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Date: 1 September 2023

**The Hon Paul Scully MP**

Minister for Planning and Public Spaces

By email: [office@scully.minister.nsw.gov.au](mailto:office@scully.minister.nsw.gov.au)

Dear Minister

I write to thank you for our recent meeting where we discussed the housing crisis and the need for all levels of government and industry to work together to respond to it.

Addressing housing and homelessness is one of the key advocacy priorities for Local Government NSW (LGNSW). This reflects calls by councils right across the state for urgent action by State and Federal governments to address homelessness and the housing crisis and to remove barriers councils face when seeking to develop responses at the local level.

Across NSW many councils have been pro-active in responding to the need for social and affordable housing and increased supply of housing in general.

Councils have made considerable effort to create opportunities for growth, by preparing strategic documents in consultation with the Department of Planning and Environment that set out the vision and planning for additional housing and employment in their areas. In this way, these plans provide investment and market certainty, but they cannot control or direct private sector decisions to commence or delay housing construction.

Other council initiatives proactively targeted at affordable housing include:

- Establishing new and expanding existing affordable housing contribution schemes.
- Identifying council land that can be used for affordable housing.
- Direct provision of affordable housing in partnership with community housing providers.
- Investigating alternative affordable housing models such as Community Land Trusts.

This signals a willingness by councils to partner with the NSW Government to activate government land holdings to provide social and affordable housing, but as the Regional Housing Taskforce found in 2021, more action is needed to address some of the challenges and bring these opportunities forward.

### **Proposals to address the housing and homelessness crisis in NSW**

Councils appreciate that there is much more to be done by all levels of government. Through resolutions of the LGNSW Annual Conference councils have identified a number of proposals, for the short, medium and long term, that aim to address the housing and homelessness crisis in NSW.

I have set out a brief summary of these proposals in the attachment for your consideration and response.

LGNSW would welcome the opportunity to progress these ideas with relevant staff in your department.

### **NSW Government's proposed measures to incentivise delivery of affordable housing**

I also appreciate your commitment to involve councils in the development of the new framework announced on 15 June 2023 for specific measures to incentivise delivery of affordable housing in NSW. LGNSW has proposed safeguards to help ensure that development and growth is sustainably balanced with the availability of infrastructure and the social licence for fast tracked high-density development. The key principles for these safeguards are:

1. **Assessment and cost recovery** – Council professional staff must be involved in the assessment of any proposals, with the ability of elected councils to also comment, and must be fairly compensated with a fee to recover the costs of assessment.
2. **Voluntary planning agreements and contributions** – Councils must be permitted to require a voluntary planning agreement (VPA), or other infrastructure contributions arrangement to be negotiated for each development. This will ensure councils can provide essential community services and infrastructure to enable and offset the proposed development.
3. **Affordable housing in perpetuity** – Any affordable housing delivered under these reforms should be provided in perpetuity and not revert to market rates after just 15 years. Given the acute housing crisis and the bonuses and variations proposed to be granted to developers under these reforms, the social benefit provided from the proposed 15-year provision is inadequate.
4. **Affordable housing to be managed by registered Community Housing Provider** – Any affordable housing delivered under these reforms must be managed by a

registered Community Housing Provider, to provide assurance that the best outcomes for tenants and the community will be achieved.

5. **Review of mechanisms and inbuilt sunset clause** – The proposed State Environmental Planning Policy (SEPP) amendments that will introduce these reforms must provide for a formal evaluation and review of the operation of these provisions, as well as a sunset clause setting out when these emergency provisions will expire or need to be re-made.

### **Partnering with local government to deliver well-planned urban change**

Councils support genuine and sensible efforts to streamline regulation and contribute to increasing housing supply and diversity right across the state. However, it is important that this does not come at the expense of councils' role in strategic planning, which is undertaken in close consultation with their communities.

Certainty about housing growth and built-form outcomes established by councils in their strategic plans is critical. Where local and State governments have already developed planning controls and infrastructure commitments in partnership with the community through detailed studies and master-planning for infill higher density precincts, these should prevail.

While some degree of flexibility to respond to change is important, continual ad-hoc proposals and blanket state-level policies that override local plans risk harming the social licence for all development and will only serve to increase speculation and land banking.

Policy reforms to boost housing supply and increase housing diversity in the short term will have more chance of success and community acceptance if they include measures that will enable a legacy of 'good growth' and 'density done well'. In designing these reforms, we ask that you work in partnership with local government to include measures that can help councils deliver positive long term urban change for their communities.

Minister, I would greatly welcome your response to this letter, committing that the NSW Government will:

- Consider the suggestions raised in the **attachment**, to address housing and homelessness and ensure that the relevant agencies engage with LGNSW to explore how we can progress these matters.
- Consult with councils on any proposed initiatives to respond to Housing Accord targets as well as any other planning reforms.
- Support a policy reform framework that includes measures to deliver positive long term urban change – 'density done well' – in partnership with local government.



Please have your office contact LGNSW Director Advocacy Damian Thomas at [damian.thomas@lgnsw.org.au](mailto:damian.thomas@lgnsw.org.au) or on 02 9242 4063 should you have any questions.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Thomas'.

**Cr Darriea Turley AM**

**President**

Cc The Hon. Rose Jackson MLC, Minister for Housing

# LGNSW proposals to address the housing and homelessness crisis

## Timely approval of affordable housing contribution schemes

Affordable housing contribution schemes developed by councils have the potential to deliver more affordable housing in well-located areas. Many councils are committed to developing schemes but find the current framework for developing schemes is overly complex.

A recent study aimed at developing tools for councils to implement affordable housing contribution schemes identified barriers with the current approach. The need to establish feasibility and identify appropriate contribution rates on a case-by-case basis was considered the single biggest impediment to the introduction of contribution schemes.<sup>1</sup> Addressing this issue would help councils to establish schemes in an efficient and timely way.

## Remove barriers to affordable housing

Remove legislative and other barriers to the provision of affordable housing. Some councils that have agreed to use council-owned land for affordable housing in partnership with community housing providers have experienced barriers that required complex workarounds that delayed delivery of this much-needed housing. These and other barriers to the provision of affordable and diverse housing were documented by the Regional Housing Taskforce in 2021.

## Meaningfully invest in public and social housing

LGNSW is calling on the NSW Government to invest \$2 billion annually to build 5000 additional units of public and social housing each year for the next 10 years. There has been a chronic underinvestment in public and social housing over decades, compounding housing pressures for the most vulnerable members of the population. Investment in public and social housing will ease pressure on the entire rental market.

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<sup>1</sup> Increasing affordable housing delivered through contribution schemes, Southern Sydney Regional Organisation of Councils (SSROC) Submission to Department of Planning and Environment, January 2023.

## **Address the rental affordability crisis**

- **By incentivising owners to put existing unoccupied housing onto the long term rental market, and**

Reforms to return more of the existing housing stock to the long term rental market are the fastest way to provide immediate relief to housing pressures. Options to address this could be explored through a review of the local government rating system and the NSW land tax system.

- **By giving councils tools to better manage impacts of short-term rental accommodation (STRA) platforms on the availability of long-term rental housing**

The NSW Government's two-year review of the current STRA planning provisions should be prioritised and completed as soon as possible. As part of this review, councils need greater ability to help set the STRA planning provisions (number of days and areas).

The Independent Planning Commission has recommended that the NSW Government establish and maintain an appropriate ongoing STRA research and monitoring program to inform well targeted policy delivery.

## **Work in partnership with councils and communities to 'do density well'**

Policy reforms to boost housing supply in the short term, including 'missing middle' incentives, will have more chance of success and community acceptance if they include measures that will enable a legacy of 'good growth' and 'density done well'.

Policies for missing middle and higher density infill housing, developed in partnership with councils, can help deliver genuine and positive long term urban change for communities. The following principles should guide this framework:

- Local decision making is preferred, where councils and State government have done the strategic planning work for housing growth and density in their local area.
- State policies and plans for higher density housing should enable and ensure improved place outcomes in the long term, by including provisions requiring well-located and well-designed development.
- Allow for the Low-Rise Housing Diversity Code to be optional for councils to adopt and use in selected areas, not mandatory and state-wide. Councils should determine where medium density housing is built but the Low-Rise Housing Diversity Code overrides local controls.

Local government would like to explore policy opportunities with the State Government, that look at how housing supply, diversity and density increases can be achieved together with public amenity. The Government Architect NSW has considered how this might be achieved.

## **Support local housing initiatives**

Provide funding and assistance for councils to develop and implement housing strategies and to deliver initiatives at the local level. Helping councils fund the strategic planning that underpins housing and infrastructure provision can bring forward much needed housing. LGNSW is pleased that the NSW Government has committed to a second round of funding under the Regional Strategic Planning Fund to assist regional councils with this work.

LGNSW also welcomes the recent announcement by the Federal Government of a new program, the Housing Support Program, to help local councils build local infrastructure to support new housing.

## **Address industry and market barriers**

Planning reform is being heralded as a key solution to address Australia's housing challenges, ignoring other constraints which are currently affecting housing supply like market conditions, labour and material shortages in the construction industry and access to finance. These industry and market barriers which are beyond the control of councils should also be addressed.

A further constraint is private sector decision making that is hindering the untapped housing potential of many hectares of already zoned land. Councils regularly cite examples where planning approvals have been in place for some time that could have the benefit of unlocking many hundreds of additional housing lots. There is a general lack of regulation to require the completion of development and to prevent land banking which has led to a tightly held market that has failed to provide housing supply.

Councils provide the infrastructure when the land is rezoned but have no control over private landowners' decisions on when they will develop their land. This creates financial and resourcing implications for local government because the infrastructure in which they have invested millions of dollars to service this rezoned land often remains underutilised for many years – sometimes decades. In these circumstances, measures are needed to incentivise landowners to unlock the significant housing potential that already exists.