

Item 3.7

Housing Density in the City of Sydney

File No: S051491

Minute by the Lord Mayor

To Council:

Last month, the NSW Government allocated new five-year housing targets to 43 councils to meet its commitment of delivering 377,000 new homes under the National Housing Accord. The City's new target is 18,900 new private homes to be completed by July 2029.

We know that Sydney is in the middle of a housing affordability crisis, which is making owning or renting unaffordable for many.

The City will, as it has always done, work to meet our new housing targets. However, it must be acknowledged that councils are facing significant challenges outside their control to not just plan for, but also deliver their housing targets.

The City's record

The City was tasked with delivering around one-third of the entire housing target set by the former NSW Government for the nine councils across eastern Sydney.

Within just seven years, we have met 71 per cent of our previous 20-year target of 56,000 private (market, affordable and social housing) and non-private dwellings (such as student housing and boarding houses), with over 21,000 dwellings built and almost 19,000 more in the pipeline.

Denser cities can be the healthiest, greenest, and most stimulating places for people to live with the least environmental impact.

It has been the City's policy to increase density in former industrial areas such as Green Square and Ashmore. These new communities are successful because development has been managed carefully, with increased height and density allocated to appropriate sites alongside infrastructure delivery that supports growth.

We're also increasing opportunities for more housing following the Council-endorsed Pyrmont Planning Review and introducing incentives to encourage more Build to Rent and Co-Living Housing in Central Sydney alongside recently implemented changes to the Botany Road corridor.

Progressing a Local Housing Accord

The NSW Government expects that 13,900 of our 18,900 private dwellings target can be delivered through existing planning controls in areas such as Green Square, Redfern-Waterloo and southern CBD. The other 4,900 'projected' dwellings are expected to be delivered under the NSW Government's proposed changes to create more low and mid-rise housing.

Those proposed low and mid-rise housing changes will rezone residential areas within 800 metres from stations and centres to allow for four to six storey buildings, which could reach up to nine storeys if an affordable housing bonus is taken up.

In February 2024, I hosted a briefing for local resident action groups so that City staff could explain what the proposed low and mid-rise planning changes mean for our area and to listen to their concerns.

Informed by that discussion, the City made a submission to the Department of Planning, Infrastructure and Housing ('the Department') about its Explanation of Intended Effect: Changes to create low-and mid-rise housing.

Our key concerns relate to the blanket application of the changes, incompatible height and floor space controls where development cannot be refused, their application to centres which do not meet National Housing Accord commitment for well-located homes, and that the changes effectively override local heritage protections.

That same month, a Parliamentary Inquiry was established into the development of the NSW Government's Transport Orientated Development Program, which also examined impacts of the low and mid-rise housing changes. The City also made a submission to that Inquiry which again opposes blanket changes without consideration of local conditions.

In March 2024, I met with the Minister for Planning and Public Spaces to explain the City's concerns with the proposed planning changes, which he acknowledged and agreed to work with us.

At the meeting, the Minister suggested there may be an opportunity for the City to enter into a Local Housing Accord instead of applying the low and mid-rise housing changes. A Local Housing Accord would identify places to be investigated to rezone for the 4,900 'projected' dwellings that are part of our new housing target. This would enable us to reduce impacts to our conservation areas in exchange for more development (rezonings) in other areas.

The Minister should also allow the City to count new 'non-private' as well as 'private' dwellings towards our target to enable us to plan for more student housing, seniors housing, co-living and boarding houses which all play an important role in accommodating our diverse community.

Increasing supply alone will not address housing unaffordability.

Currently, for rezonings that provide residential uplift, the City's Affordable Housing Program enables additional affordable housing contributions to be allocated to a Community Housing Provider for Affordable Housing in perpetuity above the 'base' local government area-wide levy.

I welcome the NSW Government's 2024/25 budget that includes \$5.1 billion towards social housing - the biggest single investment in social housing in the state's history that will deliver 6,200 new social housing dwellings. The City has a target of 7.5 per cent social housing and 7.5 per cent affordable housing by 2036, meaning we need around 12,000 additional affordable housing dwellings and 2,000 additional social housing dwellings.

The City's ambitious targets always envisaged a whole of government approach to delivering more social and affordable housing and relies heavily on everyone doing their bit including the development industry. Some of this investment must be spent in the inner City, close to services, facilities and jobs.

However, the NSW Government must also ensure that an Affordable Housing contribution will be applied where the residential development capacity of land has been increased.

Challenges

Starting in 2018, and intensified by Covid 19, a perfect storm of factors have made many new housing developments unfeasible. These include a 35 to 40 per cent increase in materials and labour costs, shortages of skilled labour, tougher financing hurdles after the Banking Royal Commission, steep interest rate rises, and a record number of insolvencies in the building industry.

While the planning system will not overcome the feasibility issues faced by the building industry, it is vital that the City's planning framework establishes the opportunity to deliver well-designed, sustainable homes and attractive neighbourhoods as market conditions allow.

Meeting our new housing targets largely relies on developers, builders and landowners who control the lodgement of applications and construction commencements. The sector is highly sensitive to economic conditions, availability of construction labour, materials and finance.

I note the NSW Government's announcement that new targets are accompanied by \$200 million of financial incentives to help planning performance and deliver infrastructure including roads, open spaces and community facilities. This funding is contingent on targets being met or exceeded and reduction of development assessment timeframes. However, councils will need significantly more infrastructure funding upfront with development so that essential community facilities can be delivered before people move in.

The broad application of the low and mid-rise housing reforms means it may be difficult to predict where additional infrastructure is needed. A more planned approach under a Local Housing Accord will enable the City to plan for local infrastructure.

The NSW Government must ensure that Councils can provide essential community infrastructure through contributions plans and that the NSW Government must also deliver the necessary State infrastructure such as public transport in a timely way. This will include slowing traffic on busy corridors such as Parramatta Road and Broadway so that more land is suitable for housing.

It is clear it will take all levels of government working together to meet the National Housing Accord and help address the current housing affordability crisis.

Recommendation

It is resolved that:

(A) Council note:

- (i) last month the NSW Government allocated new five-year housing targets to 43 councils to meet its commitment of delivering 377,000 new homes under the National Housing Accord;
- (ii) the City's new housing target is 18,900 new private homes to be completed by July 2029;

- (iii) in February and March 2024, the City made submissions to the NSW Government's Explanation of Intended Effect: Changes to create low-and mid-rise housing and the NSW Parliamentary Inquiry into the development of the Transport Orientated Development Program, which includes examining the impacts of more low and mid-rise housing, which was informed by discussion at a residents' community action group briefing hosted by the Lord Mayor; and
 - (iv) in March 2024, the Lord Mayor met with the Minister for Planning and Public Spaces who suggested there may be an opportunity for the City to enter into a Local Housing Accord instead of the low and mid-rise housing changes applying in our area;
- (B) Council commits to working with the NSW Government on a Local Housing Accord to ensure more opportunities for housing that deliver well-designed, sustainable homes and attractive neighbourhoods as market conditions allow;
- (C) the Lord Mayor be requested to write to:
- (i) the NSW Minister for Planning and Public Spaces inviting him to enter into a Local Housing Accord with the City of Sydney, which will:
 - (a) outline the City's plan for its projected dwellings target in place of the low and mid-rise housing planning changes;
 - (b) agree to count 'non-private' dwellings as well as 'private' dwellings towards our target to enable us to plan for more student housing, seniors housing, co-living and boarding houses which all play an important role in accommodating our diverse community;
 - (c) ensure the application of an additional Affordable Housing contribution where the development capacity of land is increased; and
 - (d) establish collaborative arrangements for the timely delivery of infrastructure and housing on recently rezoned NSW Government land such as Blackwattle Bay and Waterloo South; and
 - (ii) the Prime Minister and NSW Premier with a copy of this Minute and calling on the NSW and Federal Government to significantly increase funding to support the 43 eligible NSW councils to deliver adequate community infrastructure to be provided upfront to support new housing targets so it is in place when people move into new developments; and
- (D) the Chief Executive Officer be requested to report back to Council on progress of the draft Local Housing Accord for consideration before the end of this year.

COUNCILLOR CLOVER MOORE AO

Lord Mayor