



NSW Department of Planning, Industry and Environment
GPO Box 39
SYDNEY NSW 2000

Re: Proposed new Housing Diversity SEPP – Call for submissions

Thank you for the opportunity to provide feedback on the proposed Housing Diversity SEPP in NSW. As urban planning and housing researchers, we have been examining the impact and effect of associated SEPPs (particularly the Affordable Rental Housing SEPP and SEPP 70), and the implications of the current policy framework for delivering affordable housing over a number of years.

In preparing this submission, we draw on research evidence from a number of recent studies by ourselves and colleagues including:

- [Research](#) by Gurrán, Gilbert and others, published in 2018, investigating the outcomes of planning policies designed to support affordable housing supply, including SEPP 70, the ARHSEPP and voluntary planning provisions in NSW.
- Forthcoming research by Gilbert, Liu and Gurrán examining take-up of the infill affordable rental housing and boarding house provisions under the ARHSEPP in select jurisdictions, including the extent to which they have been used by private and non-profit housing providers and in what locations.
- [Forthcoming research](#) by Gilbert, Rowley and others on how the planning system, financing requirements and other aspects of regulation impact the feasibility of diverse housing types and tenures, particularly those that deliver lower cost and affordable housing.
- Research by Troy, van den Nouwelant and Randolph, commissioned by Southern Sydney Regional Organisation of Councils (SSROC) examining broad [outcomes of the ARHSEPP](#), and specifically looking at occupant outcomes of [Boarding Houses](#) and [Secondary Dwellings](#).

The proposed Housing Diversity SEPP has clear benefits by defining and differentiating housing typologies intended to meet a range of needs and market segments. Our research has found that naming diverse housing types within planning policy frameworks and clarifying their potential permissibility and applicable development standards is an important strategy for diversifying housing supply (Gilbert, Rowley et al forthcoming).

However, we emphasise that diversity is not analogous to affordability. Research over the past two decades points to a growing, nationwide shortage of rental housing that is both affordable and available to low income groups¹. This work shows that it is not sufficient to enable more diverse, higher density, or potentially lower cost market units, but that mechanisms are also needed to ensure that this accommodation is able to be accessed by target groups.

Greater emphasis on affordability

Overall, we are surprised that the proposed framework does not include an explicit aim to increase affordable housing supply. This is concerning, as the affordable housing crisis in NSW which warranted the planning intervention of the ARHSEPP is ongoing, and is likely to have been exacerbated by the pandemic. Particular concerns in this context include the lack of appropriate and affordable accommodation for lower income groups due to a long-term decline in the rate of new social housing supply, as well as inadequate protections for tenants in the private rental sector. Addressing these issues by supporting new affordable housing development, including projects developed by the private sector, will contribute to post-pandemic economic recovery, not least through employment in the construction sector.

However, recognising that public, non-profit, and affordable housing projects play a critical counter cyclical role during market downturns we emphasise the need to focus policy efforts on strengthening this sector of the housing system. For that reason, we are of the view that increasing supply of housing that is affordable to low and moderate income households should be the primary intended effect of changes to the existing planning framework.

¹ Hulse, K., Reynolds, M., Parkinson, S., Nygaard, A., & Yates, J. (2019). The supply of affordable private rental housing in Australian cities: short and longer term changes. *AHURI Final Report Series, AHURI Melbourne*.

The ARHSEPP was originally intended to enable variation to a range of minimum standards and development controls on the basis that it was supporting the delivery of housing that would meet the widespread need for affordable housing. Recent research on the outcomes of the SEPP (Troy et al 2018; 2019; 2020) has clearly demonstrated that there is a very weak link between dwellings delivered and improved affordability outcomes, with most new supply not actually delivering housing that is either affordable to the occupants, or serving priority cohorts, such as those on the social housing wait list. Whilst we recognise that diversity is an important aspect of a more affordable housing system, there ought to be a stronger framework for ensuring that where planning concessions are given in the name of affordable housing, that this housing should provide a genuine affordable outcome to those in need.

To this end we support the proposal that boarding house developments meet affordability requirements and we would urge the extension of any such requirements to all of the categories of diverse housing permitted by the SEPP with the exception of secondary dwellings.

Recommendations:

- Make the delivery of affordable housing an aim of the SEPP.
- Change the title of this SEPP to reflect this aim, such as the “Diverse and Affordable Housing SEPP”
- Ensure that all residential development projects address affordability objectives and requirements, with higher obligations in return for higher planning ‘bonuses’ or ‘incentives’

Additional planning incentives for delivering affordable housing

Our research has found that one of the ways governments can support more diverse and affordable housing supply is through expedited and de-politicised determination processes and planning bonuses and concessions for projects that deliver affordable housing for low and moderate income groups. We endorse the extended density bonus, car parking concessions and self-assessment provisions proposed for LAHC developments under the SEPP.

The policy should be clarified to show that these provisions are being extended to CHP developers as well. Currently CHPs developing infill affordable rental housing and boarding houses are eligible for essentially the same incentives as private developers, even when they are developing 100 per cent affordable schemes which remain affordable well beyond the ten-year timeframe of the policy. Even in situations where market housing is incorporated in schemes produced by CHP developers, their non-profit composition means that development surpluses are reinvested in the social housing sector.

The proposed changes to the boarding house provisions effectively reduce the density bonus for boarding house developments in medium density zones and on sites with lower FSRs while at the same time introducing an affordability requirement. Generally, the introduction of affordability (and eligibility) requirements for boarding houses is welcome, as our research has demonstrated that almost all of what is being built using these provisions has not delivered affordable housing and does not deliver supply to those most in need (Troy et al 2018; 2019; 2020). However, it is important to ensure that changes to the density bonus in low FSR areas does not impact the feasibility of these projects and therefore the ability of not-for-profit Community Housing Providers to undertake such developments.

One possibility would be for a proportion of boarding house developments – say 50% - to be managed according to affordability and eligibility requirements.

Similar requirements should apply to ‘co-living’, student housing, and build-to-rent projects.

Recommendations:

- We suggest that larger incentives including an additional density bonus and or concessions on development standards be offered to CHPs and not-for-profit developers who are delivering 100% affordable schemes and retaining these dwellings in the affordable sector over a longer term.
- Where a FSR bonus is given for affordable housing inclusion, it is important to enable some flexibility on LEP height limits, where a modest height exceedance would not unduly impact neighbouring properties (e.g. in terms of solar or privacy considerations), so that the bonus can be fully utilised. Signalling this flexibility in relation to affordable housing development would provide greater certainty for these projects as well.

Feasibility of the SEPP

We have noticed some commentary from the development sector about the feasibility of some of the proposed changes in the SEPP. It is our experience over many years that developers often use the “feasibility card” as a way of resisting changes that might reduce some of their opportunities. Nevertheless, in addition to our specific comment about boarding houses, we would strongly suggest that some feasibility analysis should be undertaken to ensure that the measures you suggest do not have unintended outcomes on the economic feasibility of particular built forms.

Monitoring and compliance

We welcome the proposal to review the SEPP two years following implementation. Currently, publicly available data on the outcomes of current housing SEPPs is lacking. This is a missed opportunity and reflects the wider lack of differentiated data on housing development in NSW. An initial positive step would be to expand the range of development types currently reported in the Local Development Performance Monitor, for example, to include infill affordable rental housing units (as a proportion of total dwellings in multi-unit projects) as well as boarding house projects. Bedroom configurations as an indicator of dwelling size should also be recorded, while secondary dwellings need to be distinguished from dual occupancy developments. With the increasing use of electronic lodgements, much of this information could be captured electronically which would increase both the timeliness and the accuracy of the monitoring data.

Other diverse dwelling types such as co-living, student housing and built-to-rent projects should also be monitored if and when provisions are implemented. There is a need to capture approvals as well as determinations within each of these categories, as well as to record units which are lost through demolition/redevelopment. Dwellings in manufactured home estates and or residential parks must also be monitored.

As discussed above, it will be important to ensure that the infill affordable rental housing projects and boarding houses (if an affordability requirement is introduced); comply with affordability requirements under the SEPP, particularly where they are not developed by an affordable housing provider. We suggest maintaining a database of approved projects so that compliance can be more easily monitored. Standard conditions of consent requiring any changes to the designated community housing provider responsible for managing the affordable housing units to be notified to the consent authority or to a centrally maintained electronic register should be operationalised.

Finally, we observe the ongoing debates in Australia and internationally, over the impacts of Airbnb style short term rental markets on the availability of long-term rental supply. We urge the state governments to take steps to preserve permanent housing for permanent residents by limiting Airbnb style ‘home-sharing’ to permanent residences only (e.g. guest rentals for a maximum of 45 nights total in a calendar year and up to 4 separate bookings).

We have attached relevant research references and would be pleased to provide additional information or further advice, if required.

Yours sincerely,

Dr Laurence Troy
Dr Catherine Gilbert
Dr Caitlin Buckle
Professor Nicole Gurr
Professor Peter Phibbs

9 September 2020

References to some of our relevant research – please contact us if you are unable to access this material.

Gurran, N., Gilbert, C., Gibb, K., van den Nouwelant, R., James, A. and Phibbs, P. (2018) *Supporting affordable housing supply: inclusionary planning in new and renewing communities*, AHURI Final Report No. 297, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/297>, doi:10.18408/ahuri-7313201.

Gurran, N., Phibbs, P., Gilbert, C., Bramley, G. and Austin, T. (2012) *Quantifying planning system performance and Australia's housing reform agenda: an Investigative Panel*, AHURI Final Report No. 191, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/191>.

Troy, L., Van den Nouwelant, R., Randolph, B. (2018) *State Environmental Planning Policy (Affordable Rental Housing) 2009 and affordable housing in Central and Southern Sydney*, City Futures Research Centre, UNSW Sydney.

Troy, L., Van den Nouwelant, R., Randolph, B. (2019) *Occupant Survey of Recent Boarding House Developments in Central and Southern Sydney*, City Futures Research Centre, UNSW Sydney.

Troy, L., van den Nouwelant, R., Randolph, B. (2020) *Secondary Dwellings in Central and Southern Sydney*, City Futures Research Centre, UNSW Sydney.