

PLANNING FOR THE HOUSING WE WANT AND THE JOBS WE NEED

How could the NSW zoning system be simplified and improved to support greater business innovation and competition?

The major reform required is to reduce the overall length of time it takes to zone land. On average it takes between 7 and 10 years to get from initial identification to commencement of construction. The process timeline can be summarized as:

- **INITIAL STRATEGIC REVIEW:**

Usually initiated by council, the process of strategic review involves a full planning proposal that requires all the statutory studies to check flora & fauna, bushfire studies, heritage studies, archaeology studies, stormwater and servicing studies which are all necessary to prove the land is suitable and can be zoned for the intended purpose. Once the checks are done, council advertises the proposed rezoning to obtain input from the community and beyond. Once the comments are received, council meets to vote on approving the proposal which is then forwarded to the Department of Planning. To get to this point generally takes 3-5 years.

- **GAZETTAL PROCESS**

The DPI can take up to a year to undertake review of the proposal which ultimately leads to the legal process to formalize the new zoning which once gazetted means that the planning map is updated and allows an owner of that land to submit a Development Application.

- **DA PROCESS:**

You would expect that the DA process would be relatively smooth given that the studies and the 3-5 year gazettal process has been exhaustive and definitive. In fact the developer must embark upon a 2 year process to replicate the studies already undertaken over 3-5 years by the council in arriving at the decision to rezone the land. The studies undertaken by council cannot be relied upon and all studies, flora and fauna, archaeology, bushfire, stormwater, servicing must all be done again. Some of these studies require a 2 year process to ensure particular plants or animals do not appear through the seasons.

- **JUSTIFICATION FOR DUPLICATION**

The only possible reason for this duplication is to protect council and the DPI from any legal action in the event that they have made an error in their studies and process of strategic assessment.

- **RECOMMENDATION FOR IMPROVEMENT:**

The exhaustive council assessment should be definitive and final. The reports generated by council should be able to be relied upon by the development proponent and should not be subject to any further review. As it now happens, the gazettal of a rezoning is not in fact truthful, as it is only provisionally rezoned subject to further review. The costs associated with the duplication of studies is massive.

What other planning policy options should the NSW Government consider to ensure the planning system support job creation and respond to consumer preferences?

The EPA Act is essentially a planning Act that dictates and manages planning in Sydney and loses its relevance as it moves further away into regional NSW. The EP&A Act provides a development pathway that focuses upon what is prohibited rather than what is approved as of right. The Act essentially makes each and every development proposal contestable at great cost to the community.

There is clear evidence that regionally the current Act is an impediment to growth in the regions as it grapples with provisions that are simply irrelevant for consideration. This is particularly the case in the retail and commercial zoning provisions of the Act where regional areas by their nature are not in any way similar to their equivalent in Sydney. A regional inland planning Act needs to be developed that encompasses councils west of the Dividing Range and actually provides flexibility and encouragement to allow planning to respond to opportunity rather than using planning as a weapon to be an obstacle.

What steps could the NSW Government take to improve residential building regulations to support an adequate supply of affordable housing?

First and foremost it must be recognized that affordability is a relative not an absolute measure. Too often the measure is the multiple of cost of home to mean income, when in fact it should be measured on mortgage repayment to mean income. The affordability scale is impacted more by interest rates and accessibility to finance than it is to the actual cost of housing.

We make the mistake of singling out “affordable housing” as a special subset of supply when in fact we should be focusing upon the individuals ability to obtain funds to purchase.

There is no one solution to this strategy, it is multi-faceted and I list a few options that should be considered and in some cases expanded and developed.

- The Built to Rent sector is emerging and it should be encouraged as a long term housing options for people facing particular hurdles in getting settled and longer term tenancy. This needs to be encouraged via taxation incentives in reduced or waived land tax, relief from S94 costs and the banning of VPA's on such projects. If further company or income tax relief could be negotiated with the Federal government it would be a great help. This model works overseas and needs to be considered.
- Community Housing projects which have been very successful where NSW government builds the property and rents it back to like minded communities at a rental of 30% of the individuals income has had some great results. The flaw in the system is it is means tested. So an initial resident who qualified by being under the income threshold starts to flourish in work because of a settled and safe domestic abode, gets promoted, earns above the threshold and then gets evicted, which destroys the very essence of the community cohesion. My recommendation is that government should offer that person the right to purchase their unit so that government recoups its investment. The government's aim within the community housing sector should be to build the development establish it and progressively sell it to the tenants to recoup capital and fund another project. It should not be to simply amass property in a Monopoly type operation.

- Affordable housing levies should be outlawed and offsets only implemented if the developer chooses to accept them. Compulsory offsets do not create a better community or outcome by their imposition. Some areas are better placed than others to make such strategy viable.
- Finally, when 55% of the average mortgage is comprised of local, state and federal taxation charges, contributions, duties, levies and costs one does not have to look too far to understand that the industry itself is less than half of the affordability equation. Government needs to look seriously at how much longer it can continue to treat housing as a revenue cash cow before the system fails completely. A total review and overhaul of these charges must be implemented. One simple change would be to remove the massive upfront water and sewer contributions and in fact amortise them over 10 or 20 years of future rates notices. At the very least a split of say 25% upfront and 75% over time would be more equitable and have a significant impact upon price.

How might developer contributions be improved to support growth in new areas and service growing community needs?

The contributions plan must be identified at the time that the land is zoned for its particular purpose. Developers, particularly in Sydney need to guess what it is likely to be so that a proper figure can be calculated to determine the initial land purchase price. This is a gamble that now only the really substantial public companies are willing to take. Limited ownership restricts competition which ultimately influences land prices. It is vital that all contributions are declared at the time of zoning.

Flexibility should then be given to the developer to provide Work in Kind arrangements as well as being able to negotiate the transfer of some contributions to longer term recovery through rates. This would reduce the capital costs and sales price, however the rates impact would need to be declared at the time of sale.

The actual payment timing is vital and it would be useful to link the lot contributions to be payable at the time of settlement with the end lot purchaser rather than having to pay it earlier or even right up front which has a big impact on cash flow and interest charges.

Government should suspend the payment of land tax on land that is actively being developed or is currently developed and available for sale. That suspension should be for a 12 month period post title registration.

Finally, the VPA process should be scrapped. It is inequitable, poorly understood and we can demonstrate a case where our project in Tamworth was delayed 12 months whilst an \$11,000 amount was ascertained, documented, formalized, advertised, processed, paid and eventually signed by the Minister. Frankly disgraceful.