

18 November 2015

Department of Planning & Environment

Housing Land Release

GPO Box 39

SYDNEY NSW 2001

community@planning.nsw.gov.au

Attention: Ms Carolyn McNally, Secretary – Department of Planning and Environment

Greater Macarthur Land Release Investigation Area

Thank you for the opportunity to comment on the Greater Macarthur Land Release Preliminary Strategy, including a proposed amendment to *State Environmental Planning Policy (Sydney Region Growth Centres) 2006* that will identify Menangle Park, Mount Gilead and Wilton as new growth centres, and provide the statutory framework for planning. Please find our submission attached.

The Urban Taskforce is always willing to work closely with the Government to provide a development industry perspective on this issue. Please feel free to contact me on telephone number 9238 3927 to discuss this further.

Yours sincerely

Urban Taskforce Australia

Chris Johnson AM
Chief Executive Officer

Greater Macarthur Land Release Investigation Area

Submission to the Department of Planning & Environment prepared by **Urban Taskforce Australia**, November 2015

1. The Urban Taskforce supports the release of additional land for housing

The Urban Taskforce strongly supports the release of additional Greenfield land for residential development. This is the first NSW government Greenfield land release since 2005. Additional supply of land for housing is critical for managing housing affordability in NSW. This is particularly relevant within the Sydney metropolitan area which has experienced rapidly increasing housing prices over recent years. Housing prices have increased on average by 50.1 percent in the Sydney metropolitan area since 2009 according to studies by RP Data¹.

2. Evidence clearly indicates that additional greenfield land supply is needed in Sydney

The draft Greater Macarthur Strategy has the potential to deliver a significant amount of housing. However, there is a strong need to deliver more housing product to the Sydney property market. A lack of Greenfield land supply over the last decade within the Sydney area has caused the cost of Greenfield land to rise significantly, particularly when compared to other capital cities in Australia.

Median values for residential lots in the Melbourne growth corridor were \$211,000 in the September 2015 quarter, which was \$250,000 cheaper than the median value for residential lots in Sydney's growth centres for the same period². The Victorian government consistently provides a steady supply of Greenfield land to the property market, which keeps the cost of land in the Melbourne growth corridors relatively low compared to Sydney.

The Reserve Bank of Australia (RBA) has also raised concerns that house prices in Sydney, are growing at an annual pace of 15 percent and could begin to increase at a greater pace. In June 2014, RBA Assistant Governor Christopher Kent, in a Public Lecture at the Australian National University, commented on the issue of Greenfield land releases:

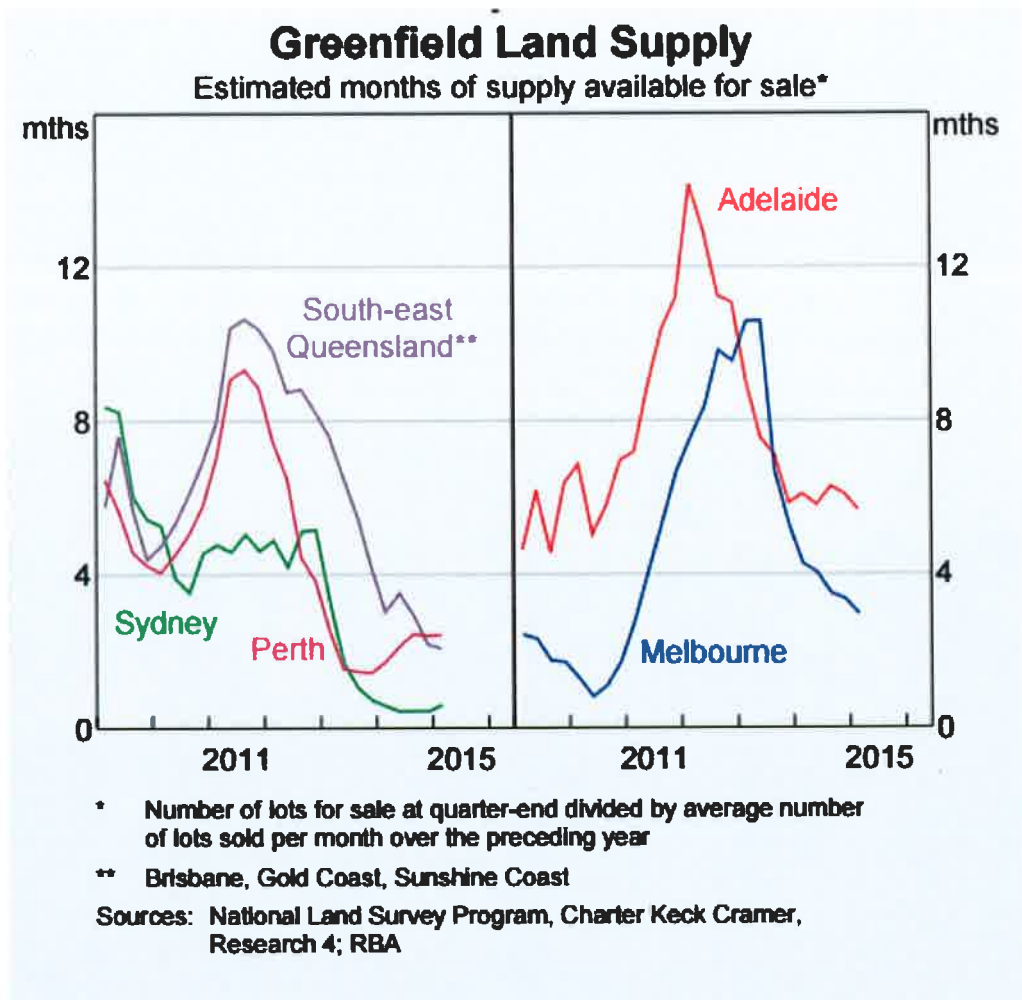
*'Shortages of unsold land suitable for development are most evident in the Sydney metropolitan area, where Greenfield land releases have not kept pace with recent strong demand.'*³

The graph below, produced by the RBA, demonstrates the undersupply of Greenfield land in Sydney when compared to other Australian capital cities.

¹ RP Data *Home Value Index*, 2015

² Charter, Keck & Cramer (2015) *National Land Survey Program – Melbourne Greenfield Market Snapshot – September Quarter 2015*

³ Christopher Kent (June 2015) Assistant Governor (Economic) – Reserve Bank of Australia, *Monetary Policy Transmission – What's known and what's changed*, Public Lecture at the Australian National University 15 June 2015. Available at www.rba.gov.au, accessed November 2015.



The RBA Statement on Monetary Policy for May 2015 has indicated Sydney has less than one month of Greenfield land supply left in the pipeline.

'Developers are now holding unusually low levels of unsold lots.. Unsold lots are recorded as being most scarce in Sydney...where the Bank's liaison contacts have suggested that developers are having difficulty obtaining further suitable land approved for development. Some liaison contacts have also raised concerns about the availability of land for apartments developments in Sydney, as the stock of suitable sites has been gradually depleted over recent years⁵.

The scarcity of both Greenfield sites and sites suitable for multi-unit development is greatly concerning. Given that Sydney remains the major destination for overseas migration in Australia, and the global business hub of Australia, it is unlikely that pressure from population growth will reduce over the coming years. Restraining the rezoning and development of Greenfield land creates rising demand which in turn increases the cost of land. Information from RP Data also indicates that due to the restriction on greenfield land releases, purchasers

⁴ Reserve Bank of Australia (May 2015) Statement on Monetary Policy, www.rba.gov.au, accessed November 2015.

⁵ Reserve Bank of Australia (May 2015) Statement on Monetary Policy, www.rba.gov.au, accessed November 2015.

in Sydney were paying a lot more for vacant land and getting a lot less for their money in Sydney compared with other Australian cities. The RP Property Pulse report states:

*'While restricted land supply and excessive charges associated with new development remain, we anticipate that the cost of vacant land and subsequently new housing will continue to rise.'*⁶

Sydney's land release program has lagged behind other states. Combined with a convoluted planning process that often leads to significant delays and risks in the development process (which adds to the cost of development through higher financing costs and statutory costs such as rates and land tax) drive up the cost of housing. This undersupply is resulting in escalating housing prices and financial difficulty for those seeking to purchase a home. All predictions strongly suggest that NSW and Australia will grow significantly over the next 30 years. The current Sydney Metropolitan Strategy 'A Plan for Growing Sydney' anticipates that Sydney will need an additional 664,000 new homes by 2031. This is approximately 33,200 homes per year⁷. The Department of Planning and Environment's Metropolitan Development Program has indicated that this annual target has never been reached.

The release of additional land within the Greater Macarthur Land Release Investigation Area is critical to delivering more housing supply and increasing housing affordability within the Sydney area.

3. Developer contributions must be reasonable

The *Greater Macarthur Land Release Investigation – Preliminary Strategy & Action Plan* indicate that the area may be subject to a Special Infrastructure Contribution. The development industry agrees that certain contributions are required to ensure the amenity and quality of urban development is of an acceptable standard. If a SIC is introduced, it is important that the cost is reasonable and equitable.

Opportunities for value capture via Works-In-Kind VPAs are a viable opportunity for government and the private sector to deliver infrastructure due to the scale of the development projects. However, all agreements must be commercially viable and provide for conventional and acceptable internal rates of return. If this is not the case, it is unlikely development will proceed.

4. A coordinated government approach is required

State Government must take the lead in resolving mining co-existing with urban development and bio-certification within the Greater Macarthur Area release area. Previous experience has shown that the complexity of these issues and lack of coordination between government agencies can slow the development process significantly.

It is crucial that the state government provide leadership and coordinates between all stakeholders to ensure that these issues, which have the potential to delay development for substantial periods of time, are resolved efficiently.

⁶ RP Data (21 September 2014), *CoreLogic RP Data Property Pulse: Capital land prices just keep on rising*, available at www.corelogic.com.au, accessed November 2015.

⁷ Department of Planning & Environment (2014) *A Plan for Growing Sydney*

5. All suitable land within the Greater Macarthur Investigation Area should be released expediently

The Urban Taskforce support the current proposal to release land in Greater Macarthur. However, we also believe that significant parcels of land within the Greater Macarthur Investigation Area have been overlooked, which are suitable for immediate release and development.

The Greater Macarthur Land Release Investigation – Land Use and Infrastructure Analysis states that 'areas outside of Menangle Park, Mount Gilead and Wilton have significant infrastructure costs and environmental constraints, but provide opportunities for longer term supply... By 2036 there are opportunities to provide another 33,100 homes and strategy employment opportunities, supported by the construction of the Outer Sydney Orbital, upgraded Hume Highway interchange and the Maldon-Dombarton freight rail line.'

The Urban Taskforce believes that this infrastructure could be constructed and provided concurrently, or shortly after the release of additional sites within the Greater Macarthur Investigation Area. Delaying the release of this land till 2036 is unnecessary. The area benefits from significant regional infrastructure in close proximity, such as an existing railway line, regional facilities at Campbelltown, regional road network (including the Hume highway, M5 and Picton Road), proximity to Port Kembla and Illawarra and access to the future Western Sydney Airport.

As acknowledged in the *Macarthur Greater Macarthur Land Release Investigation – Land Use and Infrastructure Analysis report*, large parts of the GMIA are seriously affected by mining, coal seam gas extraction, agricultural and environmental constraints. The estimated potential of 35,000 homes is an over estimation and it is highly likely that some of the highly constrained areas will develop much slower than initially envisaged.

Given the extremely high cost of land in Sydney's growth centres it is safe to assume that demand is much higher than what the market can currently supply, which is driving up the price of land. The *Greater Macarthur Investigation Area – Housing Market Needs Analysis Final Draft*⁸ prepared for the GMIA concludes that there is currently an undersupply of 11,056 lots, which may grow to 55,684 lots by 2036 if zoned land in the south west Sydney region is slow to be developed.

Assuming a growth rate of around 200 dwellings per year commencing 2018, Mount Gilead will deliver around 3,600 lots out to 2036. Menangle Park will be similar as both projects are well advanced. Wilton could produce slightly less given it will start around 2020 and is subject to constraints. This rate of delivery will not meet forecasted demand for the South West Sydney land market⁹. Where parcels of land within the GMIA are relatively unconstrained there is no reason why this land should not proceed to rezoning.

6. Boundary of the agricultural area should be adjusted

⁸ AEC Group (2015) *Priority Growth Areas: Greater Macarthur Investigation Area – Housing Market Needs Analysis – Department of Planning & Environment – Final Draft*

⁹ The South West Sydney land market (comprising of the local government areas of Liverpool, Fairfield, Camden, Campbelltown and Wollondilly) currently produces approximately 6,500 lots per year. Based on developer forecasts, it will continue to produce this amount for at least the next 5 years. This indicates that developers believe that the property market is able to absorb at least 6,500 lots per year. Over the next 20 years, the market needs 130,000 lots to meet demand for housing in south west Sydney.

The boundary of the 'Poultry Cluster' shown in the Figure below encompasses areas which are not affected by agricultural activities. There are a number of poultry farms shown in yellow, and an additional area of perennial horticulture shown in green. The boundary then extends further upward to include a very small poultry farm shown in the yellow dot at the top of the 'Poultry Cluster'.

There are substantial tracts of land in within the boundary of the poultry cluster which are not close to any poultry related activity. The boundary should be drawn more closely to the actual clusters of agricultural industry.

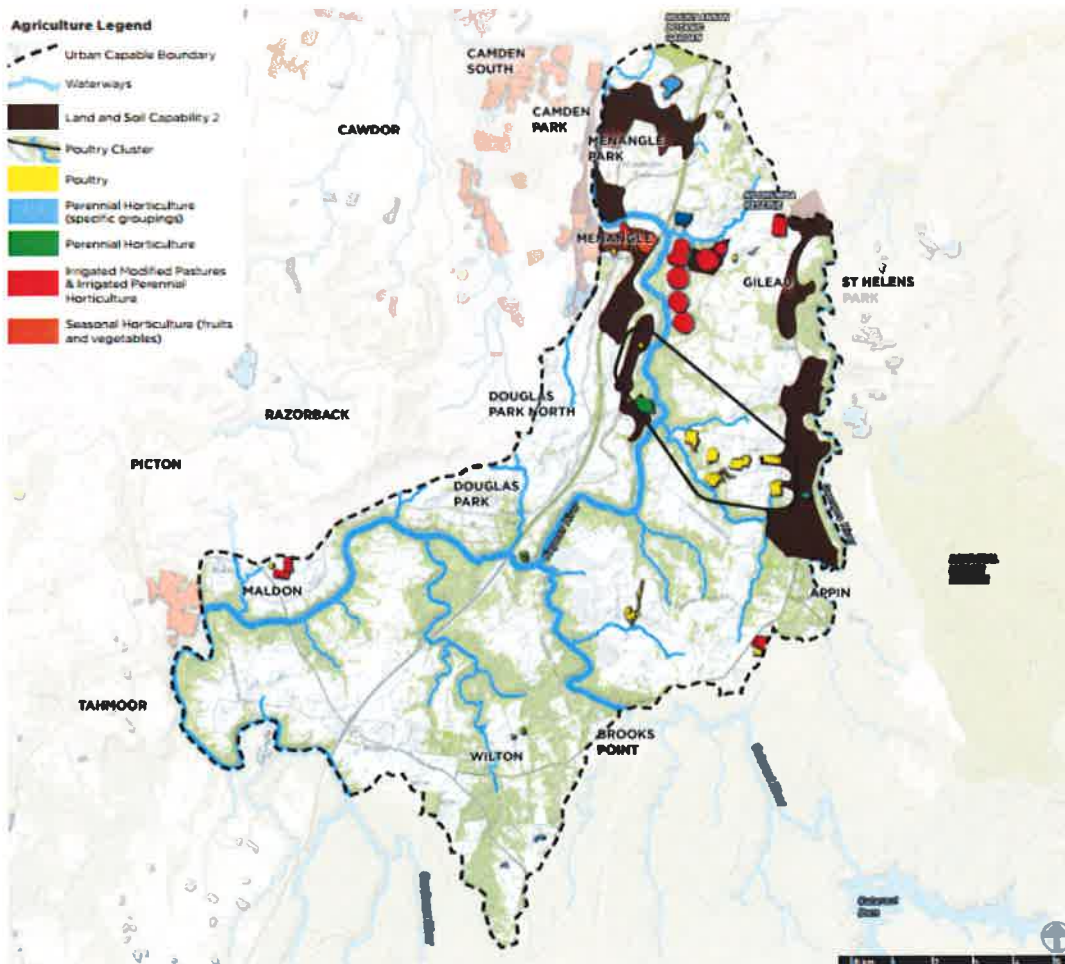


Figure 7 Agriculture and Land & Soil Capability

10

¹⁰ Department of Planning & Environment (2015) *Preliminary Strategy & Action Plan – Greater Macarthur Land Release*