

Item 3.3**NSW Government Planning Reforms Must Deliver Housing Quality and Affordability****File No: S051491****Minute by the Lord Mayor**

To Council:

We are in a housing affordability crisis, which makes owning or renting in Sydney incredibly difficult or out of reach for many, particularly for the essential workers that we all rely on.

The problem is particularly acute in the inner city. That's why for many years the City of Sydney has been at the forefront of housing delivery and is a champion for increased density.

Since 2004, the City has approved over 33,750 development applications, resulting in more than 66,000 new homes. These aren't just numbers, they are vibrant, successful communities that have been carefully planned alongside the delivery of infrastructure and services.

Council has previously raised concerns about the NSW Government's new Housing Delivery Authority (HDA) and its impact on our area. The community is also extremely concerned about developers' ability to bypass the City's assessment and our longstanding strategic plans. These plans are agreed to by the community and development is underway in areas like Alexandria, Erskineville and Green Square - Australia's largest urban renewal area - demonstrating how we plan for growth responsibly and how density can be done well.

Planning changes won't address the drivers of the housing crisis

The Premier is blaming local government planning for this housing crisis while we have a situation where the construction industry is facing rising costs and shortage of labour and materials, financial constraints, and higher interest rates.

In the City, we have over 7,300 homes in the pipeline, approved but not yet started, due to a range of factors. We can approve developments, but we cannot make developers build them.

The NSW Government's Environmental and Planning and Assessment (Planning System Reforms) Bill 2025 is the most consequential change to the planning system in a generation, and it was agreed in a closed door deal between the major parties. When this legislation was introduced, it was basically a fait-accompli.

The sweeping changes give the NSW Government over-riding powers to rezone and approve developments, reduces community participation and undermines Local Government.

The Bill introduces several key changes. As well as making the HDA permanent, the Bill establishes the Development Coordination Authority, a "single front door" for Development Applications (DAs), meaning applicants will deal with one agency instead of seeking approvals from multiple agencies.

The legislation expands the “Complying Development” pathway to enable smaller, standard developments to go through more quickly. It also introduces a new “Targeted Assessment” pathway for developments that fall between a full DA and complying development.

The objects of the Environmental Planning and Assessment Act 1979 (‘the Act’) will be updated to include, for the first time, housing delivery, climate resilience, and proportionality.

Wary of unintended consequences, we worked with the Member for Sydney, Alex Greenwich to get the following changes to the legislation:

Protect Affordable Housing

The City’s Affordable Housing Program, which has 3,388 affordable homes built or in the pipeline, caps rent at 30% of household income and is held as Affordable Housing in perpetuity. We currently distribute contributions to 3 Community Housing Providers who are relying on these contributions to deliver their pipeline of over 1,000 affordable homes. This must not be undermined.

The NSW Government is offering additional height and floor space for developers who deliver affordable rental housing charged at 20% below “market rates” for 15 years. A 20% discount does not make these units affordable, especially in inner-Sydney, and developers can sell or rent them at increased market rates in 15 years.

The NSW Government’s changes enable developers to sidestep existing, successful Affordable Housing schemes to deliver more profitable market units.

The NSW Government’s future regulations for Affordable Housing must ensure that where Councils like the City have an Affordable Housing contribution scheme, it applies to all State Government approvals in that area – rezonings and State Significant Developments (SSDs).

Protect amenity in high density areas

We are not going to solve the housing affordability crisis without more housing, but we can’t expect people to live well in higher density without good design and community infrastructure.

We are concerned that in an attempt to kickstart more housing projects, the NSW Government is simply making it easier for developers to override well-thought-through long-term plans, cut corners and build poor housing without infrastructure or increasing affordability.

In Green Square, we carefully planned for maximum height and density alongside a nearly \$1.8 billion infrastructure program. The NSW Government’s planning changes have already slowed development where construction had begun or was about to start. Builders with development approval, some of which had already broken ground, have stopped work to go back through the NSW Government’s new planning pathway. This will delay the delivery of much-needed homes just to improve developers’ profit margins.

Additional housing should be focused in low-density areas. Areas that are already master planned for maximum density should be enabled to continue to be delivered and be exempt from the changes. In the City, this includes Green Square, Pyrmont/Ultimo and Central Sydney. Allowing more density in these areas risks undermining years of planning and delays the delivery of projects already underway as it entices developers to apply to the Housing Delivery Authority for a double dip of density.

New developments must demonstrate strategic merit and consistency with relevant strategic plans.

Use it or Lose it provisions need to be embedded in law

The 'use it or lose it' provisions were announced during the introduction of the HDA, yet it only existed on the Department of Planning, Housing and Infrastructure's website.

SSD declarations, approvals and rezonings must be time limited. Without this safeguard, we risk developers banking land, inflating and transferring costs to new owners, and delaying supply.

We welcome the Minister's commitment to make concurrent rezonings and SSD consents time-limited to 2 years.

Parliamentary Review mechanism

Given the scale of change, we need to make sure the HDA is reviewed to test whether it is achieving the purpose of the National Housing Accord, to increase housing supply and improve affordability.

I welcome the NSW Government's commitment to establish a joint select committee to review the objectives of the Housing Delivery Authority – including whether it is actually delivering housing affordability - which will be carried out within three years of the new changes commencing.

I also acknowledge the commitments made by the Minister to publicly consult on the new planning changes, and the standard community participation plan.

Conclusion

I am pleased that the Minister for Planning and Public Spaces committed in Parliament to address the City's above concerns in future regulations, planning policies and in practice.

While I remain sceptical that these planning changes will do more to increase developer profits than they will address housing affordability, I will continue to work constructively with the NSW Government to achieve the best planning outcomes possible within the framework set by the Government.

The City must actively monitor the impacts of the planning changes and continue to strongly advocate to protect our communities.

Recommendation

It is resolved that:

(A) Council note:

- (i) the NSW Government's Environmental Planning and Assessment (Planning System Reforms) Bill 2025 is the most consequential change to the planning system in a generation that aims to accelerate and increase housing supply and affordability;

- (ii) the Lord Mayor worked with the Member for Sydney firmly advocating to the NSW Government for practical and constructive changes to the legislation, with advice from City of Sydney staff, with 4 main goals:
 - (a) to ensure our Affordable Housing Program applies to State-approved rezonings and State Significant Developments;
 - (b) to protect amenity in high density areas by seeking to exempt areas already carefully master planned with maximum height and density;
 - (c) to embed the 'use it or lose it' provisions in law; and
 - (d) to secure a review mechanism to keep the government accountable; and
 - (iii) the Minister for Planning and Public Spaces committed in Parliament to address the City of Sydney's critical issues with the Bill through future regulations, planning policies and in practice;
- (B) the Chief Executive Officer be requested to:
- (i) continue to work with and provide advice to the NSW Government as the legislation, and associated Environmental Planning Instruments are developed including through formal consultation processes;
 - (ii) continue to monitor and report to Council with quarterly CEO Updates on the impacts of the Housing Delivery Authority and other State Significant Development projects in our area and use that information for future Parliamentary reviews to hold the NSW Government to account; and
 - (iii) update the community about developments in our area using the Housing Delivery Authority pathway through the City's various communication channels including the City's website; and
- (C) the Lord Mayor be requested to write to the Premier and Minister for Planning and Public Spaces asking the NSW Government to work constructively with the City of Sydney to address our outstanding concerns with the Planning System Reforms Bill 2025 outlined in this Minute including ensuring the continued application of the City's Affordable Housing Program to all State Significant Development approvals, and to provide increased opportunities for public consultation on the new planning framework.

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Lord Mayor of Sydney