

Shelter NSW Submission: Draft Aerotropolis Precinct Plan

About Shelter NSW

Shelter NSW is a non-profit organisation that conducts research and advocacy to advance our vision of a sustainable housing that provides a secure home for all. Operating since 1975, we are a member-based organisation that represents a diverse network of interests which includes both other organisations and individuals. Focusing on the needs of households on ordinary incomes, we engage our members and experts to research, discuss, and advocate reforms to housing policy that are good for our economy, society, and environment.

About our submission

Our submission makes five observations and asks five questions about the *Draft Aerotropolis Precinct Plan*. In preparing it, we have reviewed the draft plan and one of the technical reports being the *Market Analysis and Economic Feasibility* prepared by Atlas Urban Economics. We have similarly revisited the Western Sydney Aerotropolis Plan and Development Control Plan Stage 1 previously exhibited in 2019.

It also follows our separate submission on the Greater Sydney Commission's Initial Place-based Infrastructure Compact (PIC) for the Western Parkland City of which the Aerotropolis is part. We note that the Precinct Plan was exhibited together with the PIC and the Aerotropolis Special Infrastructure Contribution (SIC) scheme. Penrith and Liverpool City Councils' joint fixed-rate infrastructure contribution levy for the Aerotropolis was also exhibited during this period.

Shelter NSW has worked hard to understand all of these documents and their relationship to each other. In doing so, we are in the process of preparing an explainer document aimed at a general audience who want to understand what these plans mean for housing people on ordinary incomes. To help inform this document and address our concerns, we would welcome answers to any of the questions raised in our submission.

To discuss our submission in any detail, please feel welcome to contact me by calling Shelter NSW on 02 9267 5733 or by emailing john@shelternsw.org.au.

Thank you,

John Engeler
CEO, Shelter NSW



Our observations and questions

1. If the Precinct Plan is successful in making the Aerotropolis a great place, will everyone who works there be able to afford to live there?

Our impression of the Precinct Plan is that it is a thoughtful, well-informed plan that will shape development in the Aerotropolis in a way that makes it a liveable and connected place. Indeed, the multiple 'frameworks' in the plan appear to do a comprehensive job in considering all the things that go into making a great place, including a strong focus on the local climate, medium-density housing, walkable neighbourhoods, and a vibrant local economy.

We are however concerned about the competition to live there that will result from such success. Eastern Sydney, for example, is one of the most liveable but least affordable places in the world for people on ordinary incomes being those in low- or moderately-paid work, casual and part-time employment, or living on statutory incomes. Replicating its success in Western Sydney is therefore likely to mean repeating its market failures without active planning for social housing, affordable rental housing, and specialist housing.

The Precinct Plan itself acknowledges that great places and market factors drive the creation of a diverse range of jobs—from those that are largely in the service sector, up to those in knowledge-intensive industries that the Precinct Plan is especially focused on attracting. It is the resulting market competition to secure good-quality housing close to these jobs that primarily concerns us.

In having to compete with those on higher-income, individuals and families on ordinary incomes adapt by either paying more than they can afford, compromising the quality or independence of their living situation, or by moving elsewhere and commuting. This is the negative externality of plans that increase liveability which needs to be managed accordingly through the provision of non-market or alternative-market housing options.

We recognise that the Precinct Plan merely sets the rules for development by determining the location, quality, and supply of housing—it then leaves it up to the private sector to build it. However, the planning system has powers which can ensure that growth is inclusive such as by requiring development to include a proportion of affordable rental housing. We therefore ask, does the Precinct Plan do everything it can to ensure that people who will end up working in the Aerotropolis will be able to afford to live there?



2. The Precinct Plan includes a requirement that 5% of mixed-use residential development be provided as affordable housing. Can this be enforced without a s7.32 contribution scheme in place?

The Precinct Plan includes a requirement that 5% of all mixed-use development with a residential component be dedicated as affordable housing. However, the legal instrument that allows planning authorities to levy contributions as a condition of development consent—an affordable housing contribution scheme—does not yet appear to have been prepared for the Aerotropolis. It is therefore unclear to us whether the Precinct Plan—or the Aerotropolis Development Control Plan (ADCP)—have sufficient legal status to enforce this requirement.

In making this observation, we note that the Precinct Plan includes only a relatively small proportion of land designated for housing of any kind. The Combined Land Use plan presented on page 127 identifies these areas for mixed-used residential development as small rings around the Aerotropolis Core and Northern Gateway sub-precincts.

As such, the requirement LU6 on page 126 to “provide a minimum of 5% affordable housing in any mixed-use development” would apply only to these areas. This target rate reflects the strategic outcomes set out in the higher-order Western Sydney Aerotropolis Plan (WSAP) which itself is derived with reference to targets in the Greater Sydney Region Plan (GSRP). The ADCP includes a similar provision.

However, both the implementation strategies of the WSAP and the actions of the GSRP state that it is up to local councils to give effect to these targets by creating affordable rental housing contribution schemes. Indeed, the *Environmental Planning and Assessment Act 1979* provides that an affordable housing contribution may only be levied as a condition of consent if they are “authorized to be imposed by a local environmental plan, and is in accordance with a scheme for dedications or contributions set out in or adopted by such a plan” (s7.32(3)).

Neither Penrith or Liverpool City Councils—the respective local governments for the Northern Gateway and Aerotropolis Core sub-precincts—appear to have prepared such a scheme. And while they have exhibited a joint fixed-rate s7.12 infrastructure contributions plan, that plan cannot be used for affordable housing. Similarly, the Aerotropolis Special Infrastructure Contribution scheme prepared by the NSW Department of Planning does not identify affordable rental housing as a class of infrastructure for which contributions may be required.

It is therefore unclear as to whether the Precinct Plan, or the ADCP, have sufficient legal status to enforce a requirement that 5% of mixed-use residential development be dedicated as affordable rental housing. Accordingly, we are concerned as to whether this complexity and ambiguity leaves such requirements open to legal challenge. Is this the case?



3. The Aerotropolis needs a diverse range of employment uses to be successful, including jobs that pay ordinary incomes. Why then doesn't the Precinct Plan require a proportional amount of affordable housing?

The Precinct Plan includes provisions for mixed-use zones that tie residential development to the achievement of target employment densities (s3.4.5, LU2, p. 134). Taking this principle further, the Precinct Plan could similarly tie the creation of certain job types to rates of affordable rental housing.

Indeed, the ADCP includes an objective (5.2.1(c)) that development establishes residential communities that are representative of all income groups. And yet, both it and the Precinct Plan set the rate of affordable housing requirements at 5% which does not appear to have a clear relationship to measures of diversity in local labour markets or residential communities.

In seeking to understand when and what kind of commercial and residential development will occur in the Aerotropolis, we have reviewed the *Market Analysis and Economic Feasibility* report prepared by Atlas Urban Economics which informs the Precinct Plan's provision. They categorize development types into 'early movers, followers, and incubators' which become feasible over 5-year increments between 0-15+ years of the airport opening in 2026.

We note that the Atlas report stresses the importance of service sector jobs—retail, hospitality, leisure, commercial/industrial services—in making the Aerotropolis a vibrant place that more knowledge-intensive businesses and skilled workers expect as a precondition before moving there. Similarly, they stress the importance of concentrating residential development so as to create population catchments that make these population-serving industries viable.

In doing so, Atlas seem to say that the Aerotropolis will only be successful as a whole if it creates and supports a diverse range of employment. As they explain, "businesses need access to all skill levels—from unskilled and skilled workers to executive positions. Opportunities for residential communities inside and outside the Aerotropolis will be important to establish a resident population critical mass to 'feed' business access to required skills" (p. 34).

It is this diversity of employment that we believe the Precinct Plan should support by providing for proportional levels of affordable rental housing. Without such requirements, we—following Atlas' analysis—would expect that over time the 'willingness to pay' of future residents to locate in the Aerotropolis will create negative competition between households on ordinary and high incomes.

It seems fair and reasonable to us that development should be required to reflect the diversity of the community, including those individuals and families on ordinary incomes whose work makes our cities function as great places. However, the target rate of 5% affordable housing appears not to be based on the expected diversity of the future job market. Why is that the case?



4. Atlas Urban Economics modelled the impact of infrastructure contributions on development feasibility but excluded affordable housing from its analysis, saying it will be tested separately later. Is it true that the Precinct Plan's requirement of 5% affordable housing will be subject to viability testing at the development application stage? And if so, won't developers simply not factor it into the price they pay for land?

In determining the timeline of commercial and residential development in the Aerotropolis, Atlas Urban Economics analysed the feasibility of developing various land uses over time. As part of this, they state that their study “also examines the viability of a Special Infrastructure Contribution (SIC) and affordable housing contributions” (p. 15).

Their report concludes that it is “unlikely there will be capacity for development to contribute to affordable housing” after factoring in other contributions such as the SIC and the s7.12 local levy (p. 17). Despite this, Atlas acknowledge that the Precinct Plan will include a minimum requirement of 5% affordable housing “subject to feasibility testing” (p. 17). As they explain, “this will enable proponents and the planning authority to test at the time applications are made whether market conditions have changed in a way that improves the viability of delivering affordable housing in conjunction with other development contributions” (p. 17).

However, the report goes on to give the impression that it did in fact not analyse the feasibility of affordable housing contributions at all. Specifically, they state later on page 34 that “the potential for an affordable housing contribution scheme in the Aerotropolis is to be examined in greater detail under a separate cover”. It is unclear what this ‘separate cover’ refers to as there is no other section in the report, or separate report, that provides such analysis.

Their feasibility analysis is however detailed in Schedule 2 of their report in which Atlas set out their assumptions including expected revenue and costs of residential development. Their calculation uses an industry-standard residual land valuation to estimate the price developers will pay for land while still maintaining a profit by calculating expected sale revenue less costs.

Critically, they include the SIC and s7.12 levy as known contribution costs but exclude the 5% affordable housing requirement. This means that it is not factored into the price developers are expected to pay for land as their revenue and cost assumptions will be based on full-market rate housing and no affordable housing contribution. Were it a known cost, developers would otherwise pay less for the land—thus passing on the cost to the current landowner.

It seems then that the Precinct Plan is not informed by analysis that makes clear how much affordable housing is truly feasible. Indeed, in indicating that its viability will be tested at a later stage, a negative result will likely be a self-fulfilling prophecy as developers will not factor it into how much they pay landowners for development sites. What then is the true potential of affordable housing contributions? And why is this analysis being deferred?



5. Urban land values have doubled since 2016 because of planning decisions and infrastructure investments. Is the Planning Partnership missing the opportunity to leverage this uplift for affordable housing?

Here we refer again to the *Market Analysis and Economic Feasibility* report prepared for the Planning Partnership by Atlas Urban Economics. Specifically, Atlas found that urban land values in the Aerotropolis have doubled since 2016 “as planning certainty began to firm and the rezoning of the Aerotropolis was imminent” (p. 67).

Atlas rightly note that urban land values will further adjust upon the exhibition of the Precinct Plan and accompanying contribution plans: “Following the public exhibition of draft precinct plans, development controls plans and contribution plans (expected in late 2020) which will detail the nature of planning permissibility and infrastructure contribution requirements, the sales prices of land are expected to adjust and respond accordingly” (p. 67).

This prediction gives weight to our concern that the opportunity to require higher, more certain rates of affordable housing is being lost. As we have observed, the 5% requirement in the Precinct Plan does not appear to be accompanied by a contribution scheme. Moreover, the possibility that the requirement will be subject to viability testing at the development application stage indicates that such contributions will not be factored into land values.

More importantly, it is impossible for Shelter NSW—or indeed anyone with a concern about affordable rental housing—to understand the true extent of value uplift that could be shared in the public interest. We do not know how much the exhibited plans will affect land values, nor do we have access to the modelling and testing that claim affordable housing is unfeasible.

What is clear is that the planning decisions and infrastructure investments being made now are causing land values in the Aerotropolis to rise, in fact double in the space of five years. It is hard to reconcile this evidence with the claim that more cannot be done to secure a greater portion of this uplift for the future community.

We have seen through the Greater Sydney Commission’s *Place-based Infrastructure Compact* (PIC) that there are otherwise no proactive plans to provide social and affordable housing in the Western Parkland City. The PIC is otherwise exemplary in forecasting growth, determining infrastructure needs and costs, and evaluating its economic benefits. But the GSC exclude social and affordable housing from this process, providing for it only where it is viable to renew existing social housing estates and apply a 5% affordable housing contribution.

The Precinct Plan follows this same path in planning for affordable rental housing not on the basis of need but on the basis of feasibility. In the absence of proactive land acquisition and development programs, why isn’t the Precinct Plan more open and transparent about the true viability of contribution rates? And how can the Planning Partnership plan a new city and say that only 5% of people on ordinary incomes will be able to afford to live there?

