



BUILDING A BETTER NEW SOUTH WALES



**POLICY AGENDA
2011-2012**



MICHAEL
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A thriving urban development industry creates more jobs, a healthier economy and more homes for families. In this document the Urban Development Institute of Australia NSW, as the voice for more than 500 industry members, clearly sets out the barriers to development and offers positive solutions.

The value of the industry to NSW is clear. Each year, urban development sustains more than half a million jobs. It adds more than \$15 billion worth of activity to the economy annually and contributes 20 per cent of total state government revenue through stamp duty generation.

Yet housing production in this state has fallen dramatically in the past five years, to 75 per cent of its historical average. This trend has occurred despite record immigration and strong employment. Those paying the price are home buyers and renters, as the lack of supply pushes up house and apartment purchase prices and weekly rentals, particularly in Sydney. Housing in NSW remains the most unaffordable in the Australian market.

Each year 25,000 new homes are built in NSW, while the actual underlying demand is for 40,000. There are three major causes of the lack of supply. NSW has a dysfunctional statutory and strategic planning system. The state also lacks forward investment in infrastructure to support new developments. Noncompetitive state and local government levies and taxes on new projects are further hurdles. In NSW, government taxes and charges represent almost 60 per cent of the total cost of a new home. This impacts on the affordability of homes in new developments and creates a disincentive for developers to invest in building new projects in this state.

NSW, and Sydney in particular, faces some fundamental challenges in the near future with regard to population growth, housing, and transport. Sydney must return to having a consistent and sustainable supply of new housing, both on the metropolitan fringes and in existing urban centres. The future housing needs of Australia's largest city dictate that all markets must be treated as opportunities to deliver growth.

UDIA NSW believes that increased housing production to meet demand will revitalise the urban development sector, create more homes at affordable prices, stimulate the NSW economy and add to government revenue.

To achieve these aims, UDIA NSW advocates for the removal of unnecessary barriers in the planning system, a reduction in taxes and levies which hamper efficient and competitive delivery of housing, and the timely and cost-effective delivery of infrastructure to support new projects.

This Policy Agenda outlines eight key policy initiatives and reforms that UDIA NSW believes are practical, achievable steps to stimulate market recovery in NSW and provide a sustainable framework for growth.



STEPHEN ALBIN
CEO
UDIA NSW

AN ACTION PLAN FOR 40,000 HOMES PER YEAR

1. DELIVER MORE HOUSES IN NEW SOUTH WALES

The NSW housing market has experienced a sustained period of under performance, with housing production falling dramatically since 2003. In Sydney, the supply of fresh housing lots to the market is at a 60-year low. The homes built on these greenfield sites account for only one in every ten homes produced. The NSW Government's Metropolitan Plan for Sydney 2036 requires up to 30 per cent of housing produced in the greater Sydney area to be built on the urban fringe.

The State Government should:

- > Release its Metropolitan Development Program, for managing land supply and assisting infrastructure coordination, without delay. It should give Landcom responsibility for advising government on the infrastructure priorities for all development.
- > Use Landcom to focus on assembling future development sites (both infill and greenfield) and fast track rezonings and infrastructure at those sites. It should then on sell the sites wholesale to developers and/or take part in joint ventures with the private sector to deliver 10,000 new homes in NSW over the next four years.
- > Fast track infrastructure audits to deliver an additional 7,000 new homes each year across Sydney and regional NSW.

2. CREATE AFFORDABLE INFRASTRUCTURE

NSW has the nation's highest developer infrastructure levies, via Section 94 charges paid to local councils. This narrow funding source is relied upon to finance critical community infrastructure such as water, electricity and roads. The large number of government clearance points, combined with a lack of efficiency in key delivery agencies, means lengthy delays in approving new infrastructure are typical.

UDIA NSW believes there needs to be cooperation between the public and private sectors to plan and finance infrastructure. The State Government must move to introduce greater competition in infrastructure delivery, so that there is greater choice in suppliers of infrastructure to local communities.

NSW urgently needs a balanced approach to levies and charges that recognises the important role some contribution frameworks have in the delivery of infrastructure to support new development. UDIA NSW advocates for an effective framework that delivers revenue by increasing economic activity rather than simply increasing tax rates.

The State Government should:

- > Create a central agency to undertake Section 94 planning and oversee methods of financing infrastructure in NSW.
- > Extend the existing State infrastructure charge discount to growth areas, and investigate scrapping the charge.
- > Develop alternative financing mechanisms for local infrastructure.
- > Promote the development of North West and South West rail corridors along with new road infrastructure in Sydney and across regional NSW.
- > Coordinate infrastructure delivery by State Government agencies in accordance with adopted planning strategies.

3. RENEW COMMITMENT TO URBAN CONSOLIDATION

Sydney and the major regional centres in NSW are becoming more reliant on infill development to meet demand for housing. The availability of infill, or brownfield, sites is diminishing. Site amalgamation challenges, community opposition to increased housing density, and existing strata schemes are barriers to renewal. UDIA NSW advocates that the government place a firm focus on urban consolidation in identified precincts.

The State Government should:

- > Identify and promote centres to accommodate 7000 new dwellings each year and foster sustainable development around rail corridors.
- > Integrate the Sydney Metropolitan Development Authority into Landcom and revise Landcom's objectives accordingly.
- > Review the Metropolitan Development Program and Regional Strategies and enshrine them in legislation.
- > Give Landcom responsibility for defragmenting land release to assist orderly development and urban renewal.

4. ACCELERATE LOCAL GOVERNMENT REFORM

UDIA NSW believes that significant reform is required to deliver a framework that gives councils a greater capacity to meet their capital and operational expenditure obligations. UDIA NSW advocates reform to the fiscal and structural frameworks of local government. Rate pegging should be abolished and smaller local government areas consolidated to create more efficient provision of infrastructure and services. This would also improve the ability of councils to implement state and regional planning policies.

The State Government should:

- > Amalgamate local councils or allow resource sharing between councils so they are adequately resourced to deal efficiently with planning approvals.
- > Monitor the performance of local councils and government agencies in the approvals process as a result of the repeal of Part 3A and the transitional measures that have been introduced.
- > Remove rate pegging for local councils as a matter of urgency.



5. CREATE AUSTRALIA'S BEST PLANNING REGIME

UDIA NSW advocates for comprehensive reform to the NSW planning system. The current planning regulatory framework is both too complex and contradictory. It is prone to duplication of process and conflict in decisions, resulting in confusion and lengthy delays.

A 2011 Productivity Commission report found the NSW planning system was considered to be “the most difficult to operate under”, with a total of 101 local and state statutory instruments.

A rewrite of the Environmental Planning and Assessment Act is necessary to create Australia's leading planning system. This is because the Act has undergone frequent amendments since its introduction and no longer provides an effective regulatory framework to underpin the performance of the industry.

The State Government should:

- > Introduce a planning system that is rational, transparent, and certain to promote the economic growth of NSW and the development industry through the Planning Act rewrite process.
- > Place emphasis on plan making through comprehensive state, regional and local strategic planning that promotes strategic policy outcomes such as more housing, employment and sustainable development.
- > Promote the removal of duplication, conflict and complexity in the planning system through the development of Local Environmental Plans and Development Control Plans that are 'one-stop shop' planning instruments.
- > Introduce regulatory reform for riparian corridors and work constructively with the urban development industry to deliver a more balanced and fairer outcome.

6. EXPAND HOUSING CHOICES

There is evidence to suggest that NSW does not manage housing stock as well as other states. By expanding housing choice, people will be able to upsize or downsize as their life circumstances change. A greater focus on the seniors' living segment is required by Government to ensure there is adequate accommodation available for our ageing population, which will take the pressure off other segments of the market.

Additionally, with market undersupply, it is those at the margins that suffer the most, with affordability in rental markets a key issue for low-income families. For the community's key workers such as police, nurses and teachers, housing affordability is also an issue.

UDIA NSW supports the Government's policy to provide housing stock for the severely disadvantaged and the disabled. UDIA NSW believes these critical new approaches should be adopted to revitalise public housing stock and expand choice through private sector delivery of public housing.

The State Government should:

- > Review the State Environmental Planning Policy for seniors' living and promote best practice by releasing guidelines for good design of seniors' accommodation.
- > Adopt the recommendations of the Productivity Commission's review relating to retirement villages and seniors' living.
- > Divest existing housing stocks for the ageing population and disadvantaged tenants to Community Housing Providers.
- > Provide greater opportunity for a broader range of private sector developers and consultants to design projects and build public housing.
- > Establish a public/private sector redevelopment advisory board to examine options for the divestment and redevelopment of existing stock in poor condition or in blighted areas.

7. REFORM STATE STRATA LAWS

The current strata scheme legislation in NSW is the most significant hurdle to urban consolidation in major population centres. Currently, all strata owners must consent to the termination of a scheme. This requirement essentially sterilises strategically important locations from revitalisation and more efficient urban outcomes. UDIA NSW advocates strata reform to create urban renewal and sustainable growth in Sydney.

The State Government should:

- > Ensure strata schemes and strata legislation allow a majority vote rule for residents to determine the future of their strata scheme.
- > Immediately make amendments to all new schemes that will require the approval of only 75 per cent of owners to dissolve a scheme.

8. PROMOTE SUSTAINABLE DEVELOPMENT

UDIA NSW advocates the need for genuine sustainability in developments. This includes balancing environmental outcomes with social equity by generating economic growth. Inherent in this balance is the need to ensure that the cost of delivering genuine sustainability is shared by those that enjoy the benefits, and not just the homebuyer.

The State Government should:

- > Ensure that bio banking and bio certification systems promote sustainable development and communities.
- > Protect the interests of the industry and homebuyers to ensure that the introduction of a carbon tax does not have unintended consequences on housing delivery.
- > Promote and adopt reasonable policies with regards to riparian corridors, heritage and open space.



KEY POLICY SUMMARY

DELIVER MORE HOMES IN NSW	<ul style="list-style-type: none"> > Timely release of the Metropolitan Development Program. > Focus on assembling future development sites and fast track re-zonings and infrastructure then wholesaling to, and/or joint venturing with, the private sector. > Accelerate infrastructure audits.
CREATE AFFORDABLE INFRASTRUCTURE	<ul style="list-style-type: none"> > Create a centralised agency to undertake Section 94 planning and financing of infrastructure. > Extend the infrastructure charge discount to growth areas with a view to scrapping the charge. > Develop alternative financing mechanisms for local infrastructure. > Promote the development of key rail corridors and new road infrastructure. > Coordinate infrastructure delivery by government agencies.
RENEW COMMITMENT TO URBAN CONSOLIDATION	<ul style="list-style-type: none"> > Identify and promote centres to accommodate 7000 new dwellings per year. > Integrate the Sydney Metropolitan Development Authority into Landcom and renew Landcom's objectives accordingly. > Review the Metropolitan Development Program and Regional Strategies and enshrine in legislation. > Charge Landcom with the responsibility of a land defragmentation program.
ACCELERATE LOCAL GOVERNMENT REFORM	<ul style="list-style-type: none"> > Amalgamate local councils or allow resource sharing to expedite planning approvals. > Remove rate pegging for local councils as a matter of urgency. > Extend performance monitoring of local councils and government agencies in approval processes.
CREATE AUSTRALIA'S BEST PLANNING STRUCTURE	<ul style="list-style-type: none"> > Rewrite the Environmental Planning and Assessment Act. > Encourage plan making through extensive state, regional and local strategic plans. > Develop Local Environmental Plans and Development Control Plans into 'one-stop shop' planning instruments. > Introduce riparian corridor regulatory reforms. > Develop a planning system that promotes economic growth.
EXPAND HOUSING CHOICE	<ul style="list-style-type: none"> > Release a State Environmental Planning Policy for seniors' living and promote best practice. > Expedite a review of regulations relating to retirement villages and seniors' living. > Divert housing stocks for the ageing and disadvantaged to Community Housing Providers. > Expand opportunities for private sector developers to deliver public housing. > Create an advisory board for the redevelopment of existing public housing stock.
REFORM STATE STRATA LAWS	<ul style="list-style-type: none"> > Ensure strata schemes and legislation allow a majority vote rule. > New schemes should require approval from only 75% of owners to dissolve a scheme.
PROMOTE SUSTAINABLE DEVELOPMENT	<ul style="list-style-type: none"> > Use bio banking and bio certification systems to promote sustainable development. > Ensure the carbon tax does not have unintended consequences on housing delivery. > Promote reasonable policies for riparian corridors, heritage and open spaces.



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ABOUT UDIA NSW

The Urban Development Institute of Australia NSW (UDIA NSW) represents the interests of the urban development industry in NSW. UDIA NSW aims to secure the viability and sustainability of the urban development industry for the benefit of our members and therefore the communities that they create.

UDIA NSW represents the leading participants in the urban development industry with more than 500 member companies including developers, financiers, consultants, property managers, planners, builders, manufacturers, and state and local government bodies. A quarter of these members are based in regional NSW.

UDIA NSW members are represented by an elected Council of 13 leading industry practitioners who are responsible for the strategic direction of the Institute. UDIA NSW also has an extensive committee and regional chapter structure that involves more than 300 of the development industry's key stakeholders in policy formulation.

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