Item 3.4

Protecting Design and Amenity in Housing Supply

File No: S051491

Minute by the Lord Mayor

To Council:

In June 2024, the NSW Premier requested the NSW Productivity and Equality Commissioner to identify critical non-planning system challenges impacting housing supply, noting that planning challenges are being considered through other processes, and to review current housing supply barriers and challenges. The Commissioner released his final report in September 2024.

Despite the serious implications of the Commissioner's recommendations on the planning system in the report, local councils were not consulted, only Local Government NSW and housing industry stakeholders. The City of Sydney was not involved and there was no opportunity to provide feedback even though it will impact councils and our communities.

Barriers to housing supply

The Commissioner identified the barriers to increasing housing supply that we've been talking about for some time.

Since the pandemic, the City has seen a reduction in Development Application (DA) lodgements for housing, while other DAs that had been approved have not commenced. New dwelling approvals have declined by about 10.5% across all Australian capital cities since 2020. As of June 2023, there were DAs for 7,631 approved dwellings that have not been built in the City of Sydney area.

This situation has resulted from a perfect storm of pandemic and post-pandemic conditions including dramatic construction cost increases, labour shortages, extended wet weather, financial restrictions, increased interest rates as well as tougher regulation for developers, builders and certifiers.

The Commissioner's report acknowledges that many new residential apartment buildings are not feasible in the current economic environment, and this is holding back the supply of new housing. The report says low feasibility is driven by high interest rates, high construction costs, difficulty in accessing construction finance and higher interest rates for home on buyers.

The Commissioner's report also blames major public infrastructure projects for diverting construction labour and materials that might otherwise be applied to housing production.

Alarmingly, the report recommends that any barriers to increasing density must be removed, particularly financial ones, design, amenity standards and council quality controls. The recommendations fail to provide adequate solutions to the barriers it identifies.

Design

The report recommends restricting design competitions. We only apply competitions to larger projects, and Council has agreed to exhibit a change for the trigger to be raised to 35 metres (about ten storeys).

Design competition incentives have led to more than 1,300 additional new homes in the City of Sydney area through bonus floor space, which is only available to competitions. Design panels and competitions increase certainty of approval for new housing and ensure that increased density delivers greater amenity for people living in apartments. These design competitions and design review panels should be required and valued, not restricted.

The Productivity and Equality Commissioner wants to wind the clock back on construction quality so soon after the NSW Building Commission was established to take action on shoddy builders and private certifiers in order to reduce the occurrence of building defects. The Commissioner says any reforms to improve building standards must include a cost-benefit analysis. This will slow down the reform process and may even stop reforms the community has been calling for.

These regressions add to the NSW Government's draft Building Bill 2024 consolidating 10 Acts related to building regulation, licensing and oversight. The draft Bill denigrates the role of design and architects by repealing the Architects Act 2003 while allowing designers (not architects) to design larger, residential buildings.

Registered and regulated architects ensure buildings are designed to be functional, safe and economical. Architects are crucial throughout the whole development process. They provide protection and confidence for consumers and the public interest. Architects must be clearly differentiated from building designers with different experience, skills and licensing, who are able to design larger and different classes of buildings.

Amenity, planning and infrastructure

Earlier this year, the NSW Government allocated to the City a new housing target of 18,900 new private homes to be completed by July 2029. The City will, as it has always done, work to meet our new housing targets. Within just 7 years, we met 71% of our previous 20-year target of 56,000 dwellings.

We agree denser cities can be healthy, stimulating places 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 communities are successful because development has been managed carefully, with increased height and density in appropriate sites alongside infrastructure delivery that supports growth.

Meanwhile, the NSW Productivity and Equality Commissioner's report says the Apartment Design Guide (ADG) requirements should be relaxed, including minimum apartment sizes and solar access requirements. We must maintain liveability standards for our homes, not end up with slums of the future that will blight Sydney for generations to come.

Maintaining ADG requirements such as access to sunlight, ventilation and comfort, avoid homes that must be artificially lit, ventilated, heated and cooled. ADG requirements protect healthy environments that most purchasers and residents value. The report claims that people can choose to pay more for sunlight – a healthy home should not be reserved for those who can afford it.

Maintaining a high standard of design ensures people's homes are safe, comfortable, healthy and cheaper to run.

The report also recommends a review of industrial areas to be used for housing, specifically in the E3 zone in Alexandria. The City's Local Strategic Planning Statement protects this area for industrial and urban services. Land for these uses is in short supply and high demand. Providing for these uses close to sea, air, road and rail logistics services is critical to the efficient functioning of the Sydney region. We carefully planned this area, and in 2015 we amended the planning controls to retain employment uses, but also allow affordable housing exclusively. That is, housing provided in perpetuity, managed by an eligible Community Housing Provider and rented to very low to moderate income households at 30% of household income. This keeps the land price down as it can't be sold for market housing.

These innovative changes have led to just over 500 affordable housing dwellings being proposed on sites in this zone. Our affordable housing incentives are working, and this recommendation will stop future affordable housing in this area.

The Commissioner also recommends development contributions be delayed and paid at occupation stage for local government but not for the state government.

We support housing near transport, jobs and services, however, reducing or delaying infrastructure spending is counterproductive as it limits the number of well-located homes. It also means infrastructure is not available when people move into homes.

Many of the Commissioner's recommendations diminish consumer protections; remove amenity requirements, relax building standards and minimise the need for funding and delivering infrastructure that supports housing. There was no evidence to suggest that relaxed amenity standards would lead to faster construction. There was no evidence that any cost savings would be passed on to purchasers. There is also no evidence or assessment of how much housing the recommendations will deliver, particularly housing that is affordable to rent or own.

The NSW Cabinet will consider the recommendations in this report and decide which will be implemented. The NSW Government must focus on solutions that will address the systemic barriers and market conditions affecting housing production and affordability. Meanwhile, the City is awaiting a response from the NSW Premier and Minister for Planning and Public Spaces to my requests to work with the NSW Government to plan for our housing targets and enter into a Local Housing Accord.

Recommendation

It is resolved that:

(A) Council note:

(i) the recommendations in the NSW Productivity and Equality Commissioner's report reduce consumer protections, remove amenity requirements, relax building standards and minimise the need for funding and delivery of infrastructure; and

(ii) the City of Sydney has committed 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; and

(B) the Lord Mayor be requested to write to the NSW Premier, NSW Treasurer, the NSW Minister for Housing and the NSW Minister for Planning and Public Spaces to:

(i) acknowledge the economic environment which is holding back new residential supply;

(ii) raise our serious concerns about the threats to delivering affordable housing as a result of the recommendations in the NSW Productivity and Equality Commissioner's report; and

(iii) request the NSW Government consult with Councils, including the City of Sydney and other stakeholders, as they consider the recommendations in the NSW Productivity and Equality Commissioner's report so appropriate solutions to the barriers identified can be developed.

COUNCILLOR CLOVER MOORE AO

Lord Mayor