



Community Housing Industry
Association NSW

Submission on Western Sydney Aerotropolis draft Precinct Plan and draft SIC

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About this submission

This submission is made by the Community Housing Industry Association NSW (CHIA NSW) in response to the Western Sydney Aerotropolis draft Precinct Plans and the proposed Special Infrastructure Contribution (SIC), released by the NSW Department of Planning, Industry and Environment (DPIE).

Alongside major transport, open space and community facilities, affordable housing is critical infrastructure that will assist with realising the social and economic objectives of the Aerotropolis and the broader Western Parkland City.

CHIA NSW welcomes the inclusion of an affordable rental housing target in the draft Precinct Plan; however, the proposed 5% requirement will not be sufficient to meet the full extent of housing need. This submission recommends a series of refinements be made to the Precinct Plan and SIC to increase affordable housing requirements over time, in line with expectations for improved development feasibility, and to improve clarity over how requirements should be applied.

About CHIA NSW

CHIA NSW is the industry peak body for registered, not-for-profit community housing providers in NSW. The community housing sector builds and provides low-cost housing for individuals and families who cannot afford to rent or buy a home in the private market. CHIA NSW represents 94 community housing providers (CHPs) delivering rental housing for very low to moderate income and disadvantaged households across NSW.

CHIA NSW's work is focused on four key areas:

- **Supporting sector growth**, through policy, research, advocacy, communications and stakeholder engagement with government, politicians, and partners.
- **Promoting service excellence and continuous improvement**, through benchmarking surveys, data collection, resources, and toolkits.
- **Equipping current and future leaders and staff in the community housing sector** through the delivery of accredited education and training, professional development, and events which connect our leaders and staff to share experiences, challenges, and best practice.
- **Supporting the establishment of the Aboriginal Community Housing Industry Association.**

The community housing industry in NSW is growing and diversifying. It now manages more than 50,000 homes across NSW. Between 2012 and 2020, CHIA NSW estimates that its members have invested more than \$1 billion to deliver around 3,200 new homes.

Community housing in Western Sydney

CHPs are part of the social and economic fabric of Western Sydney, managing approximately 6,655 homes in the area¹. Affordable housing provided by CHPs will be used to house people in low to moderate income jobs that are essential to supporting the Aerotropolis, including airport personnel, retail and hospitality staff, health and childcare workers and other essential service workers.

¹ CHIA NSW data, as of 30 June 2019. Blue Mountains, Blacktown, Camden, Campbelltown, Fairfield, Hawkesbury, Liverpool, Penrith, Wollondilly local government areas.

Collectively, CHPs have invested over \$398 million to deliver more than 1,320 homes in Western Sydney². However, direct investment by CHPs alone cannot meet current and future housing needs.

Social and affordable rental housing supply is not keeping pace with population growth or demand. By 2036, the supply gap in Western Sydney could be as high as 64,414 homes – an increase of 82%, or 29,047 homes, over the current supply gap of 35,368 homes³. In Liverpool and Penrith LGAs, the combined supply gap is forecast to increase by 98% to 27,805 homes by 2036.

The scale of the supply gap for housing which is affordable to people in the lowest income groups clearly warrants the attention of all levels of government. The delivery of affordable housing needs to be a central pillar of the planning for the Aerotropolis, both to support the economic productivity of the area and to ensure development does not erode housing affordability for low-income households in the region.

CHIA NSW response to the draft Precinct Plan

Proposed affordable housing target

CHIA NSW supports the inclusion of a minimum requirement for the provision of affordable housing as part of new development in the Aerotropolis. Such a mechanism will provide a consistent means of securing affordable housing as part of development in areas benefiting from uplift as a result of rezoning.

However, the proposed requirement to “Provide a minimum of 5% affordable housing in any mixed-use development” (LU6 in Section 3.4.2), while a welcome start, will not be sufficient to meet the full extent of housing need.

Using the common planning assumptions that have informed the draft Precinct Plan and supporting technical studies (8,000 dwellings in the Aerotropolis Core and 5,825 dwellings in Northern Gateway Precinct by 2056), a 5% requirement would yield approximately 690 affordable rental homes. This compares to approximately 20% of new dwellings that would need to be provided as affordable rental housing in Liverpool and Penrith LGAs just to prevent the current supply gap worsening⁴.

While we accept that a lower affordable rental housing target may be necessary in the initial years of the Aerotropolis, given development feasibility constraints, a higher target is likely to be supported as higher densities become viable. As such, a strategic, long-term approach should be adopted in the Precinct Plan. This approach should involve increasing the affordable-rental housing target over time. The Precinct Plan should outline a timeframe or development yield threshold for when the higher affordable housing target will commence. Alternatively, this could be achieved by applying a higher

² CHIA NSW data, as of December 2020. Investment total includes both equity and debt finance. Total homes delivered includes social and affordable housing, retirement units and market housing.

³ SGS Economics and Planning, *Demand for social and affordable housing in WSCD area* (Sept 2018) prepared for CHIA NSW. Figures quoted are totals across all LGAs making up the Western Sydney City Deal area.

⁴ Derived from data outlined in Liverpool and Penrith Council’s local housing strategies (LHS). Liverpool Council forecasts a need for 43,452 new dwellings by 2036 to meet forecast population growth. This population growth is estimated to generate the need for an additional 8,700 affordable dwellings (20% of all forecast total housing need). A total of 18,200 affordable dwellings (42% of forecast total demand) is estimated to be required when the current supply gap is considered. The Penrith LHS estimates that a total of 24,272 additional dwellings are needed by 2036, and demand for affordable rental housing will grow by 4,540 dwellings during this time (19% of total supply). A total of 11,340 affordable homes will be needed in Penrith when current supply gap is considered (47% of forecast total housing need).

target to higher density development (based on FSR), noting that the Market Analysis and Economic Feasibility study informing the draft Precinct Plan does not expect higher densities to become feasible until later years.

Internationally, as well as in the City of Sydney, it has been demonstrated that a broad-based contribution requirement does not impede development, as developers incorporate the contribution into the land purchase price⁵. Flagging future, higher, affordable housing requirements up-front in the Precinct Plan will provide advanced notice to the market, enabling these higher rates to be factored into future land cost expectations, thereby supporting the viability of increasing rates of affordable housing provision over time.

Regardless of the level at which the affordable housing requirement is set, the Precinct Plan needs to be clearer on how it will be applied to different forms of development. The draft provision (LU6 in Section 3.4.2), as currently worded, refers to only “mixed-use development” (ie. where two or more different land uses are proposed). This could be interpreted as meaning affordable housing does not need to be provided as part of stand-alone residential land uses, such as residential flat buildings (RFBs) and multi-dwelling housing, which are permissible land uses in the Mixed Use zone under the provisions of the *State Environmental Planning Policy (Western Sydney Aerotropolis) 2020* (the Aerotropolis SEPP). Several provisions in the draft Precinct Plan itself can also be interpreted as allowing stand-alone residential development in certain locations.

Given this, the rationale for limiting the affordable housing requirement to mixed-use development only, if this is the intention, is unclear and is not supported by CHIA NSW as it would reduce opportunities for the delivery of affordable housing. We note that such an approach is not consistent with the Greater Sydney Region Plan’s provisions relating to affordable rental housing targets (ref. Objective 11).

It is recommended that the Precinct Plan is revised so that it is clear affordable housing is required to be provided as part of any development incorporating residential floor space, whether it is for mixed-use or stand-alone residential accommodation.

We would also argue that the Precinct Plan include a requirement for employment-generating development to provide a monetary contribution towards affordable housing, particularly where the development is expected to generate low-income jobs – given the need for affordable housing that will result.

The Precinct Plan also needs to be clearer on the basis for calculating the minimum affordable housing requirement to ensure it is consistently applied. We recommend the target is applied to the total development floor space of a development. An appropriate mechanism is also needed to enable the requirement to be met through a monetary contribution, in instances where on-site provision is not possible (for example, on sites where the contribution would represent less than a single dwelling).

It is also unclear from the draft Precinct Plan, whether and how any development applications proposing variations to the minimum affordable housing requirement will be considered. The Aerotropolis SEPP requires development applications to be “consistent” with the Precinct Plans,

⁵ Gurrán, N., Gilbert, C., Gibb, K., van den Nouwelant, R., James, A. and Phibbs, P. (2018) *Supporting affordable housing supply: inclusionary planning in new and renewing communities*, AHURI Final Report No. 297, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/297>, doi: 10.18408/ahuri-7313201.

however it is unclear whether this provides scope for variations to development standards to be considered. If this is the case, the Precinct Plan needs to include clear criteria for how any proposed reductions in the affordable housing requirement will be considered – including the need to submit detailed feasibility testing that justifies the need for a variation.

Consistent with the provisions of the *State Environmental Planning Policy (Affordable Rental Housing) 2009*, the Precinct Plan needs to also be clear that affordable housing provided is to be managed by a registered community housing provider. Affordable housing should also be required to be provided in perpetuity, given the need for such housing will persist over the long-term.

Summary of recommendations

- The Precinct Plan should include provisions to increase the affordable rental housing target over time, in line with expected improvements in development feasibility.
- The Precinct Plan needs to be clear that the affordable rental housing requirement applies to all development incorporating residential accommodation, and not just ‘mixed-use’ development.
- Provisions should be included requiring a monetary contribution from development that will generate low-income jobs, to support essential workers.
- The affordable rental housing requirement should be applied to total development floor space.
- An appropriate mechanism is needed to enable the affordable housing requirement to be met through a monetary contribution, in instances where on-site provision is not feasible.
- Proposed reductions to the affordable housing requirement should not be permitted. At the very least, the Precinct Plan needs to include clear criteria for how proposed variations will be assessed, including a requirement for detailed feasibility testing.
- The Precinct Plan needs to also be clear that any affordable housing provided is to be managed by a registered community housing provider and provided in perpetuity.

The need for a housing strategy

As the draft Precinct Plan and supporting Market Analysis and Economic Feasibility report establish, a local residential population will be important to achieving economic outcomes in the Aerotropolis, both by providing businesses with access to a local labour pool, but also by providing workers the opportunity to live nearby to their jobs. Given many of the jobs critical to supporting the proper functioning of the Aerotropolis will be low to moderate income jobs, the provision of sufficient affordable housing will be essential to the proper functioning of the Aerotropolis.

A clear housing strategy is therefore needed to ensure optimal economic outcomes from the development of the Aerotropolis and to account for potential impacts of development on the regional housing market. This strategy needs to identify the full range of housing needs for the Aerotropolis taking into account the types of jobs to be generated and the housing needs of these workers, in particular low wage workers who may have reduced housing options on the private market. It should also consider how investment and development in the Aerotropolis will displace low-income households from the broader region as a result of increases in land prices.

The strategy then needs to identify the range of mechanisms that will be used to ensure delivery of the required housing supply.

In this regard, we note that Section 7.3.1 of the overarching Western Sydney Aerotropolis Plan includes, as an implementation action, the development of an affordable housing strategy to deliver affordable housing as part of all residential development. This does not seem to have been prepared/is not available as part of the exhibition material and should be finalised prior to finalisation of the Precinct Plan.

Where there are demonstrated limitations on how much affordable housing could be delivered through proposed inclusionary zoning mechanisms, consideration will need to be given to other sources of supply to close the housing gap, including via Government subsidy and the use of government-owned land for the purposes of affordable housing.

It is unclear from the exhibition material what consideration has been given to the use of suitably located government-owned sites to leverage affordable rental housing outcomes, including by ring-fencing parts of these sites for affordable rental development funded by contributions raised from inclusionary zoning. Such an approach would be consistent with Strategy 11.2 of the Greater Sydney Region Plan.

Summary of recommendations

- An overarching housing strategy should be prepared as part of the finalisation of the Precinct Plan to identify the full range of mechanisms that will be used, in addition to affordable rental housing targets/contributions, to deliver the affordable housing needed to support the economic outcomes of the Aerotropolis.

Proposed provisions relating to the timing of residential development

CHIA NSW is concerned about proposals in the draft Precinct Plan that could unnecessarily limit the timing and rate of delivery of housing. Specifically, proposed controls LU2 in section 3.4.4 and LU2 in section 3.4.5 are confusing and appear to imply that residential uses will not be permitted in the Aerotropolis until 10,000sqm of employment floor area is delivered in the Mixed Use Zone, and then only at a rate of one dwelling for every 50sqm of employment floor area delivered. The draft Precinct Plan and supporting technical studies do not provide a forecast for when the 10,000sqm threshold is expected to be reached, however LU2 in section 3.4.5 implies that this is a 2036 target - which is 10 years after the forecast commencement of the development in Aerotropolis.

Whilst we understand the need to ensure that residential development does not compromise the timely delivery of employment outcomes in the initial precincts, we do not believe the proposed provisions, as currently drafted, are the most effective means of achieving this.

Such an approach could significantly delay the delivery of housing needed to support business in the Aerotropolis and is contrary to the findings of the Market Analysis and Economic Feasibility study which states (page 52) that: *“In a greenfield precinct such as the Aerotropolis, establishing a resident population early will be vital. These residents are critical to supporting retail and local services. Medium density residential typologies on the fringe of the Mixed Use zone would assist to establish a local resident population in the early years, particularly before higher density formats are viable.”*

These proposed controls also seem contrary to those in other parts of the draft Precinct Plan, such as LU3 in Section 3.4.7 which permits RFBs and attached dwellings beyond 1,200sqm of Metro Stations in the short term. It is also unclear how completion rates will be monitored and communicated to

developers and community housing providers to signal when the 10,000sqm threshold has been achieved.

It is recommended that the Precinct Plan be refined to remove unnecessary barriers to the timely delivery of housing in the Aerotropolis to support economic outcomes. Alternative provisions that could be considered include requiring residential development in certain locations (such as within 800 metres of metro stations) to include a certain amount of employment floor area until the employment targets are reached. This could be applied on a site or block basis.

Summary of recommendations

- Remove provisions that prevent the timely delivery of housing needed to support the Aerotropolis. Alternative provisions should be used to ensure delivery of employment floor space is not compromised, such as requiring mixed-use development in certain locations until employment targets are met.

Linking existing communities to opportunities in the Aerotropolis

CHIA NSW supports the draft Precinct Plan's Principles Guidelines, including *"Ensure equitable access to jobs and social infrastructure, including education, health and recreation facilities"* and *"Create a movement system that gives people right across the Western Parkland City convenient access to Aerotropolis jobs and social infrastructure through direct, quick, frequent and affordable public and active transport"*. This will be critical to ensuring the success of the Aerotropolis and delivering better outcomes for existing marginalised communities already living in Western Sydney.

Key to this will be ensuring direct and frequent transport links are delivered between all precincts within the Aerotropolis and to communities across the metropolitan cluster of Greater Penrith, Liverpool, and Campbelltown-Macarthur. This is particularly critical given the acknowledgement in the Market Analysis and Feasibility report that distance from a labour pool is identified by stakeholders as arguably the greatest challenge facing the viability of non-industrial uses in the Aerotropolis.

While the guiding principles are there, the draft Precinct Plan lacks detail on the specifics of the transport connections that will be provided to and from each precinct. We understand work is still progressing to confirm the detail of routes and stops. This work should inform the finalisation of the Precinct Plan to ensure the Principles Guidelines are achieved.

In addition to transport connections, we also recommend that consideration be given to the provision of training schemes, apprenticeships, and other initiatives to help local communities access the jobs created in the Aerotropolis. Linking existing communities to targeted employment and training opportunities would provide a highly needed circuit breaker for the locational disadvantage experienced by some social housing communities in Western Sydney.

CHIA NSW response to proposed Special Infrastructure Contribution

CHIA NSW supports the proposed exemption of affordable housing development from payment of the special infrastructure contribution (SIC). This will support the viability of delivering sub-market housing in the Aerotropolis.

We are, however, disappointed that no SIC contributions are proposed to be used to directly fund the provision of much needed affordable housing, particularly considering that the local contributions scheme for the Aerotropolis being considered by Penrith and Liverpool Councils are also not proposing to include affordable housing contributions.

This omission ignores the fact that, alongside transport, green space and community facilities, affordable housing is essential infrastructure as it will be needed to house people in lower paid jobs that are essential to supporting the Aerotropolis.

Affordable housing contributions are an established mechanism in the planning system in Sydney and internationally for securing affordable housing required for the workforce in an area. Contributions can be co-invested with lower-cost finance CHPs are able to obtain through the National Housing Finance and Investment Corporation, enhancing the effectiveness of affordable housing contributions to increase supply.

As outlined in our comments above, the draft Precinct Plan's proposed 5% affordable rental housing target is unlikely to be sufficient on its own to deliver the quantum of affordable housing needed in the Aerotropolis. Further subsidy will be needed. Affordable housing contributions could be levied on development that will generate a need for affordable housing and to which the proposed affordable rental housing target is not applied, such as employment uses that will create low-wage jobs essential to the operation of the Aerotropolis.

While we recognise there is a limit on the total amount of infrastructure contributions that can be feasibly borne by development, particularly in the initial years of the Aerotropolis, it is disappointing that affordable housing has been given secondary priority to other infrastructure when considering the feasibility of the SIC. We note that the draft SIC Determination includes a provision (clause 39) that provides a reduction in the contribution rate for the first 2 years. If such an approach is to be taken as an introductory measure, it is not clear why affordable housing contributions cannot be incorporated into the SIC.

Alternatively, the SIC could identify explicit timeframes for the introduction of affordable housing contributions in the future, to provide sufficient advanced notice to landowners and developers. This timeframe could be tied to the point at which higher densities are expected to become feasible – after 5 years.

Developers in Sydney have consistently indicated willingness to deliver affordable housing or make a monetary contribution towards it when provided with sufficient notice and details of the contribution, including the approach to calculating the amount, the timing of providing the contribution, and the form of the contribution.

At the very least, we would recommend the SIC Determination include a provision which identifies an explicit timeframe for its review and the assessment of whether affordable housing contributions have become feasible for inclusion.

Summary of recommendations

- Apportion some of the proposed SIC levy towards the provision of affordable housing to supplement the proposed affordable rental housing target.

- Monetary contributions should be collected from non-residential development that will generate low to moderate income jobs, where on-site provision is not possible.
- Alternatively, the SIC Determination should identify a timeframe for the future introduction of an affordable housing contribution and/or an explicit timeframe for the review of the SIC and assessment of the feasibility of an affordable housing component.