



Built Environment

City Futures Research Centre

Submission on the Draft Sydney Sub-District Plans

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Submission on the Draft Sydney Sub-District Plans

City Futures Research Centre

Established in 2005, City Futures Research Centre at UNSW (hereafter *City Futures*) is Australia's leading urban policy research centre. Spanning the interrelated areas of urban planning, housing, design, development and social policy, our work aims to advance the understanding of Australia's cities, their people, the policies that manage their growth, and their impacts on our environment and economy. The Centre occupies a premium position in the Australian academic research community in the area of urban research.

City Futures (together with UNSW Planning Program colleagues) is the only university research grouping rated as Level 5 – well above world standard – in the field of urban and regional planning in both the 2013 and 2015 national university research assessment exercises. Our acknowledged expertise across a range of urban policy, planning and housing topics, means that CFRC staff members are often consulted by policymakers, by private developers and by not-for-profit organisations working in these realms. We are also regularly cited in the local and national media.

City Futures works closely with several other UNSW research groups as well as with research centres at other universities in Australia, Asia and Europe. The applied focus of City Futures' research also involves strong partnerships with local, state and federal government agencies as well as industry stakeholders and community groups.

Summary of Recommendations

A Productive City

- **We recommend that the District Plans offer a new opportunity for further governance reform, which could assist in countering the plague of corruption that has bedevilled the local government planning system.**

A Liveable City

Affordable Housing Targets

- **We recommend the District Plans include a requirement to monitor both overall supply *and* affordable supply.**

In principle justifications for inclusionary zoning

- **We recommend that a firm justification for the use of these measures is set out clearly and unambiguously in the District Plans.**

Regime remit and project viability

- **We recommend that the Commission carefully considers lessons learned from the way that the introduction of a viability test has degraded the capacity of the UK's 'Section 106' regime to deliver affordable housing.**

- We strongly recommend that the GSC and Department of Planning and Environment establish a capacity-building fund to resource specialist training and support for local council planners who will be responsible for negotiating site-specific agreements with developers.

Affordable housing products and housing diversity

- We recommend that the '5-10%' Inclusionary Zoning formulation is replaced by '10% subject to viability'.
- We recommend that the standard 10% affordable rental housing obligation as defined above (low to very low income) is complemented by additional 10% of affordable housing provided for low to middle income groups and key or essential workers through either discounted rental or shared ownership products.
- We recommend that for projects on publicly owned land the standard affordable housing target be set to at least 25%, to include at least 10% affordable rental housing within the means of low and very low income households and 15% for low to moderate income key and essential workers.

Delivering affordable housing

- We recommend that in framing its formal guidance, the Commission includes for the possibility that different delivery mechanisms can be deployed including on-site transfer of land or completed dwellings to a Community Housing Provider (CHP).

An integrated local urban renewal delivery model

- We strongly recommend that revised Local Environmental Plans incorporate a much more nuanced approach to the designation of local zoning and planning controls to meet dwelling targets that support the provision of both identified affordability *and* diversity targets as identified in Local Strategic Plans within urban renewal precincts and corridors.
- We recommend that planning proposals and development applications that address diversity and affordability requirements as set out in the Local Strategic Plan could be put through a fast track approval process.
- We recommend consideration is given to a delivery model which would look to apply agreed and evidenced housing diversity requirements in an integrated manner for urban precincts and corridors, as well as significant developments beyond these areas.
- We recommend consideration is given to the creation of Urban Renewal Corporations or Trusts charged with bringing forward the integrated housing and renewal strategies for designated Collaboration Areas that are locally constituted and arms-length from government, but suitably regulated and publicly accountable.
- we recommend consideration is given to developing appropriate funding mechanisms, such as a revolving loan or grant facility provided in the form of a Local Strategic Renewal Fund.

This submission

The Draft District Plans contain a large number of new and potentially ground-breaking ideas and proposals. Given the scope of these proposals, we have limited our comments to areas with which the Centre has a particular interest or experience. In the following, references to relevant documents to support our points have been **embedded via hyperlinks**.

1 Overall comments

The City Futures welcomes the opportunity to offer our comments on the Draft District Plans (DPP) developed by the Greater Sydney Commission. Given the problems that recent Sydney Metro Strategies have faced in implementation in the face of market realities, **this suite of plans represents a significant step forward, especially in terms of how proposals appear to be based on a much better understanding of the actual drivers of city change and complexity of urban processes**. In doing so, they seem to have stepped beyond the conceptually limited urban design-led expectations and constraining market determined path-dependencies of earlier plans to set out some new ideas as to what might be achievable. In doing so we seem to be moving towards a planning process informed by a greater recognition that knowledge-driven analysis provides a better basis for urban planning.

The main message has to be that this is a once-in-a generation opportunity to break the mould of how Sydney has been planned and developed. Facing a city of potentially 7-8m in 30-40 years, together with the major challenges of climate change, demographic shifts, economic uncertainty and continuing globalisation, 'business-as-usual' is simply no longer good enough. So the documents need to be framed as bold in vision and bold in action – Sydney really does need a step change after several decades of complacency and startling inactivity. The State government's investment program for new infrastructure is a step forward. The Federal government's Western Sydney City Deal is another. But to build the infrastructure (hard and soft) to support a global city of 8m we need to think, and be prepared to spend, bigger than we have to date. Importantly we also need to think beyond the 50-year old solutions currently determining transport and infrastructure policy and the outdated governance arrangements that have in large part got us to where we are today.

1.1 Draft District Plan geographies and relationship to 'one metropolis, three cities'

The six Draft District Plans (DDPs) clearly foreshadow this next big agenda – reframing Sydney as a metropolis of three cities – which is developed further in the companion document *Towards our Greater Sydney 2056* (ToGS). The preparation of the DDPs in the timeframes available, and given the shifting strategic planning context to which they need to relate, was always going to be a challenging task. Fundamentally, the plans are caught between accommodating the goals and directions of PfGS but to do so with an eye to ToGS. Collectively, they can be seen to act as a series of transitional 'holding' statements hinting at the nascent, bigger agenda which presumably will emerge in full during the 2017 Metro Plan review – but necessarily tied to the legacy of the 2014 *Plan for Growing Sydney* (PfGS) template.

The DDPs collapse the four goals of PfGS into three words – Productivity, Liveability and Sustainability – which hark back to the series of national SOAC Reports. This is done within a template which remains relevant to the limited spatial dimensions of PfGS but reaches towards the more considered – both strategically and spatially – future geographies of the metropolitan area foreshadowed by ToGS. In many regards, they manage to balance this difficult task well and – treated as drafts – they offer an important

stepping stone to more effective metropolitan planning processes hoped for with the creation of the Greater Sydney Commission. But upfront statements as to what these terms mean in practice would be useful – after all, they are contested and somewhat ambiguous. As such, they need to be defined and defended. Then there is the question as to what the benchmarks against each of the criteria will be – how will success be measured? Presumably the GSC Dashboard – with a focus on jobs and housing targets plus a data store – will be part of this, but this needs to be made dynamic and accessible.

The DDPs should be time-limited and subject to update/realignment if they are to fulfil their aims. Importantly, the Plans are working with geographies which only made partial sense within the strategic frameworks promoted by PfGS and arguably make even less sense given the long-term directions indicated through the three ‘city’ approach of ToGS. This is not to question the vital role that subregional/district plans must play within overall metropolitan governance frameworks (effective plans at this scale have been a longstanding absence in Sydney), however they need to operate across appropriate functional geographies to be able to translate the citywide vision of ToGS in the context of the different drivers and desired outcomes across the three cities.

As such, treating the DDPs as stepping stones – and giving them credit for the positive direction they demonstrate – seems appropriate. Once the new metropolitan strategy has been prepared – and assuming it adopts the three cities model foreshadowed – it would be logical for the DDPs to be fully aligned with that structure. Breaking the spatial mould with the ‘one metropolis, three cities’ model immediately raises questions (in a good way, as provocative foresight strategic planning should): Why three cities? What about relations with the Greater Metropolitan Region (Newcastle/Hunter/ Central Coast to the north; Wollongong and the Illawarra, Goulburn Corridor to the south)? The Greater Sydney Commission needs to provide itself with the necessary space to work through – with key actors, interested stakeholders and communities – these long term, bigger strategic spatial questions.

In the other scalar direction, a key advance of the DDPs is a clearer focus on the issue of how strategic planning objectives of the metropolitan-wide plan will be effectively translated down into local environmental plans – these documents make a clear statement as to what is expected. There is, however, little indication as to how the various targets and expectation might be effectively translated into actionable local planning outcomes i.e. how they will be implemented on the ground. The articulation of the mechanism by which the integration of these nested sets of Plans (Metro, District, Local) is achieved (who actually is responsible for delivery on the ground and the framework to do this) needs to be a central focus of the future work of the Commission, but also needs addressing the final versions of the District Plans.

Turning specifically to the Draft District Plans, it would be useful to see a much greater outline of the longer-term threats to Sydney in the introductory chapter – climate change, demographic pressure, economic stagnation/unproductivity and social polarisation, for example – to clearly make the case *why* we need a strong and integrated spatial planning framework. Otherwise the counter will be, well, why do we need these Plans – wouldn’t it be better if we got rid of planning as much as possible and simply let the market do what it sees fit to deliver? These plans seem to be pointing in another direction – there is a need for strong strategic planning framework and the mechanisms to do more than just facilitate short term market activity (the current position), we also need to direct it in preferred longer term directions.

1.2 Draft District Plans content and style

All the DDPs share a fair degree of generic discussion, but there is an emerging language within the plans which signal positive developments. For example, the productivity section for the SW District Plan, discussing the emergent western city, opportunities tied to the airport etc., is - albeit in its initial blush – some of the more ambitious strategic thinking seen for some time at the metropolitan scale for some time. It clearly requires further development, but better that than all-to-easy reliance on a-spatial motherhood statements. However, it also exposes the substantive limitations of the District Plan geographies noted above. It is clearly unfortunate that one of the most interesting strategic developments promoted in ToGS and which flows down into the District Plans – the potential to recalibrate the dynamic and relationship between the existing cities of Campbelltown, Penrith, Blacktown and Liverpool as a lens through which the ‘western city’ will evolve – cannot be more strongly developed given that the cities in question are split between two District Plans.

It is good to see the dimensions addressed in the Sustainability priority given more weight and rigor than in preceding metropolitan plans, including some signals that the crucial implications of climate change are at last re-entering strategic planning discourse in NSW. Likewise, there are encouraging signs within the Liveability priority. This holds out the prospect of a more meaningful engagement with equity issues (and in our opinion this priority would have been better labelled as such). Had the DDPs followed more confidently the terminology used to breakdown the core elements of *A Liveable Sydney* from *ToGS* (the table in question is reproduced in each of the district plans, for example on p. 28 of the Draft Central District Plan) which has a more explicit equity mandate, it would have necessitated a more robust and coherent engagement with questions of social/spatial disadvantage and polarisation, how it manifests in different parts of the city, and how the forward strategic direction of the city can help address those challenges. Unfortunately, the DDPs do not achieve this, and a wide range of intractable, longstanding challenges are clumped together in the confused amalgam of ‘liveability’.

The sheer number of Liveability Priorities should sound alarm bells, but also serves to obviate some of the deep-seated challenges that need to be address in context-specific ways across different parts of the city. For example, across the metropolitan area, but particularly the SW, West Central and West, questions of migration (including refugee entry), exclusion and disadvantage are fundamental to understanding both the challenges but also tremendous opportunity for centres such as Liverpool, Fairfield and Blacktown (and therefore to how the wider ‘western city’ might emerge and evolve). It brings up profound questions about equity for the city, and importantly, can start to point towards the strategic directions we need to be thinking about to address those questions. This depth does not come across in the DDPs. They would be a lot stronger, and a lot more relevant to context, if they did so.

A major gap in the DDPs is the lack of discussion about an overall transport strategy for a city of 8m. We assume this issue will be addressed in the revision to the PfGS later this year. We can no longer manage the growth of a city the size of Sydney (passing 5m as this review proceeds) without a fully integrated land use and transport planning system. This will require significant reform of metropolitan governance structures, the discussion of which lies beyond the scope of this submission, but it is urgently required if the ambitions of the DDP and the overarching ToGS document are to be achieved.

Overall, the role of the District Plans as transitioning towards a much longer term vision of the city is a critical message – and needs to be put up front – it is rather hidden in the current documents in Chapter 2. This has to be about raising the gaze beyond the limited time horizons of PfGS and envisioning a city 50 years hence

– or more. This suite of documents needs to highlight that this is not BAU – it is not to be read simply as a developers’ road map to the next 20 years land supply, as other plans have been.

2. A Productive City

The plans work as separate studies but with a unifying structure that contain common elements and propositions. This works well. The main variation is in the Productivity chapter where sub-regional economic prospects necessarily vary. While it is appropriate to put this up front – the city’s viability rests on its capacity to generate jobs –we would like to have seen a better analysis of spatial consequences of current employment trends (e.g. the growing impact of the ‘Inverted City’) in terms of income generation – this is the key really. It’s not that W Sydney doesn’t have jobs, just that it doesn’t have the well-paid jobs the east and north of the city have attracted. This is where strategic planning has failed so badly in the past and it is really the rationale for the ‘one metropolis, three cities’ solution.

Growing the pool of ‘good’ jobs in a more spatially equitable way is key. We would also like to see a stronger statement with some simple graphics of the way the city has grown increasingly socio-economically imbalanced over the last 30 years – and that this is what the plan is seeking to address. In other words, why do we need to bother about the west and south west? The consequences of poor access to ‘good’ jobs and the polarisation of Sydney’s employment and income structure is the key challenge of strategically planning Sydney and was basically ignored in earlier plans. It is a central reason for why the city is seizing up spatially as income differentials are translated into rapidly polarising housing markets. This should be much more clearly articulated up front. Figure 1 illustrates the income divide that needs to be addressed.

The ‘Vision, Priorities and Action’ framework offers a clear line of sight for the key policy options – especially the list of actions together with the identification of the core agencies responsible for the delivery of each Action. There is clarity as to who is responsible for each action – this is an important innovation. But how are the various agencies to be held to account for delivery – how do they prioritise the actions in their business plans? What’s the accountability process? How will they articulate together to ensure effective implementation of the inter-related plans? This is probably being worked out as the Plans are finalised, but will need be explored at least in principle.

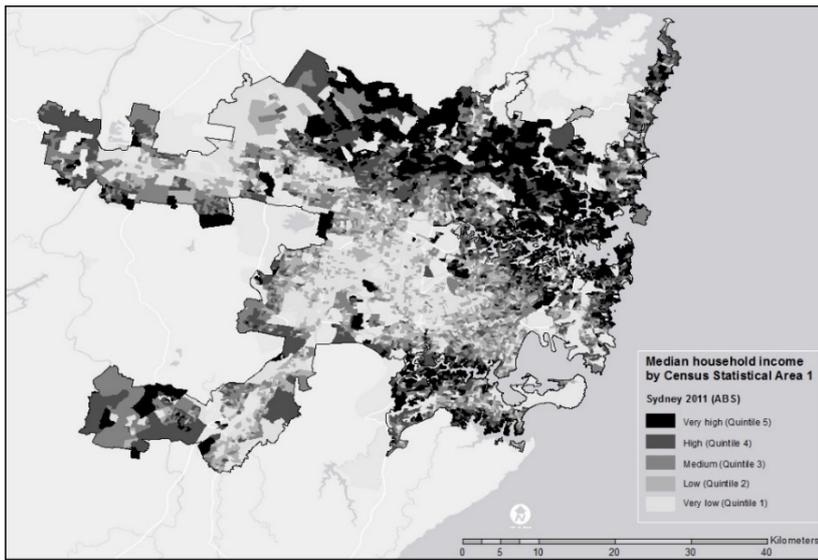


Figure 1: Median household income by SA1, Sydney 2011Source: ABS Census 2011

There is a strong emphasis on collaboration and listening (“Sharing and Collaboration”) – a positive statement. But do you have a view as to the effective process that will be continued as the plans are being delivered – are there any plans for continuing that active dialog with communities? How transparent will the process of delivery be? For example, is there a role for **District Citizen’s Panels**, such as those held by Canada Bay Council, to hold the planning system to account? The plans will be contested of course, but a Citizen Panel approach, if implemented in a transparent and collaborative way and backed up with cutting edge planning support tools and technologies, would open the process up to wider scrutiny and involvement by communities – and the Plans need community support. How will the new planning framework heralded here break the mould of top-down opaque government planning processes? **We recommend that the District Plans offer a new opportunity for further governance reform, which could assist in countering the plague of corruption that has bedevilled the local government planning system.**

There is a clear intent to link to infrastructure investment through the Infrastructure Delivery Committee – but will this be replicated at District level and if not, then how do competing claims between Districts get prioritised for the Annual Infrastructure Priority List? Perhaps just as importantly, will the GSC have the capacity to determine the investment priorities for the various contributing delivery agencies? There needs to be guidance as to how the various State infrastructure delivery agencies will support the delivery of Local Plans – what mechanisms will need to be in place to make them engage?

How do these Plans relate to the ever-widening variety of urban renewal areas, priority precincts and priority growth areas? These will need to be folded into the District Planning process at some stage in order to allow for coordinated outcomes. Most importantly, *ad hoc* planning proposals based on spot re-zonings outside agreed LEP frameworks and top-down announcements of major renewal projects outside of the Plan process will need to be better controlled under the Local Plan process, or the same old piecemeal approach will prevail.

“A City of Smart Jobs” – a good idea and well worth pursuing. But what will the new DPs say about the bulk of new employment that will not be in smart, well paid jobs? This needs to be recognised and accounted for – after all, the low wage economy is a growing component and it’s a fundamental justification for the provision of affordable housing as key social infrastructure. Planning has to encompass the entire prospect for the city, not just the upside.

3. A Liveable City

This chapter perhaps the most radical departure from earlier Plans. In fore-fronting housing affordability and a range of diversity and affordability options it takes a vital step in the right direction. It flags targets for affordable housing in urban renewal sites which is a major advance. It also recognises the need for new social housing to meet increased needs. The DDPs incorporate a more nuanced analysis of housing supply and demand sub-areas – most important. At last, the city’s housing is seen as something more than a simple ‘black box’. There is better use of data in the plans to illustrate housing market change and where growth is occurring.

Given City Futures’ interests in affordable housing we have prepared more detailed comments on this component of the DDPs.

3.1 Affordable Housing Targets

City Futures *strongly* supports the principle embodied in the Draft District Plans that new housing developments should be subject to **affordable rental housing targets**. In a city which contains only a tiny stock of social rental property, and where housing market processes are progressively pushing lower income households further and further towards the remote urban fringe, this proposed policy is an important and long overdue measure. As the Commission *rightly acknowledges*, policies of this kind are long-established in planning practice in many of Sydney’s comparator cities internationally. In helping to control or even halt currently untrammelled processes of social polarisation (see above), the new regime could form a critical contribution to a more equitable metropolitan future not only in Sydney but – should they opt to emulate Sydney’s lead – also in Australia’s other major capital cities.

Strategic Housing Targets and targets for affordable housing are therefore key indicators for the Plans and very welcome. But monitoring of housing affordability is a gap in what is proposed. **We recommend the Plans include a requirement to monitor both overall supply *and* affordable supply.**

3.2 In principle justifications for inclusionary zoning

Because ‘inclusionary zoning’ affects underlying land values, the policy proposed by the Commission is inherently controversial. However, requiring that new developments include a proportion of housing within the means of low and very low income households can be justified on a number of principled grounds. Firstly, there is the scenario where a new development impacts on the demand for public services. Requiring a developer to make an affordable housing contribution is justifiable if their scheme will create a new demand for affordable housing for employees, or will result in loss of existing low cost housing stock (‘gentrification’).

Secondly, in circumstances where planners relax restrictions on a site’s allowable use (‘up-zoning’), the community, and indeed city more widely, has a fair call on sharing in the ‘windfall gain’ which results. This reflects an understanding that land values are not inherent, but socially determined. Therefore, in re-

designating a site from, say, light industrial to medium or high density residential use, the site's value can be massively increased. Since, in making such a designation, planners are acting on behalf of the community, the community should share 'windfall gain' (or 'betterment') – otherwise unjustifiably accruing solely to the landowner.

Thirdly, and related to the second point, the community has an in principle right to share the benefit of local land value increase resulting from public investment. Development of transport infrastructure – e.g. siting of a new station – would be the most obvious example. However, as demonstrated by **AHURI research**, the argument can also apply to the renewal of public housing estates. Moreover, without the deployment of planning interventions to protect the existing stock of lower priced housing, places benefiting from enhanced accessibility due to publicly funded transport improvements will experience 'social cleansing'.

Given the importance of the Inclusionary Zoning proposals, we recommend that a firm justification for the use of these measures is set out clearly and unambiguously in the final DPs.

3.3 Regime remit and project viability

The Commission proposes that eligible development projects will be required to include a quantified component of 'affordable housing' within the means of low and very low income households. Importantly, the proposed regime will apply specifically to new residential developments on re-zoned land ('new urban renewal or land release areas' as the draft guidance note puts it). As such, the approach can be justified in terms of the second of the three rationales set out above.

Currently, when land has been re-zoned to enable higher-density development, landholders reap windfall profits without actually delivering any new housing or infrastructure. For example, the site of a **recently completed development** in Sydney's inner west was first purchased by a property company as industrial land for around A\$8.5 million. Having been re-zoned to higher-density residential, the site was re-sold for A\$48.5 million. In this case, the first buyer made a 471% windfall profit without building anything on the site.

If a fixed percentage of affordable housing becomes a condition of rezoning such sites, this will only affect the size of the landholder's windfall gain. Developers will offer lower prices for the land, based on the mandated requirements for affordable housing. This is why, with the scheme's remit restricted to up-zoned sites as proposed, property developer opposition to such a regime is in fact far from universal. Indeed, to their credit, some developers have been **part of the push** for the policy, through their membership of the Committee for Sydney. They recognise that so long as the 'playing field' is level for all, mandatory targets for affordable housing can be achieved without making development unprofitable or housing more expensive.

Consistent with its justification for the policy, the Commission reasonably stipulates that it will not apply retrospectively to rezoning that has already occurred. Importantly, however, this exemption should not apply to land purchased by a private company *in expectation* of a future up-zoning announcement – i.e. for any land bought in order to speculate on future up-zoning. This refers to the scenario where a buyer has gambled on an, as yet, unannounced administrative event delivering them a windfall. If the anticipated change of land-use decision in fact comes with inclusionary zoning strings attached they may find that projected development profit margins are squeezed. What this means is that a reformed planning regime linking inclusionary zoning with re-zoning would discourage land speculation and speculative holding. In wider public policy terms, surely this is a long-term goal of an effective and efficient planning system?

Notwithstanding all of the above observations, we think it important to emphasise that in restricting the policy's scope to re-zoned sites, the Commission's proposed approach is a very modest one which could be criticised as being shaped to suit developer interests. A large proportion of new housing development in Sydney involves 'infill' sites where no recent re-zoning has been involved. None of these will fall within the policy's remit. On the basis of recently undertaken residual land value analysis, a respected NSW planning consultant, Dr Judith Stubbs, argues that **limiting the applicability of inclusionary zoning in this way is unjustified** and unnecessary.

Closely linked with the above issue is the Commission's proposed 'viability test'. This will, in the words of the **draft guidance note**, 'ensure that the Target will not make continued supply of market housing economically unviable'. While this sounds reasonable, it is of paramount importance that the viability test rules – as yet unpublished – do not open a loophole that fatally weakens the policy overall. Noting that the Commission's proposed targets are **'subject to development feasibility at a precinct scale'**, Judith Stubbs argues that this:

'...opens them up to horse-trading by developers and dilution by government before a final number is decided. The published targets are likely to become a *starting point* for negotiation with developers, some of whom will inevitably come with their feasibility analysis to demonstrate that such inclusionary aspirations will stymie development'.

We therefore recommend that the Commission carefully considers lessons learned from the way that the introduction of a viability test has degraded the capacity of the UK's 'Section 106' regime to deliver affordable housing. Subsequently, in the face of a strengthening property market and a housebuilding boom, the proportion of newly-built housing in London classed as **'affordable' fell back from nearly 40% (2011/12) to only 25% (2014/15)**. Moreover, flexibility in the designation of 'affordable' meant that some projects originally expected to yield substantial amounts of social housing within the means of very low income households have **signally failed to do so**. So, while a scheme's 'affordable proportion' may have remained apparently significant, amendments to obligations secured by the developer could result in most or all of the homes concerned being much less 'deeply affordable' – e.g. for sale on a shared ownership basis. Where involving the redevelopment of former council estates, this has led directly to the displacement of low income populations – a phenomenon **understandably described by some** as 'social cleansing'.

In the context of the new viability test regime, an important part of the recent London story has concerned the highly unequal contest between developers and planning authorities. The former have often enjoyed a huge advantage over the latter in terms of internal capacity and the resources to buy in professional expertise. Hence, one leading affordable housing industry stakeholder referred to 'developers "leading local authorities on a merry dance"', with another commenting that 'It's not so much a dance, as running rings around them'.

We recommend that the Commission – and, indeed, the NSW Department of Planning and Environment – would be well advised to carefully consider the Mayor of London's recent steps to restore the regime's integrity. These have included **a revised framework for viability assessment** and the establishment of a central unit to provide support to local authority planners charged with negotiating with developers on viability assessments and affordable housing obligations.

With this latter example in mind, **we strongly recommend that the GSC and Department of Planning and Environment establish a capacity-building fund to resource specialist training and support for local council**

planners who will be responsible for negotiating site-specific agreements with developers. Most importantly, the financial feasibilities used by proposers of planning proposals or development applications for new homes that will be subject to inclusionary zoning requirements must be transparent and accessible to ensure procedural fairness. In order to encourage compliance with affordability targets, fast track planning approvals could be granted to those proposals that fully meet required targets.

3.4 Affordable housing products and housing diversity

The very specific definition of the affordable housing product to be generated through the Commission's proposed inclusionary zoning system is welcomed. We particularly endorse the linking of affordable housing to the broader issue of delivering housing diversity. Specifically, we need a planning system that understands affordable housing not simply as a small, poorly located product, but one that is delivered to contemporary standards of amenity and location across the city at a price appropriate to a wide range of households on low to moderate incomes, especially to encompass low income, **essential and key worker groups**. **As recent research has shown**, low income workers in Sydney play an essential role in city labour market but at present face substantial housing affordability pressures across the city.

Experience in other states – notably South Australia – has shown that claims about the 'effective use of planning powers' to produce 'affordable housing' can be **much less significant** when examined in detail than they may at first appear. We refer here to policies where a weak definition of the product can enable a developer to discharge obligations through provision of, for example, homes marketed for sale at prices below the local market norm only because of their small size – e.g. so-called 'starter homes'.

Much debate surrounds the question of what percentage targets should be appropriately set for affordable housing to be generated through inclusionary zoning powers. In proposing an obligation amounting to 5-10% of the *extra* floorspace resulting from up-zoning, the Commission appears to be envisaging a regime only marginally more ambitious than that applicable in certain designated areas of the City of Sydney under SEPP70 (e.g. as in Green Square where the equivalent figure for residential developments is 3%). It is also acknowledged that such figures are not directly comparable with the affordable housing percentage targets cited in cities such as London. Here, as the Commission rightly notes, the specification of 'affordable housing' has – especially in recent years – been broader than the GSC's own tightly-defined proposed designation. Similarly, in the UK government grant-funding programs have also helped to 'top up' the effective support provided through the planning system per se.

Nevertheless, the Commission's stipulation that the target applies only to the 'extra floorspace' resulting from rezoning is another respect in which the policy is arguably far too modestly specified. Again, supported by residual land value analysis undertaken for Inner West Council, Dr Judith Stubbs **argues that:**

'...affordable rental housing targets of 15% of total GFA would be reasonable without unduly affecting development feasibility in most precincts [of the Inner West], including those associated with the government renewal areas. The situation is similar in many other areas of the Central and South Districts'.

Judging whether the Commission's '5-10%' formulation is sufficiently ambitious also depends on a number of other considerations. First, it needs to be made clear in what circumstances the target for eligible sites will be 10% and in what circumstances a lower figure will be applicable. Since the policy in any case implies

that viability considerations could result in the figure being set at zero, **we recommend that the '5-10%' Inclusionary Zoning formulation is replaced by '10% subject to viability'**. This would be a clearer and more straightforward position. Second, there is the question of what, if any, 'affordable housing' – over and above that provided as rental accommodation within the means of low and very low income tenants – might be included within a development project budget. **We therefore recommend that the standard 10% affordable rental housing obligation as defined above (low to very low income) is complemented by additional 10% of affordable housing provided for middle income groups and key or essential workers through either discounted rental or shared ownership products.** In other words, the new District Plans need to outline clear planning guidance for the delivery of the *continuum of affordable housing* as depicted in Figure 4-6 of the Central Sydney Draft Plan across *all new developments*, regardless of size of development, in line with the needs analysis determined in the Local Housing Strategies.

A modification to this scenario should apply to the redevelopment of government-owned land – e.g. within the context of large scale urban renewal. **We recommend that for projects on publicly owned land the standard affordable housing target be set to at least 25%, to include at least 10% affordable rental housing within the means of low and very low income households and 15% for low to moderate income key and essential workers.** Since the associated moderation of land values will not affect private developers, there can be no objection to such a rule on the grounds that it is an unreasonable impost on residential property development.

3.5 Delivering affordable housing

Implicit within the Commission's proposal is the expectation that developers will fulfil mandated affordable housing obligations through financial contributions to a centrally held fund. It seems that this is inspired by the current City of Sydney SEPP70 regime where such contributions are collected by Council for re-cycling into affordable housing investment via CityWest Housing. Utilising these funds, CityWest then needs to procure land and construction services in the market.

While not arguing that this is necessarily an unsatisfactory model, **we recommend that in framing its formal guidance, the Commission includes for the possibility that different delivery mechanisms can be deployed including on-site transfer of land or completed dwellings to a Community Housing Provider (CHP).** In particular, we believe there is merit in a model where affordable housing is procured on site as an integral element of a largely 'for sale' development. Here, following common practice in the UK, developer obligations may be fulfilled by conveying a suitable part of the owned site to a CHP at nil cost. A variant on this would be where the affordable housing component is built by the developer and handed to a CHP as a 'turnkey' transaction. However, this would require the intimate involvement of the relevant provider in the development design and oversight.

One advantage of the approaches suggested above is that they can eliminate what can be a costly and time consuming process of land procurement on the part of the relevant CHP. Such an approach has also the potential virtue of integrating market and non-market housing as a contribution to mixed income communities. It also encourages closer collaborations between developers and CHPs that could be beneficial – e.g. in terms of construction economies as well as enhanced familiarity with the different organisational disciplines involved.

3.6 An integrated local urban renewal delivery model

We welcome the proposals around the delivery of a diverse housing supply across the city. We note the sound arguments for a much wider mix of housing types and prices which should apply to all suburbs. We note the intention is for councils to align their local planning controls to deliver housing diversity that seeks to address locally determined existing and future housing requirements, as identified through their Local Housing Strategies.

However, it is quite clear that the current settings driving the development of new homes are generating a very imbalanced housing stock, especially in urban renewal locations. In many cases, a standard multi-storey two-bedroom investor grade product is favoured over all other housing types. This is leading to a major imbalance in housing supply, especially in those kinds of lower density attached housing types that are favoured by small families and older people, as recognised in the recent Department of Planning and Environment's Draft Medium Density Design Guide proposed Medium Density Housing Code.

The new Local Plan regime offers the real possibility of addressing this imbalance through an evidence-based assessment of housing requirements to meet a range of diverse housing needs in the Local Plan area. **We strongly recommend that revised Local Environmental Plans incorporate a much more nuanced approach to the designation of local zoning and planning controls to meet dwelling targets that support the provision of both identified affordability and diversity targets as identified in Local Strategic Plans within urban renewal precincts and corridors.** Councils need to have a much greater control over the range of housing being delivered through the renewal process to match needs. This will require the development of more flexible planning approaches in which targets for both affordable and diverse housing types can be mandated across new developments in order to achieve desired housing mix outcomes. As noted above, to support compliance with affordable homes targets, **we recommend that planning proposals and development applications that address diversity and affordability requirements as set out in the Local Strategic Plan could be put through a fast track approval process.**

In addition, Local Plans must also take account of capacities in transport and other key infrastructures, determined through local Social Infrastructure Plans, to accommodate the added use levels that the new housing will generate over a reasonable timescale. They will need to make absolutely explicit how rising population targets and the resulting infrastructure needs are to be met by increased infrastructure capacity – mass transport, schools, health facilities, open space, libraries, etc. The Plans need to set out timelines as to when and how the infrastructure will be provided to match the projected population targets.

To that end, we recommend consideration is given to a delivery model which would look to apply agreed and evidenced housing diversity requirements in an integrated manner for urban precincts and corridors, as well as significant developments beyond these areas. In particular, we suggest consideration is given to how the proposed Collaboration Areas might be effectively constituted to deliver these integrated outcomes. We propose that rather than limit these Collaboration Areas to arrangements between councils and the private sector, a new form of locally constituted renewal delivery model is developed. While the current Priority Precinct model might be a basis for these, the lack of local accountability in such approaches, as well as the failure to actively engage local communities in effective participatory planning for them, suggests another model might be preferable, and would lend itself to greater transparency and local direction.

Instead, **we recommend consideration is given to the creation of Urban Renewal Corporations or Trusts charged with bringing forward the integrated housing and renewal strategies for designated Collaboration Areas that are locally constituted and arms-length from government, but suitably regulated and publicly accountable.** They would act at the local level to deliver local outcomes, working with local community housing providers, local and State government and the private sector to implement renewal masterplans. They would need appropriate powers to allow strategic site assembly and other strategic interventions in line with the local masterplan, as well as the capacity to hold land in trust for public benefit. To support the work of the Urban Renewal Corporations, **we recommend consideration is given to developing appropriate funding mechanisms, such as a revolving loan or grant facility provided in the form of a Local Strategic Renewal Fund** which might draw on a loan aggregator model or similar publicly supported long-term debt vehicle, or indeed, value sharing approaches. This would act to leverage other investment and, in effect, share the risk with the private and non-government sectors. Importantly, these Corporations would be charged with implementing the housing diversity and affordability outcomes identified through the Local Housing Strategy process.

4. Conclusion

In conclusion, City Futures supports many of the key strategic directions the Draft District Plans have outlined. We would be pleased to engage with the Commission in the future development of the proposals noted in these Plans and those suggested above.

City Futures Research Centre

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