in NSW that was created by reducing minimum apartment sizes in 2015, so a review should be undertaken before minimum apartment sizes are reduced once again. The cost savings of constructing smaller apartment sizes should also be independently verified.

Other types of cost savings should also be encouraged, for example 2-bedroom apartments with 2 bathrooms are currently required to be 5m<sup>2</sup> larger than 2-bedroom apartments with 1 bathroom and it is bathrooms, not living areas and bedrooms, that are the most expensive part to build. Under the current controls the number of apartments could be increased, and the cost of the apartment could be substantially reduced if developers increased the supply of 2-bedroom apartments with only one bathroom.

**Recommendation:**

The Institute recommends that further analysis of smaller dwellings, as well as other aspects of the ADG, be explored with the architectural profession involved. In addition, we recommend that the quoted construction cost savings related to smaller apartments should be re-assessed.

#### 5. Smaller units might be possible in limited areas

Some areas of the city are more connected, with access to a large number of jobs within a 30-minute journey time. In these specific areas there may be value in allowing slightly smaller units but only if they are well designed with functional and well organised layouts that deliver a high standard of residential amenity.

**Recommendation:**

A more detailed design review process would be required for these smaller apartments and they may also require bespoke, space saving furniture. It is recommended that further analysis of both the appropriate location and the design of smaller dwellings be explored with the architectural professions, before any changes are made to the ADG.

#### 6. Cost saving from reduced basements and car parking

As the city grows there is a need to transition from private vehicular trips. Significant savings can be made if buildings do not require individual basement car parks and cost savings are possible via lower carparking rates in areas that have good active and public transport access to jobs, services and amenities. There is also an opportunity to explore innovative policies that reduce car

ownership and car usage such as decoupling car parking spaces from dwellings, car sharing, and shared parking schemes.

The Institute agrees that more significant savings can be made with respect to car parking. For the overall housing cost to be reduced, such a reduction requires sufficient public transport to provide efficient access to jobs and services.

**Recommendation:**

The Institute recommends that the relevant externalities be included in such an analysis and that more innovative policies are encouraged, such as precinct and adaptable parking that is cheaper and more flexible.

## 7. Tackling housing affordability and living costs

Tackling housing affordability requires more than just increasing supply. While the 'build for sale for profit' segment of the housing market plays an important role in providing housing choices, decreasing the quality of this type of housing or increasing incentives to this sector seem unlikely to be able to address the growing need for affordable housing. The Institute's [Affordable Housing Policy](#) has more detail.

The State government has a critical role to play in improving access to housing. Encouraging and incentivising alternative methods of funding and managing 'build to rent' and 'not for profit' housing is likely to increase the supply of a wide range of different types of housing. Options for innovative and alternative funding, – including co-housing, shared equity housing, build to rent providers and community housing providers – should be encouraged with government subsidies and incentives to create a multiplier effect.

Affordable housing can also be encouraged by making government land available to not for profits at reduced rates and allowing local governments to use their land to provide affordable housing options.

**Recommendation:**

Appropriate affordable housing targets on all government land development projects and large private development projects would also help to address the lack of affordable housing.

Policy should also consider living costs as well as construction costs with respect to planning reform. For example, planning policy that allows for a broader spread of middle density housing, although less profitable and less popular with councils, may provide more affordable dwellings than small pockets of high rise/high density.

However, the outgoings including strata levies and utilities, on a simple three storey dwelling are much less than a tower. As the population ages this is a big impost on those living on superannuation or a pension. In addition, there is a misconception that small pockets of high-rise apartment are more effective at increasing the density of a city than increasing the density of low to moderate rise housing across a wider area. While reducing the amenity standards of the ADG may increase density in high-rise environments it may not reduce living costs but may reduce amenity and affordability with respect to living costs.

**Recommendation:**

The Institute supports real diversity – addressed through built form, tenure and building typology – not just diverse sizes of apartments, which often end up in towers.

## 8. Benefits of increased diversity and inclusive community

Australia is faced with a major housing problem in terms of availability, affordability and accessibility. There is a major shortfall of social housing available for those on low incomes who need housing, especially those who have recently experienced homelessness, family violence or have other special needs. Affordability affects our overall productivity as a nation and the ability of all citizens to participate effectively in the economy. Accessibility is a major issue for Australia's ageing population and people with a disability. As well, culturally appropriate housing for Indigenous communities is needed to create healthier, more stable, secure and socially cohesive communities.

The key issue around apartment size not raised in the productivity discussion paper is the need for variety in apartment sizes to meet the diversity of community needs. Families need larger apartments; apartments with shared occupancy may work better with two bathrooms; and those working from home may need a dedicated office space. One option could be for the commission to recommend replacing the minimum apartment size with a minimum average apartment size for the entire block, with an allowance for individual apartments to be up to 5m<sup>2</sup> larger or smaller than the average. This would avoid the current situation where all units of one type, regardless of orientation or design, are the same size and would provide greater flexibility for the design. It would also encourage an increased variety of apartment sizes to meet the demands of different household incomes, sizes and needs.

<b>Recommendation:</b>
Replace the minimum apartment size with a minimum average apartment size for an entire block.
Promote harmonisation of planning regulations across all levels of government to introduce clear targets for social and affordable housing including more flexible housing types and multi-generational occupancy.

## 9. Link between productivity and poor construction

There is an important link between productivity and the costs of poor construction standards for apartments that is not included in the paper. The Discussion paper should consider the costs to the occupant, which can be very high as identified in the Cities Futures Research Centre at UNSW research. Research estimates the costs of poor apartment construction may impact up to 75% of all owners.

<b>Recommendation:</b>
The Institute continues to advocate for better apartment construction and building standards.
Encourage states and territories to implement the 24 recommendations of the Building Confidence report in a nationally consistent manner.

## 10. Importance of open space and transport in high density areas

With respect to innovative ways of providing open space near transport in high density areas, government should broaden transport business cases. For example, currently rail business cases only look at rail patronage. However, broadening this to look at rail and bus patronage as well as savings due to less cars increased use of active transport etc changes the equation. In addition, if proximity to open space was added as a criterion in locating stations and transport routes, different transport routes may be selected e.g. running close to waterways or green corridors. As a

result, you deliver proximity to amenity to productive suburbs and reduce the need to acquire more open space.

**Recommendation:**

All place and transport issues should be addressed under one business case.

**Conclusion**

Good design supports productivity. Some of the most productive urban precincts – Pyrmont/Ultimo, ATP, and Green Square – were the result of better connectedness across federal, state and local government throughout the planning process, under the Better Cities Program. The Institute strongly recommends the continuation of this bipartisan approach to planning to build further on the productivity dividends for future governments and society.

Yours sincerely



NSW Chapter President  
Australian Institute of Architects

Appendix

Institutes Affordable Housing Policy <https://www.architecture.com.au/wp-content/uploads/Affordable-Housing-Policy.pdf>