

# Shelter NSW Submission: Initial Place-based Infrastructure Compact for the Western Parkland City

## About Shelter NSW

Shelter NSW is a member-based non-profit organisation that has been advocating for better housing outcomes since 1975. We represent the broad interests of a diverse network of members, partners, and aligned industry stakeholders who share our vision of a sustainable housing system that provides a secure home for all. Through our engagement with our members, experts, and communities, we research and advocate reforms to housing policy that are good for our economy, society, and environment.

## About our submission

Our submission on the Initial Place-based Infrastructure Compact (PIC) for the Western Parkland City follows the format questions posed by the Greater Sydney Commission. In preparing this submission, we have reviewed both the Draft PIC Report, the Technical Report, and its six supporting technical appendices. We note that these documents were exhibited collectively with Western Sydney Aerotropolis Precinct Plan prepared by the Western Sydney Planning Partnership and the Aerotropolis Special Infrastructure Contribution (SIC) scheme prepared by the NSW Department of Planning.

In working to understand these documents and their relationship to each other, Shelter NSW is in the process of preparing an explainer document for a general audience with an interest in housing and planning policy. We have included this document in early draft form as an appendix to our submission. It provides additional insights into our understanding of the PIC, how it relates to the Precinct Plan and SIC, and what it means for housing. To discuss any part of our submission, please contact our CEO John Engeler at [john@shelternsw.org.au](mailto:john@shelternsw.org.au) or by calling Shelter NSW on 02 9267 5733.

## Section 1: Key findings of technical work

### **1. Are the key findings sufficiently supported by technical evidence and engagement? Do they reflect your own understanding, views and investigations?**

The PIC findings are supported by appropriate evidence produced by a commendable process but one which has excluded plans for people and essential workers on ordinary incomes. It is from this perspective that Shelter NSW makes the following comments which relate to findings



1 through 4. Our respective understanding of these findings is that they concern: 1) the forecast level of demand for jobs and housing; 2) the economic benefits of planned infrastructure investments; 3) the estimated need and cost of infrastructure to support the forecast levels of growth; and 4) the funding sources for that infrastructure.

On Finding 1, we note that the technical appendix prepared by SGS Economics and Planning is the source of evidence for the forecast levels of growth under the preferred 'Thriving Aerotropolis' scenario. This scenario indicates that the population of the Western Parkland City will rise from 1.4 million today to 2.9 million by 2056, that the number of homes will rise from 480 thousand to over 1 million, and that the number of jobs will rise from 510 thousand to over 1.1 million.

Shelter NSW is therefore interested in what types of jobs these will be in order to understand what types of housing will be needed. While the PIC Report and Technical Report make only qualitative comments about job types, SGS provide a quantitative breakdown by industry. They predict that 32 per cent of future jobs will be population-serving, 23 per cent will be industrial, 24 per cent will be in health and education, and 21 per cent will be jobs that are knowledge-intensive.

In our view, these figures provide partial evidence of future demand for non-market housing that should be quantified as a key finding of the PIC process. We therefore consider Finding 1—that there is significant opportunity for growth that requires strategic management—as lacking sufficient evidence to ensure that growth is inclusive of people and essential workers on ordinary incomes. As part of the PIC process, forecasts of growth should be elaborated to quantify what types of jobs are predicted and therefore what types of housing will be required to support that growth.

Skipping ahead to Finding 3—we will return to Finding 2 last—we note that the *Baseline Infrastructure and Services Assessment* reports, prepared by the GSC with its partner infrastructure agencies and exhibited as a technical appendix, is the source of evidence for the estimates of the amount and type of infrastructure required to support the forecasted levels of growth, as well as its cost. We also note that the PIC Report clearly states that the provision of social and affordable housing was not assessed as part of the PIC process.

However, the baseline report nevertheless includes an assessment by the NSW Land and Housing Corporation (LAHC) on the redevelopment potential of social housing estates located within in the Initial PIC Area. In addition to this, the economic evaluation prepared by the Centre for International Economics (CIE) reports evidence on the feasibility of applying an affordable housing target of 5 per cent. This evidence appears to inform Proposed Action 10 to renew and increase the provision of social and affordable housing where feasible.



While we provide separate comments on that proposed action, we make the observation here that Finding 3 is informed by an assessment of infrastructure on the basis of need which excludes social and affordable housing. The PIC process has instead assessed the provision of social and affordable housing on the alternative basis of feasibility. As such, there is no available evidence to suggest how much is required, how much it will cost, or—as Finding 4 addresses—who will pay for it. In Shelter’s view, the PIC process should reflect an understanding of social and affordable housing as essential infrastructure that enables people on ordinary incomes to live and work in the Western Parkland City. Accordingly, it should assess it on the basis of need and not feasibility.

On Finding 4, we note that the PIC Technical Report provides detailed analysis of potential funding sources for the \$62 billion cost apportioned to the Initial PIC Area. We further note that this analysis will inform both the strategic business case that will be put to the NSW Government to fund part of the PIC, as well as future developer charges that include the Special Infrastructure Contribution for the Aerotropolis that was co-exhibited with the PIC.

Being that social and affordable housing was excluded from the assessment of infrastructure needs, we have reviewed the PIC’s evidence as to how it will be funded on the basis of feasibility. In the case of social housing, the evidence supplied in the *Baseline Infrastructure and Services Assessment* implies that the redevelopment of social housing estates will be funded by the sale of public land and the densification of these sites with private market dwellings that will pay for the replacement of existing social housing dwellings. We agree with that report’s recognition that this funding model is only feasible subject to future rail connections and strong property market demand that increases land values over a 20-year timeframe. We comment on the outcomes of this model under Proposed Acton 10.

In the case of affordable housing, CIE reports in their economic evaluation that the GSC commissioned private consultants JLL to assess whether it was feasible to apply a target of 5 per cent in the Initial PIC Area using a viability tool developed by the NSW Department of Planning (DPIE). While CIE report their findings—that such a target can be applied in some areas—JLL’s full analysis and DPIE’s tool have not been made public. We are therefore unable to make an informed independent assessment of what level of affordable housing contributions can or should be set for the Initial PIC Area.

In this regard, we note the GSC’s comments in the PIC Report that *“a reasonable developer contribution rate needs to be set early in the planning process, ahead of rezoning of land, so that the contribution can be factored into the price paid to existing landowners for development sites”* (p. 76). However, it does not appear that an Affordable Housing Contribution Scheme has as yet been prepared for the Initial PIC Area that would give effect to such a target. Again, we comment on this further in relation to Proposed Acton 10.



Shelter NSW otherwise agrees with Finding 4—that co-funding models are required to deliver infrastructure—but reiterates that we do not support the exclusion of social and affordable housing from the PIC process. The result of this exclusion is the assessment of its provision on the alternative basis of feasibility that involves the use of sophisticated, speculative and opaque funding models which deliver unspecified amounts of social and affordable housing at unknown times.

Finally, on Finding 2, we note that CIE’s economic evaluation is the source of evidence for the estimated benefits of the proposed infrastructure investments. In reviewing their cost-benefit analysis, we note that CIE defines liveability benefits in terms of the number of jobs and homes that will be accessible with certain travel times. We further note that CIE calculates the dollar value of this benefit—so as to compare it with the dollar cost of the proposed infrastructure—as the increased ‘willingness to pay’ for housing with this particular benefit, less the cost of developing it, and the opportunity cost of not continuing with the current land use. That is, our understanding of the CIE’s evaluation is that the benefits of improved access to jobs and strategic centres is measured in terms of increased property values.

As such, we observe a fundamental tension in the evaluated benefits of the PIC between ‘willingness to pay’ and ‘ability to pay’. Where the GSC has a laudable ambition to improve equitable access to jobs in Western Sydney, it has presented evidence that its plan will result in greater competition to access those jobs in the form of higher property prices and rents. In Shelter’s view, this in itself is evidence of a demonstrable need for non-market housing options so that such competition does not result in essential workers and people on ordinary incomes being unable to live and work there.

However, CIE contend that the provision of affordable housing would have no measurable economic benefit. Specifically, their evaluation of the liveability benefits of both social and affordable housing is *“treated the same way as private dwellings, assuming that affordable housing delivers the same level of benefits [such as greater proximity to jobs]”* (p. 86). Rightly, they go on to acknowledge that *“this may overstate benefits as the marginal willingness to pay of individuals in social and affordable housing will be lower than private renters or owners”* (p. 86). In other words, CIE claim that they can only calculate the economic benefit of affordable housing if people are willing to pay for it. We view this understanding as a fundamental contradiction of the purpose of affordable housing.

We also note that CIE otherwise calculate the monetary benefit of social housing which they, and the PIC Report, group awkwardly under ‘sustainability’. They do so by estimating the benefit to society—not the user—of improvements it may provide in higher levels of employment and education (measured in productivity and income levels), as well as health and safety (measured in lower use of services and fewer crimes). Through this elaborate analysis, they estimate a societal benefit of \$6,000 per year attributable to every additional



social housing dwelling. However, CIE ultimately provide a 0 score to social housing in their evaluation which we assume is because the PIC does not quantify any specific increase in supply—a matter we return to in our comments on Proposed Action 10.

In Shelter's view, Finding 2 of the PIC—that an increase in jobs will deliver community benefits and better equity—is based on incomplete and narrow evidence that does not account for an evident need for non-market housing options. Indeed, the future liveability benefits of the PIC are measured in terms of peoples' willingness to pay for them. As such, the evaluation framework used to estimate the benefits of the PIC does not support inclusive growth which allows people on ordinary incomes to access the forecasted jobs.

## **2. What other elements, if any, should be drawn out of the technical work?**

Generally speaking, we view the PIC process as a sound and genuinely innovative way of planning infrastructure which the Greater Sydney Commission has executed well. However, the exclusion of non-market housing options from its assessment leads Shelter to question who will be able to afford to live and work in the Initial PIC Area.

In this sense, were Shelter NSW planning a city of this size, we would follow the same process as the PIC but tailor it to focus on the need for social and affordable housing. That is, we would follow similar steps to: 1) forecast growth in the types of jobs and people on ordinary incomes; 2) work out how much social and affordable housing would be required to support those jobs and people, how much it would cost, and how it could be paid for; and 3) estimate the broader benefits to the economy and society of ensuring that essential workers and people on ordinary incomes do not have to unfairly compete with those on higher-incomes to live and work there.

While it is beyond the scope of this feedback to provide such analysis, we would welcome the opportunity to discuss how this technical work could be done—or indeed why it has not been done in this case. One suggestion we have as starting points would be the Economic Cases for Housing research series published by UNSW City Futures Research Centre, and the Social Housing as Infrastructure research series published by the Australian Housing and Urban Research Institute. These reports could respectively inform an evidence base for assessing needs, identifying investment pathways, and evaluating economic benefits.

## **3. What information in the Technical Report informs your decision-making and why?**

As we have indicated in our response to Question 1, our feedback is based on a thorough review of the forecasts of future growth (prepared by SGS Economics and Planning), the assessment of infrastructure needs, costs, and funding sources (prepared by the GSC and partner infrastructure agencies), and the evaluation of economic benefits (prepared by CIE).

## **4. What post-COVID changes do you anticipate should be considered?**



Shelter NSW is actively considering potential reforms to housing policy in response to COVID-19. This includes our recent support for research published by the ACOSS-UNSW Poverty and Inequality Partnership on the rental housing and homelessness impacts of the pandemic. We are open to discussing these options to the extent that future PICs would contemplate the prioritisation of housing.

## Section 2: Proposed actions

### 5. What do you think about the proposed sequencing across the 28 precincts? What, if anything, could be clearer or should be changed?

Shelter NSW does not question the proposed sequencing of planned infrastructure in the Initial PIC Area. However, we do have comments regarding Proposed Actions 1, 2, and 4 to the extent that these plans do not incorporate social and affordable housing as per its exclusion from the PIC planning process. Our respective understanding of these actions is that they propose the order and location of infrastructure investments based on: 1) where jobs and skills training places should be located; 2) where new homes and residents should be located; and 4) where future growth should occur.

On Proposed Action 1, we note the qualitative comments in the PIC Report regarding what types of jobs will be located in the proposed areas. These include education and training, retail, warehousing and logistics, traditional industrial uses, agribusiness, and 'circular economy' industries. Shelter's view is that the creation of these types of jobs requires the commensurate provision of non-market housing. Without such options, we would expect that high-value jobs located within the Initial PIC Area will increase competition for market housing. As a result, we would further expect that essential workers on ordinary incomes will pay more than they can afford to live there or alternatively move further outside the envisioned ideal of a '30-minute city'. Having not made quantified plans for non-market housing options, the GSC or Western Sydney Parkland Authority should closely monitor its indicator on job containment by job type, as well as introduce additional indicators on affordability.

On Proposed Action 2, we note that the PIC Report expresses expectations that in these places "contemporary housing will be available for a range of workers" including for "lower paid essential workers" who "will be needed for the Airport and Aerotropolis and also for jobs in the community such as in the growing sectors of aged care and tertiary education" (p. 96). Echoing our comments on the findings of the PIC process, this action does not appear to rely on any quantification of how much of this housing will be required, or indeed how it will be funded to address this need.

Finally, on Proposed Action 4, we note that subsequent areas for growth and change are expected to include the provision of social and affordable housing. We provide separate comments on this matter in relation to Proposed Action 10.



## **6. What feedback do you have on the place and infrastructure priorities? What role do you see for yourself or your organisation in any one of these?**

Our feedback on the place and infrastructure priorities relate only to Proposed Action 10. Our understanding of this action is that it proposes to renew and increase the provision of social and affordable housing “*where feasible*” (p. 112).

As per our comments on Finding 3, we note the Greater Sydney Commission clearly states that it did not assess the provision of social and affordable housing in the Initial PIC Area. Unlike the infrastructure it did assess on the basis of need, social and affordable housing was assessed on the alternative basis of feasibility.

In the case of affordable housing, the PIC takes feasibility to mean the viable application of Affordable Rental Housing Targets outlined in the Greater Sydney Region Plan as being between 5-10 per cent of new floor space. Shelter’s understanding of these targets is that local councils are to give effect to them through the preparation of an Affordable Housing Contribution Scheme. Through such a scheme, councils may legally levy a contribution of affordable housing as a condition of development consent under section 7.32 of the *Environmental Planning and Assessment Act*.

Shelter has reviewed the websites of both Liverpool and Penrith City Councils and it does not appear that any such scheme has at yet been prepared within the Initial PIC Area. Both of these councils and the NSW Department of Planning have respectively prepared a fixed-rate local infrastructure contributions plan and a dual-charge Special Infrastructure Contribution scheme that will apply to the Initial PIC Area. Neither includes affordable housing as a leviable item. Meanwhile, the Western Sydney Aerotropolis Precinct Plan, separately prepared by the Western Sydney Planning Partnership, does include a provision that all new development must include a minimum of 5 per cent affordable housing. However, without an Affordable Housing Contribution Scheme in place, we are unclear as to whether there is an appropriate legal instrument in place to give effect to this policy statement.

In any case, we also reiterate our comments regarding Finding 3 as to how the viability of the 5 per cent target has been tested in a manner that is not transparent. That is, the Centre for International Economics reports in their economic evaluation that the GSC commissioned consultants JLL to test the feasibility of their target in the Initial PIC Area using a viability tool developed by the NSW Department of Planning. This analysis has not been made public and therefore makes it impossible for Shelter to understand or assess what levels of affordable housing contributions are viable. In this respect, we can only repeat the observations made in the PIC Report that contributions need to be set early in the planning process so that developers factor them into the price paid to existing land owners (p. 76). It appears as such that this opportunity will knowingly slip by.



In the case of social housing, the PIC alternatively takes feasibility to mean the viable renewal of social housing estates at St Marys, Mount Druitt, and Luxford. Accordingly, the proposed action reflects the analysis by the NSW Land and Housing Corporation of the redevelopment potential of these sites included the *Baseline Infrastructure and Services Assessment*.

This analysis includes evidence that LAHC expects it could deliver 26,000 new dwellings within 20 years subject to new rail connections and market conditions. Of these dwellings, they report that 5,450 would replace existing of social and affordable housing, and that approximately 20,000 would be new private market dwellings. Only 200 would be additional social and affordable housing dwellings.

Noting the lengthy timeline of 20 years, Proposed Action 10 proposes the earlier provision of social and affordable housing around new Metro stations. In doing so, it suggests that these additional homes could be used to accommodate the relocation of existing social housing tenants living in the estates planned for redevelopment. The proposed action does not specify how much of this housing there will be or who will fund it. And while it does not explicitly state as much, it does leave open the possibility that the affordable housing generated by the 5 per cent target could be used to accommodate relocated social housing tenants. This would result in no net increase in non-market housing.

In light of this, it is Shelter's view that the proposed action to deliver 200 additional social housing dwellings in 20 years and an unspecified amount of affordable housing subject to a 5 per cent target does not support the inclusive growth of the Western Parkland City. Moreover, this action highlights the inadequacy of planning for social and affordable housing on the basis of feasibility rather than need. In doing so, it relies on speculative and opaque assessments of rising land values to generate an unknown and unpredictable supply of non-market housing.

The proposed action to renew and increase the provision of social and affordable housing "where feasible" is to be contrasted with the needs-based assessment that the PIC process applies to other forms of infrastructure required to support the forecasted levels of growth. Accordingly, the Placed-based Infrastructure Compact does not present as a credible or transparent plan to house the essential workers and people on ordinary incomes which the Greater Sydney Commission claims are essential to the success of the Western Parkland City.

## **7. Is there anything that could be added or changed in the proposed actions?**

The PIC should propose actions to provide social and affordable housing on the basis of need, not feasibility. Following the PIC process for infrastructure such as public transport, schools, and health facilities, such an action should be based on: 1) forecasted growth in jobs paying ordinary incomes; 2) estimated need for non-market housing options, its cost, and potential funding sources; and 3) an evaluation of its economic and social benefits.



In doing so, Shelter would like to see more proactive actions to increase a quantifiable amount of social and affordable housing. Examples of this include Proposed Action 7 which involve the acquisition of public land prior to the inflation of land values in response to new infrastructure, rezoning, and speculation.

That the PIC does not include any such actions leads to Shelter to again observe a fundamental tension in the Greater Sydney Commission's otherwise laudable attempt to improve equity in Western Sydney. While it may replicate the economic success of Eastern Sydney with a greater number of jobs, so too is it likely to replicate its market failures as an unaffordable city for essential workers and people on ordinary incomes.

### Section 3: Realising the PIC Proposals

#### **8. What do you think about the framework for measuring outcomes? Are any critical indicators or measures missing?**

The framework for measuring outcomes is appropriately broad but should include additional measures related to housing and rental affordability. Our specific comments pertain to priorities 1 and 10. Our respective understanding of these priorities is that they include measures of job containment by job type, participation in education, and housing types, as well as the accessibility of social and affordable housing.

Echoing our feedback on the findings and proposed actions of the PIC Report, Shelter views the role of social and affordable housing in part as allowing people on ordinary incomes to live in good quality accommodation close to their employment, education, and community. Without these non-market options, we expect that they will compete with households on higher-incomes, resulting in either rental stress, poorer quality accommodation outcomes, unsuitable shared living arrangements, or potentially homelessness. These outcomes can and should be measured, especially in light of the planned lack of non-market housing options.

In this respect, the priority to measure job containment by job type will be a valuable one to monitor data on whether local workers on ordinary incomes are able to live within GSC's ideal of the 30-minute city. Complementing this could be measures related to affordability and adequacy of housing to ensure this is not achieved by way of inappropriate compromises in their standard of living.

#### **9. How can we make sure the proposals from the PIC are achieved?**

No comments.

#### **10. What role do you see for the new Western Parkland City Authority?**

No comments.



# Appendix: Draft Explainer of the PIC, the SIC, and the Precinct Plan

## Introduction

In December 2020, the NSW Government placed three plans for Western Sydney on public exhibition. These documents were the Initial Placed-based Infrastructure Compact (PIC) for the Western Parkland City, a Special Infrastructure Contribution (SIC) for the Western Sydney Aerotropolis, and a draft Aerotropolis Precinct Plan.

These documents are, in essence, an infrastructure plan prepared by the Greater Sydney Commission, a developer charging scheme prepared by the NSW Department of Planning, and a master plan for development prepared by the Western Sydney Planning Partnership. Each one applies to different but overlapping areas, and each is supported by a raft of technical studies that amount to thousands of pages of consultation material.

In her regular column in the Sydney Morning Herald, critic and author Elizabeth Farrelly characterised this volume of material as “scores of tiered-and-categorised PDFs you’d need a PhD and a 10-year term in solitary to apprehend.”

This observation is not far off the mark given the effort it takes to unpack and make sense of these separate but related documents. And regardless of your views about the development of the Western Sydney Airport, it is critically important to understand what these plans are, where they relate to, and how they work, given their ambition to transform the region into a city larger than Adelaide.

Shelter NSW has therefore prepared this integrated explainer, aimed at a general audience with an interest in housing for people on ordinary incomes. If you were planning a new city, what plans would you make for the people that were going to live and work there? What process would you follow and what analysis would you do? And what would you prioritise?

Our explainer breaks down each of these plans with these questions in mind. While Shelter NSW has prepared its own submissions on the PIC and the Precinct Plan, the purpose of this document is to describe and understand them, and not to criticise them. While itself lengthy, we hope it saves you a PhD and a 10-year term in solitary.



## What is the PIC?

The PIC—place-based infrastructure compact—is an infrastructure plan for a particular place that is developed through an initial three-step process coordinated by the Greater Sydney Commission. The first step is to forecast growth in the number of jobs, homes, and people expected in the place by a certain date. The second step is to work out what infrastructure is needed to support that growth, how much it costs, and who will pay for it. And the third step is to evaluate the economic benefits and effectiveness of paying for that infrastructure relative to what it will cost and what it will achieve.

The Commission then puts that information together into a plan that sequences when and where forecasted growth should be allowed to occur based on the timing and location of new infrastructure. They then put that plan as a proposal to the NSW Government in the form of a business case to fund its estimated cost and deliver the program of works. If the Cabinet signs off on it, the PIC can then be implemented by a new agency called the Western Parkland City Authority who also monitors indicators of success related to liveability, productivity, and sustainability.

In essence, the PIC functions as both a planning process and a costed proposal to fund infrastructure required to support forecast levels of growth based on estimates by the agencies and providers who will deliver it. The infrastructure we are talking about here is state-level infrastructure: major roads and public transport; health, education and emergency services and facilities; water, waste, and energy; open spaces and biodiversity; digital infrastructure; and cultural facilities. (Notably, it does not include social and affordable housing which the PIC addresses as a separate matter.)

Without this process, the agencies responsible for land-use planning and infrastructure would largely operate separately from each other, leading to poorly planned places that lack the infrastructure and services required to make places grow and function well. That this coordination has tended not to happen before, prior to the creation of bodies like the GSC, makes the PIC a genuinely innovative approach to city planning.

Currently, the PIC process has gone through those first three steps and is ready to propose its sequenced infrastructure plan to government by developing a business case. The product of this process is the document that it has placed on public exhibition, the long title of which is *'Making the Western Parkland City: Initial Place-based Infrastructure Compact (PIC) Area: Draft PIC Report'*.

The draft PIC Report summarises the findings of the initial process and propose a series of actions to deliver the plan. Supporting this report is a Technical Report and six technical appendices which provide the evidence for those findings and actions, amounting to over 1,000 pages of consultation material.



Of these reports, we have reviewed the forecasts of jobs, housing, and population (prepared by consultants SGS Economics and Planning), the estimates of infrastructure needs and costs (prepared by the GSC with the partner infrastructure bodies), and the cost-benefit and cost-effectiveness analysis (prepared by consultants the Centre for International Economics).

It is in this evidence that we can understand how plans for housing people on ordinary incomes come to be developed. We have therefore unpacked these first three steps in a separate section on 'How does the PIC work? And what does it say about housing?'

## What is the Precinct Plan?

Unlike the PIC, which is an infrastructure plan, the Precinct Plan is a precinct-scale master plan that sets many of the controls that future development applications and site-specific master plans must comply with. This prescribes what type and what kind of development will proceed in the area according to multiple 'frameworks.'

It includes frameworks for land uses and built forms, an access and movement framework that determines where streets will go, and a social and cultural infrastructure framework. It also includes a 'blue green' and 'sustainability and resilience' frameworks for considering things like the water cycle will play out in the area. *What are these?*

The Precinct Plan sets criteria that development applications must comply with in order to be approved. These criteria—performance criteria—include objectives and requirements which vary by individual sub-precincts within the Aerotropolis Precinct.

These criteria are broadly consistent with a higher-level plan being the Western Sydney Aerotropolis Plan. That plan sets out overarching objectives from the entire Aerotropolis precinct, including high-level aspirations that it will be: an accessible and well-located place (Objective 1), that it will enable growth of high-value jobs and enhance existing employment (Objective 2), and that it will include 'diverse, affordable, healthy, resilient and well-located housing' (Objective 9).

The Precinct Plan was made by the Western Sydney Planning Partnership which is a governance body representation from the NSW Department of Planning, the Greater Sydney Commission, Transport for NSW, and nine neighbouring local councils in Western Sydney. It was created as a result of the federal government's City Deal for Western Sydney which saw the federal government commit funds to the new airport and new transport projects providing planning was properly coordinated. Accordingly, the NSW Government mandates the engagement of the councils who can then lead the partnership.

This governance structure is highly unique and not something we have explored in depth. Exactly who makes the plans and where they work is not entirely clear to us. What we do know is that it is that it is an NSW Government document so presumably it was prepared by the



Department of Planning since they are exhibiting the plan in close collaboration with the relevant councils. In this case, the relevant councils are Penrith and Liverpool City Councils which are the respective local governments for the sub-precincts that make up the Precinct Plan.

Like the PIC, the Precinct Plan was exhibited with a range of technical reports, in fact over 20. Some of these technical reports made headlines by indicating risks such as increased birdlife to the airport. The vast majority of these reports do not pertain to housing people on ordinary incomes so we have not considered them. The only exception to this is the Market Analysis and Economic Feasibility report prepared by external consultants Atlas Economics which provides comments on affordable housing.

## What is the SIC?

The SIC is a scheme to charge a developer a fee for developing land so that funds can be generated to pay for infrastructure that is required to support that development. In this case, the PIC has informed the SIC. We have provided extensive comment on in our comments regarding how the PIC works, under step 2 which involves determining how to pay for the infrastructure needs identified. In this case, the SIC is prepared by the Department of Planning, even though the Greater Sydney Commission has prepared the infrastructure plan, and the Western Sydney Planning Partnership has prepared the master plan.

## Where does each plan relate to?

One of the most confusing things about having these three separate plans on exhibition at the same time as part of the same planning package is where they actually relate to. Are they all about the same place or different places?

In simplest terms, the Aerotropolis Precinct Plan relates to one of the three precincts that make up the Place-based Infrastructure Plan. Figure 1 illustrates this by comparing the two where you can see that the green area in the PIC on the left is the same area as the Precinct Plan on the right.

The PIC is comprised of three precincts being the Greater Penrith up the top and the Aerotropolis down the bottom, with then the Austral Corridor to the side. This initial area is in turn comprise of 28 sub-precincts. Future extensions of the PIC are proposed for the Fairfield-Liverpool and Camden-Campbelltown areas.

The Aerotropolis Precinct is comprised of 12 sub-precincts but the Precinct Plan proposes plans for only 6 of these as initial sub-precincts. Figure 2 illustrates that only 2 out of these initial sub-precincts will contain housing in the form of mixed-use zones with both commercial and residential properties. These are the Northern Gateway and Aerotropolis Core sub-precincts coloured in the yellow-and-blue hatching. The rest is largely reserved for non-



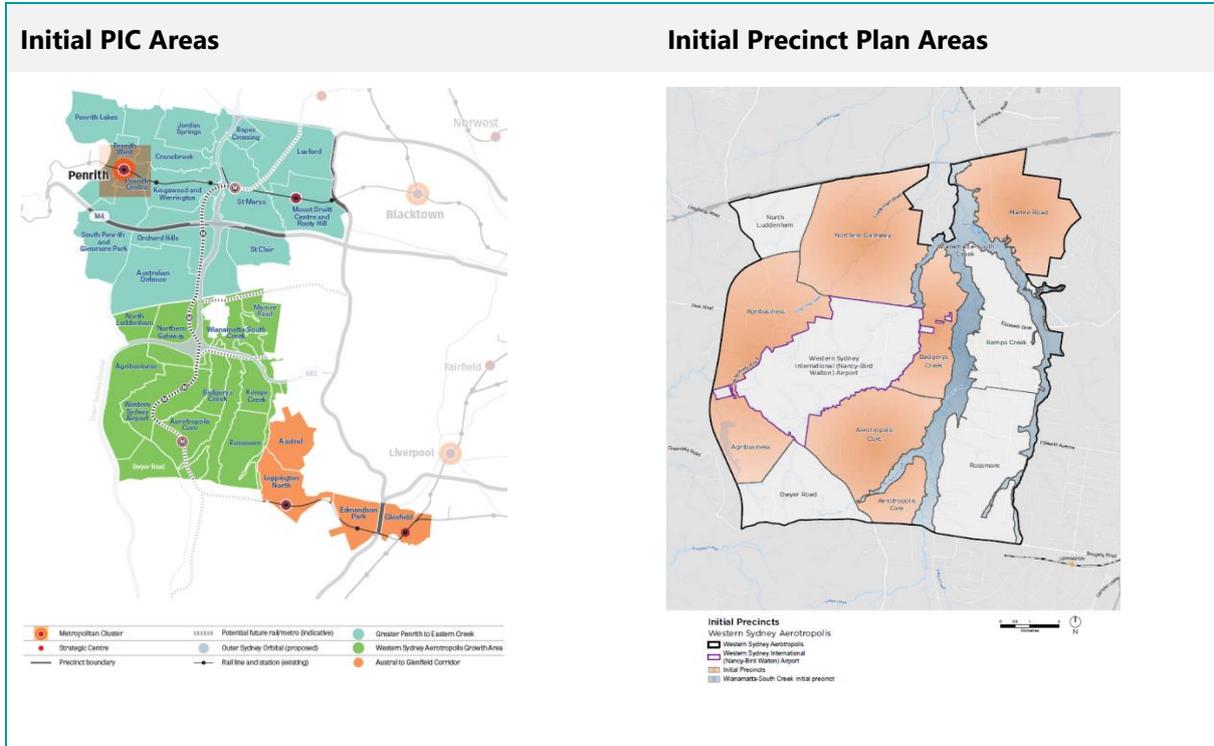
residential purposes such as enterprise zones and agribusiness. The most significant area zoned for residential uses is coloured yellow; that is the Rossmore precinct which the current Precinct Plan does not apply.

Of the mixed-use zones, Northern Gateway and the Aerotropolis Core, Figure 3 shows the portion that is allowed to include residential uses. These are the small areas coloured in dark purple. The opportunity for housing in the initial areas of the Aerotropolis are therefore relatively small. Both the Northern Gateway and Aerotropolis Core will contain a Metro station, respectively acting as a business park and a CBD.

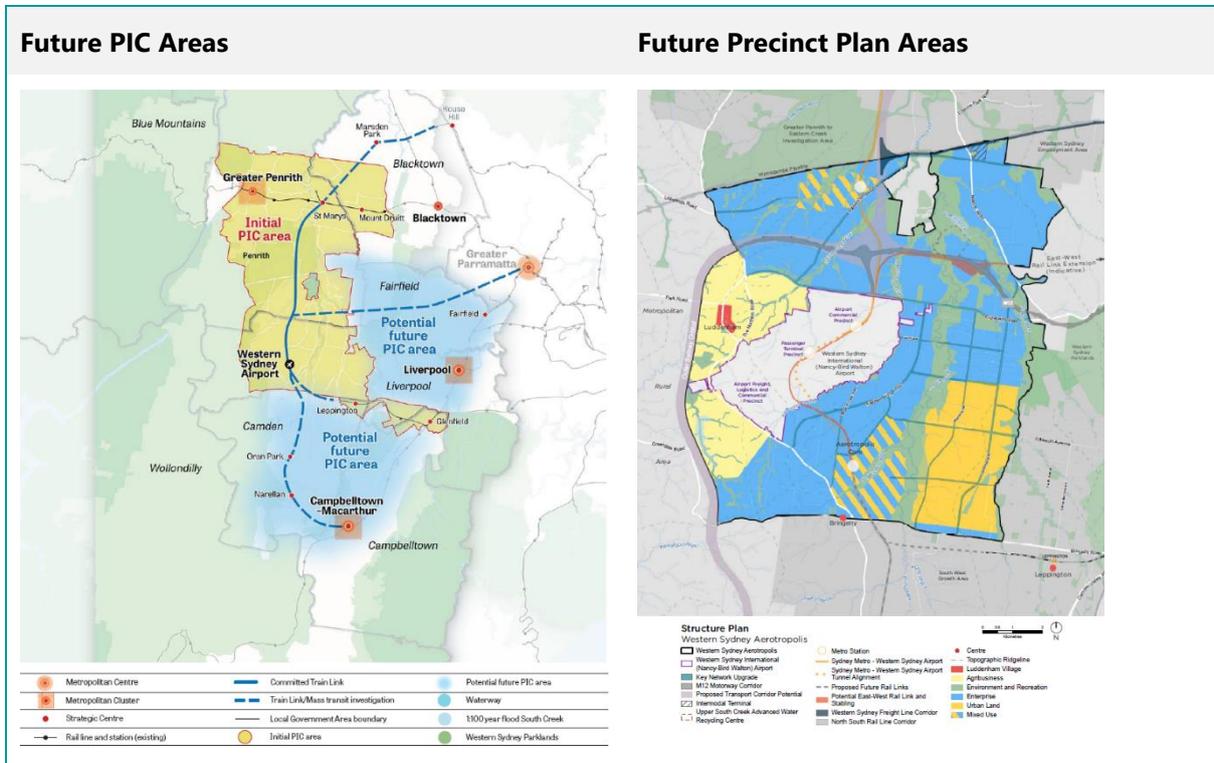
The SIC applies only to the Aerotropolis Precinct. It does not apply to the entire PIC area although future SICs are expected to. Figure 4 illustrates the application area with two separate types of charges—a general charge for all development in coloured in light blue, and a separate charge around the new Metro stations in purple. There is also an area coloured in orange hatching where a pre-existing SIC also applies.



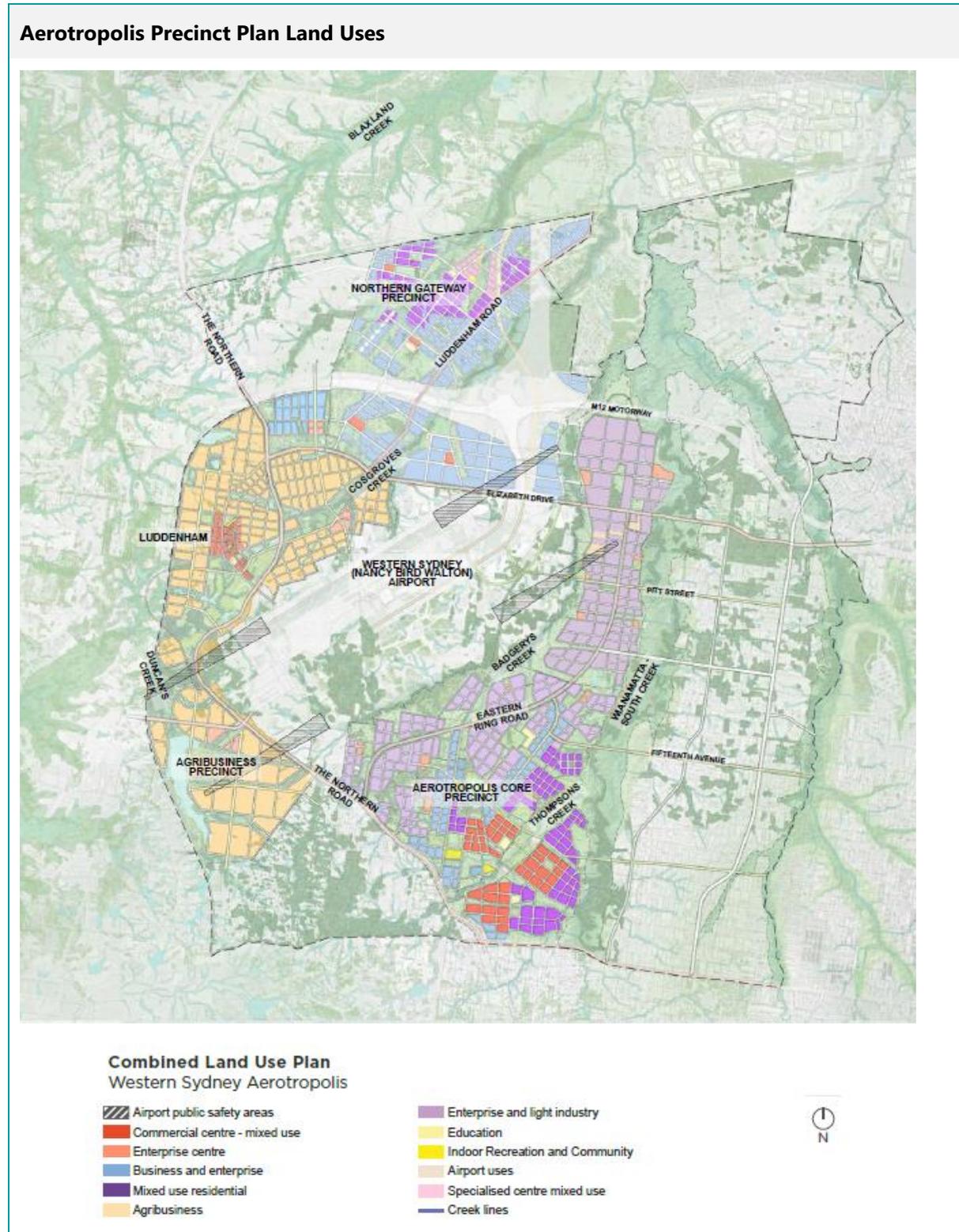
**Figure 1.** Initial areas of the PIC and Aerotropolis Precinct Plans



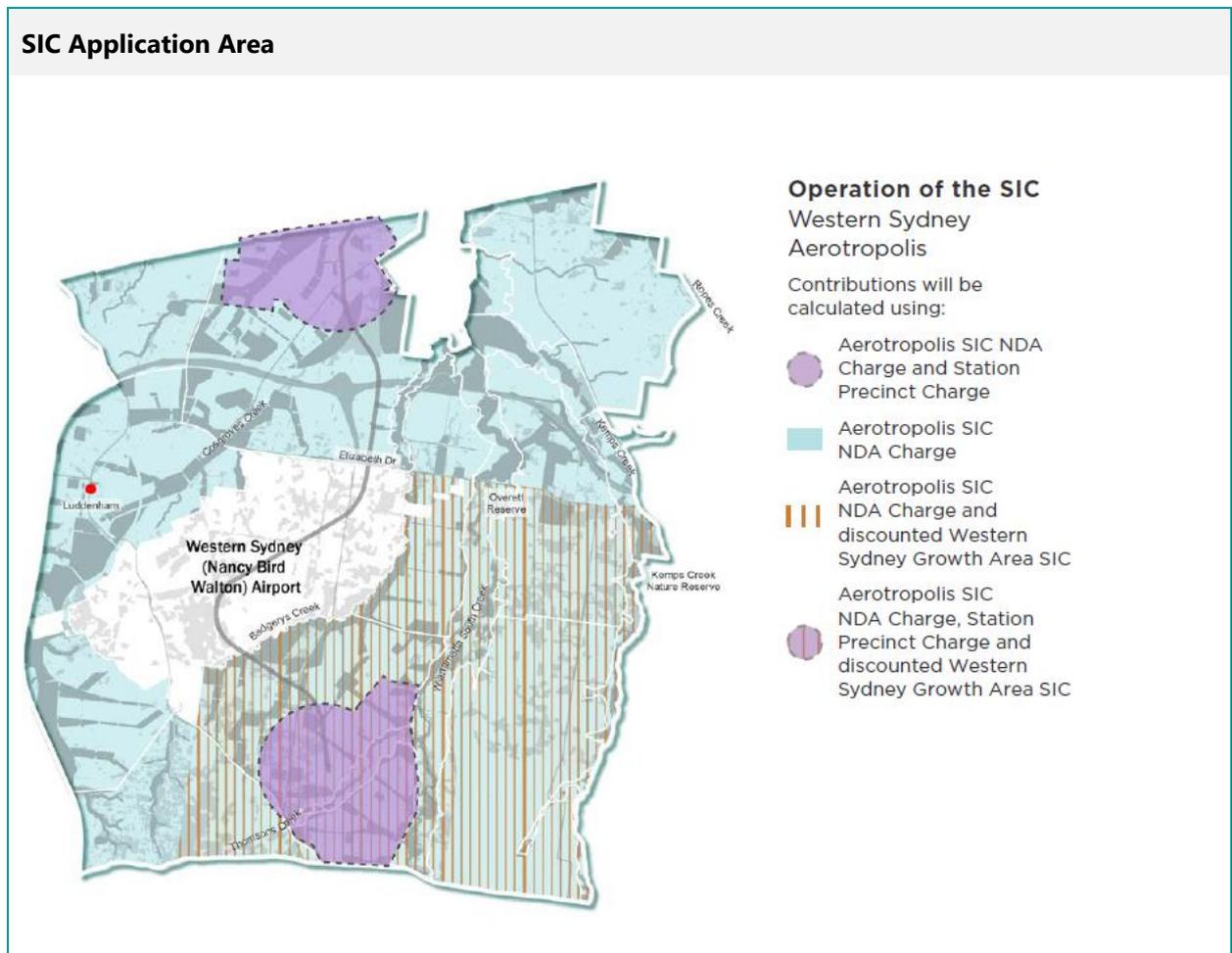
**Figure 2.** Future areas of the PIC and Aerotropolis Precinct



**Figure 3.** Land uses for the Western Sydney Aerotropolis



**Figure 4.** Aerotropolis Special Infrastructure Contribution



## How does the PIC work? What does it say about housing?

### *Step 1 – Forecast future jobs, homes, and people:*

The first step in the PIC process is for the Greater Sydney Commission to predict how many people, homes, and jobs there will be in the area in 15- and 35-years' time. To forecast this growth, they commissioned external consultants, SGS Economics and Planning, whose report forms one of the appendices.

It is important to bear in mind that the GSC's objective is to increase the number of jobs in Western Sydney, so workers do not have to commute to the east—that is, the aim of the PIC is to improve equity, or fairness, by redistributing jobs to the west.

For this reason, the GSC asked SGS to forecast three scenarios for growth so that they can plan for the one that best meets their objective of more jobs in the west.

The three scenarios were: (1) a business-as-usual scenario where growth occurs at its current rate, according to existing planning controls and infrastructure investment; (2) a scenario where lots of growth happens around the new airport; and (3) one where growth is spread out among the existing centres around Western Sydney, with less focus on the airport.

Note the assumption here that the government can control where businesses and people will move based on its decisions to invest in infrastructure and control development through the planning system. Ultimately, though, it is private firms and households that will make these decisions—like a weather report, their forecasts are an informed prediction of how things will turn out.

SGS provides the hard figures on this predicted growth for the nine LGAs that make up the Western Sydney Planning Partnership. The GSC ultimately opt to go with the scenario with the most growth around the airport—the 'Thriving Aerotropolis'—so here are those figures.

SGS's best guess is that by 2056—35 years from now—the population will rise from 1.4 million people to 2.9 million people; the number of homes will grow from 480,000 to over 1 million; and jobs will rise from 510,000 today to over 1.1 million.

The technical report that accompanies the PIC report maps out how this growth will be spread out across the 28 sub-precincts that make up the PIC area. For example, it tells us for the 'Northern Gateway' and 'Aerotropolis Core'—the two mixed-use sub-precincts that are included in Draft Aerotropolis Precinct Plan also on exhibition—how many people, jobs, and homes there will be in those areas.

So, what does it say about housing for people on ordinary incomes?



The GSC makes some general comments about what types of jobs it envisions for the PIC area, but it does not quantify these in a precise way. However, SGS did provide them with an estimate of the composition of those jobs by industry type.

Those figures show that most people (32%) working in the PIC area will have ‘population serving’ jobs, with then a roughly even split between those in ‘industrial’, ‘health and education’, and ‘knowledge intensive’ jobs.

Here are those figures showing the change over time:

|                             | 2016 | 2036 | 2056 |
|-----------------------------|------|------|------|
| <b>Industrial</b>           | 28%  | 24%  | 23%  |
| <b>Population serving</b>   | 35%  | 34%  | 32%  |
| <b>Health and education</b> | 21%  | 23%  | 24%  |
| <b>Knowledge intensive</b>  | 16%  | 19%  | 21%  |

It is impossible to say for sure from these figures how much money people living and working in the PIC area will be earning. However, it is fair to say that many of the jobs that comprise these sectors include those that pay ordinary incomes.

Shelter believes that these estimates should form the basis of planning for housing that caters to these people.

The GSC is right to have an equity focus in seeking to move more jobs to the west so local people don’t have to commute to the east to access employment.

**Step 2 – Work out infrastructure needs, costs, and funding source:**

The second step in the PIC process is for the GSC to ask all the government agencies and private utility providers to work out what infrastructure will be required to cater to the forecasted growth, and to calculate how much it will cost.

The GSC did not require an external consultant to perform this analysis but rather they helped guide and ultimately compile an assessment by each of the organisations partner to the PIC.

The starting point for this assessment is to work out what is already there in terms of transport, utilities, and facilities. The GSC provides this information in its Baseline Infrastructure and Services Assessment report.

The partner organisations then measured what infrastructure and services would be required, how much they would cost, and who could pay for it. This includes land requirements.

This process found—as Finding 3 of the PIC Report—that the total cost would be just under \$100 billion over 20 years. That’s \$5 billion each year for 20 years. Of this amount, the GSC



found that \$62 billion would be for infrastructure and services located within the PIC area although we are not clear where the other \$38 billion relates to exactly.

The largest costs are water infrastructure at 30 per cent of the total, roads and public transport being 32 per cent, and open space and drinking water being 16 and 11 per cent respectively. Only a tenth of the cost is social infrastructure related to health, education, and energy, as well as justice and emergency facilities, and digital infrastructure. The land requirement amounts to 7,100 hectares of new acquisitions which was valued using advice from property consultants and data from the NSW Valuer General.

In working out how to pay for this \$62 billion, the GSC does not simply add up the cost and ask the NSW Government to foot the bill. Rather, the assessment also involves determining a source of funds: general tax revenue, yes, but also private capital and customer fees, and developer charges.

This process found that about half of the cost would need to be paid through an allocation in the NSW Budget, while just over one quarter could be collected through a levy on developers in the form of an infrastructure contribution.

Infrastructure contributions are of particular interest to Shelter NSW as they are the same legal mechanism by which affordable housing can be mandated in new developments; either by charging a fee, or by requiring that a certain number of dwellings be dedicated to an affordable housing provider.

Both state and local governments can calculate a charge by estimating the level of demand for infrastructure that a new development generates and how much that infrastructure costs. This process is called apportionment and is based on the concept of nexus—that is, to assign responsibility based on a relationship between someone's action and its consequence.

All agencies involved in the PIC process followed the GSC's guidance on how to apportion such costs. And notably, NSW Government agencies themselves might be liable for a contribution where it happens to be them who are triggering such demand.

So, is there a problem with asking developers to pay for infrastructure needs generated by new development? One complaint might be that it adds to development costs. By extension, too many contributions, or contribution amounts that are too high, can make development unprofitable so it would not happen at all. This would be a bad thing for the GSC as their forecasts of growth and housing targets rely on the private developers to deliver them, as opposed to a public development agency that would go out and build them itself.

Development groups may object to contributions by raising these concerns over feasibility. However, is it true that increased costs reduce development profit?



Largely, it depends on whether developers know the cost of developing the land before they purchase it. If they do, they can reduce the amount they pay for the land since the added cost makes it worth less as a development site.

However, the consequence of developers paying less for land is that landowners will receive less for selling it. If that situation goes too far—the developer offers a lower and lower amount because they are factoring in a higher and higher infrastructure contribution—the landowner may refuse to sell. Landowners would thus stop supplying land and development may not occur.

Interestingly, the PIC Report acknowledges this situation, noting that during its consultations “the development industry emphasised that a reasonable developer contribution rate needs to be set early in the planning process, ahead of rezoning of land, so that the contribution can be factored into the price paid to existing landowners for development sites” p. 76.

The qualification ‘ahead of rezoning’ refers to the windfall effect that planning controls can have on land prices by increasing its development potential where there is strong market demand for new housing. Notably, some of the sub-precincts of the PIC have already been rezoned and this is likely to have inflated land values before infrastructure contributions have been factored into development. The NSW Productivity Commissioner has recently recommended this process be changed so that rezoning and contribution plans are prepared at the same time, thus reserving some of the windfall for infrastructure needs.

We will return to why this is relevant to affordable housing requirements after mentioning now what contribution plans have been prepared for the PIC.

So far, both the NSW Department of Planning and the local governments of Penrith City Council and Liverpool City Council have prepared contribution plans for the PIC area. Both of these plans were exhibited at the same time as the PIC but as separate documents.

The Planning Department’s charge is called a Special Infrastructure Contribution (SIC) which will apply to the Western Sydney Aerotropolis precinct as and when they rezone land. This precinct makes up the lower half of the PIC area so presumably the SIC will expand to other areas although the SIC and the PIC are separate documents so this is unclear.

The SIC includes two charges: a blanket fee of \$200-500k per hectare of net developable area (the NDA Charge) and a targeted fee of 1-2% of development costs where a site is located within 1.2km of the new Aerotropolis and Luddenham Metro stations (the Station Precinct Charge). Noting the economic context of COVID-19, the SIC documents explain that the charge will be discounted by half price until July 2022 and then by 25% until July 2023.



The items it will fund are considered 'state infrastructure' as determined by the PIC process: rail and buses, roads, schools, community health and emergency facilities, parks, open space, bicycle networks, and the Cumberland Plain Conservation Area.

For local infrastructure—local roads, community facilities, and open space—Penrith and Liverpool councils have prepared a joint local contributions plan that will levy a charge of 7.5% of development costs on developers in most of the PIC area; some areas like the 'Northern Gateway' have other pre-existing agreements in place.

Confused? So far, we have a collaborative infrastructure plan prepared by the Greater Sydney Commission (the PIC), a land use plan for part of the PIC area prepared by the Western Sydney Planning Partnership, a state developer charge prepared by the Department of Planning (the SIC), and a local developer charge prepared by the two local government areas that comprise the larger PIC area. And this is before we get to the new Western Parkland City Authority whose role it will be to implement the plan.

The PIC Report seems to acknowledge this complexity, saying that "while the draft PIC is focused on state and regional infrastructure, with limited inclusion of local infrastructure, it provides a basis for the NSW Government, councils and the development industry to move forward on this complexity in the NSW planning system. This discussion must also consider the feasibility of delivering more affordable rental housing, consistent with the policy in the Greater Sydney Region Plan" (p. 76).

On that note, let's turn to what the PIC says about housing for people on regular incomes.

The GSC did not assess social and affordable housing as a need for the PIC area in the same way that they assessed other infrastructure and services. The Report acknowledges as much, saying that "providing social and affordable housing infrastructure has not been assessed in the initial PIC area" (p. 75).

However, it does propose a specific action—action 10—which involves "Renewing and increasing the provision of social and affordable housing as part of place-making". This further involves "all three levels of government the not-for-profit and private sectors [working] together to increase the provision and improve the quality, location and mix of social and affordable housing with private housing in the initial PIC area, where feasible." (p. 112).

The key qualification here is 'where feasible'. This caveat thus creates the distinction between a needs-based assessment of infrastructure and services, and a feasibility-based assessment of public and not-for-profit housing. Feasibility in this sense will have one meaning for affordable housing and another for social housing.

For affordable housing—a type of high-quality, well-located rental housing that is reserved for people on regular incomes and usually owned and managed by regulated not-for-profit



organisations such as community housing providers—the PIC states that its provision will be consistent with the policy in the GSC’s Greater Sydney Region Plan.

That policy is an Affordable Rental Housing Target that 5-10% of new floorspace created by rezonings is dedicated as affordable housing dwellings. To enact these targets, local councils must prepare an Affordable Housing Contribution Scheme which allows them to levy a charge on developers as a condition of consent when they approve development in specified areas. To prepare these plans, local councils must first prepare a Local Housing Strategy that identifies local housing needs.

An Affordable Housing Contribution Scheme is therefore in addition to the Special Infrastructure Contribution and Local Infrastructure Contribution schemes previously mentioned and prepared for the PIC area.

In reviewing their websites, we cannot see that Liverpool City Council or Penrith City Council has prepared such a scheme. Nor is affordable housing included as an item that can be funded under the state government’s SIC.

The Western Sydney Aerotropolis Plan, also on exhibition at the same time as the PIC, does include a provision that all new development must provide a minimum of 5% affordable housing. However, with no Affordable Housing Contribution Scheme in place, there does not appear to be a legal instrument in place to give effect to this policy statement.

Even were such a scheme prepared, the measure of 5% is generally referred to as being feasible. In this regard, the Greater Sydney Region Plan notes that there is a ‘viability tool’ that councils can use to assess how much they can charge developers.

We are not privy to their tool or how it works. In general, though, the feasibility of an affordable housing contribution should work on the same principle as all infrastructure contributions. That is, a developer can reduce the amount they pay for the land by factoring in this cost. It is therefore the landowner who pays in the form of a lower profit from the sale of their land; however, this cost may undermine their incentive to sell.

In this way, affordable housing contributions may only produce affordable housing where land values are high and rising. This is generally what is meant by what is feasible, rather than what is required, based on population and employment growth.

The PIC identifies opportunities to renew social housing in a similar way.

Although that GSC stated that they did not assess the provision of social and affordable housing, they did invite the state government’s social housing provider—the NSW Land and Housing Corporation (LAHC) —to assess redevelopment opportunities on existing social housing estates located within in the PIC area.



The Baseline Infrastructure and Services Assessment provides these figures, reporting that they own 7,700 social homes, mostly around St Marys, Mount Druitt and Luxford in the northern half of the PIC area.

To renew these sites, the NSW Government can sell the land to a developer in return for the developer to demolish and build anew the same amount of social housing dwellings while adding a large number of private market dwellings. The profit the developer makes from selling the private dwellings, and not having to pay for the land, is usually enough to pay for this replacement—usually at a 30/70 split between social and private, with affordable housing potentially squeezed in the middle.

LAHC has a programme of these types of redevelopments called the Communities Plus program, the most well-known example being the proposed redevelopment of the Waterloo area in the City of Sydney. However, the business model tends to break down west of Parramatta because land values are lower.

This is currently why social housing estates in places like St Marys, Mount Druitt and Luxford—as well as most regional areas of NSW—are not being redeveloped now; there is simply not sufficient demand for new private dwellings that could pay for the replacement of existing social housing.

However, new Metro stations and a successful Aerotropolis could change this. Recognising the potential for land values to increase, LAHC therefore estimated that it could deliver a total of 26,000 new dwelling within 20 years, subject to rail connections and a booming property market.

Of these new dwellings, the baseline report states that 5,450 would be replacement social and affordable housing and 200 would be additional dwellings. The remaining balance of the 26,000 would be what LAHC refers to as 'new market dwellings (LAHC owned land)' and 'private land'.

In identifying these renewal opportunities, the PIC Report goes on to propose "collaborative efforts to support the earlier provision of social and affordable housing in residential and mixed-use communities around new Sydney Metro stations in precincts such as the Aerotropolis Core, Northern Gateway, St Marys and Orchard Hills" (p. 112).

They go onto suggest that doing so this could "support a diversity of people – including a generation of young people – to benefit sooner from the investment in the Sydney Metro network and enable them to participate in the growth of jobs, skills and training set to occur in and around the Airport and Aerotropolis." (p. 112).



It is not clear where this new housing to enable tenant relocations would come from. And while it is not suggested by the report, it may be possible to source it from the 5 percent affordable housing target—though this may result in no additional households being housed.

In summary, the PIC quantifies the need for infrastructure and services for a place that is expected to grow by a forecasted number of people, jobs, and homes. It then works out how much these things will cost and who can pay for them.

Social and affordable housing is partially included in this assessment but on the basis of feasibility, not on the basis of need. It is therefore unclear how much is required, how much it would cost, and who could pay for it.

The result is instead an unquantified and unfunded action to 'renew and increase the provision of social and affordable housing as part of place-making' that depends on a financially sophisticated and opaque assessment of land values and development economics. That is, the means by which the government plans a new school based on demand is not applied to other essential infrastructure.

A key question, therefore, is why not? The third and final step of the initial PIC process suggests that there is appears to be no financial benefit in doing so.

### ***Step 3 – Estimate the benefits and effectiveness of each scenario:***

The third and final step of the initial PIC process is to perform a cost-benefit analysis on the proposed cost of the infrastructure that will support the forecasts of growth. With this analysis, the GSC can then present a business case to the NSW Government to pay for the parts of the PIC that are not funded by private companies and developer contributions.

To do so, they hired external consultants, the Centre for International Economics, to perform a cost-benefit analysis. Cost-benefit analysis is a standard methodology for policy analysis that focuses on key metrics such as travel-time savings to assess the most economically efficient option. This can then be complemented with a cost-effectiveness analysis to assess which options produce the most of a particular desired outcome—such as more jobs, even if it costs more i.e., less efficient but more effective.

This Economic Evaluation is provided in the PIC exhibition material as Appendix 6. It is the critical document, the outcomes of which can make or break the business case for a multi-billion-dollar funding commitment.

With the costs now known, the question then becomes what benefits are to be measured.

To answer it, the GSC has to translate its goals for the PIC area into numbers that can be measured. Its goals are for the PIC area to be 'liveable, productive, and sustainable'. So how can those qualities be quantified?



Liveability benefits are the number of jobs that can be accessed within a 30-minute journey by car or a 45-minute journey by public transport; the number of homes that are located within 30 minutes of a metropolitan or strategic centre within a 30-minute journey by either car or public transport, and within 800m (10-minute walk) of a local centre; and the value of development (although this last measure is not clear).

Productivity benefits are the proportion of businesses that can access potential employees based on them being 30-minutes away by car or 45-minutes by public transport; digital connectivity; loss of agricultural land.

Sustainability benefits are the environment and health benefits of increased tree canopy; the increase in native vegetation; improvements in water quality; the energy efficiency of buildings; and (somewhat out of place) the improvement in employment, education, health and safety that can be attributed to an increased amount of social housing.

Subtracted from these benefits are the negative effects of growth, namely transport congestion and vehicle pollution. But how does a cost-benefit analysis compare measures such as reduced travel times with the hard dollar amounts of infrastructure costs?

To attempt this comparison, the Centre for International Economics (CIE) translates the desired benefits into what they are worth in dollar amount. To do so, they use a measure of value in economics called 'willingness to pay' i.e., the value of the benefit is determined by what people are willing to pay for it. In this case, that means predicting the increase in property prices and rents that will result from places becoming more desirable to live.

This is the key principle of hedonic modelling which estimates the value of property based on its individual attributes such as its accessibility to jobs and the amenity of the place. This modelling allows GSC, through their consultants, to estimate the value of what they want to achieve, such as their concept of the '30-minute city'.

Liveability can therefore be measured as the increased willingness of people to pay for housing in a particular area, less the cost of developing that housing and the opportunity cost of continuing its current use (as agricultural land for instance). Multiply this increase by the number of forecasted new dwellings and, presto, the CIE can estimate the dollar value of the desired benefit relative to the dollar value of the infrastructure cost.

The result of this analysis is finding number 2 of the PIC Report which is that two scenarios—the one with the highest growth around the airport, and more spread-out growth in established centres—have benefits that outweigh the cost. The GSC in turn choose to go with the former scenario—the Thriving Aerotropolis—as it creates the greatest number of jobs despite costing more. That is, they see it as less efficient but more effective.



An interesting observation of this technical analysis is that the way CIE reports it does not make entirely clear how many people will live within 30-minutes of their jobs. Results reported in Table 5.1, for instance, show the between 0 and 0.3 percent of the future population will live within a 45-minute public transport, or 30-minute car, journey of a strategic centre, yet at the same time 49.3 per cent will live within a 45-minute journey by any mode. This example of ambiguity highlights the challenges of communicating plans to the public that are based on technical economic advice from private consultants.

But more to Shelter NSW's concerns, what does CIE's economic evaluation say about housing people on ordinary incomes?

The first thing to note here is that the foundation of the model is willingness to pay. That is, the benefits are measured in terms of people paying more for land and housing which is likely to be in tension with ability to pay.

It is worth remembering that the GSC's prime objective for the PIC area is equity: to increase the number of jobs in Western Sydney so that people don't have to travel. But, in achieving this objective, it will likely become a more expensive place to live.

A better, more desirable place to live is not necessarily a problem for people who benefit from the greater number of high-paying jobs. However, there will be ordinary-paying jobs there too in order to make it work as an economy and as a place. If the people with those jobs cannot afford to live there, will they move further away and end up outside the 30-minute city? Or will they make a trade-off to pay too much for housing?

A key implication of CIE's evaluation—that the benefits of increased property prices outweigh the cost of infrastructure—is that there will be an evident need for non-market housing. Without this option, those that are willing to pay will be in competition with those that are unable to pay.

This non-market housing could be in the form of social and affordable housing which the CIE comments on in their report.

In terms of liveability benefits, CIE states that value of social and affordable housing is included in the projected number of dwellings. That is "they are treated the same way as private dwellings, assuming that affordable housing delivers the same level of benefits [such as greater proximity to jobs]." However, their report continues, "this may overstate benefits as the marginal willingness to pay of individuals in social and affordable housing will be lower than private renters or owners." (p. 86).

That is to say, social and affordable housing has no economic benefit because people are unwilling to pay the same price for it as private renters owners. This may be somewhat contradictory with the purpose of having social and affordable housing in the first place.



However, CIE does see other benefits for people having greater access to social housing which they group under 'sustainability' as opposed to 'liveability'. These benefits include improvements to their employment and education, as well as their safety and health. We will return to how these benefits can be estimated in a moment.

But since people who are eligible for affordable housing are usually workers on ordinary incomes, they already have access to employment and education, and are already safe and in good health. This is the reason CIE provides for not considering the economic benefits of increasing the amount of affordable housing.

Moreover, CIE takes a negative view of affordable housing in general. In a dedicated section of their report, they seem to say that affordable housing reduces profit for developers and therefore reduces the amount of development. This, in turn, may mean fewer households can find available housing despite being willing to pay more for it, which in turn may push up prices and rents.

If our representation of CIE's claim is correct, then it would appear to contradict the GSC's point in the PIC Report about the need to communicate developer charges early on in the planning process. In doing so, the GSC confirmed through its consultation, developers can factor in infrastructure contributions into the price they pay landowners for their land. (p. 76)

CIE's report would however be correct to say that high levels of affordable housing requirements may reduce land prices to the extent that landowners become unwilling to sell their land to developers.

The question then returns to how much affordable housing is feasible to require?

CIE addresses this question of feasibility by reporting the findings of another report by separate consultants JLL. They state that the GSC commissioned JLL to assess the feasibility of affordable housing in the PIC area but the report itself has not been provided in the exhibition material.

CIE reports that JLL used the Department of Planning's Affordable Housing Viability Tool to assess whether a 5-10 per cent target would be viable for certain sites in the PIC area. It is unclear why an external consultant was contracted to use a government tool, or whether this tool is publicly available.

CIE goes on to report that JLL analysed the value of land as a development site after a hypothetical rezoning. This value is the difference, or leftover amount (also called 'residual'), between revenue from the future sale of dwellings and the cost of developing the site while accounting for a profit margin. If the residual value is greater than the base land value (presumably this means before a rezoning has occurred), then development including an affordable housing requirement is viable.



The exact details are unknown because the JLL report and the Department of Planning's Affordable Housing Viability Tool do not appear to be publicly available. However, the calculations involved are indicative of the challenges of planning for affordable housing based on feasibility rather than an economic or social case.

In any case, CIE reports JLL's key finding as being that a 5 per cent affordable housing contribution is viable in established areas such as Penrith and St Marys. In greenfield areas such as Aerotropolis Core and the Northern Gateway, a contribution will have 'increased viability' in the medium- to long-term as land values rise. Conversely, a 10 per cent target is said to have 'more challenges' with viability (p. 96).

CIE goes on to describe four factors that JLL identified in potentially increasing the feasibility of affordable housing. These were growth in underlying land values relative to existing property prices, increased amenity from new infrastructure, the potential to stage contribution rates over time, and 'whole-of-government support for affordable housing'. It appears to say that this support could include changes to policy that allow contributions of affordable housing to be privately-owned and rented out with a discount compared to the market rate, as opposed to dwellings being dedicated outright to a registered non-profit provider.

In all, CIE suggests that providing affordable housing is not a matter of whether it has any economic benefits, but whether it is feasible, presumably as an outright cost.

So, what about social housing which CIE said has 'sustainability' benefits?

Through a rather complex estimate, CIE deduces that for every additional social housing unit there is a total benefit of \$5,867 per year in the form of improved employment and education outcomes, as well as improved health and safety. However, CIE does not appear to quantify the cost of providing such housing—perhaps because the GSC did not provide them with figures in the same way they did for other kinds of infrastructure.

Ultimately, CIE gives a cost-benefit score of 0 to the social housing component of their analysis. Again, this may be because there does not to be any quantifiable increase in social housing in any of the scenarios—at best, it is assumed to make an unknown proportion of forecasting dwelling growth.

Nevertheless, the CIE's dedicated section on social housing provides some interesting insights into how they deduce their figure of almost \$6,000 a year.

They make an important distinction here between 'user benefits' and the benefits related to employment, education, health, and safety. User benefits refer to the benefits enjoyed by the individual living in social housing—that is, what they personally value. CIE says this benefit is captured in the overall liveability benefits of increased housing, remembering that this is



valued as an increased willingness to pay (except presumably in this case it is the provider of social housing that is paying for it).

The benefits related to employment, education, health, and safety, are therefore benefits to society, not the individual. CIE describes each of these values and how they can be measured.

For improved employment outcomes, the benefit to society is assumed to be the change in production from having more people in jobs. CIE relies on academic evidence that suggests 16 per cent of social housing tenants will gain employment as a result of gaining access to social housing.

For improved education outcomes, the benefit to society is assumed to be the change in production from those individuals being more highly skilled. Here, CIE estimates that 3 per cent of all new people entering social housing will go on to complete an additional year of school, with the value of that extra year impacting their annual salary over 40 years, increasing it from estimates had they not continued with their education.

For improved health outcomes, the benefit to society is assumed to be their change in spending on healthcare. CIL measures this outcome as the difference between how many health resources they use before and after accessing social housing, relying on evidence to suggest that \$130 is saved per person. However, this pertains only to primary care, not acute care.

And finally, the benefit to society of improved safety outcomes is assumed to be a reduction in the cost of crime associated with individuals having more stable housing. CIE do not measure this as they explain that there is no quantitative evidence they can rely on.

From these estimates, they calculate their figure of just under \$6,000 per year.

So, how does this benefit compare to the cost of providing the housing?

CIL note two kinds of costs to providing social housing. These are in addition to the development costs of building it and the opportunity cost of using the land for something else, which are included in their liveability estimates.

The first additional kind of cost is the 'financial cost' which is the difference between what a social housing tenant pays in rent and what they would pay at the market rate. The provider, usually the government, covers this financial cost by not benefitting from the increased money received at the market rate.

The second additional kind of cost is 'economic cost'. CIE contend that this includes a reduction in the amount of land for private housing which decreases its supply and increases its price. It also includes the cost of managing the social housing.



In summary, the third step of the PIC process evaluates the economic case for providing the \$99 billion worth of infrastructure required to support the forecasted level of growth.

When it comes to liveability, the analysis estimates that the benefit of increased growth can be measured in the form of peoples' increased willingness to pay for homes that are located closer to jobs, transport and amenity.

The private consultants hired by the GSC do not otherwise analyse the benefits of providing affordable housing for people on ordinary incomes who do not otherwise have the ability to pay the same prices and rents that people on high incomes are willing to pay. The negative externalities of this potentially unfair competition are not accounted for.

Affordable housing is otherwise considered a cost which may or may not be feasible according to sophisticated technical analysis that has not been fully available.

Social housing is otherwise seen to have 'sustainability' benefits to society in the form of improving employment and education outcomes which increase labour market participation and income potential, as well as health benefits from lower healthcare costs. However, the value of these benefits does not appear to be factored into the analysis as there does not appear to be a forecasted growth in additional social housing dwellings for the PIC area.

### ***Put it all together: Sequence the growth and infrastructure:***

The product of the first three steps of the PIC process is a plan to sequence to growth and infrastructure for the area according to the GSC's preferred 'Thriving Aerotropolis' scenario which concentrates jobs around the new airport. This sequencing plan broadly sketches out when land should be rezoned and when infrastructure should be built to accommodate growth in the forecast number of jobs, homes, and people.

Informed by CIE's Economic Evaluation, this process informs the actions of the PIC Report which are to designate initial places for jobs and education, initial places for housing and people, and subsequent places for growth.

The GSC proposes the initial places for jobs and skills—proposed action 1—as being Penrith, Kingswood and Werrington, St Marys, the Aerotropolis Core, the Northern Gateway, Mamre Road, Badgerys Creek, and Kempt Creek. The jobs here are described as being related to new and existing industries including education, training and retail, warehousing and logistics, traditional industrial uses, and future industries for agribusiness and a circular economy.

The initial places for housing and people—proposed action 2—are slated as South Penrith and Glenmore Park, St Marys, Mount Druitt and Rooty Hill, Orchard Hills, Austral, Leppington North, and Edmondson Park and Glenfield.

The PIC Report makes some reference under this action for housing to cater to people across the income and age spectrum. In St Marys and Orchard Hills, for instance, it notes that



“contemporary housing will be available for a range of workers from lower paid essential workers to highly skilled workers in the knowledge economy” (p. 96).

As noted, the earlier steps in the PIC process do not quantify the required levels of social and affordable housing to accommodate this diversity of workers. However, the PIC Report acknowledges the need to do so in saying that “these workers will be needed for the Airport and Aerotropolis and also for jobs in the community such as in the growing sectors of aged care and tertiary education” (p. 96).

For other areas such as Austral, Leppington North, and Edmondson Park, it notes that development could be assisted through consolidation of fragmented land by state development corporations, and that state and local housing strategies will inform future housing.

Later places for growth—proposed action 4—include areas such as Luxford where new Metro stations will present the aforementioned opportunities to redevelop existing social housing estates.

***Next steps: present a business case to the NSW Government, implement the plan if it is approved, and monitor its success:***

The first three steps in the process result in the PIC Report that has been exhibited for public comment. From here, the next steps involve asking the NSW Government to fund the PIC, and for the new Western City Parkland Authority to implement and monitor it.

The GSC’s request for funding—proposed action 8—will be presented to the cabinet in the form a Strategic Business Case. This is different from standard business cases for individual infrastructure items such as a new trainline, but rather puts forward a case for a program of works for a particular place.

If the cabinet agrees to fund the PIC, it will be over to the Western City Parkland Authority to implement it under what it calls its ‘Fit-for-Place’ program—proposed action 6. That authority will work with the various actors that contributed to the PIC to hold them to their commitment to rezone land and build the infrastructure they said they would—this is the ‘compact’ in ‘placed-based infrastructure compact’.

Notably, as part of this program, the PIC Report notes that the Authority will consider how developer contributions are spent and will engage community housing providers. The Department of Planning will also enact a public land and property program—proposed action 7—to acquire land before land values rise in response to infrastructure investments, rezoning and property speculation.



However, the realisation of the forecasted growth will ultimately depend on the decisions of various private actors. It will be up to developers to build housing, businesses to set up in the area, and people to move there.

The final step in the PIC process is to monitor its success. The Greater Sydney Commission defines success according to a number of priorities which can in turn be measured using quantifiable indicators. For instance, the priority number two is a '30-minute city which can be measured in terms of peoples' access to metropolitan and strategic centres, the proportion of trips made by walking, and travel mode share of journeys to work.

Other priorities such as walkable places can be measured in terms of peoples' access to open space, while addressing urban heat can be measured by the number of hot days, levels of urban heat, and tree canopy cover in urban areas.

There is a specific priority (P1) called jobs, education and housing. This measures job containment and distribution by type (M1), education participation (M2), and housing types (M3). Social and affordable housing has its own separate priority (P10) called accessible affordable and social housing which is measured as 'Social and affordable housing that is well located' (M19). Actions that contribute to this include the various new metro lines and planned bus services.

That is, it does not consider the number of social and affordable homes, or the prevention of issues such as rental stress and homelessness, as a measure for success. In this regard, the measures around job containment by job type (M1), education participation (M2), and housing types (M3) may provide useful datapoints in understanding results around not planning for this infrastructure.

## How does the Precinct Plan work and what does it say about housing?

The job of the PIC is to forecast growth in housing and jobs, estimate infrastructure needs and costs, and evaluate the case for investment in order to prepare a business case. In contrast, the job of the Precinct Plan is to set the rules for what that growth will look and feel like, and where it will go. This is an extremely broad task and so the Precinct Plan comprises many different types of issue-specific plans, each backed up by their own technical study. Nearly all of these technical studies are commissioned from private consultancies and expert firms.

This includes planning and design rules for specific land uses, heritage, conservation, drainage, soil networks, open space networks, waterways, vegetation, scenic and cultural areas, transport networks, cycleways, street networks, centre hierarchies, maximum building heights, maximum floor space, minimum lot sizes, types of buildings, types of open space, streetscapes and roofscapes.



It also includes planning and design guidelines for social and cultural infrastructure. This includes the types of infrastructure assessed under the PIC including education, health, emergency services, community facilities, aged care, cultural facilities, libraries, sports fields, outdoor recreation facilities, indoor sports facilities, swimming facilities, and parks. And finally, it includes a sustainability and resilient framework dealing with matters such as waste, energy, and local climate.

We have not reviewed the strengths and weakness of these plans but it is fair to say a huge amount of effort and resources have been poured into planning this future city. In this regard, there is significant attention and focus on attempting to create a great place.

All applications to develop land in the precinct are then subject to being consistent with these planning and design rules. It does this by setting requirements.

So, what does it say about housing for people on ordinary incomes?

The first thing to note is that the Precinct Plan describes key drivers for all development in the Aerotropolis. The ones that are most relevant to housing are 'Key driver 3: Great places' and 'Key driver 8: Market factors.'

The 'great places' driver refers to making the Aerotropolis an attractive place so that businesses and people move there. This is pitched in the plans as "Great places will attract and retain knowledge-intensive businesses and workers with the areas around Metro stations, strategic centres and local business hubs transformed to urban environments that cater for workers' needs and circumstances."

The 'market factors' driver refers to the diversity of jobs that will be created in a successful Aerotropolis. Success here is described as that "the Aerotropolis will attract a new jobs market that can increase and diversify employment, with retail and local service jobs opening up as more residents and workers come to the area and high-value jobs focused around the Metro stations."

There are three requirements for all precincts that relate to housing outlined in Table 1.



**Table 1.** Requirements for all development in all precincts in the Western Sydney Aerotropolis Precinct

| Requirements |  |
|--------------|--|
| <b>LU1</b>   | Provide the types of permissible uses in general consistency with the locations of the land uses included in each precinct as shown on the Combined Land Use Plan.   |
| <b>LU2</b>   | Prioritise mixed use employment and residential development within 800m of the Metro station; if residential is outside of 800m, co-locate with areas of high amenity e.g., local centre with frequent public transport or open space. |
| <b>LU6</b>   | Provide a minimum of 5% affordable housing in any mixed-use development.   |

There are two key takeaways here. One, the amount of area for housing—any type of housing—is a relatively small proportion of the initial Aerotropolis precincts. The Combined Land Use Plan which we have reproduced in Figure 3 shows that only the dark purple area will be used for housing. The second key takeaway is the requirement that 5% of the housing in any mixed-used development must be affordable housing.

There are also further individual requirements for individual precincts. In the case of the Aerotropolis, Table 2 indicates requirements that restrict the pace of development of housing to align with the number of jobs.

**Table 2.** Requirements for development in Aerotropolis Core sub-precinct

| Requirements |   |
|--------------|---|
| <b>LU2</b>   | Approve residential uses within the Residential Mixed Use in a staged manner linked to the achievement of the 2036 employment target for the entire Mixed-Use Zone, as identified in Table 4 below. |
| <b>LU3</b>   | Achieve employment targeted densities per precinct, unless supported with a written justification on the type and number of direct and indirect jobs, as outlined in Table 4.                       |

These references to Table 4 refer to a guideline for employment densities which we have reproduced below. This was originally prepared by Atlas Economics as one of the technical reports being the Market Analysis and Economic Feasibility report.

The key point of this reference to employment density is that the Western Sydney Planning Partnership is making a direct link between the number of homes that should be approved, relative to the number of jobs that are created. No jobs, no housing.

What is therefore missing from this analysis is the distribution of job types. A finer grain analysis would link creation of jobs paying ordinary incomes to requirements for affordable housing.



**Table 4.** Guideline for employment density

| Land use type                        | Jobs per hectare           |
|--------------------------------------|----------------------------|
| City Centre                          | 130 – 400 jobs/ hectare    |
| Urban Services                       | 25 – 35 jobs/ hectare      |
| Office Park                          | 130 – 250 jobs/ hectare    |
| Campus Style Business Park           | 75 – 130 jobs/ hectare     |
| General Industrial                   | 25 – 30 jobs/ hectare      |
| Large Logistics                      | 18 – 25 jobs/ hectare      |
| Education/ Community                 | 30 – 50 jobs/ hectare      |
| High Density Residential/ Mixed Use  | 100 – 150 persons/ hectare |
| Medium Density Residential Mixed Use | 35 – 85 persons/ hectare   |

