REGIONAL HOUSING TASKFORCE

Findings Report

Summary of Stakeholder Engagement

September 2021

Acronyms and abbreviations used in this report

ABS	Australian Bureau of Statistics
ACHIA	Aboriginal Community Housing Industry Association
ACHIF	Aboriginal Community Housing Investment Fund
ACHP	Aboriginal Community Housing Provider
ACT	Australian Capital Territory
AHCS	Affordable Housing Contributions Scheme
AHO	Aboriginal Housing Office
ALR Act	*Aboriginal Land Rights Act 1983*
ARHSEPP	State Environmental Planning Policy (Affordable Rental Housing) 2009
CHIA	Community Housing Industry Association
CHIF	Community Housing Innovation Fund
CHP	Community Housing Provider
Codes SEPP	State Environmental Planning Policy (Exempt and Complying Development Codes) 2008
DCP	Development Control Plan
DPIE	NSW Department of Planning, Industry and Environment
DRNSW	Department of Regional New South Wales
EP&A Act	*Environmental Planning and Assessment Act 1979*
GPI	Government Property Index
Housing 2041	NSW Housing Strategy 2041
Housing SEPP	Housing State Environmental Planning Policy
LAHC	Land and Housing Corporation
LALC	Local Aboriginal Land Council
LEP	Local Environmental Plan
LG Act	*Local Government Act 1993*
LGA	Local Government Area
LHS	Local Housing Strategy
LSPS	Local Strategic Planning Statement
NHFIC	National Housing Finance and Investment Corporation
NSW	New South Wales
PIA	Planning Institute of Australia
RAA	Regional Architecture Association
RFS	NSW Rural Fire Service
Seniors SEPP	State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004

SEPP	State Environmental Planning Policy
SEPP 21	State Environmental Planning Policy No 21—Caravan Parks
SEPP 36	State Environmental Planning Policy No 36—Manufactured Home Estates
SEPP 65	State Environmental Planning Policy No 65 – Design Quality of Residential Apartment Development
SEPP 70	State Environmental Planning Policy No 70—Affordable Housing (Revised Schemes)
SILEP	Standard Instrument Local Environmental Plan
STRA	Short Term Rental Accommodation
UDIA	Urban Development Institute of Australia
UDP	Urban Development Program
WA	West Australia

Contents

Chair's Foreword

Housing is a critical need providing both shelter and stability. Access to safe, secure housing has a profound impact on the health, wellbeing, and overall quality of life of the people of NSW. Beyond meeting individual needs, the provision of the right type of housing in the right place and at the right time is critical to the economic and social wellbeing of the whole community. It is the importance of housing as the foundation of success across a range of social and economic indicators that sees housing policy feature so prominently in public discourse and the drivers of housing pressures so fiercely debated.

While the focus of the Regional Housing Taskforce is on the role of the planning system, we heard from a great many contributors that housing is a whole-of-government issue. While the Taskforce acknowledges that the planning system has a key role in shaping housing outcomes, it is my belief that the NSW Government ought to continue to resist the diagnosis of housing pressures as being driven simply by the imposition of red-tape and simple supply and demand calculations.

With that said, supply and demand are of course part of the equation and the sharp price rises and tight vacancy rates currently being experienced in regional NSW have shone a light on underlying housing issues and trends, perhaps in the past masked by the reputation of regional NSW as a more affordable alternative to Greater Sydney.

In this respect, it is clear that while housing pressures in the regions are not altogether new or solely fuelled by COVID-19, the pandemic's influence on traditional migration patterns has exacerbated existing housing pressures in many regional areas.

What we also heard loudly and clearly is that regional NSW is not homogenous, with housing pressures and their drivers varying across regional NSW. In some areas, rising demand is closely associated with the jobs and economic opportunities brought about by major investment in infrastructure such as Special Activation Precincts, Snowy 2.0 and Inland Rail, whereas other areas are attracting lifestyle migration. Elsewhere, the impact of recent natural disasters like bushfires and floods is still being felt by communities.

While housing is of course complex, the lived experience of those feeling acute housing pressures in much of regional NSW undoubtedly points to the need for targeted interventions to support a more responsive pipeline of new housing that provides more social, affordable and diverse housing options that better meet the needs of those most feeling the weight of housing stress.

It is also important to reflect on the extensive reform of the NSW planning system over the last decade in response to calls for streamlined approval pathways and incentives for diverse and affordable housing types, and these changes have undoubtedly made an impact in making parts of the system faster and enabling development of housing to meet specific needs.

In my observation the NSW planning system is not seen as being inherently restrictive with many reporting that there is sufficient zoned land available for housing, however, we heard that there are a number of challenges that must be overcome when it comes to realising this theoretical capacity.

While this report is focused on articulating what we heard from the diverse range of stakeholders – who I'd sincerely like to thank for their extremely valuable contributions – the Taskforce will now consider the report's findings as we develop our recommendations. In this regard it appears to me that the most impactful solutions will be those which are place-based and carefully targeted at untangling the complexities specific to the particular area in which they arise and those that address the systemic issues that impact all communities.

Garry Fielding
Regional Housing Taskforce Chair
September 2021

Executive Summary

Background

Regional NSW faces significant housing supply and affordability pressures across various indicators. Over the past year, these pressures have become more acute with rents and house prices growing at a faster rate than in Greater Sydney and low rental vacancy rates impacting the availability and affordability of housing for low- and even moderate-income households. The impacts of the COVID-19 pandemic, the 2019-20 bushfires, and flooding in 2020 and 2021, among other events, have highlighted the housing challenges faced by regional communities and the importance of having an adequate supply of affordable, appropriate, well-designed, and well-located homes for regional communities' physical, social, and economic wellbeing.

The Regional Housing Taskforce

It was within this context of increased housing pressure in the regions that the NSW Regional Housing Taskforce was established in July 2021 by the Hon. Rob Stokes MP, Minister for Planning and Public Spaces. The aim of the Taskforce is to investigate challenges and barriers to housing supply in the NSW planning system and to develop recommendations on how the planning system and other NSW State Government levers could be used to achieve better housing outcomes for regional NSW.

The Taskforce is made up of independent Chair, Garry Fielding, and senior representatives from the Department of Planning, Industry and Environment's Planning and Assessment and Housing Property groups, and the Department of Regional NSW. The Taskforce's Terms of Reference can be found in Appendix A.

This report is the first of two reports being prepared by the Taskforce. It details the consultation and engagement undertaken by the Taskforce and documents the views expressed by a range of stakeholders during the consultation and submissions, structured by theme. The Taskforce will consider these findings and finalise its recommendations in a second report that will be provided to Minister Stokes in October 2021.

Related Work

The Taskforce's investigation follows sustained work by the NSW Government to address housing issues. Over a number of years, various planning policies and mechanisms have been introduced to facilitate housing supply in general, improve the design and sustainability of new dwellings, and encourage development of affordable and diverse housing types. This includes NSW's housing strategy, Housing 2041, which was released in March 2021 and sets out a long-term vision and objectives for better housing outcomes across NSW.

Consultation by the Taskforce was undertaken in parallel with reviews of other policies that will have implications for housing supply in the regional NSW. These include:

- the Commonwealth Standing Committee on Tax and Revenue Inquiry into the contribution of tax and regulation on housing affordability and supply in Australia;
- consultation on the draft Housing State Environmental Planning Policy (Housing SEPP);
- the commencement of the NSW state-wide regulation of Short Term Rental Accommodation in November 2021;
- the drafting of the new Design and Place State Environmental Planning Policy (Design and Place SEPP);
- the implementation of the recommendations of the NSW Productivity Commission's Review of Infrastructure Contributions in NSW; and,

- the implementation of the Planning Reform Action Plan including process improvements and other measures to reduce assessment times and facilitate faster planning decisions.

Consultation

The Taskforce undertook extensive consultation through July and August 2021, holding meetings with various Government and non-Government stakeholders, including 11 virtual roundtables with stakeholders from across regional NSW and from local government, the development and construction sectors, the community housing sector, Local Aboriginal Land Councils, architects, planners, and members of the general public. The Taskforce also received written submissions.

The Taskforce also worked with stakeholders within Government to review data and evidence to understand both broad and local trends in regional housing and their impacts on regional communities. The Taskforce has consulted within Government to understand the implications of the related work listed above.

Key Findings

While housing issues in regional NSW need to be understood in the context of broader housing trends, there are also unique factors and challenges in regional housing markets that frustrate the delivery of the right types of homes in the right locations and at the right time.

Declining affordability has been a trend over several decades in NSW and across Australia, with housing outcomes driven by various demand side and supply side factors, including the planning system and land availability, as well as taxation, interest rates, financial regulation, and other drivers that sit outside of the scope of the Taskforce's investigation. The Taskforce heard that, while the planning system plays an important role in influencing the type and location of housing and coordinating development, a planning-led response directed at supply alone is highly unlikely to solve affordability issues.

The Taskforce also heard planning responses need to consider the influence of regionally specific market factors on housing delivery in order to develop effective mechanisms and incentives to bring about needed supply beyond simply releasing land and approving development. These factors include development feasibility, the size and expertise of the local development sector, and variance in cost and availability of materials by location, as well as local constraints such as infrastructure and environmental factors.

There is a need for improved upfront strategic planning to resolve issues earlier in the planning process, including better alignment of the work of planning and other State agencies, to ensure that subsequent planning processes can be streamlined, and that development can be timely and well-coordinated.

Stakeholders emphasised the importance of 'upfront' strategic planning so that issues and constraints are identified and resolved earlier in the planning process. For example, there was an identified need for up-to-date regional and local strategies that are well supported by detailed technical studies and well-aligned with other government agency strategies. Sub-regional approaches that reflect broader housing markets and needs and allow for co-ordinated responses across local administrative boundaries were also supported to overcome local differences in planning approaches.

The Taskforce heard about the impact of lengthy decision-making processes and the complexity of navigating the planning system on time-critical housing provision, with a common perception being that processes are duplicated, and the same issues re-examined across rezoning and

development approval stages. Better information at the strategic planning and rezoning stages, including input from State agencies, was identified as being necessary to ensure land-use decisions in the regions are well-aligned and supported, which has the potential to reduce delays in planning decision-making processes and in development delivery.

There is understood to be sufficient residential zoned land across most of regional NSW to accommodate forecast demand over a number of years, but not all land that is currently zoned for housing can or will be developed.

Rather than there simply being a lack of zoned land, stakeholders identified that there were issues with activating latent zoned supply to bring housing 'to market' due to barriers such as infrastructure provision and servicing, development feasibility, and unaddressed environmental constraints. It was identified that approaches are needed to unblock latent supply and that a distinction between development-ready land and zoned land must be made when considering housing supply and the future pipeline of housing to enable better planning and coordination and more efficient use of finite resources.

Even where zoned land is unconstrained and serviced, development may not be realised in the short term if it is not feasible or optimal to develop at a given point in time due to market factors. Many stakeholders indicated that incentives were needed to encourage development where it was feasible to address the practice of land banking, which was seen as preventing the delivery of needed supply.

Approaches to infrastructure planning, delivery and coordination need to be improved to unblock regional housing supply.

The coordination and delivery of infrastructure to support housing delivery was commonly cited as a major barrier to the provision of new housing in the regions. The feasibility of development in many parts of regional NSW is more marginal than in Sydney, with more limited capacity for developers to pay the contributions required for enabling infrastructure such as roads, water, and sewer, and regional councils reporting limited capacity on their part to make up the gap. The Taskforce heard about the need for greater effort and resources applied to the upfront planning of infrastructure delivery including prioritisation, staging and coordination.

Regional communities recognise the need for more diverse and affordable housing to better meet current and future needs, including smaller homes and housing for older people, but delivery of diverse and affordable housing is a significant challenge.

A mismatch between the housing that is needed and what is provided in existing and new housing is a ubiquitous issue across regional NSW. A lack of housing diversity in terms of housing types, size, tenure and price, was raised by stakeholders as a serious issue that will worsen over time if the types of housing that are supplied, predominantly large detached houses, do not change to meet changing housing needs. Smaller, accessible dwellings that are located close to centres and services are needed to house regional NSW's ageing population and to provide appropriate accommodation for smaller households. The Taskforce also heard of the broader environmental, social and economic benefits of minimising urban sprawl in favour of more compact growth patterns.

The majority of regional councils have actively sought to encourage greater housing diversity through changes to zoning and development standards. The Taskforce heard of a range of challenges in delivering more diverse housing, including barriers within the planning system, such as poorly targeted planning controls, and other barriers such as market factors that limit feasibility and community concern. The need to demonstrate how density can be done well in regional contexts was frequently raised to help create a market precedent for these types of development,

to alleviate community concerns, and to help councils set controls that can facilitate well-mannered infill housing that enhances local character.

The Taskforce also heard that regional communities were experiencing an urgent need for more social and affordable housing, including appropriate housing for Aboriginal people, with recent events highlighting that many people's needs are not being met by the private housing market. Having access to secure, appropriate and affordable housing has significant impacts on the wellbeing and health of individuals and broader ramifications for the whole community.

It was identified that current planning policies and mechanisms to encourage diverse and affordable housing may not be well calibrated to regional contexts or may be of limited impact. Streamlined and depoliticised assessment pathways for social and affordable housing were suggested, as was the utilisation of government levers outside of the planning system to help facilitate affordable housing supply. The community housing sector and local government sectors signalled a strong willingness to partner with the NSW Government to activate government land holdings to provide social and affordable housing, but that more action was needed on the part of Government to bring these opportunities forward.

Regional housing markets are vulnerable to spikes in demand, including from temporary and seasonal workers, short-term holiday letting, and planning needs to better anticipate and respond to these impacts.

Regional housing markets can be particularly vulnerable to spikes in demand caused by seasonal or temporary workers especially in the agriculture, mining, and construction sectors, or by tourism. While these sectors are important for regional economies and productivity, the Taskforce heard that they can negatively impact on housing affordability and availability for existing communities, who struggle to plan for and accommodate additional demand both over the short term, for example, when linked to smaller infrastructure projects, and when they lead to longer term changes in the housing market, for example, through the growth of the tourism industry.

Stakeholders indicated that the planning system needed to better assess the housing impacts of State and Regionally Significant Development projects, to review approval pathways and controls for various types of temporary and short-term accommodation, to effectively regulate Short Term Rental Accommodation, and to incentivise the provision of long-term rental accommodation.

Next Steps

Throughout October the Taskforce will continue to consider the depth and breadth of issues raised through its engagement and within written submissions as it prepares its recommendations report.

The Taskforce's recommendations will consider the key issues highlighted by stakeholders and build on work already being undertaken by the government to improve housing outcomes for regional communities in NSW.

Introduction

The Regional Housing Taskforce

The Regional Housing Taskforce (the Taskforce) was formally announced in June 2021 by the Hon. Rob Stokes MP, Minister for Planning and Public Spaces, to identify barriers in the planning system that are preventing the delivery of housing supply and to formulate recommendations to improve housing outcomes in regional NSW.

The scope of the Taskforce's investigation and recommendations relates specifically to Regional NSW (including all 95 regional councils) and does not include Greater Sydney.[1]

The Regional Housing Taskforce is chaired by Garry Fielding.

The Taskforce members are:

- Monica Gibson, Executive Director Local and Regional Planning, Department of Planning Industry and Environment (DPIE)
- Ben Hewett, Executive Director, Innovation, Strategy, and Integration, DPIE
- Ash Albury, Executive Director Regional Housing Supply, Department of Regional NSW

Terms of Reference

The Terms of Reference set for the Taskforce by the Minister are in Appendix A. In particular, the purpose of the Taskforce is:

- To undertake consultation with local government and experts from the development and housing sectors to identify barriers in the planning system to new supply and develop potential solutions
- To advise the Minister for Planning and Public Spaces on the findings of the consultation and research and recommendations to achieve better housing outcomes for regional NSW through the planning system
- To contribute to the evidence base identifying housing challenges and planning barriers to housing delivery, building on existing background work to inform future government housing initiatives and provide advice to the Housing Expert Advisory Panel (when established).

The focus of the Taskforce is on how the planning system and other government levers can be utilised to stimulate housing supply that addresses housing needs, including the need for affordable housing, both through the removal of impediments within existing policies and processes and through the introduction of new potential planning mechanisms or government housing initiatives.

Context for this Report

Regional NSW faces significant housing supply and affordability pressures across a range of indicators. Many of these pressures are not new; declining housing affordability has been a trend in NSW and across Australia since the mid-90s, particularly in major metropolitan areas and large regional centres. In this time, house price growth has outpaced income growth and rental affordability has worsened, particularly for very low- and low-income households but increasingly also for moderate-income households.

---

[1] Regional NSW is defined as the 9 regions declared in the Environmental Planning and Assessment (Regions) Order 2020, being Central Coast, Central West and Orana, Far West, Hunter, Illawarra-Shoalhaven, New England North West, North Coast, Riverina Murray, and South East and Tablelands.

Over the past year, housing pressures have become more acute across regional NSW with rents growing at a faster rate than in Greater Sydney, low rental vacancy rates, and relatively high house price growth. The COVID-19 pandemic, 2019-20 bushfires, and flooding in 2020 and 2021, among other events, have highlighted the housing challenges faced by regional communities and the importance of having an adequate supply of affordable, appropriate, well-designed, and well-located homes for regional communities' physical, social, and economic wellbeing.

In this context, the Regional Housing Taskforce was established to investigate how the planning system and other NSW State Government levers could be used to achieve better housing outcomes for regional NSW.

The planning system is one of several key mechanisms influencing housing supply and affordability. Other relevant key factors influencing housing supply and affordability which have not been examined by the Taskforce include population growth and mobility, financial and taxation settings, interest rates, economic growth, Federal and State housing policy (including housing assistance), and construction activity.

The role of the NSW planning system as outlined in the objects of the *Environmental Planning and Assessment Act 1979* (EP&A Act) includes the promotion of the orderly and economic use of land and development and the delivery and maintenance of affordable housing, with these objectives balanced against other considerations such as ecologically sustainable development, environmental protection, the management of built and cultural heritage, and the promotion of amenity, design, and construction quality.

The Taskforce's investigation follows sustained work by the NSW Government to address housing issues. Over a number of years, various planning policies and mechanisms have been introduced to facilitate housing supply in general, improve the design and sustainability of new dwellings, and encourage development of affordable and diverse housing types. These policies are listed in the table below.

Table 1 Housing-related NSW State Planning Policies

Mechanism/s	Relevant Policies
Planning incentives and expanded permissibility for targeted housing types	• State Environmental Planning Policy (Affordable Rental Housing) 2009 (ARHSEPP) • State Environmental Planning Policy (Housing for Seniors and People with a Disability) 2004 (Seniors SEPP)
Inclusionary zoning	• State Environmental Planning Policy No. 70 – Affordable Housing (Revised Schemes) (SEPP 70)

Fast-tracked assessments	• State Environmental Planning Policy (Exempt and Complying Development Codes) 2008 (Codes SEPP)
	• Including:
	   o The Housing Code
	   o The Rural Housing Code
	   o The Low Rise Housing Diversity Code
	   o The Greenfield Housing Code
	   o The Inland Code

Improved built form standards	• State Environmental Planning Policy No 65 – Design Quality of Residential Apartment Development (SEPP 65) • State Environmental Planning Policy (Building Sustainability Index: BASIX) 2004

Dedicated approvals framework for alternative accommodation	• State Environmental Planning Policy No 21—Caravan Parks (SEPP 21) • State Environmental Planning Policy No 36—Manufactured Home Estates (SEPP 36)
Regulation of short-term rental accommodation	• State Environmental Planning Policy (Affordable Rental Housing) 2009 (ARHSEPP)

There has also been work to facilitate housing supply and affordability through regional and local strategic planning, the role of which has been strengthened through amendments to the *Environmental Planning and Assessment Act 1979* passed in 2017 that gave these plans a statutory role. The roll out of Local Strategic Planning Statements (LSPS) across all NSW Local Government Areas (LGAs) and of Local Housing Strategies (LHS) across the Greater Sydney Region and in some parts of regional NSW, was supported by the publication of Local Housing Strategy Guidelines and a Template that created a standardised and consistent format for LHS for the first time in NSW.

In addition to these planning specific initiatives, the whole of government NSW Housing Strategy 2041 (Housing 2041) was released in May 2021. Housing 2041 is a 20-year vision for housing in NSW that has been endorsed by the NSW Cabinet. The 20-year vision is supported in the four pillars of supply, diversity, affordability and resilience (see Info Box 1) and the 2021-22 Action Plan which sits alongside *Housing 2041* is structured around five priority areas for NSW Government. An Expert Advisory Panel will oversee the implementation and development of future actions plans.

Info Box 1: Housing 2041

Housing 2041: NSW Housing Strategy

20-year vision

People and communities have:

- access to housing security, diversity, and support, irrespective of whether they live in metropolitan or regional areas
- Choices that enable them to afford a home without compromising on basic needs
- support and opportunity in differing circumstances, including people in crisis, social housing residents, private rental tenants and those who aspire to home ownership.

Homes in NSW are:

- accessible and suitable for different stages of life or changing circumstance
- connected to local facilities, jobs, and social networks, with infrastructure, services, and spaces that people need to live sustainably
- designed to support human wellbeing and respond to the environment, maximise technology and support local character and place.

Pillars

- Supply: housing supply delivered in the right location at the right time.
- Diversity: housing diverse, meeting varied and changing needs of people across their life.
- Affordability: housing that is affordable and secure.
- Resilience: Housing that is enduring and resilient to natural and social change.

Objectives

1. Enhanced partnerships and cross-sector collaboration by:
   a. Increasing availability of housing data.
   b. Evidence and research.
   c. Making continuous improvements to reduce planning assessment processing times and red tape across all tiers of government.

      d.   Collaborating to test new ways of living.

2. Increased support to those most in need by:

      a.   Rejuvenating the social housing portfolio.

      b.   Supporting growth in the community housing sector.

      c.   Increasing the supply of affordable housing.

3. More investment and support for housing that is adaptable to changing needs and environments, with government-led residential development being an exemplar of carbon neutral design and applying smart technology housing design and construction.

4. Improved alignment of housing with infrastructure and community services for NSW communities by:

      a.   Establishing and implementing strategic planning principles at the state and local level, effectively supporting how people want to live now and into the future.

5. Additional support for first homebuyers and for new housing products that have the potential to increase affordability for those who seek to purchase homes.

6. Continued support for people in the private rental market, and a look at ways to ensure secure and safe housing, including support for new types of housing products such as build-to-rent housing.

The Taskforce's investigation was undertaken in parallel with other reviews of policy and the planning system that will have implications for housing supply in the regions.

At the Commonwealth level, the Standing Committee on Tax and Revenue is holding an inquiry into the contribution of tax and regulation on housing affordability and supply in Australia.

At the State level, concurrent policy work includes the commencement of the state-wide regulation of Short Term Rental Accommodation in November 2021 and consultation on the draft Housing State Environmental Planning Policy (Housing SEPP), which consolidates the ARHSEPP, Seniors SEPP, SEPP 70, SEPP 21, and SEPP 36, and introduces new provisions for co-living housing, independent living units and build-to-rent housing. It also includes the drafting of the new Design and Place State Environmental Planning Policy (Design and Place SEPP), which will introduce new design considerations into the delivery of housing, and the implementation of the recommendations of the NSW Productivity Commission's Review of Infrastructure Contributions in NSW, which will have implications for regional LGAs' capacity to support growth.

In addition, the ongoing implementation of the Planning Reform Action Plan will enable more responsive housing approvals through various process improvements and other measures to reduce assessment times and facilitate faster decisions. The Taskforce has consulted within Government to understand the implications of this concurrent work, as well as the planned review of the group home, caravan park, and manufactured home estates provisions as Phase 4 of the new Housing SEPP.

Within this complex policy context, the role of the Taskforce is to consider whether current planning policies and processes meet the needs of regional communities specifically, and how policies, strategies, and mechanisms could be better targeted or expanded in response to the immediate pressures and longstanding housing issues facing regional communities.

Purpose of this Report

This report summarises the key findings of the consultation, engagement and research undertaken by the Taskforce in July and August 2021. A second report will be prepared by the Taskforce and presented to the Minister in October 2021 containing the Taskforce's recommendations in response to these findings.

Structure of this Report

The remainder of this Report is structured as follows:

- **Overview** includes the Taskforce's consultation and engagement methodology, the data and evidence considered by the Taskforce, and a summary of consultation and submissions.
- **Housing Trends** provides an analysis of key housing trends in Regional NSW, including demand, supply, affordability, diversity and resilience data.
- **What We've Heard** contains a high-level overview of the key topics raised by stakeholders.
- **Detailed Findings** discusses at length the issues raised by stakeholders in consultation and submissions, structured by theme.
- **Next Steps** outlines the next steps for the Taskforce in developing its recommendations to Government.

Investigation Overview

Methodology

The Regional Housing Taskforce undertook a stakeholder engagement process over 4 weeks from 2 August to 27 August 2021. This comprised virtual roundtable sessions, one-on-one meetings, and a call for written submissions. Meetings with stakeholders provided an open forum to discuss housing issues, drivers of housing pressures, and to identify barriers in the planning system to housing supply and affordability. The Taskforce's investigation also included a review of data and evidence on regional housing trends.

Data and Evidence

In addition to extensive stakeholder engagement, the following data and evidence was considered as part of the Taskforce's investigation:

- Vacancy rates over time
- CoreLogic hedonic home value index
- CoreLogic hedonic rental value index
- ABS net migration data
- ABS census data
- DPIE population projections (currently being updated)
- ABS housing approvals data
- DPIE planning proposal data
- Rental stress data for multiple income cohorts
- CoreLogic house price to income ratio
- Purchaser housing stress data for multiple income cohorts
- NSW social housing waitlists
- Socio-Economic Indexes for Areas (SEIFA)
- NSW State-wide Street Count 2021
- ABS overcrowding data

Key insights from these data sources are summarised in the next section of this report, Housing Trends.

Consultation Summary

During the consultation period, the Taskforce held 11 public roundtable sessions. Prior to these sessions, briefings were held with representatives from peak bodies, and the Taskforce attended the Orange Housing Mini-Summit and the Regional Development Australia Inland Growth Summit. The first 4 roundtable sessions were targeted at specific stakeholder groups: local councils and Local Aboriginal Land Councils, Community Housing Providers (CHPs), the development sector and the general public. A series of face-to-face meetings were planned across regional NSW. These were shifted to 7 virtual sessions due to the state-wide COVID-19 lockdown. These 7 sessions were focussed on specific regions within NSW and their local concerns and were open to all stakeholders and community members: Central Coast and Hunter; North Coast; New England and North West; Central West, Orana and Far West; Riverina Murray; Illawarra Shoalhaven; and the South East and Tablelands. Over 400 people attended the sessions.

Table 2 Regional Housing Taskforce Roundtable Sessions

Session Title	Number of Attendees
Local Councils and Local Aboriginal Land Councils	77
Community, Crisis, Disability, and Aged Care Housing Providers	33
Development and Construction Industry	54
Community and Local Businesses	12
Central Coast and Hunter Region	31
North Coast Region	52
New England and North West Region	21
Central West, Orana and Far West Regions	28
Riverina Murray Region	39
Illawarra Shoalhaven Region	25
South East Tablelands Region	29
Total	**401**

A series of discussions were also held with individual stakeholders including representative from Government agencies and Members of Parliament.

Submissions Summary

Public submissions to the Taskforce were open for 4 weeks from 2 August to 27 August 2021, available via the Planning Portal on the NSW Department of Planning, Industry and Environment's website. The Taskforce received 168 submissions via email and through the planning portal, including responses from industry, peak bodies, local government, Community Housing Providers (CHPs), community groups and individuals. A full list of submissions is in Appendix B.

Table 3 Regional Housing Taskforce Submissions

Stakeholder Group	Number of Submissions
Local government	54
Personal	44
Peak group	20
Developer	14
Community group	12
Community Housing Provider	9
Other	6
Planning consultant	4
Architect	3
Government owned corporation	1
Indigenous advocacy group	1
Total	**168**

Figure 1 Regional Housing Taskforce Submissions by Stakeholder Group

Other 6
Community Housing Provider 9
Community group 12
Developer 14
Peak group 20
Personal 44
Local government 54
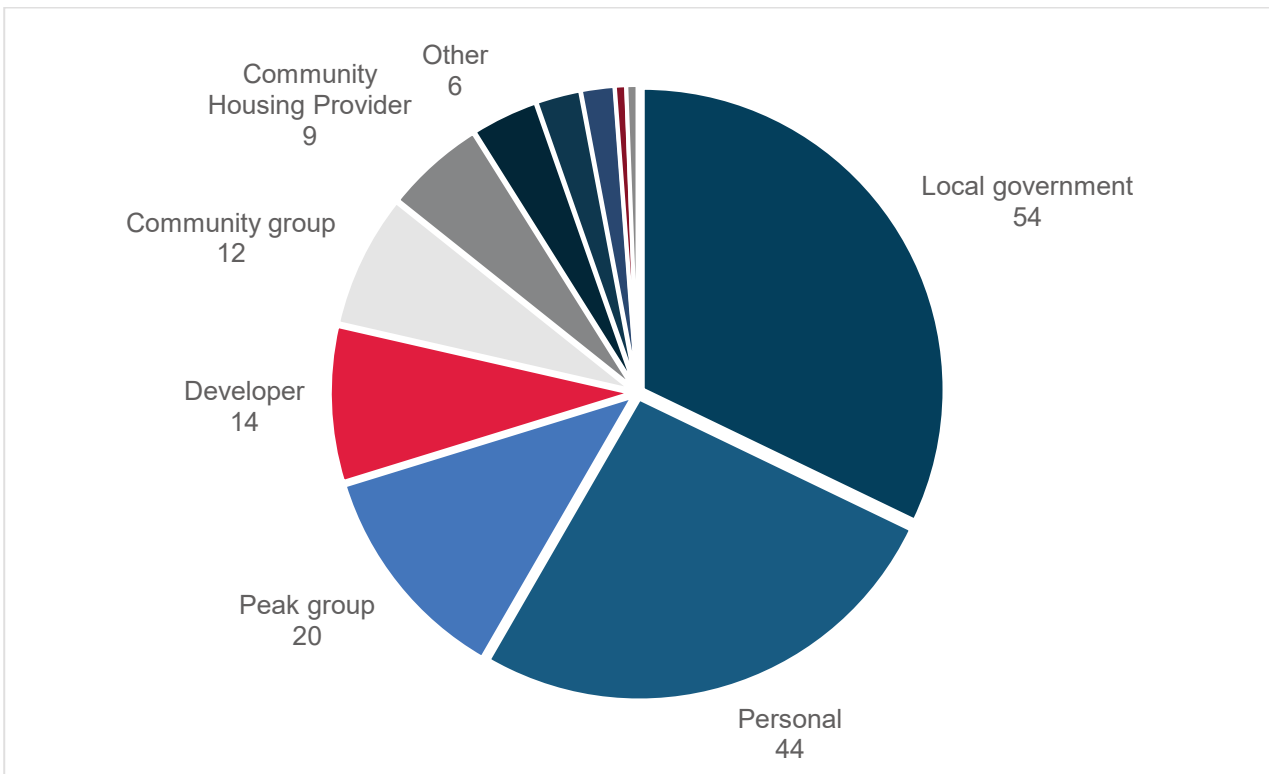
Figure 2 Submissions received by region

New England and North West 5
North Coast 14
Far West 4
Central West and Orana 8
Central Coast and Hunter 8
Illawarra-Shoalhaven 2
Riverina Murray 9
South East and Tablelands 10
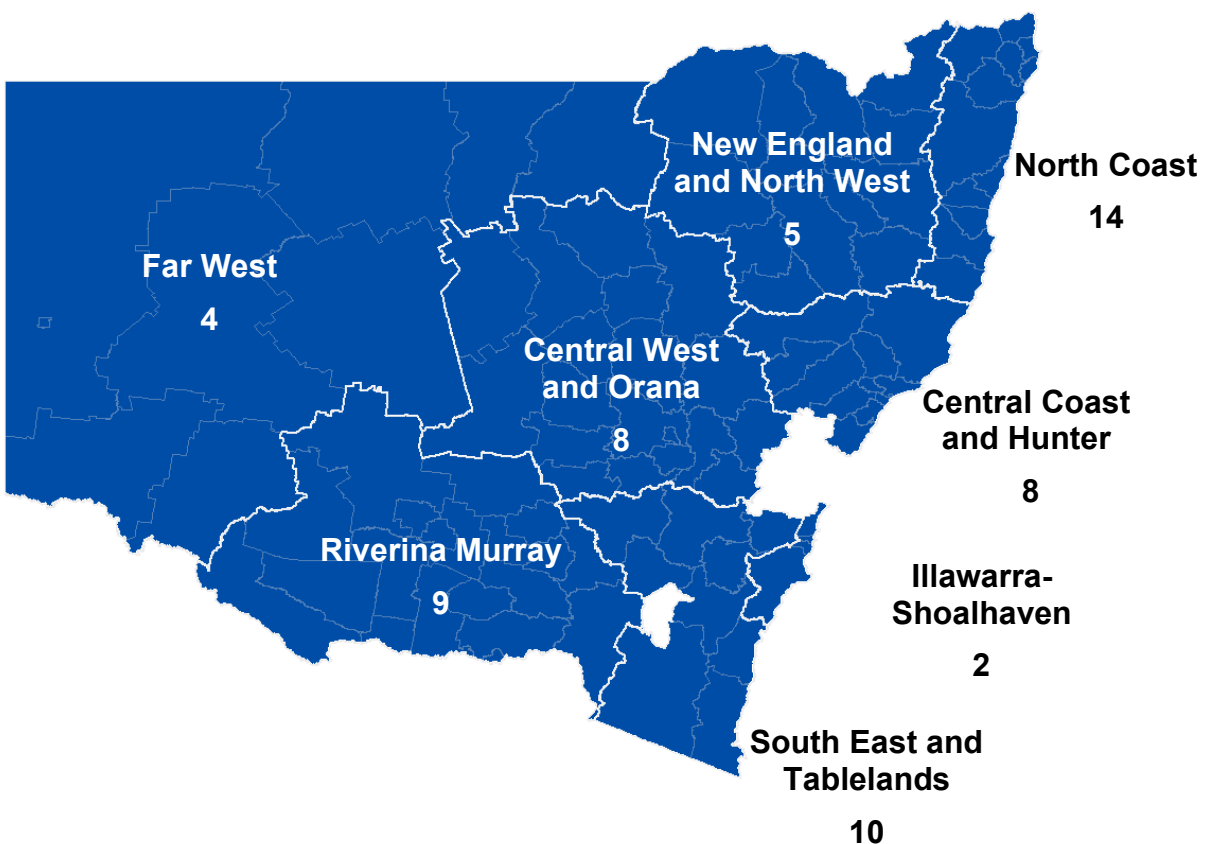
Note: Personal submissions and submissions on behalf of organisations operating across multiple regions not included above

A broad range of housing issues and pressures experienced in regional communities were raised by stakeholders. Common threads between regional areas became apparent through the stakeholder engagement process, with issues such as a lack of housing diversity, rental shortages, challenges in infrastructure delivery, and the need for additional affordable and social housing commonly raised by stakeholders. While some housing issues appeared relatively universal, variation in both the drivers behind those issues and potential solutions issues vary between regions and council areas, highlighting the need to consider issues in their context when developing recommendations. Table 5 below provides an overview of the key topics raised in submissions, including the number of submissions that raised each issue. Table 6 provides an overview of the top five issues raised per region.

Issues raised in the submissions are discussed in depth in the section Detailed Findings.

Table 4 Key topics raised in written submissions

Issue	Number of submissions
Shortage of rental properties	86
Affordable Housing	79
Infrastructure alignment & sequencing	72
Housing diversity	63
Planning controls (general)	61
Temporary housing	54
Social housing	53
Community housing sector	42
Migration	42
Council resourcing	36
Land banking	35
Skilled worker shortages	35
Infill development	34
Cost of development	33
Housing targets	33
Short Term Accommodation and impact of STRA	32
Zoned land capacity	31
Zoning process	28
Infrastructure contributions	26
Tax and financial settings	26
Assessment timeframes	26
Seniors/disability housing	20
Strategic planning	18
Biodiversity offsets	16
Community opposition	15
Overlap of assessment processes	9
Housing impacts of major projects	6
Other	6
Site consolidation	3
Design and construction quality	1

Table 5 Top 5 issues raised in written submissions by region

Region	Top 5 issues raised in submissions
Hunter	Infrastructure alignment and sequencing Shortage of rental properties Affordable housing incentives and requirements Housing diversity Migration changes
Central West and Orana	Housing diversity Shortage of rental properties Infrastructure alignment and sequencing Affordable housing incentives and requirements Cost of development
Far West	Infrastructure alignment and sequencing Shortage of rental properties Council resourcing Skilled worker shortages Infill development
Illawarra Shoalhaven	Infrastructure alignment and sequencing Affordable housing incentives and requirements Community housing sector Migration changes Housing diversity
New England and North West	Housing diversity Affordable housing incentives and requirements Infill development Shortage of rental properties Community housing sector
North Coast	Affordable housing incentives and requirements Temporary housing Shortage of rental properties Tax and financial settings Short term accommodation
Riverina Murray	Shortage of rental properties Infrastructure alignment and sequencing Skilled worker shortages Housing diversity Planning proposal process
South East and Tablelands	Shortage of rental properties Short term accommodation Temporary housing Land banking Housing diversity

Housing Trends

This section contains an analysis of key housing trends in regional NSW, including demand, supply, affordability, diversity and resilience data.

Demand

There have been higher than average volumes of people coming to and moving around in regional NSW during 2020-21. While potentially accelerated, movements have been generally in line with existing trends. The increased population has contributed to higher demand for housing, especially along the coast and within a half day drive from Sydney.

Figure 3: Net Population Movement to Regional NSW 2001-2021
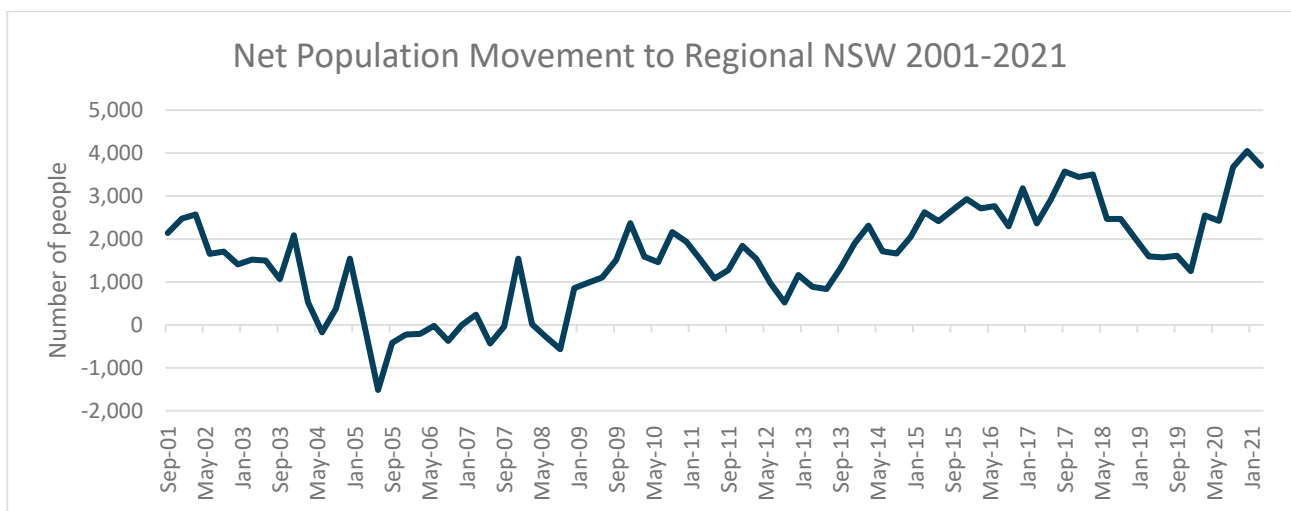
Source: ABS, *Regional internal migration estimates, provisional*, accessed September 2021. **Note:** data includes arrivals and departures from Greater Sydney as well as interstate.

The biggest source of net positive migration into regional NSW is Greater Sydney, with about two people moving to regional NSW from Sydney per one person moving to Sydney from regional NSW. Most movers from Sydney seek lifestyles in peri-urban areas, being regional centres and coastal locations within a half day's drive of Sydney.

Typically, people who leave regional NSW move interstate, but border closures and changing lifestyle factors during the COVID-19 pandemic have resulted in a decrease of people leaving the regions, including for Sydney. It is difficult to determine exactly what trends signal a long-term shift and what will be temporary, however short-term migration trends related to the pandemic are expected to return to normal during 2023-24[2].

---

[2] Bernard, A et. al. 2020, 'Anticipating the impact of COVID-19 on internal migration', Centre for Population Research Paper, The Australian Government, Canberra.

Figure 4 Population change by LGA
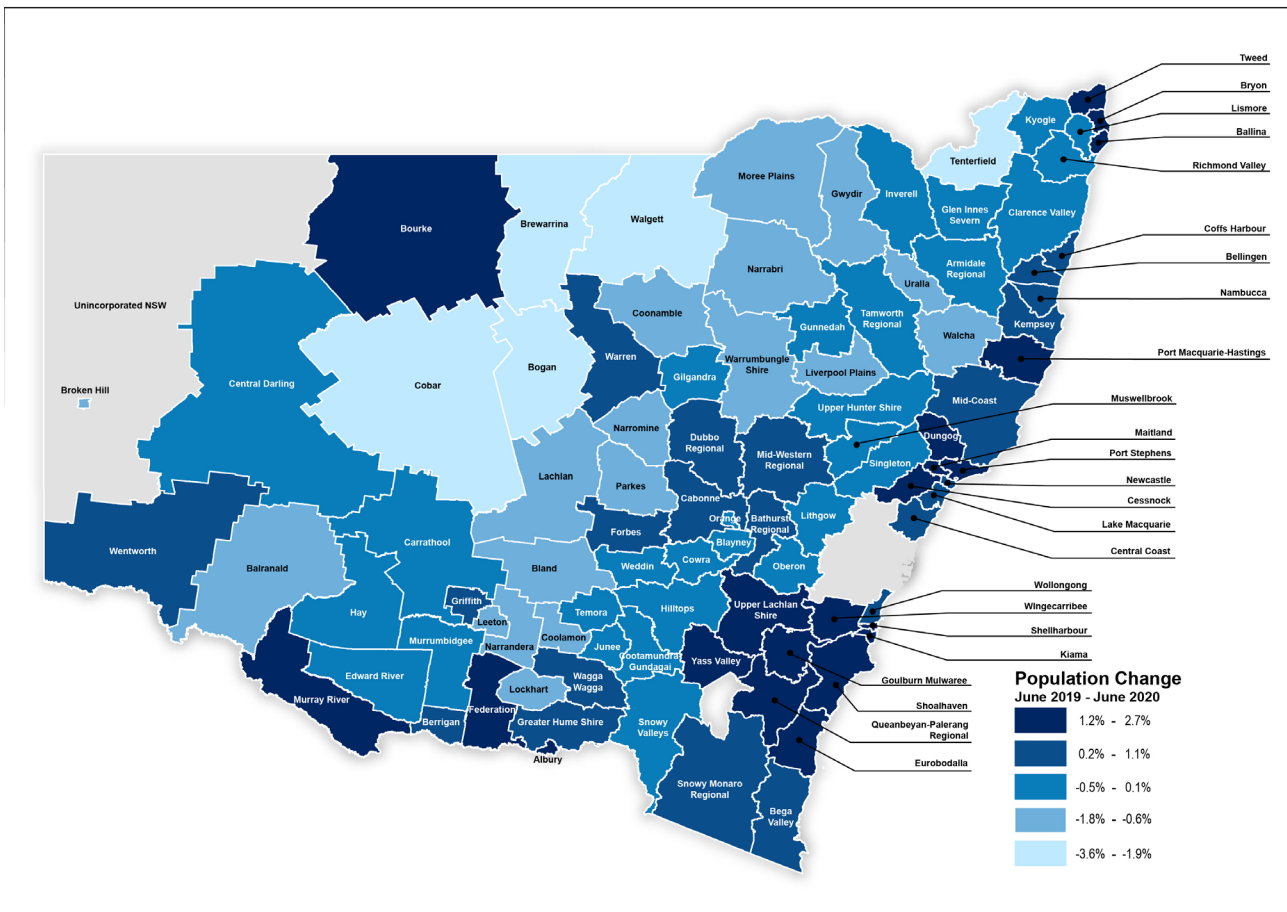
Source: ABS, _Regional Population 2019-2020_, accessed September 2021.

Regional NSW is home to about 40% of the state's population, and experiences varying levels of population growth (see Figure 4). In 2019, the NSW Government estimated that the regional NSW population will increase by 400,000 to 3.5 million by 2041, requiring an additional 290,000 homes. However, current scenarios indicate that the population will grow to the high end of expectations over the next 5-10 years.

Supply

Increased demand during COVID-19 has highlighted that housing supply in some parts of regional NSW has been tight for some time and that it is difficult to rapidly increase supply during times of increasing need.

Figure 5 Rental Vacancy in NSW
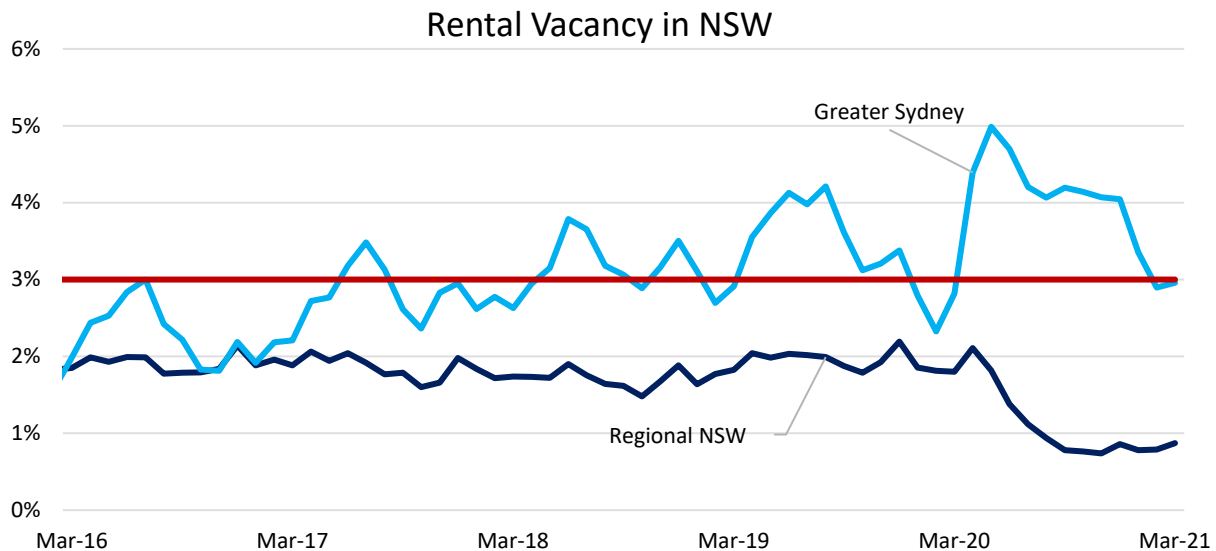
Source: SQM 2021, Custom Rental Vacancy Data, DPIE Analysis

Given the flexibility of rental leases, rental vacancies are one of the most responsive indicators of whether housing supply is 'balanced'. Rental markets with a rental vacancy rate of 3% are generally considered to be well balanced between supply and demand. Rental vacancy rates have been falling across regional NSW from June 2020 and are currently very low. Prior to COVID-19, rental vacancy rates were steady but tight across regional NSW, however, since COVID-19, rental vacancy has dropped substantially in regional NSW. While vacancy rates vary between different areas, all of regional NSW appears to be experiencing tight rental markets (see Figure 6).

High levels of demand are a trigger for new development, with developers rarely investing in a low demand market, and given the length of the development process from design to completion, supply balance can also be thought of as part of a baseline measure for long term changes rather than short term fluctuations (for example, changes experienced in less than one year). When compared with ABS building activity data, implied dwelling demand from population numbers indicates that most of regional NSW has balanced long term supply, being within 0.5% of estimated household demand[3], however this varies across regional NSW. Looking forward, investment in economic growth across Regional NSW may result in changes to housing needs and impact long term supply requirements.

---

[3] ABS, 2021, Building Activity, Australia, DPIE Analysis

Figure 6 Rental Vacancies by LGA
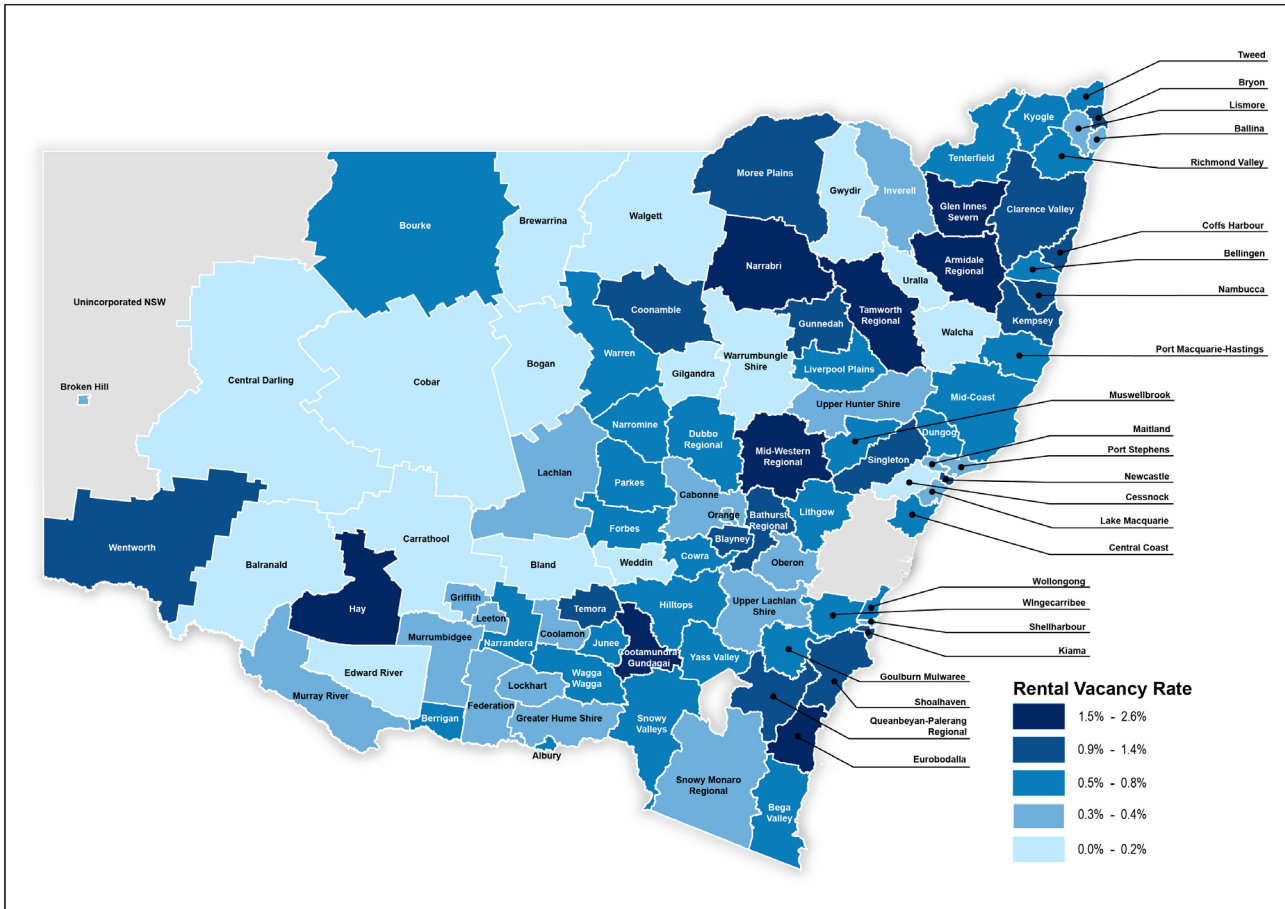
Source: SQM, June 2021 Vacancy Rates, DPIE Analysis

Affordability

House prices, especially for rentals, has increased across most of regional NSW, at times dramatically. This has led to decreasing housing affordability, resulting in reported population displacement and increased demand for food and other support services

Figure 7 Comparison of Sydney and Regional NSW rent and house price growth in pre-COVID19 NSW housing market:
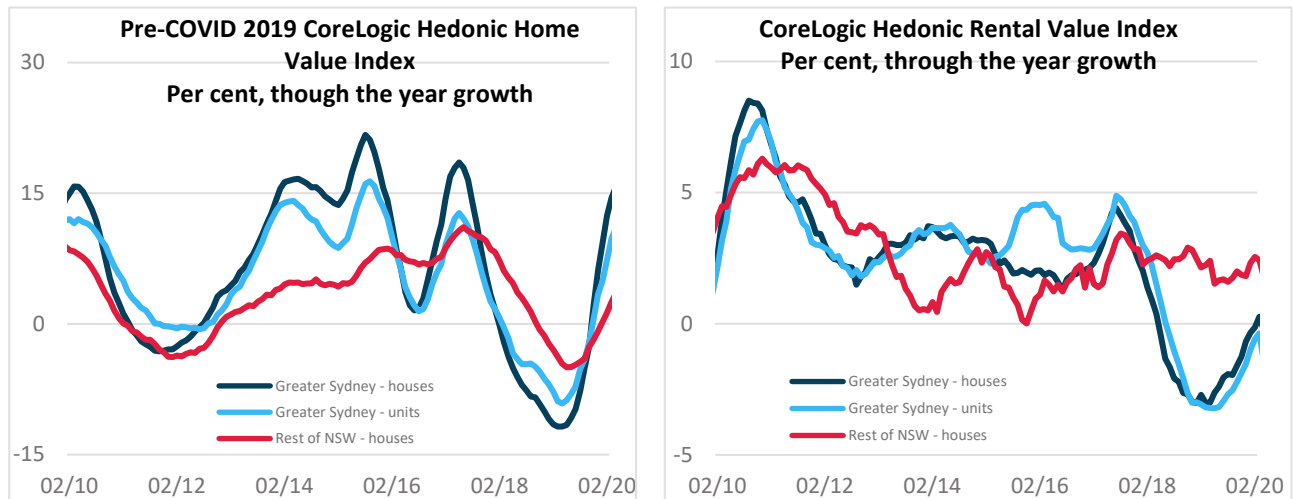
Figure 8 Comparison of Sydney and Regional NSW rent and house price growth in in post-COVID19 NSW housing market
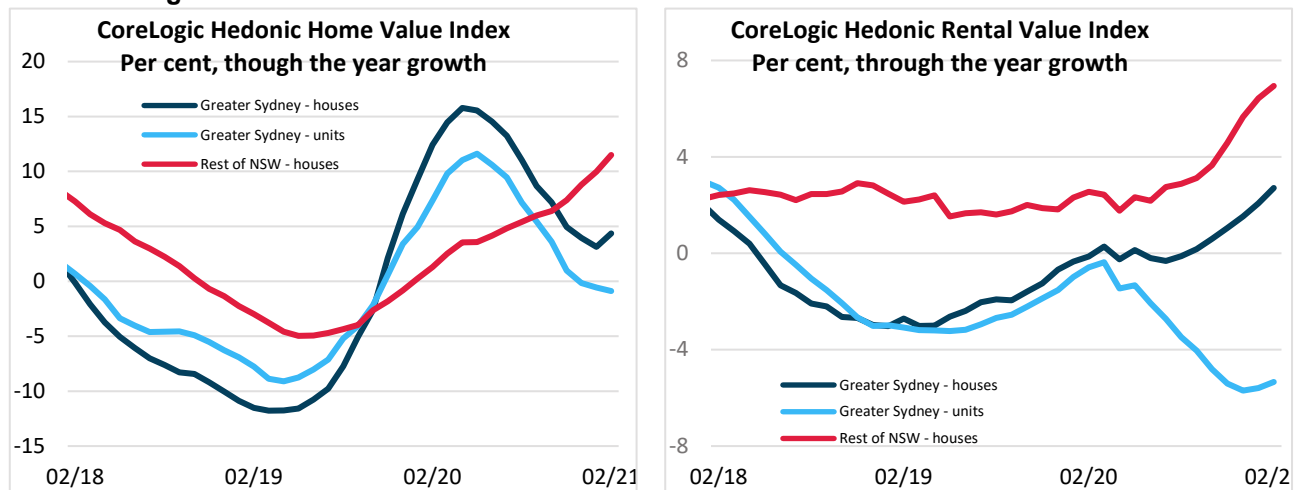
In contrast to typical pre-pandemic trends, regional NSW has recently seen greater housing market price growth than Greater Sydney, especially across the rental sector. This price growth can be attributed to supply constraints and changing dwelling preferences as people look for more space, and potentially changing household dynamics such as group households. Given the smaller size and disparate nature of rental and sale markets in some regional areas compared to Greater Sydney, they may be more sensitive to pricing and supply shocks.

Trends in household incomes vary across the state, impacting household's ability to pay rent, save for deposits, access debt and service a mortgage. Households moving from areas with higher incomes to either commute further, work remotely or retire can place additional upward pressure on housing prices. With greater levels of disadvantage in some regional areas than in Greater

Sydney, and without a corresponding increase in income to absorb the shock of price rises, renters have been hardest hit. Additionally, high sale prices make it more difficult for aspiring homeowners to enter the market because of the additional time needed to save for a deposit. At the same time, some property owners may welcome the capital gains on their properties, especially as loans have been easier to service given record low interest rates.

Figure 9 House price to income ratio by LGA
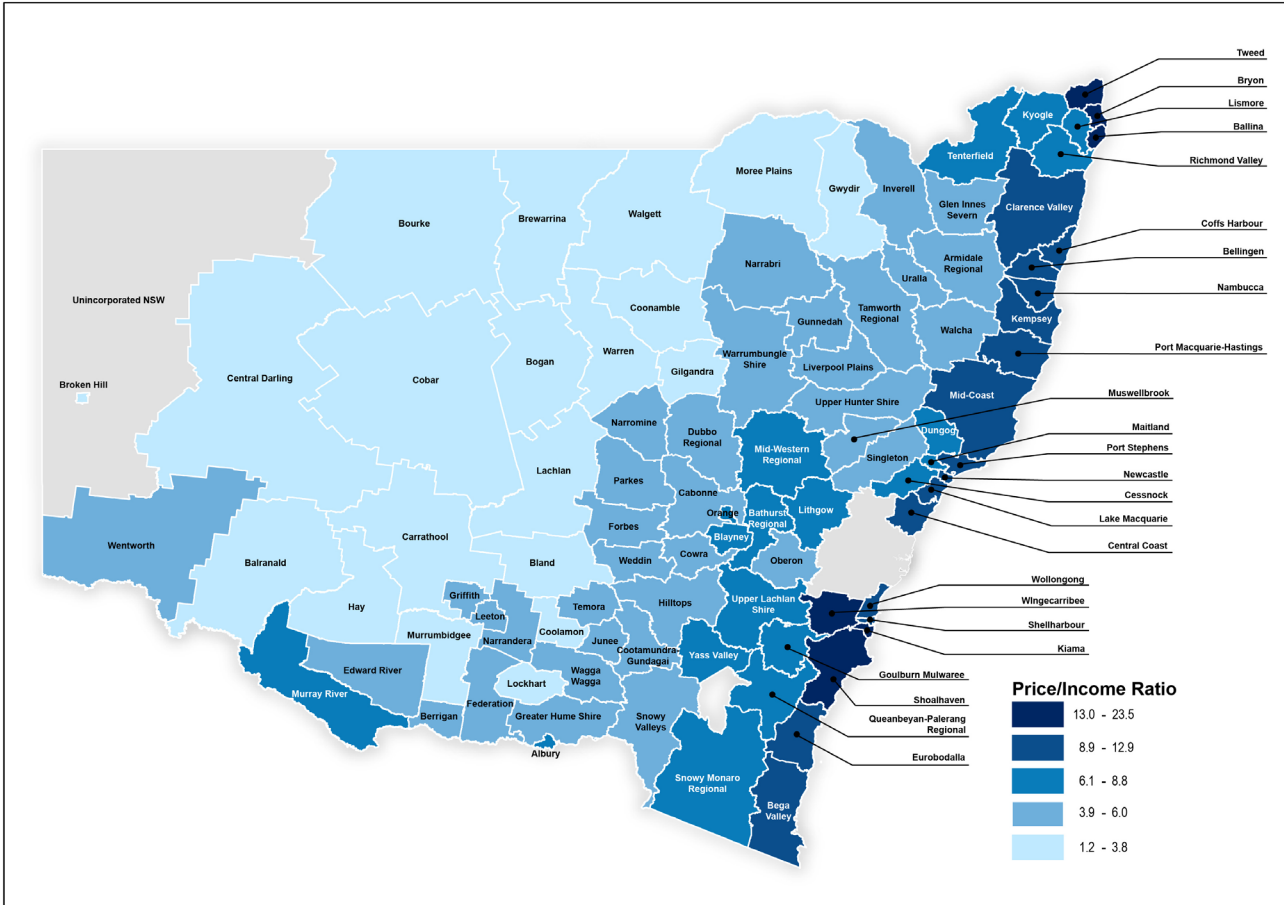
Source: DPIE (2021), using custom CoreLogic property prices (June 2021) and ABS (2016) Census of Population and Housing Household income data via TableBuilder Pro

Diversity

Regional NSW has largely homogenous housing stock, typically being detached dwellings. Future housing development needs to include small dwellings close to services to cater for an ageing population as demand for this type of housing increases. This runs contrary to current community preferences toward detached housing, providing more space and a 'regional lifestyle'.

Number of bedrooms needed or spare in regional NSW
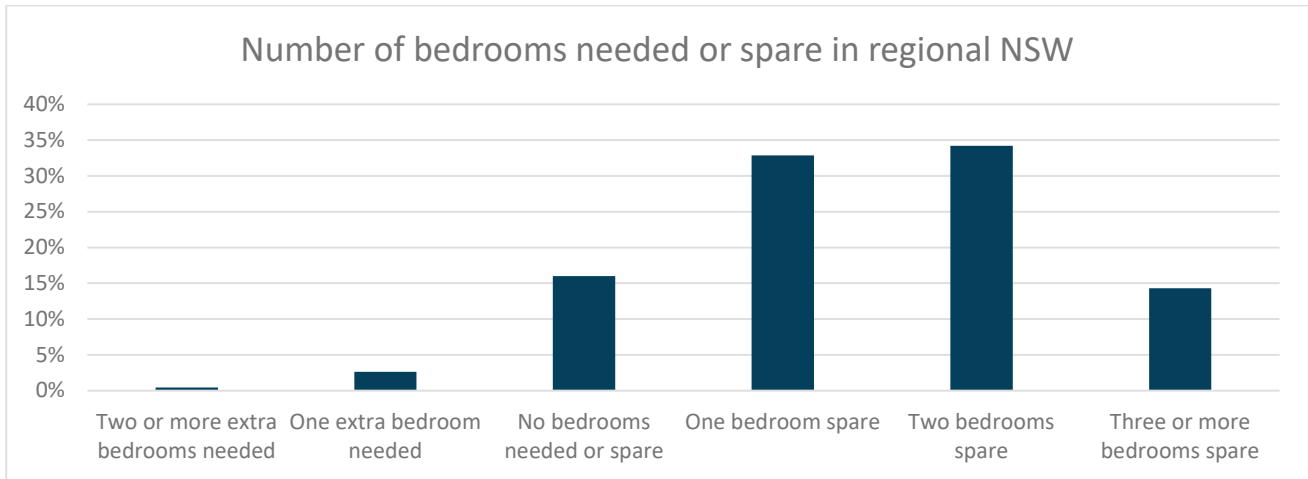
Source: ABS 2016, Housing Suitability HOSD from 2016 Census data via TableBuilder Pro, DPIE Analysis

Using Census data and the Canadian National Occupancy Standard, a standard which is used internationally, we can understand how many bedrooms a 'typical' household needs and compare this to the number of rooms in their dwelling. Almost half (48%) of households across Regional NSW have two or more spare bedrooms in their dwelling. At the same time, looking at regional NSW averages hides pockets of overcrowding, such as in the far west, where Brewarrina, Central Darling, Bourke, Walgett, Griffith, and Coonamble all have over 5% of dwellings considered overcrowded.

Resilience

Driven by climate change and other factors regional dwellings and communities are forecast to be at increasing risk of extremes of heat, flood, fire, sea level rise, drought, as well as other weather and climate impacts. Planning for future climate now is necessary to maintain long term liveability.

Figure 10 Estimated change in annual number of days over 35°C to 2060-2079
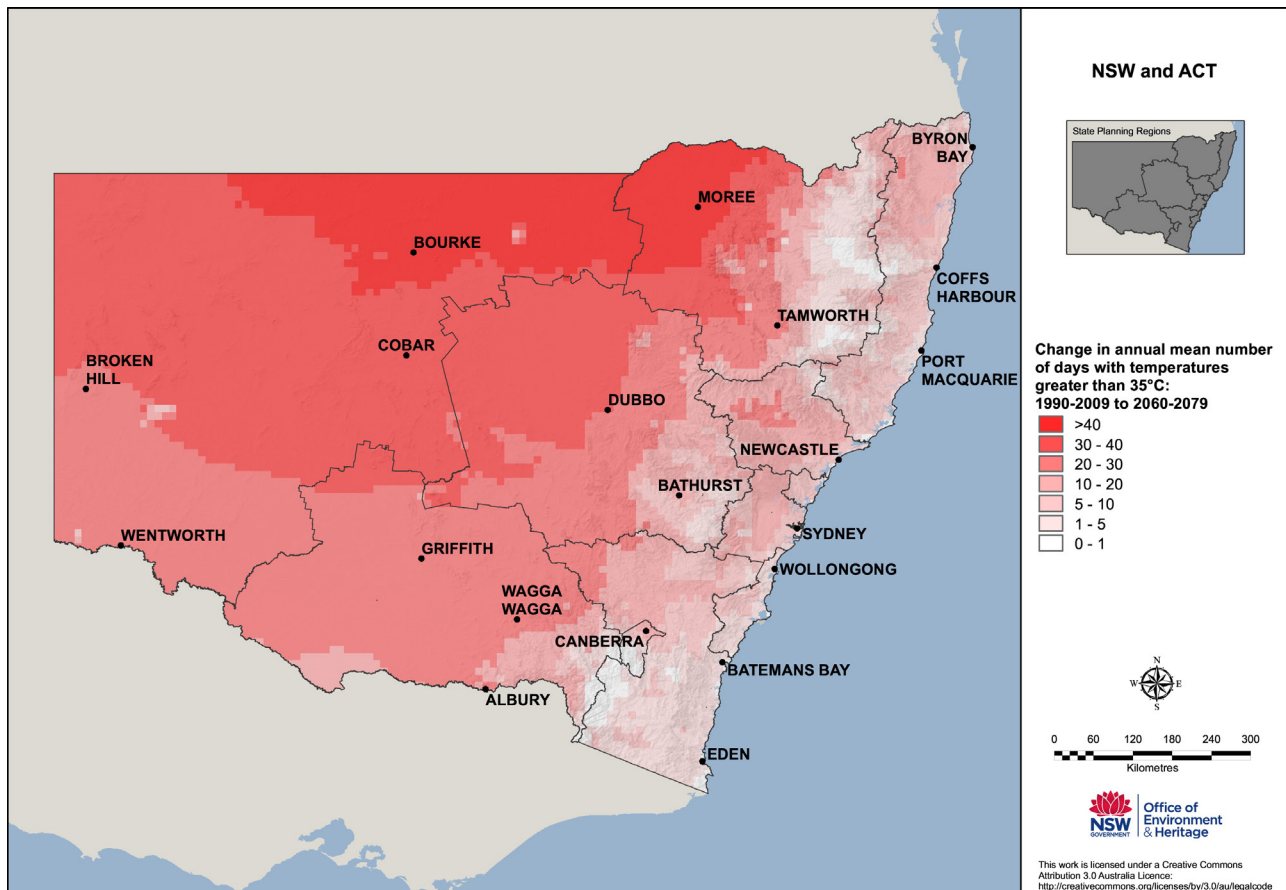
Source: AdaptNSW, n.d., NSW Climate projections map for 2060-2079, NSW Government

Current modelling demonstrates that NSW will be warmer and experience more hot days (>35°C), experience changed rainfall patterns and more rainfall extremes, and experience an increase in severe fire weather. These will adversely impact human health and challenge state water resources. Increased bushfire risk is likely to increase housing costs in parts of regional NSW due to likely increases to insurance costs, building costs and rental costs[4]

The impacts of climate change are likely to be greatest for those already experiencing disadvantage. They are more likely to live in areas that will experience the worst effects of climate change, and have less resources to move, adapt and afford the increased costs of living and disaster preparedness[5]. Residents of rural and remote areas of Australia are already more likely to

---

[4] Australian Urban and Housing Research Institute 2020, *Bushfires likely to increase the cost of living in regional Australia*.

[5] Resilient Community Organisations 2021, *Disasters, Climate Change and Disadvantage*, viewed 28 May 2021.

experience poorer health outcomes, have lower incomes, and must pay more for goods and services[6].

Regional NSW is going to be disproportionally affected by climate change and extreme weather, being on the forefront of direct impacts with housing that generally has lower sustainability standards than that in metropolitan Sydney, as well as experiencing higher levels of disadvantage. It is critical that housing in regional NSW is resilient and safe.

[6] Australian Institute of Health and Welfare 2019, *Rural and Remote Health*, cat. no. PHE255.

What We Heard

The Taskforce hosted **11** virtual roundtable meetings across all regions

Taskforce roundtables were attended by **401** people across the State

The Taskforce received **168** written submissions

The **top 10 topics** raised were:

1. Shortage of rental properties

2. Affordable housing

3. Infrastructure alignment & sequencing

4. Housing diversity

5. General Planning controls

6. Temporary housing

7. Social housing

8. Community housing sector

9. Migration

10. Council resourcing

Detailed Findings

Throughout its engagement the Taskforce sought the views of stakeholders in relation to the particular housing challenges and pressures being experienced across the regions, the challenges in housing delivery and the potential solutions to overcome those challenges.

This section of the report provides a more detailed picture of the views and issues raised by stakeholders throughout the Taskforce's engagement. Feedback and submissions to the Taskforce have been reviewed and categorised into key focus areas.

The Taskforce's consideration of this valuable feedback is a critical first step toward developing recommendations for improvements to the planning system and identifying other important issues for further consideration by the NSW Government.

Regional Housing Market Dynamics

This section of the report outlines issues stakeholders raised in relation to the factors driving housing supply and demand. It was noted that numerous demand side and supply side factors create housing outcomes, not all of which the NSW Government has a direct influence over.

Demand side factors are largely outside of the control of the planning system and include:

- Income and wealth
- Population and migration
- Taxation
- Interest rates and financial regulation
- Demographic change and household growth
- Employment opportunities
- Amenity

Several supply side factors fall within the influence of the planning system, including the availability of land, planning controls, and assessment timeframes. Other supply side factors include rates of construction, the depth and size of the development industry, materials and skills availability, and infrastructure investment and availability. The relative influence of these various demand and supply side factors on housing availability and affordability varies across different markets and regulatory contexts.

The Taskforce heard a range of views from stakeholders about the relative influence of these factors in the context of regional NSW and the impact of recent events on housing supply and demand. These views are summarised below by theme.

Demand Side Factors

Taxation and Financial Settings

A significant number of submissions referenced the impact of broad financial settings on housing outcomes, particularly affordability, noting that cost of debt, access to finance and tax incentives for housing investment have a substantial impact. Many stakeholder submissions recommended that the scope of the Taskforce be broadened to look not only at supply side factors in the planning system but demand side factors such as financial and tax settings. It was suggested that boosting housing supply via the planning system has been a near constant focus of Federal and State Governments but that this policy approach has made minimal difference with housing affordability continues to deteriorate across Australia.

It was raised that housing outcomes are often discussed in terms of population growth and the ability of new housing supply to 'keep pace' and address undersupply. However, it was noted that negative population growth and relatively sustained new dwelling completions in Sydney during

COVID-19 has coincided with significant rises in housing prices and deteriorating affordability. This was seen to suggest that the role of market drivers beyond a simple balance between private market housing supply and population growth is significant, and that there are limitations of a strictly supply-based response to affordability, as new dwellings account generally for a small subset of the overall dwelling supply.

Sustained historically low interest rates were noted to have increased household's borrowing power and support an increasing level of private debt, much of which is invested into housing with the effect of increasing prices. In addition to the role of low interest rates and financial settings on housing affordability, the role of property investors was commonly raised as having a significant impact on housing market dynamics and outcomes. It was noted that sustained rising property values has provided significant windfall gains to some households, enabling them to leverage their growing equity to purchase additional dwellings and increasingly compete with prospective first home buyers who do not have such advantages. The need to review tax conditions that support property investors, such as negative gearing and capital gains discounts was raised, as it was claimed that they make investment in property even more attractive, and increase purchasing power and relative advantage of investors at a time when home ownership rates are dropping.

Population and Migration

Stakeholders noted that patterns of migration in regional NSW are substantially different than those in capital cities, with a unique mix of push and pull drivers that vary across the state. Outward population movement from major cities to regional areas in NSW was noted to have typically has been influenced by different life-stages. People moving away from Sydney to other parts of NSW often locate to other metropolitan areas (such as the Central Coast, Newcastle, and Wollongong), coastal locations (referred to as "sea-change" migration), or inland locations within easy reach of Sydney (referred to as "tree-change" migration). These movements are characterised by a net out-flow of young families, and older Sydneysiders.

Changes in population and migration pressures raised by stakeholders are discussed below in Impact of Recent Events and Regional Housing Trends.

Supply Side Factors

Land Availability and Planning Controls

The degree to which land availability and planning controls impact housing supply was an issue that was frequently raised by stakeholders.

Many council respondents indicated that their LGA had adequate zoned land supply to meet projected demand for 20 or more years. Instead of a lack of zoned land, they identified that there were issues with activating latent zoned supply to bring dwellings to market. Infrastructure provision, servicing, market factors, development feasibility, restrictive planning controls and environmental constraints were commonly cited barriers. Land banking, or the practice of holding land for capital accumulation, was also commonly noted. Other respondents, particularly from the development sector, indicated that there was an urgent need to release additional land for housing.

The question of what constitutes an adequate supply of undeveloped zoned land was also raised. For example, the UDIA's position was that planning in a given region should deliver "a minimum of twice the supply relative to annual forecast demand" in order to ensure adequate supply. Conversely, many councils noted that providing an excess of undeveloped residential land posed problems for orderly settlement planning and the efficient use of council resources, including in the sequencing of infrastructure and servicing.

It was identified that in many cases, undeveloped residential land had been rezoned prior to the introduction of the current policy framework, and that there were new considerations in the planning system and development approval process that meant the land was no longer suitable or feasible to develop. Considerations include biodiversity impacts, environmentally sensitive land

and risk from natural hazards such as bushfires, coastal processes like inundation, and flooding. Satisfying these requirements in retrospect can present significant barriers for subdivision and development approvals.

It was raised that there is a need for more sophisticated measures of land supply that go beyond residential zoning or 'paper subdivision' to consider issues such as servicing and suitability for development when quantifying the adequacy of the current zoned land to meet future needs.

Shortage of Rental Properties

As noted previously, rental vacancy rates are considered a responsive indicator of available supply. A shortage of appropriate and affordable rental properties is an issue near ubiquitous to all regional areas and was raised as an issue by a wide range of stakeholders. Prior to COVID-19, rental vacancy rates were tight but relatively steady across regional NSW. However, since June 2020 rental vacancies have been falling across regional NSW. Rental markets with a rental vacancy rate of 3% are generally considered to be well balanced between supply and demand, but currently no regional LGA has a vacancy rate above 3% and some regional LGAs have vacancy rates close to 0%.

The impacts of rental shortages on regional communities were raised as a significant concern by stakeholders, with many households struggling to find appropriate accommodation, businesses struggling to attract workers (including required key workers), increasing rates of housing stress, and even some households being forced out of their communities. The Tenants Union of NSW noted instances of practices indicating a highly competitive rental market, such as real estate agents demanding prospective tenants complete a full rental application before inspecting a property or 'rent bidding' where applicants offer bids above advertised price, were once rare in regional NSW but are now being commonly reported in regional areas, particularly the Central Coast, Illawarra, the Hunter, New England and Riverina regions of NSW.

Many regional rental markets are comparatively small where seemingly minor changes in demand stemming from altered migration patterns, influxes of seasonal or temporary workers, or conversion of rental stock to short term holiday letting, can have a meaningful impact on the availability and affordability of rental properties.

Rates of Construction

Stakeholders reported that the rate of construction across regional NSW had slowed due to the impacts of the COVID-19 pandemic. The development process from strategically identifying an area for development through to issuing occupation certificates is a lengthy process resulting in a lagging response of supply to adjust to changes in demand patterns. A need to ensure the planning process does not create duplicative processes and require unnecessary considerations that may lead to development delays was raised.

Regional Development Sector

Stakeholders noted that the size and expertise of the development sector varied across regional NSW. A shortage of workers, particularly skilled workers and apprentices, in some inland regional areas was viewed as a significant barrier to housing supply. Costs associated with getting workers and materials to more remote regional areas can have a considerable impact on development feasibility. A lack of capacity to deliver well designed and high-quality housing types beyond detached dwellings was cited.

Recent disruptions in supply chains for building materials was also raised as having an impact on the construction industry's ability to deliver housing. Bushfire impacts on timber production, reduced manufacturing capacity due to social distancing requirements, capped order volume on certain materials to avoid panic buying, shipping delays and increased freight costs, were raised as having an impact on the industry's ability to convert approvals into dwellings.

Mismatch Between Supply and Demand

Many respondents noted that housing issues stem from a mismatch between local housing needs and current housing provision, including the supply of housing at different prices, tenures and types, rather than just the quantum of homes. The majority of housing stock in regional areas is large detached houses with three or more bedrooms, however, there is growing demand for smaller dwellings due to the rising number of lone person households, shrinking household size and an ageing population. New housing supply in regional areas continues to be dominated by large, detached dwellings that are not aligned with growing unmet housing needs for smaller, accessible and affordable housing.

Many councils identified the need to deliver more diverse and accessible housing. A number of councils reported having amended local planning controls to allow for higher density forms of development in accessible areas, but that there was limited take-up of infill development capacity. Development feasibility and market factors were cited as a significant barriers to infill and affordable and diverse housing delivery. Community opposition and an aversion to risk of 'untested' products in regional markets were also reported as playing a factor.

Impact of Recent Events and Regional Housing Trends

COVID-19

Stakeholders noted that the number of people moving to regional NSW has accelerated and that the regions have been less impacted by the net loss of overseas migration due to COVID-19 border closures. Regions in close proximity to Sydney such as Newcastle and Wollongong reported that they have especially seen a rise in people moving to those areas, although most councils across regional NSW indicated that they had also experienced this trend to some degree.

The data indicates that the increased level of migration to regional NSW has coincided with a reduction in the number of people moving out of regional areas. An increased ability to work and study remotely, a shift in housing preferences toward larger dwellings with access to open space to accommodate working from home, and reluctance to move to capital cities during times of lockdown have likely contributed to this trend. These changes in migration patterns have positive benefits for regional areas, however, it was noted that housing markets are slow in responding to changing patterns of demand.

Further research is required to fully understand the scale, drivers and impacts of these changes in migration patterns, however, early indications and anecdotal evidence are that the rise of remote working has 'untethered' some households to Sydney; households are increasingly returning to regional NSW to be with family; households are delaying or no longer wanting to move out of regional areas; and locational preferences have shifted due to lifestyle appeal and comparative affordability of regional areas.

Bushfire and Floods

The 2019-20 bushfires had a severe impact on many regional communities, with 17 million hectares of land burnt, 2,429 homes destroyed and over 1,000 homes damaged in NSW, and 25 deaths. The floods following the bushfires in 2020 further damaged property, displaced residents and resulted in multiple deaths, further impacting those communities. For many communities these natural disasters followed an extended period of drought, which collectively have caused significant hardship, disruption and loss.

In 2021, changes were made to the NSW planning system to enable councils to approve appropriate applications to repair or rebuild homes even if planning rules have changed since the home was originally built to ease the procedural burden of rebuilding, however, the impacts are still being felt. Impacted councils reported that they are still struggling to replace homes lost as a result of the bushfires, with materials prices, timber and skilled labour shortages, insurance costs, and financial hardship contributing to the length of time to rebuild. Natural disasters have impacts on

regional communities beyond just loss of life or homes, in causing many households to relocate, placing stress on existing rental and crisis accommodation, as well as impacts on local businesses and employment.

The need to 'build back better' and develop more resilient housing was raised, as was the need to ensure that environmental hazards were adequately considered early in the planning process to ensure that communities are protected, and risks balanced.

Subregional Housing Markets

While this report discusses broad trends in regional housing markets and common threads have been identified across regional communities, it is clear from stakeholder input that there is significant diversity in regional NSW with each area facing its own unique challenges. Feedback to the Taskforce suggested that policy and planning settings do not always consider the range of these regional contexts in which they are applied.

The table below provides a non-exhaustive list of some of the specific pressures facing particular regions, based on region specific virtual roundtables and written submissions from stakeholders within each respective region.

Table 6 NSW Planning Regions: Housing Demand Pressures and Supply Constraints

Region	Demand Pressures	Supply Constraints
Central Coast	• High demand from Sydney residents relocating and others looking to access Sydney's employment market. • High levels of stated preference for medium density housing.	• Fragmented land release and multiple growth fronts present challenges for infrastructure coordination. • Strategically identified growth areas have not been substantially reviewed since being established. • Infrastructure investments, particularly transport, would facilitate supply in some release areas. • Environmental constraints in high-demand locations.
Central West and Orana	• Temporary worker demand from major projects such as solar farms. • Inland rail likely to increase housing demand.	• Lack of council strategic planning resources. • Shortage of skilled labour and serviced zoned land. • Community opposition to denser housing forms.
Hunter	• Williamtown SAP will spur demand for additional housing.	• Coastal inundation may impact supply of homes along certain parts of the coast.
Illawarra-Shoalhaven	• Pressure from Sydney residents relocating • High recent demand for affordable rentals.	• Short term rental accommodation has reduced available dwellings in some areas. • Shortages in some building materials from rebuilding after bushfires.

Far West	• Unique housing and cultural needs of remote Aboriginal communities, including larger dwellings.	• Lack of local development industry. • Stock of social housing is generally low quality. • Development feasibility is generally low.
New England-North West	• Some demand for basic 'demountable' style homes. • SAPs at Moree and Narrabri and major mine approval likely to spur demand.	• Shortage of construction workers in some areas e.g. Gunnedah. • Lack of diversity in housing stock noted.
North Coast	• Pressure from expansion of South-East Queensland and migration from Sydney. • Demand for alternative forms of accommodation including micro apartments. • Demand for on farm accommodation for seasonal workers.	• Environmental constraints in high-demand locations, including agricultural lands and land with high environmental values • Land banking slows rate of new housing available. • Short-term rental accommodation converts dwellings to tourist accommodation and thereby reduces supply available to buy or rent.
Riverina-Murray	• Inland Rail and Snowy Hydro will add to demand for housing. • Seasonal agricultural workers cause influxes of demand.	• Managing the urban-rural interface, balancing growth needs with protection of productive rural land. • Lack of qualified council staff to assess and approve development.
South East and Tablelands	• Increased demand for housing arising from Snowy 2.0 and overflow growth from the ACT. • Demand from construction workers on windfarms and seasonal agriculture.	• Recent bushfires have destroyed some house stock and planning for bushfires limits new development. • Large minimum lot sizes may unnecessarily restrict development.

Planning System and Processes

Broadly, the planning system sets the regulatory framework and strategies that guides housing outcomes in regard to what is built and where and plans for the range of infrastructure and services supporting that housing provision. The planning system contributes to shaping housing outcomes and affordability by providing opportunities for housing supply, setting requirements for the kind of housing to be provided and in some cases facilitating the direct provision of affordable housing. The planning system must also balance housing needs against other considerations such as environmental protection, economic development, sustainability, risk management, good design, amenity and community participation.

There is a hierarchy of plans, policies, and strategies in NSW that link broad, regional scale objectives to local planning controls that directly impact development. The planning system is often considered to have two components: statutory planning, which sets specific rules that regulate land use, and strategic planning, which sets the direction for future land use changes and directly informs the content of statutory planning instruments and other guidelines that support decision makers.

Figure 11 Statutory hierarchy of development regulation in NSW
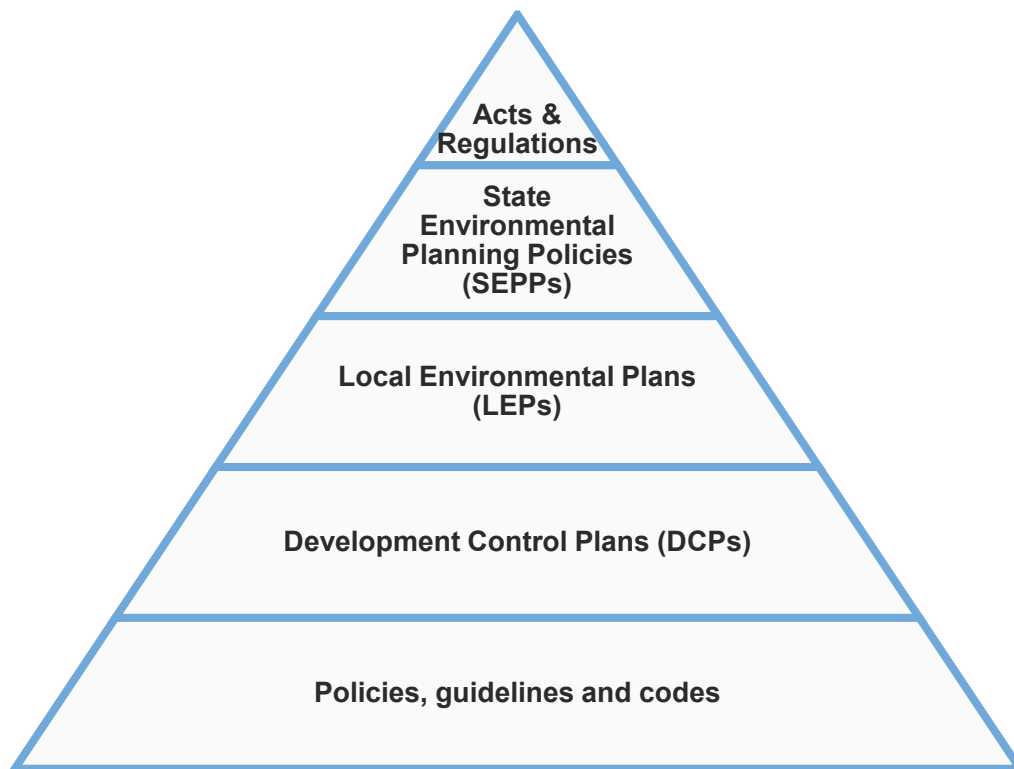
Figure 12 Line of sight for strategic direction

The planning system attempts to find a balance between providing certainty and flexibility in decision making. There is a general expectation that government will set clear and definitive requirements for development to provide greater certainty for investment. For example, the State Environmental Planning Policy (Exempt and Complying Development Codes) 2008, which establishes a streamlined approval process which can be utilised if proposals meet strict 'black and white' development standards, has been expanded in recent times to include an expanded range of more complex development types. While these approval avenues provide a clearer and simplified path to approval, the downside is there is the lack of flexibility and consideration of the broader merit of a proposal. A proposal may be in line with the overall objectives for development in an area but not benefit from a simplified assessment pathway if it is unable to meet pre-defined development standards, acting as a disincentive for innovative proposals.

Influence of the Planning System on Housing Supply and Affordability

As previously noted, there were a diversity of views on the extent to which barriers within the planning system impacted on the supply and affordability of housing. The planning system is often viewed as a barrier to housing supply, with assessment requirements causing delays and increased development costs. Stakeholders raised the need to reduce the burden of assessment on developers and provide clarity and certainty in decision making to encourage housing supply. It was also noted that planning authorities have an obligation and duty to ensure efforts to reduce assessment timeframes do not compromise planning priorities such as reducing natural hazard risks, maintaining biodiversity, minimising land use conflicts, delivering sustainable development, ensuring efficient use of land and infrastructure, and facilitating well designed development.

Faster assessments and reduction of development costs in the planning system are often raised as a way to improve housing affordability, with reductions in development costs being passed on by developers to end purchasers. Some stakeholders challenged this notion, noting that developers need to achieve certain profit margins and will seek to sell dwellings for the maximum amount, with staged releases to market reducing the ability for competition to drive prices down and savings in development costs potentially increasing developer profit margins rather than making housing cheaper.

Submissions from the development sector indicated that unexpected changes in planning costs and processes impact on development feasibility and affect the ability of developers to predict costs, make informed risk assessments and ultimately deliver housing. On the other hand, PIA's submission noted that development feasibility can be malleable in the medium and long term, as known costs can be factored into feasibility which influences what developers are willing to pay for land. The impact of biodiversity offsets on development feasibility was raised by many stakeholders and is discussed in the Managing Environmental Constraints section of this report.

The planning system has a direct role in influencing the type of housing that is provided and where it is provided which has direct impacts on housing options and choice. The planning system achieves this by either establishing approval avenues allowing certain kinds of development or by setting requirements that development must meet. Issues and stakeholder feedback related to planning settings facilitating diversity of housing choice is explored in the Housing Diversity section.

Strategic Planning

'Upfront' Strategic Planning

Stakeholders emphasised the role of 'upfront' strategic planning where issues and constraints are resolved earlier in the planning process, coordinating the actions of multiple parties to support the delivery of housing, allowing for more streamlined approvals in the future and providing greater clarity on the intended future use of land. With respect to the role of planning, the Planning Institute of Australia noted that planning regulation and zoning is not a 'roadblock' but a 'lane maker', where development that aligns to strategic plans can be facilitated quickly.

Incremental reforms to the NSW Planning system have placed a greater emphasis on strategic planning with the intention of resolving development issues earlier in the planning process rather than issues being addressed on a case-by-case basis during the assessment of individual development applications. This shift has seen the introduction of Local Strategic Planning Statements, and increased recognition of strategic plans within the EP&A Act. However, the expected benefits of these changes are yet to be fully realised having only recently been introduced.

Identifying areas for residential development and addressing barriers early in the planning process requires technical studies which can be costly and take significant time to prepare. Stakeholders raised issue with the impact these studies can have on proponents who are required to prepare these studies to gain approval. This was reported to especially be an issue in areas that were rezoned prior to the introduction of new policy requirements such as biodiversity offsetting or where land ownership is fragmented, and where studies must be funded by multiple parties. The need to resolve these issues earlier in the planning process was continuously raised by stakeholders, however, there were a number of challenges to achieve this, including councils being unable to undertake all studies and policy work required due to funding and resource issues, especially when managing multiple growth fronts, or because government agencies had not provided required information due to their own resourcing constraints.

The role of the nine Regional Plans for regional NSW was generally supported, however, some stakeholders expressed a desire for the Regional Plans to be better integrated with the various other government agency strategies such as the Future Transport Strategy 2056, Economic Vision for Regional NSW 2020, Regional Economic Development Strategies and Housing 2041. A range of emerging issues that stakeholders felt were not adequately addressed in these plans are discussed in the relevant sections of this document.

Some stakeholders noted that even where planning proposals are aligned with strategic plans at both local and regional scale, challenges in gaining approval can persist or issues that were seemingly resolved during the planning proposal stage need to be addressed again during the

development assessment stage. The overlapping of assessment processes is discussed later in this section.

Local Housing Strategies

Under current legislation, NSW Councils must prepare a local housing strategy if required by the relevant Regional or District Plan. Currently, this includes all Greater Sydney councils and a small number of regional councils.

The majority of regional councils do not have a Local Housing Strategy in place but most often have some form of growth management strategy that identifies areas with capacity for future residential development, estimates on residential yields and constraints to development. The level of detail within these strategies varies from council to council, as well as how recently they have been updated. Regional councils who are experiencing low growth with minimal development activity do not always have a pressing need to review these strategies.

While the majority of growth management strategies or their equivalent consider environmental constraints, it was raised with the Taskforce that such strategies often define the future 'pipeline' of housing supply as land zoned for residential development where barriers to development are not always adequately considered or predicted development yields are not updated to reflect changes in development conditions. In some cases, this can mean severely constrained land where development in the short to medium term is highly unlikely is considered comparable to land that is zoned and fully capable of being developed, creating a potentially misleading picture of the 'pipeline' of housing supply.

The resources and data required to prepare a high-quality Local Housing Strategy was identified as a constraint. The need for more up to date and finer grain housing data beyond Census Community Profiles, particularly data on changing migration patterns and household formation, was raised.

It was raised with the Taskforce that housing issues transcend local government administrative boundaries and that housing issues should be considered in a broader context. For example, a shortage of available and affordable accommodation in one regional centre will directly impact the ability of households to settle in that area, however a nearby town within commutable distance can provide housing opportunities and have a direct relationship to the housing market of the former regardless of council boundaries.

The use of housing targets in state, regional and local scale housing strategies was raised by several stakeholders, not just in regard to overall housing supply but also for types of housing supply, including affordable and more diverse housing types. Further, the importance of setting a policy environment and conditions that enable and support the delivery of any targets was raised. The use of affordable housing targets is discussed further in the Use of housing targets section of this report.

Local Planning and Zoning

Strategic plans and proposals for development are translated by amendments to Local Environmental Plans (LEPs) into statutory zoning and development controls. This process is commonly referred to as rezoning. As previously noted, there were a range of views on whether release of additional lands via rezoning for housing is the best response to current housing pressures, with many councils indicating that their current zoned land supply was adequate to meet current and future need. It was generally agreed, however, that the efficiency of rezoning processes had implications for timely development and release of land and development and that current processes could be better streamlined to reduce barriers and delays.

While some stakeholders commented positively on DPIE's targets for reducing planning proposal timeframes and acknowledged the work currently being undertaken to improve planning proposal processes, further streamlining was generally supported. However, there were also comments that

the volume of reforms in this space and across various policy areas had increased the workload of councils and that consolidation of these reforms was needed before further changes are implemented.

The cost and length of time needed to prepare the various studies required to support planning proposal was also raised as an issue for both councils and developers, and as being a particularly difficult issue to overcome when the area being rezoned has fragmented land ownership. It was suggested that assistance to facilitate the key studies required to support the rezoning of sites identified in Local Housing Strategies (or equivalent strategies) for future growth could help minimise study requirements for individual planning proposals where these are well-aligned with strategic plans.

Standardised and consolidated study requirements were also suggested to help proponents and councils navigate the various agencies' and Acts' requirements, with many stakeholders indicating that it was difficult to manage a rapidly evolving policy environment. The standardisation of Gateway conditions was also suggested, with some councils perceiving inconsistency in the application of state policies across the regions.

Respondents from both councils and the development industry cited delays associated with concurrence and referral of rezoning to state agencies and called for improvements in the coordination of agency input and better alignment of the various agencies' State policies and Regional Plans to reduce conflicting positions. A lack of alignment between rezoning decisions and agency decisions around infrastructure provision was also raised, with rezoning typically occurring prior to infrastructure needs being identified or funded. This issue is discussed further in the section on Infrastructure.

The politicisation of rezoning was noted by a number of developers and Local Aboriginal Land Councils as a significant cause of delays, and some submissions called for increased involvement of regional planning panels and independent bodies in these decisions, for example, for proposals that will provide a significant volume of housing or affordable housing. The UDIA's submission also supported the use of call-in powers to accelerate and resolve blockages in current planning proposals and called for increased transparency and accountability around delays by improving the publicly available information around proposal milestones and stages.

In terms of pre-lodgement processes, the Property Council's submission supported individual councils developing a 'rezoning request policy' similar to that recently adopted by Port Stephens Council and described in detail in its submission, providing clear guidelines and criteria for preparing a planning proposal in the LGA, which has reportedly improved the quality of planning proposals and reduced delays prior to lodgement with DPIE as proposals are more likely to be supportable by council. Formalisation of pre-lodgement meetings was also supported, particularly with the involvement of relevant agencies.

Assessment Times

Delays in assessment can increase the holding costs of development and delay housing 'coming to market'. Various development approval avenues and initiatives have been introduced to reduce assessment timeframes for specific development types, however, frustration with assessment timeframes persists, as it was raised by a wide range of stakeholders. Causes of delay were said to often be the result of unresolved issues requiring focused effort to resolve such as how, when and by whom infrastructure will be provided and how environmental constraints are to be managed.

Several stakeholders raised concern over the time taken by planning authorities to assess environmental management plans and for requisite referrals to be addressed by government agencies. Challenges in balancing conflicting advice between different government agencies were also reported to the Taskforce, with the planning system having to find the right weighting and

balance between competing priorities where the optimal outcome is not always clear. A desire for clearer, more integrated and moderated referrals was reported to the Taskforce.

Exempt and complying development has been expanded in recent years to cover some housing types where specific criteria can be met. The recent introduction of the Low-Rise Housing Code has meant housing types such as dual occupancies, terraces and manor houses can be assessed as complying development. While complying development assessments are intended to be less onerous and 'fast-tracked', even where this avenue is available for development some stakeholders reported a shortage of private certifiers in regional areas who can approve such developments.

The need to reconsider issues following modifications of development consent, particularly for significant subdivision proposals assessed as State Significant Development, was also raised as a source of delay for proponents.

Overlap of Assessment Processes

Greater clarity on where development is intended and where it is not and resolving issues earlier in the planning process should ideally lead to more streamlined assessments. To achieve this there is a need for the development assessment process to evolve alongside the strategic planning process as it matures to minimise duplication in assessments and reduce barriers to development where constraints have already been considered and addressed. In this regard, comment was made during stakeholder meetings that efforts to 'invert the triangle' in the planning system (Figure 9), where more work is undertaken at the strategic stage rather than the assessment stage, runs the risk of creating overlapping assessment processes 'transforming the triangle into a square'.

Figure 13: NSW Planning Reforms: shifting focus from statutory to strategic planning
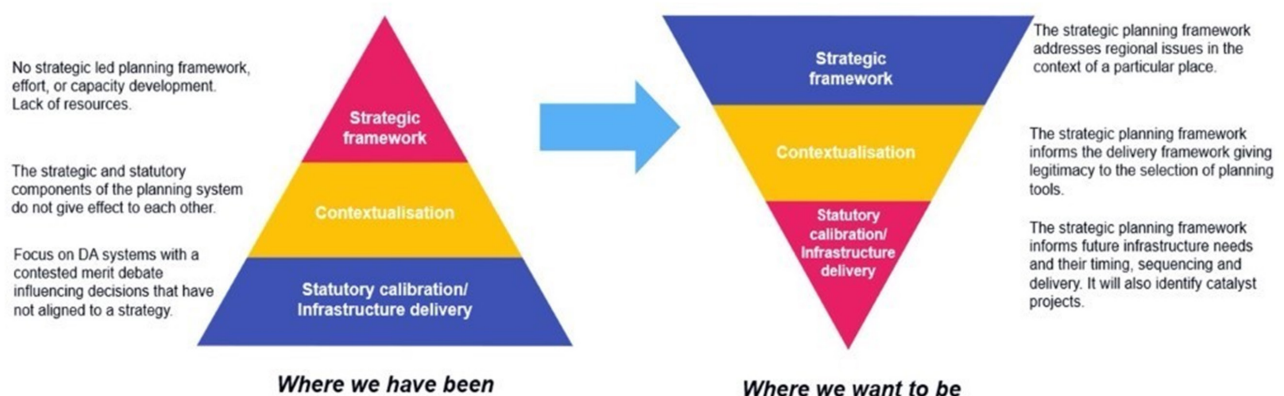
The duplication of process between the planning proposal stage and the development assessment stage was a significant issue raised by stakeholders. While relevant development considerations should be assessed at different scales and substantial delays between a rezoning and a development application may be justifiable reasons for perceived overlap, there was a strong sense that inefficiencies and redundant requirements can stifle the approval process.

Duplication between the development assessment and building compliance processes was also reported. Some stakeholders suggested that as local councils are no longer in control of building certification due to the introduction of private certifiers, development assessment requirements and conditions of consent include more requirements and have increased in complexity. It was reported that specific details of construction had in the past been left to the certification process by councils but are now often brought forward in the assessment process so that council can have greater oversight, resulting in more rigorous and complex development assessments.

State and Regionally Significant Development

The NSW planning system sets approval avenues for specific kinds of development over a certain investment value that are considered significant to the state or region due to their size, economic value or potential impacts. Development that is designated as State Significant Development is assessed by the Department and determined by the Independent Planning Commission, while Regionally Significant Development is assessed by council staff but determined by the Joint Regional Planning Panel. The impact of these kinds of projects, as well as the impacts of government programs such as Special Activation Precincts and Regional Job Precincts that seek to attract investment and development in specific regional areas, was raised by stakeholders.

A substantial number of large infrastructure projects are currently in the pipeline in regional NSW and stakeholders noted that these can cause temporary but substantial spikes in housing demand from workers on those projects. The impacts of large-scale mining, windfarm and solar projects on housing demand were specifically noted by stakeholders. Appropriate consideration of the impacts of such projects, as well as the longer-term housing impacts of major development proposals and investment programs, both at the point of assessment and in setting long term population projections, was discussed with the Taskforce.

General Planning Control Barriers

Barriers within local planning controls for development, particularly permissible development types in established urban centres were cited as a barrier for infill development and higher density development types in some cases. Conversely, many local councils have amended planning controls to allow for infill development however this latent supply has not been developed for several reasons. This issue is discussed further in the Housing Diversity section of this report.

Some stakeholders raised issues with specific planning controls not being calibrated to enable certain types of housing regional contexts, for example, bulk and scale controls were felt to be inappropriate under some local planning controls, with developers reportedly having to frequently utilise clause 4.6 under the Standard LEP, which allows for exceptions to development standards, to provide infill housing. Clause 4.6 provides flexibility to proponents where merit can be demonstrated, but a need to utilise it can increase the complexity of proposals and may indicate that local planning controls need to be amended.

Minimum lot size controls were raised with the Taskforce as a barrier to smaller lot housing development, requiring new subdivisions to deliver large lot houses which are not affordable to many households and limit housing choice. Some councils such as Singleton have chosen not to apply minimum lot size controls to urban zoned areas to remove this as a potential barrier. Stakeholders noted that smaller lot housing has the potential to provide better housing choice, encourage improve access to public space, more walkable and accessible neighbourhoods and use infrastructure more efficiently but are not allowed due to concerns of poor design and local character. Frustration with 'blanket' minimum lot size controls for areas was reported, with some recommending a more flexible approach of lot size averaging to meet minimum requirements to encourage a range of housing sizes within a new subdivision. Stakeholders submitted that the Standard Instrument Local Environmental Plan (SILEP) template did not allow enough flexibility for such approaches.

A rising demand for rural residential housing outside of urban areas was reported in many areas, with some stakeholders raising issue with large minimum lot size requirements limiting supply. However, other stakeholders expressed concerns about the impact of 'rural lifestyle' housing due to the potential for fragmentation of productive rural land, increased risk of land use conflict with primary producers and difficulties in providing adequate services.

Comments on standardised local planning controls ranged from wanting more standardisation across different council areas to wanting more local variation in planning controls, with some councils stating that the SILEP narrows available planning levers and responses to issues. Some

councils discussed having additional planning overlays or provisions specific to their area to give effect to broader objectives set in strategies such as the Regional Plans. More standardised assessment guidelines for decision makers was also raised, with planning authorities currently having to draw upon a complex mix of guidelines, such as the apartment design guidelines, Urban Design for Regional NSW, regional settlement planning guidelines, Local Character and Place Guideline, and the like as well as local provisions.

Resourcing Assistance for Councils

The ability of councils to resource infrastructure works, strategic planning, the technical studies required to unlock development and the assessment of development applications is a constraint to councils, as they have to prioritise resources and make trade-offs. This was reported to be an acute issue for smaller councils with small rate payer bases to leverage. Councils with multiple active growth fronts can face significant challenges in prioritising works and resources.

The ability for councils to levy charges to fund critical and essential infrastructure as well as fund recurring asset maintenance was raised as a significant challenge. Specifically, rate pegging was raised as a constraint to councils trying to address infrastructure backlogs. Some stakeholders suggested underfunding from government agencies has led to cost-shifting, increasing the burden on councils to meet funding gaps for infrastructure renewal and construction and straining already tight revenue.

Attracting qualified staff was raised as a challenge in some regional councils, particularly more remote councils. A general industry shortage of qualified certifiers, building surveyors and planners was reported, with some councils struggling to attract staff and the staff they do have being stretched and required to fulfil multiple roles and responsibilities that in other councils would be undertaken by a much larger team.

It was acknowledged that many consultant services required by councils and proponents are centred in metropolitan or larger regional centres, where if on-site work is required delays and costs were reported to be significantly higher in more remote areas.

Some development industry stakeholders reported having to fund expensive technical studies to convince council to support a planning proposal for residential development, as councils did not have the resources to undertake such studies themselves.

Some councils reported having success with on-demand technical services where a dedicated full-time position for highly technical work such as floodplain modelling and management was not feasible. Some stakeholders raised the possibility of pooled resources for engineers and specialists for councils to share to reduce the burden on councils and address the skills gap.

In discussions on potential Taskforce recommendations, many councils stressed the importance of considering funding and resourcing implications for councils if new processes or procedures are introduced.

Construction and Design Quality

Feedback across a range of submissions referenced the role of the planning system in delivering outcomes related directly to the design of buildings themselves and their contribution to the broader character or quality of the built environment in terms. Some of the submissions addressing these issues also acknowledged the role of detailed masterplans in delivering health and wellbeing benefits for both people and the environment through driving a variety of sustainability outcomes such as accessibility and proximity to public transport.

The appropriate weighting of design quality matters in planning assessments and decision making was discussed by stakeholders, with a need to balance the need to create well designed built environment with cost and ease of development. The Planning Institute of Australia (PIA) and Regional Architecture Association (RAA) made the point that fast-tracked assessments can risk

sub-optimal outcomes for the community and for built form. The submission from Newcastle City Council acknowledges concerns of its residents about the impact of new development on local character and suggests local character studies can play a role in assessing existing character and identifying options to better ensure development responds to these concerns.

While acknowledging the importance of issues of quality, the RAA submission also acknowledged that planning tools intended to guide decision making on these matters such as Development Control Plans (DCPs) can limit the capacity for innovation and positive design outcomes where applied too strictly. These concerns were echoed by the Housing Industry Association.

Some development industry stakeholders raised concerns about requirements in the planning system to deliver good design adding to development costs and impacting development feasibility. The Urban Taskforce, Community Housing Industry Association (CHIA) and the Aboriginal Community Housing Industry Association (ACHIA) cited concerns about the impact of the draft Design and Place SEPP on development costs and feasibility. CHIA and ACHIA recommended that provisions under the SEPP support flexible application of design standards for social and affordable housing projects.

Some stakeholders emphasised the opportunities for the design of the built environment to be re-imagined or re-structured around sustainability principles, considering issues such as carbon neutral futures, circular economy and resilient design. It was noted that housing is not a typical consumer product and that the built environment we build today has significant ramifications for future generations, and as such housing should be considered not just for the first household purchasing or renting it but for the generations of households that will continue to inhabit a dwelling.

Managing Environmental Constraints

The natural and heritage assets of regional NSW are vital to the identity and prosperity of the regions and there is a community expectation that councils and the State government will manage these assets sustainably and ensure that the level of risk to regional communities from natural hazards is within acceptable limits. The environment creates inherent limitations on where and how development can occur. Many stakeholders noted that the least constrained land in their area had already been developed and that it was to be expected that there would be increased difficulty overcoming the constraints to develop new residential lands. However, many stakeholders were of the view that the management of environmental constraints under the current legislative and policy framework was too onerous and increasingly coming into conflict with the delivery of needed housing in regional areas by overly constraining land supply.

Biodiversity

Biodiversity was identified by many stakeholders as being an increasingly difficult issue to manage for regional developments. For new projects, requirements under the *Biodiversity Conservation Act 2016* were reported to add time and cost to the approvals process for new projects and to introduce complexity and uncertainty into development viability calculations, due to the costs of biodiversity offsets not being known until after significant investment and investigation has occurred. It was reported that many older projects such as undeveloped residential rezonings or subdivisions that were originally assessed and approved under previous legislation are now unviable to develop when new legislative requirements are considered at the DA stage or for any modifications.

Respondents from the development sector generally perceived the current legislation and processes to be time consuming, expensive, and duplicative with lengthy and detailed ecological studies often required at both rezoning and DA stages. The UDIA raised the issue of 'double dipping' in its submission. That is, after land is identified for environmental conservation and protection through avoiding and mitigating biodiversity impacts on a precinct scale at the rezoning

stage, councils can apply the "Avoid, Mitigate, Offset" test again at the DA stage without consideration of land already protected through the rezoning, resulting in further reductions of the development footprint and overall viability.

While biodiversity was largely raised as a barrier to development, some submissions supported responding to biodiversity constraints through adopting growth models that encourage development within existing settlement footprints rather than risk further strain on natural environments and ecosystems. For example, Lake Macquarie City Council stated that it was seeking to increase infill housing close to existing centres, services and infrastructure as "*the continued sprawl of development is not sustainable for our unique environment and is typically more expensive from a cost of living and from an infrastructure servicing point of view*."

Potential solutions suggested in submissions included:

- review of the *Biodiversity Conservation Act 2016* and offset payment calculator in general and in terms of their application in regional NSW to improve certainty and transparency (noting that a review of the offset calculator by BCT is currently underway);
- deferral of offset payments until completion or the linking of payment to the achievement of development milestones to improve development feasibility;
- exemptions from the *Biodiversity Conservation Act 2016* or offset reductions for land owned by Local Aboriginal Land Councils to enable Aboriginal communities to derive economic benefit from their lands; and,
- the resolution of biodiversity issues earlier in the planning process, either through supporting the use of existing Biocertification processes or through amendment of the Act to mandate application at the planning proposal (rezoning) stage.

It was suggested that resolving biodiversity issues earlier in the planning process could occur either at the rezoning stage through standard Biocertification, which enables biodiversity impacts and offsets to be managed at the level of a precinct, or at the strategic planning stage through Strategic Biocertification at the LGA scale or on a subregional basis, potentially as mandated by Regional Plans.

Although Biocertification was identified by a number of stakeholders as being a significant opportunity to resolve biodiversity issues, barriers to undertaking biodiversity assessment and certification were raised by both developers and councils. Stakeholders raised the costs of consultants, the length and detail of studies that potentially take a number of years to complete, the difficulty of identifying appropriate offset sites, and the complex and changing policy context as reasons for this. For example, Eurobodalla Shire Council in its submission indicated that the cost of studies required exceeded available borrowings and suggested that NSW Government funding and resources to help councils undertake Strategic Biocertification would increase certainty and speed up development processes by enabling a whole-of-LGA rather than a site-by-site approach, while also directing funds to improve environmental management.

Natural Hazards

As previously noted, regional NSW is vulnerable to a range of natural hazards, as highlighted by the 2019-20 summer bushfires and flood events in 2020 and 2021, with implications for housing in terms of emergency and temporary housing provision and rebuilding lost homes. The increased likelihood of future adverse events due to climate change was noted in a number of submissions, along with the need to carefully plan for the location and density of future housing and design for evacuation to meet these challenges. Some councils stated that these constraints were not major planning barriers and were able to be overcome or managed once necessary studies and plans were in place. However, many councils, particularly coastal councils, indicated that natural hazards placed hard constraints on the potential for additional housing.

Bushfire

In terms of meeting the Planning for Bushfire Protection 2019 provisions, many stakeholders raised inconsistencies between these requirements and the biodiversity requirements, with submitters indicating that they often found it hard or could not reconcile the requirements to provide appropriate asset protection zones and meet biodiversity protection and offset requirements within sites, especially existing undeveloped subdivisions. Lengthy assessment timeframes by RFS were also raised. It was suggested that integrated guidelines or advice from agencies could help non-expert decision makers to strike a balance between technical considerations. Other recommendations to improve bushfire planning included providing a higher level of detailed site-specific information in mapping and improving assessment timeframes through agency resourcing.

Flooding

Recent changes to flood planning requirements, including consideration of probable maximum flood events in evacuation planning, were raised by some respondents as introducing additional complexity to approval processes. There were also concerns that gateway and development consent conditions around floodplain planning led to the duplication of existing local studies and strategies. It was also noted that a number of existing settlements are located within flood catchments on or near water courses or the coast and that councils can face large costs for flood mitigation works to increase the resilience of existing housing and difficulty in planning for additional density in or adjacent to existing settlement footprints.

Heritage

Submissions raised the importance of heritage and Country to the character and identity of regional communities, and the difficulty of striking a balance between protecting Aboriginal and non-Aboriginal heritage and enabling development to accommodate growth and change. Heritage was primarily raised as a constraint in the context of infill development. The Regional Architecture Association submission raised the opportunity for utilising heritage assets to increase density in regional CBDs without increasing sprawl or adversely impacting on local character but indicated that current heritage controls may be too inflexible to allow for innovative adaptive reuse. Shelter NSW's submission also highlighted the difficulty of adapting currently underutilised and sometimes even dilapidated traditional regional town centres to provide additional housing due to the additional costs associated with renovating heritage listed buildings and those within heritage conservation areas.

The impact of heritage on the development of social and affordable housing is addressed later in the section on Social and Affordable Housing.

Infrastructure

Infrastructure Alignment and Sequencing

The need to improve the alignment between housing and infrastructure delivery was raised by a range of different stakeholder groups. Infrastructure and housing are inextricably linked, where infrastructure should be sequenced to deliver new or upgraded infrastructure alongside new housing supply, or housing delivery should capitalise on increases in infrastructure capacity.

Aligning housing and infrastructure delivery requires the coordination of a broad range of stakeholders often with differing priorities and schedules. As residential growth is an iterative process and infrastructure requirements evolve at different development stages, efficiently sequencing infrastructure delivery requires identifying trigger points for infrastructure upgrades and collaboration across government and industry to deliver at those trigger points. As raised by a range of different stakeholder groups involved in the process, agreeing on where these trigger points are, what needs to be delivered and who is required to deliver what can be complex and difficult to navigate.

Development that takes place out of sequence with infrastructure serving plans was raised as an issue by several councils. Such 'out-of-sequence' development can result in increased costs for service delivery and illogical development patterns, particularly where forecasts of development take up rates can have a direct financial impact on councils/utility providers tasked with delivering trunk infrastructure. Conversely, property industry stakeholders cited a lack of coordination, responsiveness and accountability of infrastructure providers and delayed/out of date infrastructure servicing plans causing project delays, incurring additional development costs.

The need for further 'upfront' planning of infrastructure was commonly reported. While this requires additional resources earlier in the planning process, it was raised that such plans have the potential to reduce servicing costs in the long run.

The Taskforce investigated the use and effectiveness of Urban Development Programs (UDPs) which are in place in the Illawarra-Shoalhaven and Hunter regions of NSW. UDPs monitor housing delivery in terms of take up rates, land supply and dwelling production, to identify shortfalls in dwelling supply and provide a forum for councils, state agencies, development industry and utility providers to coordinate and set priorities and sequencing plans for infrastructure and housing delivery. While areas for improvement were identified by participants, the UDPs were broadly supported by stakeholders and reported to enable stronger collaboration between stakeholders, resulting in a stronger and shared understanding of the challenges and barriers to housing and infrastructure delivery. The need for improved data and evidence, a greater focus on infill development and a lack of understanding of how funding from State Voluntary Planning Agreements is allocated, were reported to be key challenges to the UDP according to a review of the Greater Newcastle UDP undertaken by the Hunter and Central Coast Development Corporation and referenced in its submission on behalf of the UDP Committee.

Infrastructure Contributions and Funding

There are many funding avenues and mechanisms for infrastructure in NSW including general revenue from local council rates, Commonwealth grants, state funding programs, user charges and multiple forms of development contributions. Both demand for and cost of infrastructure are reported to be increasing across regional NSW, with property acquisition costs for infrastructure servicing and road reservations also increasing as land values increase across the state. Increases in maintenance costs of ageing infrastructure were also reported.

Many local councils outlined the critical role of developer contributions to deliver required infrastructure to support the growth of regional communities, as councils otherwise lack the funds to provide adequate infrastructure and services. Private development directly benefits from public investment of infrastructure and new development adds to the demand and cost of infrastructure for an area, and as such it is generally accepted that some form of cost recovery is appropriate. The appropriate level, amount, timing and mechanism for capturing development contributions is much less clear, with a wide range of perspectives shared with the Taskforce. The need for clear and consistent application of mechanisms was raised, as these costs should be passed back to land owners rather act as an imposed cost on development.

The impact of developer contributions on development feasibility was reported to the Taskforce, with some stakeholders claiming that contributions were making projects unviable. A number of development industry stakeholders told the Taskforce that they were increasingly being requested to engage in contribution agreements such as State Voluntary Planning Agreements, which aim to provide greater flexibility in negotiations, beyond what would be required under other contribution schemes such as section 7.11 contributions, and are being requested to provide more direct works in order to meet funding shortfalls in infrastructure.

As discussed in the Resourcing Assistance for Councils section of this report, a perceived increasing burden on local councils to fund infrastructure was reported. It was raised to the Taskforce that both an increase in cost of infrastructure and cost-shifting to councils has led to difficulties in providing adequate infrastructure to support housing growth. Further, caps on local

development contributions under some contribution schemes were reported to significantly impact the delivery of essential infrastructure, with efforts to identify and negotiate alternative ways to fund and deliver essential infrastructure delaying decisions and increasing required staffing resources. This was specifically raised as an issue in Orange and Shoalhaven LGAs. Increasing demands to facilitate and deliver higher levels of amenity in new developments and were also reported to be adding to these pressures.

Inadequate indexing of contribution charges under contributions plans that has led to a disparity between estimated costs of works and actual costs at the construction stage was raised with the Taskforce.

Confusion over the relationship between different contribution mechanisms was raised as a concern, with NSW having a mix of different mechanisms including section 7.11 contributions, section 7.12 contributions, Special Infrastructure Contributions and Voluntary Planning Agreements. Transition from one contribution scheme to another such as the shift from specific local contribution plans to broader based Special Infrastructure Contribution Schemes was reported to have created confusion in some instances about how key infrastructure projects will be programmed and funded into the future.

It is noted by the Taskforce that the NSW Productivity Commission undertook a review of the infrastructure contributions system in NSW in 2021 and provided government with a series of recommendations that aim to improve efficiency, transparency and consistency of developer contributions and infrastructure funding. The NSW Government accepted the recommendations of the report and is developing the detailed policy settings to implement the recommendations. Concerns about the potential impact of such reforms were raised by stakeholders including Local Government NSW, whose submission indicated that they would increase the financial burden on councils and limit their ability to fund critical infrastructure required to boost housing supply. Respondents also raised the need for infrastructure funding and investment over and above developer contributions to support essential housing enabling infrastructure.

Governance Arrangements

A wide range of stakeholders are responsible for delivering required infrastructure for housing supply in regional communities. Infrastructure is often required by councils, developers, government agencies and private companies, with responsibilities reported to be unclear in some instances.

A need for greater alignment between state agencies was raised by stakeholders, with clearer links between strategic plans and greater transparency of priorities reported to be needed in order to better coordinate service delivery and private development. Out-of-date servicing plans of both councils and state agencies was raised as an issue, with costs not being revised in line with changed conditions, particularly around land acquisition. The need for a clearer 'line of sight' between the roles and responsibilities of local government and state agencies respectively was a further concern.

The UDIA recommended that existing UDP programs, discussed in the previous section, be expanded to all regions of NSW and their role should be strengthened. It was suggested that clearer and more formal links between the findings of a UDP, business case development and government investment decisions would improve the governance framework for infrastructure delivery.

Housing Diversity

Housing Diversity

Many submissions provided commentary relating to housing diversity, recognising the lack of housing diversity as a serious issue in the vast majority of regional communities. Housing diversity

refs to the mix of dwelling types (for example detached dwellings, apartments, or townhouses). Varying lot sizes, titling, and features of homes also contribute to housing diversity. Housing diversity can also be considered in regard to the mix of housing tenures, prices and accessibility available in an area and how it relates to the various housing needs within a community. The type of housing available in an area has a direct impact on affordability

The lack of housing diversity was raised by the majority of councils, with housing supply being dominated by detached dwellings with three or more bedrooms in regional areas. The increasing cost of such housing options, the rising number of lone person households and the ageing population has reportedly created a significant mismatch between housing supply and demand that is projected to grow into the future. Most submissions referring to housing diversity recognised the potential benefits of greater housing diversity, but some noted the perceived strong preference for detached housing in their communities and that the availability of large detached houses in regional settings at comparatively low costs and its associated lifestyle can act as a competitive advantage for attracting new residents. Some submissions pointed to evidence of changing preferences, although this was still only for a minority of the community, with this change reflective of a desire to be able age in place, to be close to services, education, and employment, or to stay in existing communities as housing costs increase.

A significant number of regional councils had undertaken housing studies which identified the mismatch of supply and demand and had subsequently amended planning controls to encourage a greater diversity in new housing supply to address this shortfall. However, a variety of barriers were raised. These are explored in this section.

Planning controls can be amended to allow for the development of more diverse housing by changing development standards, the mix of permissible uses within new and existing residential zones and clarifying a preference for more diverse housing through zone objectives, strategies and development controls plans. However, councils reported a lack of developer take-up largely due to feasibility concerns and the vast majority of new supply continues to be large detached single dwellings. Consequently, there is a perceived lack of security around profit margins for an 'untested' housing product from developers.

A need for improved guidance for certain development types and the potential use of density requirements for new supply were raised by councils. Several stakeholders raised the possibility of the government either directly delivering or partnering with a third party to deliver housing projects that provide a mix of housing types and tenures to demonstrate market demand for such housing.

Infill Development

Several submissions indicated a preference for infill development to address the lack of housing diversity in many regional communities, some of which also expressed the need to limit greenfield 'urban sprawl', noting the potential impacts such as the loss of biodiversity, loss of productive rural land, increased car dependency, lack of walkability, potential exposure to increasing natural hazard risk under climate change and inefficient use of infrastructure investment.

Concerns about the lack of accessible dwellings within walking distance to shops and services was also cited as a motivation by councils to encourage more infill development. Regional NSW communities are on average older that in metropolitan locations, and the proportion of elderly households is projected to grow faster. Many councils recognised that this trend translates to a growing need for housing that is suitably designed for people to age in place and housing that is in close proximity to shops and services as ageing households become less mobile.

Many challenges in developing infill housing in regional contexts were noted, with Central Coast Council noting that while infill projects may be approved by councils, few are built. Development feasibility challenges were most often cited as the barrier to infill development with developers generally preferring to develop single storey detached dwellings with 3 and 4+ bedrooms as these

were generally more profitable with more predictable sales prices in a well-established market for detached dwellings.

Financing conditions were also reported to be more favourable for greenfield development with comparatively high pre-sale requirements for medium density developments. Site acquisition and consolidation costs were also cited as a barrier to infill development.

Community opposition to higher density development types in infill areas were reported to be a concern in some regional areas. Public opposition to development runs the risk of delaying construction, impacting developer margins that are often already precarious, or in some cases were reported to politicise planning decisions.

Even where there is community support for providing more diverse housing types at a conceptual level, stakeholders suggested that individual proposals can face significant opposition acting as a barrier. For example, Lake Macquarie City Council undertook a survey of their residents that found that a high proportion of the community wanted more diverse housing types, however, community opposition to such developments was reported to still be a significant barrier. Concerns over design quality were identified by stakeholders as the most common complaint by communities for infill development, while it was recognised that these complaints may have varying levels of merit, a potential link to the shortage of developers and designers familiar with delivering higher density housing types was raised. The importance of 'bringing the community on the journey' was raised by a number of stakeholders, and it was suggested that demonstration projects showing density done well in a regional context would help to establish market precedent and alleviate community concerns.

Lismore City Council's submission for instance noted that there was little interest in developing medium density in an infill precinct despite council offering to waive contribution fees and providing other incentives. Dubbo City Council similarly reported to have offered to defer development contributions and fees to the Occupation Certificate stage for medium density development proposals to boost the supply of such housing types. A need for further incentives to further encourage infill development was referenced by several stakeholders.

Moveable Dwellings

Moveable dwellings include caravans, manufactured homes, tents, and other portable devices. Moveable dwellings provide a diversity of housing choices in a range of locations across NSW. These forms of housing provide options for long- and short-term residential uses and are often found in caravan parks. They form an important component of both the tourism and housing markets, supplying stock for lower cost living and offering a diversity of tenancy choice.

The Caravan, Camping & Tourism Industry & Manufactured Housing Industry Association of NSW submission noted that modern moveable dwellings have improved design and build quality and offer cost-saving efficiencies that can contribute to improved affordability. There was some support for the State-wide regulatory scheme and the continued growth of residential land lease living. However, the lack of clarity around the permissibility of manufactured homes outside caravan parks was an area for improvement. A submission from the Australian Tiny Home Association called for removal of current exemptions relating to the installation of moveable dwellings. Concern was raised about the location of some manufactured home estates being distant from shops, transport, and other services (Coffs Harbour City Council).

The Local Government (Manufactured Home Estates, Caravan Parks, Camping Grounds, Moveable Dwellings) Regulation 2005 generally allows development approval exemptions for one moveable tiny home registered as a trailer to be left indefinitely on a site with a dwelling if used by members of the household. The Regulation also allows up to 2 tiny homes registered as trailers to be placed on a site without approval, provided they are not occupied for more than 2 days at a time and are not occupied for more than 60 days within a 12-month period. Some stakeholders raised

these development assessment restrictions as unnecessary barriers to supply of an affordable housing type and requested that such development types be more broadly permissible.

Housing SEPP

The NSW Government has developed a new Housing State Environmental Planning Policy (Housing SEPP). The new policy aims to deliver more diverse and affordable housing types and is being delivered in phases. There was some support for streamlining the current complex mix of SEPPs and related guidelines (Central Coast Council). Other submissions noted the planning system should move away from its current 'one size fits all' approach with SEPPs to allow merit-based assessment of innovative housing proposals (Byron Bay Council). UDIA's submission called for the Housing SEPP to be delayed and noted that elements of it would adversely impact feasibility. The elements of the new Housing SEPP from the ARHSEPP are discussed under Existing State Planning Policy Mechanisms.

Seniors SEPP

The State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004, or Seniors SEPP, supports older people and those with disabilities access to affordable and well-designed housing. Part of the abovementioned Housing SEPP reform package will involve consolidating the Seniors SEPP into the Housing SEPP.

Some submissions noted that housing for seniors and people with a disability is often located away from centres and services (Newcastle City Council). The Property Council of Australia submission noted that difficulty finding sites for seniors housing means other housing stock is not freed up for younger generations. There was support for site compatibility certificates, with Port Stephens Council noting it does not have the resources to undertake local strategic planning across the entire local government area to identify individual suitable sites for seniors housing and zone them appropriately.

Innovative Housing Models

Build-to-rent

Build-to-rent housing is large-scale, purpose-built rental housing that is held in single ownership and professionally managed. In July 2020 the NSW Government introduced a land tax discount and new planning provisions for large (50+ dwelling) build-to-rent housing projects. Local developers (for example Meriton) were producing build to rent homes in NSW prior to the reforms. However, the sector was considered relatively small scale and niche. Build to rent has been popular overseas for a number of years. The tax cuts and related SEPP planning provisions are intended to further encourage the development of this type of housing.

Submissions from the Property Council of Australia and Regional Cities NSW expressed support for the build to rent reforms. Other submissions, for example Wollongong City Council, noted that no applications had been received to date under the new provisions. Doubts about the financial viability of build to rent in the regions was raised (Shoalhaven City Council) as was the potential need to subsidise this type of housing.

Community Land Trusts

The use of Community Land Trusts, which are not common in Australia, was also suggested as a mechanism to support affordability. A Community Land Trust is a form of shared ownership where a site is owned by a not-for-profit, community-based group while dwellings on the site are owned or leased by individual households. Community Land Trusts were raised as a way to lower the barrier for lower income and disadvantaged households to access the benefits of property ownership. Stakeholders raised that such projects have the potential to address the gap between social-housing eligible households, which was claimed to be increasingly targeted towards households

with complex needs, and lower income households unable to access a local housing market due to affordability pressures.

Bellingen Shire Council and the Mid North Coast Joint Organisation of Councils have endorsed a proof of concept project in Bellingen to assess the feasibility of Community Land Trusts in the Mid North Coast region of NSW. The potential for industry-based Community Land Trusts, such as in partnership with industry superannuation funds, was raised to the Taskforce.

Social and Affordable Housing

This section summarises issues raised by stakeholders regarding the provision of social and affordable housing. The term social housing refers to rental housing for people on very low incomes or in crisis housing which is owned and managed by the Government or by Community Housing Providers (CHPs) with rents set based on income. The term affordable housing refers to rental housing for people on very low to moderate income where rents are set based on a discounted market rate (for further information see Definition of Affordable Housing)

Need for Social and Affordable Housing

Widespread unmet need for social and affordable housing was noted frequently throughout consultation and in submissions. This was evidenced by indicators including rising levels of housing stress, long social housing waitlists and wait times, and increasing incidence of homelessness in the regions, including seasonal homelessness due to fluctuations in demand from seasonal and itinerant workers and short-term holiday letting.

Declining affordability was noted to disproportionately impact lower income households, to reinforce cycles of disadvantage, including for Aboriginal and Torres Strait Islander communities, people over 65 (particularly single women), people living with disability, and women and children at risk of domestic violence, and to have negative economic impacts over the short- and long term on local communities and on the NSW Budget. The importance of treating social and affordable rental housing as social infrastructure was raised with reference to the Infrastructure Australia's recent *2021 Australian Infrastructure Plan*, which identifies social and affordable rental housing along with other social infrastructure such as schools, hospitals, and parks as being critical to supporting economic prosperity and quality of life.

CHPs and other support service providers stated that their services were under increased strain as a result of declining regional rental affordability over the past year, which both increased demand for housing assistance and support services and made it more difficult for services to operate, for example, through limiting the availability or increasing the cost of private market rental accommodation which is used for temporary and crisis accommodation or for social housing on a leasehold basis.

The existing social and affordable housing stock was identified as being inadequate in number but also not well suited to current needs, with increasing demand from smaller households for 1 and 2 bedroom homes not served by the existing stock (both State- and CHP-owned) of predominantly larger detached housing, much of which is ageing and in need of renewal.

Delivering Social and Affordable Housing

While there was agreement among a wide range of stakeholders about the need for more social and affordable housing, there were a range of views on how social and affordable housing could best be provided in regional NSW. This included questions of who was responsible for its delivery, whether planning system mechanisms could enable the delivery of a meaningful volume of social and affordable housing without the expanded use of other government levers such as grants or use of government land to subsidise development and operational costs, and how any further government subsidy should be structured to provide the best outcomes for the people of NSW.

Role of Government

Respondents were broadly in agreement that Governments needed to play an active role to support the provision of social and affordable housing given the limited impact of current voluntary incentive mechanisms in the planning system and structural factors that prevent market delivery of affordable rental housing (discussed further below in the section Viability of Social and Affordable Housing). However, stakeholders had a range of views on what the respective roles of State and Local government should be, as well as how active each should be, ranging from an enabling role to one of direct provision.

Role of State Government

Stakeholders raised the importance of the role of the State government in setting clear, consistent and effective policies and establishing targets and benchmarks to provide effective incentives and clear market signals to support new social and affordable housing. They also raised the importance of the State coordinating local and regional responses, and providing adequate funding, resourcing, guidance, and access to data and information.

A number of respondents thought it important for government to set social and affordable housing targets through the State housing strategy Housing 2041 or the Regional Plans, for example, the number of dwellings to be delivered in general, or via Government funding and land. These could be filtered down into local strategic plans including LSPS and LHS, although some councils were not supportive of targets being set at the local level due to their limited ability to influence delivery and developer behaviour beyond setting policy settings and approving development. State targets were considered important by the CHP sector, housing peak bodies, and councils in order to create clear expectations and accountability and drive longer-term strategic planning, particularly in combination with explicit commitments in the Budget and ongoing policies and programs to achieve them.

Role of Local Government

Many regional councils recognised the opportunity for local councils to assist in the provision of social and affordable housing through local planning policy and council-led initiatives and partnerships, and the Taskforce heard of many successful projects. However, a number of council respondents thought that too much emphasis was being placed on local government to support and enable affordable housing delivery, with responsibilities and costs shifted from Commonwealth and State levels. The relatively limited resources of councils, and the need for councils to strike a balance between utilising council assets such as land to best financial effect and the broader community interest, were raised as constraints that limited councils' ability to take a more active role in social and affordable housing provision, as well as lack of political or community acceptance in some contexts.

Regional councils have a range of experience levels in housing development in general, in providing services like aged care and temporary accommodation, and in implementing social and affordable housing development initiatives in partnership with the community housing sector. It was noted than many regional Councils already have constructive partnerships with CHPs to provide for social and affordable housing, including through development partnerships on council-owned lands (see more in Dedication of Council land). Councils indicated that they wanted more specific practical guidance and advice on how to establish partnerships with CHPs and other developers to pursue housing initiatives, for example, how to manage legal and contractual issues unique to local government, as well as funding assistance.

Role of the Community Housing Sector

The role of the not-for-profit housing sector in increasing the provision of social and affordable housing was also raised. Over the past two decades, there has been both Commonwealth and State Government investment in the capacity of the CHP sector to improve its long-term viability and to facilitate its expansion, including through the transfer of social housing stock. The Taskforce

heard that, while there a number of regionally-based CHPs that operate at scale and there is significant experience in the sector in regional areas, including over 10 Tier 1 CHPs with significant regional portfolios and proven development capacity and approximately 25,500 homes managed or owned by the CHP sector across regional NSW, government support was still needed to grow the community sector in regional NSW as per the objectives of Housing 2041.

Existing State Planning Policy Mechanisms

This section discusses how existing State planning policies operate in regional NSW.

Affordable Housing Contributions Schemes and Inclusionary Zoning

Through *State Environmental Planning Policy No 70—Affordable Housing (Revised Schemes)* (SEPP 70), councils can levy affordable housing contributions when certain land is 'upzoned' (i.e. when planning controls are changed to allow greater residential density), enabling either direct delivery of affordable housing or equivalent monetary contributions that create a funding pool for council-led affordable housing. The use of these mechanisms, known as inclusionary zoning, was historically limited to certain Sydney LGAs. In 2019 SEPP 70 was amended to be applicable across all of NSW in response to identified need for affordable housing across the state.

The ability to implement SEPP 70 is subject to a council establishing an affordable housing contributions scheme (AHCS) and amending their LEP to reference it. Encouraging all NSW Councils to develop and AHCS is an action under Housing 2041. DPIE has published guidance for councils on how to develop an affordable housing contributions scheme, including a viability tool to assist councils to gauge the impacts of a proposed housing contribution rate on residual land value and development feasibility.

As yet, none of the councils in regional NSW have adopted an AHCS, although a number are currently developing a scheme or have indicated their intention to do so in future. Through the Taskforce's engagement councils identified a number of barriers to implementing AHCS in general and in certain regional contexts, including the resource intensity and length of time needed to prepare and get approval from DPIE for an AHCS, and the difficulty of applying the viability tool across regional LGAs that contain a broad range of development contexts and highly differentiated markets. It was suggested that the existing guidance and tool should be reviewed to consider applicability to diverse regional contexts. There were also concerns that:

- there was limited community, development sector or political support for inclusionary zoning;
- the LGA-by-LGA application of AHCS could disincentivise local development activity;
- inclusionary zoning would not be viable in many regional contexts or would be of limited impact because of land economics, particularly in lower value markets where feasibility constraints already exist, or the scale of uplift achievable in lower density regional settings;
- inclusionary zoning was less practical to achieve in greenfield areas than in brownfield urban renewal sites because of development staging which slows the realisation of uplift, and thus more difficult to implement in many regional contexts where the majority of new housing is greenfield supply.

In response to concerns that the cost of AHCS are 'passed' on the private purchaser and renters by developers, respondents who supported stronger intervention from Government and wider application of inclusionary zoning argued that such schemes limit the price paid by the developer for the land as they are factored into development feasibility, particularly if schemes are developed concurrently with strategic plans for growth. These submissions pointed to the success of such schemes in Sydney and in other Australian and international jurisdictions. The South Australian system, for example, mandates a 15% affordable housing target in all significant development projects including both affordable housing for rent and purchase and infill and greenfield sites. Some submissions supported mandating inclusionary zoning at the State- or Commonwealth level

to increase the impact of these schemes and to provide a consistent signal about land values to the development sector.

It was also indicated that further State support to regional councils to develop AHCS would be welcome, such as training, advice and resourcing support.

ARHSEPP

The ARHSEPP (soon to be incorporated in the new Housing SEPP) facilitates the development of various affordable housing forms, including infill affordable housing, boarding houses, group homes, secondary dwellings (granny flats) and social housing and supportive accommodation, through the provision of development incentives such as additional floor space and through enabling development where not permitted by local controls.

Stakeholders had concerns that the ARHSEPP planning controls were not well-calibrated to regional contexts and could be constraining affordable supply. Some stakeholders were concerned about the effectiveness of density bonuses in regional towns and centres. In some cases, local planning controls, including restrictions in regional LEPs and DCPs on the building envelope (height, setbacks, articulation, etc), prevented floorspace bonuses from being realised, limiting the feasibility of development and the number of affordable dwellings that could be provided. There were also questions around the effectiveness of bonuses in incentivising use of the SEPP by for-profit developers in regional areas. Reviews of local controls and additional guidance for councils in setting appropriate LEP and DCP controls were suggested.

There were also concerns about the appropriateness of the ARHSEPP in established regional centres where there is limited land availability or heritage constraints in and immediately around traditional town centres. Development concessions and incentives for infill affordable development, for example, are only available to sites within 400m walking distance of B1 and B2 zones (or their equivalent) across most of regional NSW, or within accessible locations in 8 LGAs across the Newcastle and Wollongong regions as defined by distance from public transport stops with a particular frequency of service.

Some housing providers noted that they had been unable to utilise development concessions and incentives on sites that fell only a short distance outside of these limits due to the strict interpretation of the ARHSEPP by councils, with flow-on impacts for feasibility. There were also concerns raised about the design standards in the proposed draft Housing SEPP impacting feasibility in regional areas. Additional flexibility in the application of these provisions in regional areas was suggested, noting that these need to be balanced with controls that ensure affordable housing has appropriate access to transport, services and employment.

The changes in the proposed draft Housing SEPP around boarding houses were broadly supported, including that boarding houses must be managed by registered CHPs and provide affordable housing in perpetuity in accordance with the NSW Affordable Housing Ministerial Guidelines. Some submissions indicated the changes to built form standards, such as lot size, setback, communal living area and open space, would negatively impact on the market viability of this housing type in the regions. There were also concerns that the income limits in the Ministerial Guidelines restricted the ability for using this typology to provide key worker housing. There was broad support for changing the term 'boarding house' to help address the often-significant community opposition these development face.

There were also calls for better monitoring and regulation of housing delivered in the regions under the ARHSEPP/Housing SEPP to ensure that the planning incentives are providing the intended community benefit.

Definition of Affordable Housing

There were also concerns about the definition of 'affordable housing' in the NSW planning system. The EP&A Act defines affordable housing as follows:

"affordable housing means housing for very low-income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument. For the purposes of the Affordable Rental Housing SEPP, a household is taken to be a very low income household, low income household or moderate income household if the household

(a) has a gross income that is less than 120 per cent of the median household income for the time being for the Greater Sydney (Greater Capital City Statistical Area) (according to the Australian Bureau of Statistics) and pays no more than 30 per cent of that gross income in rent, or

(b) is eligible to occupy rental accommodation under the National Rental Affordability Scheme and pays no more rent than that which would be charged if the household were to occupy rental accommodation under that scheme"

SEPP 70 sets out that for the purposes of the definition of affordable housing in section 1.4 (1) of the Act, very low income households, low income households and moderate income households are those whose gross incomes fall within the following ranges of percentages of the median household income for the time being for the Greater Sydney (Greater Capital City Statistical Area) or the Rest of NSW (Greater Capital City Statistical Area) according to the Australian Bureau of Statistics:

- Very low-income households: less than 50%
- Low income household: between 50 and less than 80%
- Moderate income households: between 80 and 120%

There were concerns that these definitions are confusing to the public and that they do not account for regional variation. The grouping of incomes for the 'Rest of NSW' was considered to be very broad. Some confusion was also evident in relation to the difference between affordable housing and housing affordability. For example, it was raised that defining affordability in the housing market by using median income levels is not appropriate as they do not factor in the relative price of housing and cost of living within an area. It was noted that households with the same income level in regional NSW can have drastically different housing outcomes depending on where they live.

Reconciling the definition of affordable housing under the Affordable Rental Housing SEPP with the more commonly understood rule of thumb definition of housing costing less than 30% of household income is considered affordable was also raised.

Council Policy Mechanisms

In addition to adopting an AHCS or LEP amendment, Councils can influence the delivery of social and affordable housing at the local level through a variety of mechanisms including:

- local development approval
- fees and contributions policy, for example, through waiving DA fees or rebating s7.11 developer contributions, s7.12 development levies, or s64 water and sewer contributions for affordable housing to improve development feasibility
- Voluntary planning agreements, which can be used to negotiate affordable housing contributions
- Dedication of council land for affordable housing projects through gifting or subsidised sale or lease of land to a CHP

This section outlines feedback regarding the use of these mechanisms in the regional NSW context.

Development Approval

With the exception of Wollongong, Central Coast and Wingecarribee LGAs, local planning panels are not mandated in regional NSW and regional councils hold decision making powers for Part 4 local development. Stakeholders indicated that the majority of social and affordable housing development in the regions is assessed as local development by councils as it is not of a large enough scale to meet the capital investment value thresholds to be assessed by a Regional Planning Panel as Regionally Significant Development.

The vast majority of councils indicated their support for additional social and affordable housing in their area. However, a number of CHP respondents raised that they continue to encounter difficulty obtaining development approval for their projects. Lengthy assessment timeframes and the complexity of the approvals process, including agency consultation at pre- and post-lodgement, were raised as concerns by CHPs. It was suggested that streamlined assessment would be beneficial for projects that deliver affordable housing benefits, for example, through the prioritisation of DAs or the creation of exempt or complying development pathways for certain tenure types. A number of CHPs called for the fast-tracking of CHP projects by enabling CHPs to utilise the same self-assessment provisions that LAHC has access to.

Community opposition and stigma were also raised as issues. It was reported that while many communities understood and supported the need for affordable housing broadly, specific development proposals attracted significant scrutiny and community backlash. There were numerous examples given of affordable and social housing developments that had not been approved despite meeting planning requirements or that experienced significant delays in being approved due to significant community opposition and political pressure. This was particularly the case for boarding houses but also for small-scale and low impact developments such a small low-rise units and dual occupancy development. It was noted that public pressure on councils can increase the risk of the approval process being politicised and of projects with planning merit being refused, even in cases where councils have supportive housing strategies and policies in place.

Referring social and affordable housing developments to the Regional Planning Panels was generally supported as a way to depoliticise assessment processes and alleviate pressure on council staff and elected officials to refuse development. Suggestions to achieve this included lowering the CIV threshold for social and affordable housing, and referring social and affordable housing developments of a particular scale (for example, 6 units), or alternatively all social and affordable housing projects or all DAs lodged by registered CHPs and Aboriginal CHPs and the Aboriginal Housing Office directly to the Panels.

Many stakeholders also commented on the importance of ongoing education and engagement with the community to increase support and 'bring the community along'. Demonstration projects were put forward as a way to allay community concern through showing how these types of housing can contributed to local character and achieve good design and social outcomes. Some stakeholders suggested the 'branding' of affordable housing projects is an issue and reframing the presentation of affordable housing as essential infrastructure for a community may be desirable.

Fees and Contributions

Many regional councils indicated that they already had a policy of discounting or waiving development contributions and DA fees for social and affordable housing to support its development. For example, Lake Macquarie City Council has adopted a policy of providing an 85% discount on development contributions for social and affordable housing at an estimated cost of $650,000 per annum. CHPs were highly supportive of exempting affordable housing from developer contributions on a standardised state-wide basis to increase development viability and reduce the 'funding gap'. However, the rate of discount and costs to council require consideration, with some councils indicating that, given their financial circumstances, it was not viable for them to do so without impacting their ability to provide the necessary infrastructure to support these developments or to meet their operational costs.

Voluntary Planning Agreements

Although some examples were given, there was limited evidence in submissions of the use of VPAs to provide affordable housing in regional NSW.

Dedication of Council Land

A number of regional councils indicated in their submissions that they had successfully or were intending to utilise council-owned land for social and affordable housing. For example, Griffith Council has gifted land to a CHP to construct and manage affordable housing units, subject to conditions including that the housing is targeted at Key Workers and at no more than 75% of market rent in line with the NSW Ministerial Affordable Housing Guidelines.

While many councils have had successes in bringing about additional social and affordable housing using this mechanism, a number of barriers and limitations to the use of council-owned lands were identified. Some councils have experienced difficulty realising affordable housing projects on their land, for example, due to difficulty negotiating over the proportion of development to be provided as affordable housing with private development partners. Provisions in the *Local Government Act 1993* (LG Act) concerning land dealings and Public Private Partnerships were also reported to impede partnerships with the CHP sector due to their complexity. Landcom in its submission also raised concerns with the Public Private Partnerships provisions in the LG Act associated regulation, which prevent it from entering into joint ventures, project delivery agreements, and other commercial arrangements that could be used to deliver affordable housing on council-owned land.

Limited supply of suitable council-owned lands or council-managed Crown lands without reservations and restrictions was also raised. For example, Wollongong City Council in its submission indicated that it had limited supply of operational land that was appropriate for housing and suggested that excess community land (which is subject to restrictions in use and cannot be sold or leased on a long term basis) could be reclassified to operational land to support use for housing purposes, which raises issues of the privatisation of public land and the loss of public open space. Another issue was a lack of publicly available information about the extent and location of suitable council land and the need to audit council land to identify appropriate sites.

Lack of resourcing was also cited as a barrier to councils becoming more involved in development initiatives, including project management resources.

Viability of Social and Affordable Housing

Many submissions raised the need for solutions to overcome the 'funding gap' for social and affordable housing, which is the gap between the cost of providing below-market rental housing (including land, construction, financing, maintenance, and operational costs) and the income from affordable rents. Unlike private market housing development which requires a certain profit margin to be feasible, social and affordable housing projects need to break even or achieve modest surpluses in order to be viable to develop and sustainable to operate, with developer margins typically directed to additional housing supply or service provision. The funding gap can be bridged through various forms of subsidy, including planning concessions, planning subsidy (i.e. inclusionary zoning), granted or discounted land, capital subsidy, operational subsidy, cross-subsidy within mixed tenure development, or philanthropy, either singly or in combination.

Representations from the CHP sector indicated that the viability of providing new social and affordable housing varies across locations in regional NSW due to housing market dynamics, in particular land values, but also construction and infrastructure costs. It also varies by affordable housing type, with more heavily discounted forms of housing and more service-intensive supported housing requiring higher levels of subsidy.

The ability of the CHP sector to access and service debt or contribute their own capital to projects also contributes to the viability of social and affordable housing. Some CHPs indicated that they

were fully leveraged and unable to access further debt from, for example, the National Housing Finance and Investment Corporation (NHFIC) or had large maintenance liabilities due to ageing stock that limited their ability to self-fund new housing. Submissions indicated that, even where land is contributed for free and a CHP is able to borrow against the land value to pay for construction, other forms of subsidy are usually required to make up the gap.

In addition to reviewing and strengthening planning subsides, submissions supported a review of existing levels of State funding for new social and affordable housing. There were calls, for example, to expand of the NSW Department of Communities and Justice's $50 million Community Housing Innovation Fund (CHIF), which supports diversity in the community housing sector with a focus on smaller and regional providers or to create an ongoing fund for regional housing.

The cross-subsidy mixed tenure model, where developments include a mix of private, social and affordable housing, has been employed by the Land and Housing Corporation (LAHC) to renew and expand the State's portfolio of social housing, including in some parts of regional NSW. There was support expressed in submissions for renewal of regional State-owned social housing or the creation of new social and affordable housing through this model, although there were questions as to whether it could work in lower density regional contexts.

Access to Land

Access to land in suitable locations and at an appropriate price was identified as a major barrier to the provision of social and affordable housing. CHPs and other affordable housing developers have to compete with private individuals and developers to purchase land or housing The Taskforce heard that this could make land acquisition difficult or even impossible in higher land-value markets, such as coastal areas and larger cities. As previously noted, CHPs can also struggle to access well-located land in lower-value land markets where there can be limited land availability in and around traditional town centres.

Several successful projects using vacant government land to deliver affordable housing were identified by stakeholders. There was widespread support amongst submissions for the more extensive use of government land to enable development of social and affordable housing, including council-, State- and Commonwealth owned land. This could occur either on a freehold basis through transfer of title or on a long-term lease basis (for example, 25-49 years) with housing and land returning to full public ownership over the long term.

The inaugural 2021-23 action plan Housing 2041 includes an action to establish a Government Property Index (GPI) or public register of NSW Government-owned land for stakeholders to identify opportunities and submit proposals for use of such land for housing in both Greater Sydney and regional NSW. This was welcome, however stakeholders indicated that to expedite housing delivery on government land assessment of the lands by the State Government for suitability of residential development was needed, with suggestions that a priority list of sites for social and affordable housing be developed for short term interventions. Many respondents were supportive of benchmarks and targets for the delivery of social and affordable housing on government owned land, for example, set on a regional basis through Regional Plans. The potential to expand the GPI to include council owned lands was also raised as a suggestion to help facilitate project proposals to councils.

Meanwhile Use

Encouraging the 'meanwhile use' of underutilised government land and buildings for the purpose of social, affordable and crisis housing was raised by stakeholders as an opportunity for both immediate and longer-term action. 'Meanwhile use' refers to the use of otherwise unoccupied or underutilised land/buildings for temporary uses, in this case for temporary housing options. Shoalhaven City Council presented research undertaken into the 'meanwhile use' of government land, identifying the following planning barriers:

- Permissibility in certain land zones;

- Lack of an appropriate approval pathway, such as a complying development pathway, or specific meanwhile use standards, resulting in lengthy assessment that can cause issues for timely delivery of temporary accommodation;
- Community concern; and,
- Resource and skill constraints.

Other submissions raised the issue of utilising vacant Crown lands for temporary housing due to restrictions on the use of Crown lands and similar restrictions on council Community lands. The creation of a register of vacant and underutilised NSW Government assets to provide meanwhile use housing was also recommended to help facilitate proposals.

Aboriginal Housing

Aboriginal communities across NSW can face a number of challenges in securing suitable housing, impacting the health and wellbeing of many households. Lower rates of home ownership in Aboriginal communities, stemming from historic exclusion and systemic disadvantage, has meant that many Aboriginal households have missed out on the intergenerational wealth benefits of home ownership. The provision of secure, appropriate, and affordable housing aligned with priorities and need is identified as a key target in the National Agreement on Closing the Gap.

In addition to general social and affordable housing programs, in which Aboriginal people are disproportionately represented, targeted Government-owned housing for Aboriginal households is provided primarily by the Aboriginal Housing Office (AHO) and Aboriginal CHPs (ACHPs). The AHO works to invest in the capacity and maturity of the ACHP sector, including through the transfer of stock to ACHPs and through programs such as the Aboriginal Community Housing Investment Fund (ACHIF), which supports development of housing on Aboriginal-owned land and upgrades to existing properties. However, relative to CHPs, ACHPS are generally smaller organisations which can result in them missing out on grants and funding streams due to resourcing constraints and a general preference for larger development projects in funding allocations. The expense of building and maintaining properties in inland areas was also raised as a significant challenge for Aboriginal housing providers.

Racism and discrimination towards Aboriginal people in the private rental market was reported to the Taskforce, with some households with capacity to afford market rents remaining in social or affordable housing due to an inability to secure rental housing. The tightening of rental markets across regional NSW was reported to be exacerbating the impact of such discrimination. It was reported that difficulty finding private rental accommodation means that for some Aboriginal households the only way out of Social Housing is to 'leapfrog' the rental market, shifting from social or affordable housing directly to home ownership, although there can be significant financial barriers to doing so.

The Taskforce heard that remaining on Country is incredibly important to Aboriginal people; especially when purchasing a home. This can be a challenge in some areas, as Traditional lands can overlap with areas of high market demand, pricing out Aboriginal communities in some instances. Accessing culturally appropriate housing, for example, larger housing that accommodates Aboriginal family and kinship structures, is also challenging.

The submission from Central Darling Shire Council noted that Aboriginal communities face a variety of challenges. Overcrowding is frequent as multi-generational households are common. Much of the current housing stock has too few bedrooms. Low rates of home ownership and difficulty securing finance were also highlighted as problems for the local Aboriginal community.

Social distancing and the need to isolate due to Covid-19 is made difficult or impossible in crowded homes. NSW Health is establishing community support accommodation in Wilcannia to further assist the close contacts of people with COVID-19 to isolate safely and effectively if they cannot do

so at home. A community of motorhomes is being established at the council-owned campervan site in Wilcannia, which already has access to power, water, and waste disposal services.

The North Coast Aboriginal Development Alliance suggested that government should prioritise new housing development on land held by Local Aboriginal Land Councils or Registered Native Title Bodies Corporate to promote for Aboriginal economic self-determination and to encourage Aboriginal people to live on country. Mobile homes were noted as an option to address homelessness. Greater investment and exploring innovative models for future housing were noted as opportunities for the Aboriginal housing sector. A joint submission by the Community Housing Industry Association NSW and the NSW Aboriginal Community Housing Industry Association called for regional plans to identify targets for the delivery of new social, affordable, and Aboriginal housing, including culturally appropriate Aboriginal housing. A lack of subsidies and community opposition to development were cited as barriers.

Role of Local Aboriginal Land Councils

The *Aboriginal Land Rights Act 1983* (ALR Act) facilitates the return of land in NSW to Aboriginal people through claims over Crown land. The NSW Aboriginal Land Council and a network of 120 Local Aboriginal Land Councils (LALCs) were established to acquire and manage land as an economic base for Aboriginal people, as compensation for historic dispossession and in recognition of their ongoing disadvantage.

LALCs consist of elected representatives of Aboriginal people in certain areas and aim to improve, protect and foster the best interests of Aboriginal people in their Council area. Many LALCs have significant land holdings and the potential for them to play a role in delivering housing, both specifically for Aboriginal communities and in general, was raised by a number of stakeholders as having the potential both improve housing outcomes and enhancing the economic self-determination of Aboriginal communities.

It was also recognised by stakeholders that LALCs have faced significant barriers in developing successfully claimed lands. It was raised that often only a small portion of LALC landholdings are currently suitable for development which is a barrier to objectives of compensation and self-determination. The need for upfront investment and expertise in navigating the planning system to successfully gain rezoning and development approval is recognised as a barrier to LALCs.

In addition to barriers within LALCs landholdings, and common barriers to development referenced elsewhere in this report, it was reported to the Taskforce that development applications for Aboriginal housing projects can face overwhelming public opposition. The number of objections to such proposals was reported in some cases to be completely disproportionate to the scale of development proposed, particularly when compared to similar non-Aboriginal proposals that proceed with minimal objective from the community.

Stakeholders also raised the need for a more streamlined process to settle native title claims in order to provide additional economic development opportunities for Aboriginal communities and encourage the development of Crown land for housing.

Activating Development

Land Banking

'Land banking' was raised by a large number of stakeholders as a serious barrier to increasing housing supply at a rate that could have a material impact on rising house prices. The term 'land banking' refers to a practice of holding land as an investment strategy with the expectation that the value of the land will substantially increase in future, enabling either the land to be sold or developed with a higher margin of return, rather than developing it as soon as it is profitable to do so.

'Land banking' can occur on sites expected to be rezoned in the future, increasing their development opportunities and value, but can also occur after land has been rezoned or development has been approved. The examples of land banking that were raised by stakeholders primarily concerned land that had been rezoned or received development approval and which were considered to be part of the local 'supply' pipeline. Stakeholders, particularly councils, indicated that the 'banking' of zoned and approved land resulted in significant delays in housing coming to market and that the practice can undermine the many planning strategies, reforms and investments aiming to increase supply and reduce housing prices. Several councils stated they have changed their approach to prioritising and delivering infrastructure to better sequence developments and minimise the risk of spending resources on sites that will be land banked.

A need to introduce measures that discourage land banking and support the activation of residential development in a timelier manner was raised by many stakeholders. Some councils have already attempted to put in place measures to address land banking through incentives. For example, Snowy Monaro Council has discounted developer contributions and removed conditions of consent for developers to try to reduce development costs and encourage commencements, although their submission noted that this did not appear to have any effect.

For land with development approval, it was noted that Development Consents are time limited, with consent lapsing if work is not physically commenced within 5 years. It was suggested that further strengthening of the definition of physical commencement or shortening time limits may be required to provide additional certainty to local communities about when new housing will be delivered. Reference was made to the Australian Capital Territory (ACT) Government policy of providing landowners a default of 2 years to commence construction and 2 years to complete it, which can be varied by the consent authority.

For zoned land, there is no current mechanism to incentivise development within a given timeframe. Stakeholders suggested either the imposition of financial penalties, for example, through council rates or State-level taxation, or the introduction of time-limited rezonings whereby land would be 'back zoned' if land is not subdivided, or development consent is not obtained, or development has not been commenced or completed within a particular timeframe. The example of the West Australian (WA) planning system was given, which has a 10 year approval limit for structure plans.

Other stakeholders were concerned that the imposition of such mechanisms could:

- disincentivise investment in the regions;
- be difficult to administer, given the difficulty in determining what is 'land banking' as opposed to what are reasonable development delays;
- unfairly penalise developers who are unable to develop their land due to factors outside of their control, such as infrastructure provision, planning delays, or the many other factors causing delay raised elsewhere in this report; and,
- expose government to claims of compensation for back zoned land or costs.

Site Consolidation

Difficulties in consolidating sites with fragmented ownership was raised as a barrier to supply and the cohesive development of precincts. Fragmented ownership of land was raised as a particular concern in coordinating funding for the necessary studies and investigations required to support rezoning proposals. Site fragmentation issues reportedly led to areas identified for residential development in strategic plans not proceeding to the rezoning stage, which led to increased risks of sites being considered in the planning system in isolation of their broader strategic context.

Fragmented ownership was also cited as a barrier for coordinating infrastructure delivery with unclear timeframes of acquisition and multiple parties having to negotiate and agree on decisions.

Infrastructure and rezoning decisions can impact individual land values and can stymie the planning process and undermine the optimal use of land.

Difficulties and costs associated with site amalgamation was also cited as a barrier to higher density developments, particularly in regional areas where the market preference appears to be for lower density housing types. A market preference for lower density housing can have the dual effect of higher acquisition costs of single dwellings for redevelopment, and lower end sales prices of units, making development less attractive.

Post Approval Processes

Some of the development proposals that stakeholders identified as being 'stuck in the system' were reported to be facing challenges in meeting post-approval requirements. Specific requirements such as biodiversity offsets, bushfire hazards, koala management plans and flood management are discussed in the Managing Environmental Constraints section of this report.

It was raised with the Taskforce when consulting internally with government that development proposals that are continuously delayed can face a cascading effect of compounding issues that increase the complexity and time required to resolve issues in the planning process.

Significant delays between initial approvals and delivery can mean matters resolved at a previous assessment stage can resurface as circumstances change, new information surfaces and/or new requirements are introduced that must be resolved. Agreements on matters such as infrastructure provision can become out of date as time progresses and circumstances change. The plans of proponents may also evolve over time, the requiring modification to development consents which can trigger a need to revisit previously 'resolved' issues and effectively restart negotiations between parties.

The evolution of approval avenues can also complicate the planning process if a legacy proposal was approved under a pathway that no longer exists but where the approval is still valid. The legacy approval may not have considered requirements that must be addressed in the current planning system or the approval may be a high-level conceptual approval that assumes more detailed planning issues would be addressed later in the process. The mismatch of the previous approval with current requirements in managing detailed planning issues can cause unforeseen delays, increase complexity and require substantial resources to resolve.

Use of Government Lands

The use of surplus government land holdings was raised as an option to stimulate housing supply in general, as well as for projects that projects that address unmet housing needs in regional communities such as affordable housing as discussed in the Viability of Social and Affordable Housing section of this report.

The use of government land to deliver model projects that test new housing types, tenures and delivery models was raised as they could demonstrate benefits of such projects for not-for-profit or even private developers to follow. Such an approach was also suggested in areas where there was hesitancy in the community about higher density forms of development or there was a lack of development activity, where a 'best practice' type approach with a high design quality could allay fears and negative perceptions in the community, thereby reducing resistance to future projects.

As previously mentioned, an action in Housing 2041 is to establish a public register of NSW Government land for stakeholders to identify opportunities and submit proposals for use of such land for housing. There was broad support for the use of government land to address housing needs. Stakeholders indicated that further guidance and criteria on what projects and unsolicited proposals would be given preference was needed. The potential to expand this register to include council owned lands was also raised.

Short Term and Temporary Housing

Temporary Housing

This section considers temporary housing structures, as opposed to temporary or short-term tenures. Short-term rental and crisis accommodation are considered separately in the above section Meanwhile Use. While temporary housing is not defined in the planning system, tents, tiny homes, caravans, and other moveable dwellings provide temporary housing options. Some submissions, for example Regional Development Australia Southern Inland, called for streamlined approvals and regulation of this type of temporary home.

DPIE is currently considering how regulation of the approval and operation of caravan parks or camping grounds and manufactured home estates may be streamlined. The installation of moveable dwellings in areas outside caravan parks, camping grounds, or manufactured home estates is regulated by the *Local Government (Manufactured Home Estates, Caravan Parks, Camping Grounds and Moveable Dwellings) Regulation 2021*. With limited exceptions, carrying out or providing for camping (e.g. In caravans, campervans, motorhomes or tents) on council or other land requires council approval. Shoalhaven City Council's submission suggested that highlighting good examples of tiny homes could ease community concerns about that type of development.

Accommodation for Seasonal and Itinerant Workers

Many areas in regional NSW experience influxes of seasonal and itinerant workers that support agricultural and construction industries. Stakeholder note that these temporary influxes result in an increased demand for accommodation at different times of the year. An undersupply of accommodation options for these workers can result in upward pressure on rents and health and safety concerns from overcrowding, makeshift housing and unsuitable living conditions. Narrandera Shire Council for example noted that an influx of hundreds of workers is expected in association with the construction of two large solar farms.

Stakeholders also reported that the lack of appropriate housing for temporary workers not only can place pressure on local housing markets and drive poor housing outcomes, but it can impact the ability of local businesses to attract needed workers.

While land uses such as boarding houses, hostels, backpackers' accommodation, and caravan parks are likely to attract seasonal and itinerant workers, any form of residential or tourist and visitor accommodation can be used by the workers. No single form of accommodation in the Standard Instrument LEP caters solely to seasonal or temporary workers. The potential for short-term worker accommodation to be later reappropriated for long-term residents was noted in the Eurobodalla Shire Council submission.

Competition with STRA

The impact of Short-Term Rental Accommodation (STRA) on regional housing markets was raised by a significant number of stakeholders. STRA is not new in regional NSW as it has been a longstanding practice for owners of holiday houses to let their properties during periods when they would otherwise have been unoccupied. However, since 2016 there has been rapid growth in short term holiday letting due to the emergence of online booking services that make it easier to connect owners with potential guests (such as Airbnb).

STRA is distinct from other forms of short-term accommodation, catering to tourists generally spending above rental market prices for a short stay. Other forms of non-STRA short-term accommodation are generally focused on specific groups, for example, crisis housing for people escaping personal crisis, homeless shelters and workers' accommodation for seasonal or temporary workers. STRA can be used for the latter purpose depending on circumstances and industry.

The impacts of STRA on regional rental markets was a serious concern for many stakeholders, suggesting that not just vacant holiday homes are being let out but that investors are purchasing properties specifically for STRA that would otherwise be used as rental properties, creating competition in the rental market and further tightening vacancy rates. Concerns of the impact of STRA on attracting and retaining workers in regional areas was expressed. This was reported to be an issue across the majority of regional NSW but unsurprisingly was reported to be most severe in high tourism areas such as coastal towns, alpine areas and popular inland towns.

A smaller number of councils considered the benefits of additional short-term accommodation to outweigh the impacts on the housing market, as supporting tourism growth was aligned with their strategic aims to grow and support local businesses. Nonetheless, ensuring adequate accommodation was available to residents and workers supporting the tourism industry was a priority for these councils.

Changes were made to the ARHSEPP in early 2021, introducing new provisions for STRA policy which are due to come into effect later in 2021. The new policy introduces several changes including a new definition for STRA, distinguishing hosted bed and breakfast style accommodation and non-hosted accommodation, and sets 180-day limit for non-hosted accommodation in the following locations:

- the Greater Sydney Region;
- the Ballina area;
- the Bega Valley area;
- the City of Newcastle area;
- the Dubbo Regional area;
- certain land in Clarence Valley area; and,
- certain land in the Muswellbrook area.

Areas not listed above will not have restrictions on the number of days STRA can be let out, while Byron Shire is exempt from the policy until January 2022. A Ministerial Direction enables Byron Bay council to reduce the time limit further to 90 days which council is currently working on implementing through its Local Environmental Plan.

Some councils raised concerns that the new STRA policy will allow more properties to be used as STRA than under their current planning controls and suggested applying either the 180-day or a 90-day cap to all of regional NSW. Other councils expressed a desire for greater flexibility to set their own restrictions, specifically on where properties can be used as STRA and the number of days they can be made available. In addition to regulating STRA, several stakeholders raised the need to better incentivise the provision of long-term rental accommodation to minimise conversion of rental stock to STRA, for example, through the provision of planning incentives or through preferential tax treatment

Other findings

Data and Monitoring

Many councils called for more up-to-date information and data on migration and population growth to better understand the impacts of COVID-19 and inform responses. More granular and regularly updated information on housing markets to identify housing shortages and associated impacts such as rising level of housing stress was also reported to be needed. Calls to improve and make available baseline data on stock of social and affordable housing in the regions were heard.

Several stakeholders raised the need for a more comprehensive land register of government owned lands that have the potential to be used for housing development, going beyond what is currently available in the Government Property Index that was launched in May 2021. Work to achieve this is understood to be currently underway. Expanding the Crown Land Manager Reserves Portal was also suggested by Regional Cities NSW, as it currently does not allow

councils to view all Crown landholdings. The potential for an expanded GPI is discussed in Use of Government lands section of this report.

Key Worker Housing

Stakeholders cited difficulties in attracting and retaining key workers required for communities to properly function, due to the lack of available and affordable rental accommodation, as discussed in Shortage of rental properties section of this report. It was reported that workers such as teachers, health care workers, emergency services, social workers, childcare workers and aged care staff were having difficulty finding appropriate and affordable accommodation which was impacting their decision to move to an area. This was reported to be especially the case for lower income key workers who have difficulty finding affordable accommodation but are not eligible for affordable housing programs or government support. The Southern Inland branch of Regional Development NSW stated "*industry and business expansion is inhibited due to labour shortages because of the lack of available housing. This is even more critical in lower-paid occupations, such as hospitality and aged care and shift work in these sectors deems travel unfeasible.*"

It was claimed that some businesses in Byron Shire resorted to purchasing housing for their workers in order to attract employees and workers commuting longer distances from out-of-town to travel for work, which can create its own financial burden on households due to transport disadvantage and can lead to poor social and health outcomes associated with long commutes. The potential negative knock-on effects for local economies, businesses and social cohesion were also raised to the Taskforce.

A need for more targeted housing options for key worker groups was expressed to the Taskforce. Some stakeholders referenced mixed tenure style developments as a potential solution, where a housing project offers rental properties at a range of price points targeted to different income groups, where rental revenue from higher income households subsidise households paying below market rent. Community Land Trusts were also raised as having potential to address housing pressures on key workers, which is discussed further in the Community Land Trusts section of this report.

It was also suggested that housing analysis and strategies should consider housing affordability not just in regard to income brackets but incomes for key worker groups as an indicator of affordability/health of a housing market.

Next Steps

The Taskforce will consider the findings outlined in this report and prepare a series of recommendations to be tabled to the Minister for Planning and Public Spaces in October 2021.

The recommendations will be focused on ways in which the NSW planning system and Government can respond to the challenges raised by stakeholders and canvassed in this report within the scope set for the Taskforce.

Appendices

Appendix A

Regional Housing Taskforce Terms of Reference

July 2021

Background

In addition to the challenges faced by Australian housing markets nationally, regional NSW faces unique housing challenges, linked to diverse economic, environmental and social pressures, and a complex policy context. Changes in migration patterns and housing preferences resulting from COVID-19, growing unaffordability, low rental vacancy rates and mismatches between supply and demand are increasingly placing pressure on regional communities.

The Regional Housing Taskforce (the Taskforce) was formally announced in June 2021 by the Minister for Planning and Public Spaces to identify challenges in the planning system that are preventing the delivery of housing supply and formulate recommendations to improve housing outcomes in regional NSW. The Taskforce is to focus on the technical planning barriers that prevent new housing being delivered within the strategic context of the work being undertaken under the NSW Housing Strategy.

Purpose

The purpose of the Taskforce is:

- To undertake consultation with local government and experts from the development and housing sectors to identify barriers in the planning system to new supply and develop potential solutions
- To advise the Minister for Planning and Public Spaces on the findings of the consultation and research and recommendations to achieve better housing outcomes for regional NSW though the planning system
- To contribute to the evidence base identifying housing challenges and planning barriers to housing delivery, building on existing background work to inform future government housing initiatives and provide advice to the Housing Expert Advisory Panel, when established

The Taskforce will utilise a collaborative approach between agencies, drawing on the expertise and statutory powers of each agency.

Scope

In consultation with relevant experts and stakeholders, the Taskforce will investigate planning barriers and develop recommendations to address regional housing issues with a focus on:

- The planning system and other government levers to stimulate housing supply and address housing needs
- Removing impediments within the planning system to the delivery of affordable housing types and housing generally
- Identifying mechanisms within the planning system to facilitate and drive the delivery of housing matched to community needs

Timeframe and deliverables

The Taskforce is to submit a report outlining its findings into the investigation of planning barriers to regional housing delivery to the Minister for Planning and Public Spaces in September 2021,

followed by a second report with recommendations to address identified barriers to delivery of regional housing in October 2021.

Following delivery of the reports, the Taskforce will cease to operate unless the purpose and scope of the Taskforce is revised or expanded in consultation with, or as requested by, the Minister.

Membership

The Taskforce is led by the Chair, Garry Fielding. The Chair is responsible for convening meetings and setting the agenda for each meeting in consultation with the other members of the Taskforce. The Chair is also responsible for preparing the reports to the Minister for Planning and Public Spaces.

Senior representatives from relevant NSW Government agencies including the Department of Planning, Industry and Environment and the Department of Regional NSW (DRNSW) comprise the other members of the Taskforce.

The meetings of the Taskforce may also be attended by non-members, to be determined by way of invitation from the Chair.

External Engagement

A series of meetings will be scheduled in key locations across regional NSW to allow for key stakeholders such as local government, industry and the community to inform the Taskforce's deliberation and consideration of recommendations.

A call for submissions will be made to inform the recommendations to Government about changes to the planning system that will assist to deliver appropriate housing in regional NSW. The Taskforce will consider written submissions made up until 27th August 2021.

Appendix B

List of submissions

1. Pip Andreas
2. Confidential Submission
3. Paula Carew
4. Katherine Carleton
5. Carlo Di Giulio
6. Jacinta French
7. architects fulton + salomon
8. MullumJoinery Wood & Metal
9. Troy Green
10. Confidential Submission
11. Confidential Submission
12. Steven Holmes
13. Confidential Submission
14. Anthony Mackenzie
15. Kieran Mann
16. Doug McIntyre
17. Sarah Minter
18. Confidential Submission
19. ticX
20. ticX (second submission)
21. James Rowe
22. DESIM
23. Jun Sin
24. Griffith City Council
25. Confidential Submission
26. Carinya Court Volunteer Committee
27. Peter Thorpe
28. Confidential Submission
29. Trevor Prior
30. Polis Plan
31. John Danvers
32. Restofnsw inc.
33. Confidential Submission
34. Confidential Submission
35. Confidential Submission
36. Confidential Submission
37. Confidential Submission
38. Sue Bate
39. NSW Community Housing Tenant Network
40. Graham Fulton

41. Graham Fulton (second
42. The Building Supply Company
43. Southern Youth and Family Services
44. Griffith St Vincent de Paul Conference
45. Confidential Submission
46. Confidential Submission
47. Jason Goode
48. Glen Innes Severn Council
49. Stevens Group
50. Land Dynamics
51. Housing Plus
52. Banksia Building
53. Regional Development Australia Southern Inland
54. Narrandera Shire Council
55. Eurobodalla Shire Council
56. Port Macquarie Hastings Council
57. Confidential Submission
58. Mid North Coast Joint Organisation of Councils
59. Regional Development Institute Australia Mid North Coast
60. Leda Holdings
61. YWCA
62. St Vincent de Paul Society
63. Confidential Submission
64. AlburyCity
65. Temora Shire Council
66. Homelessness NSW
67. St Vincent de Paul Society NSW (Southern Highlands)
68. Northern Rivers Joint Organisation
69. Snowy Monaro Regional Council
70. Ballina Shire Council
71. Coffs Harbour City Council
72. Caravan Camping & Tourism Industry & Manufactured Housing Industry Association NSW Ltd
73. Urban Co
74. City of Newcastle
75. Resilient Byron
76. Queanbeyan-Palerang Regional Council
77. Urban Taskforce
78. Committee for Hunter
79. Central Coast MPs
80. Kempsey Shire Council
81. Dubbo Regional Council
82. Gunnedah Shire Council
83. Richmond Valley Council

84. Parkes Shire Council
85. Social Futures
86. Upper Lachlan Shire Council
87. Fiona Gibson
88. Allera
89. Broken Hill City Council
90. Confidential Submission
91. Anna Lucas
92. Oyshee Iqbal
93. Peter Evans
94. Zenith Town Planning
95. Ingrid Pearson
96. Peter Wigley
97. Clarence Valley Council
98. Regional Architecture Association
99. Monaro Regional Housing Forum
100. Port Stephens Council
101. DESIM
102. Bathurst Regional Council
103. Shoalhaven City Council
104. Fiona Gibson
105. Canberra Region Joint Organisation
106. Confidential Submission
107. Narrabri Shire Council
108. Building Designers Association of Australia
109. Australian Tiny Home Association
110. Byron Shire Council
111. Singleton Council
112. Confidential Submission
113. Momentum Collective
114. Shelter NSW on behalf of the Good Growth Alliance
115. DANTIA
116. Tamara Smith
117. Wollongong City Council
118. Riverina RDA
119. Committee for Wagga
120. LWP Property Group
121. Regional Development Australia (Orana)
122. Tamworth Regional Council
123. Association of Consulting Surveyors NSW
124. Yass Valley Council
125. Amanda Spalding
126. Confidential Submission

127. Blayney Shire Council
128. North Coast Aboriginal Development Alliance
129. Bega Valley Council
130. UDIA
131. Hilltops Council
132. Greater Hume Council
133. Wagga Wagga City Council
134. Housing Matters Action Group
135. Local Government NSW
136. Lake Macquarie City Council
137. Lismore City Council
138. Cobar Shire Council
139. Gilgandra Shire Council
140. Central Coast Council
141. Regional Cities NSW
142. Women's Village Collective
143. GemLife
144. Fountaindale Group
145. Cabonne Council
146. Hunter Central Coast Development Corporation on behalf of the Greater Newcastle Urban Development Program Committee
147. Central Darling Shire
148. Confidential Submission
149. Housing Industry Association (HIA)
150. Coffs Harbour Older Women's Network
151. Housing Trust
152. Central NSW Joint Organisation
153. Veronica Rawlinson
154. Origen Architects P/L
155. NSW Joint Organisation Chairs Forum
156. Community Housing Industry Association NSW and Aboriginal CHIA
157. Riverina Joint Organisation
158. Liverpool Plains Shire Council
159. Southern Cross Community Housing
160. Property Council of Australia
161. Confidential Submission
162. Shelter NSW
163. Tenants Union of NSW
164. Homes North
165. Abbeyfield Committee of Bungendore
166. Tweed Shire Council
167. Planning Institute of Australia (PIA)
168. Landcom