

# Shelter NSW's submission on 'A New Approach to Strategic Planning' Discussion Paper and draft Sydney Plan

*A new approach is needed*

February 2026



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## About Shelter NSW

Shelter NSW has been operating since 1975 as the state’s peak housing policy and advocacy body. Our vision is to create a sustainable housing system that provides secure homes for all. We are especially concerned for low-income households who struggle to afford good-quality and well-located housing. We provide systemic advocacy and advice on policy and legislation for the whole NSW housing system to resolve housing inequality.

## Our Priorities

<b>Affordable and diverse homes</b>	<b>Accessible and well-located housing</b>	<b>Appropriate and high-quality development</b>
Housing supply and demand	Proximity to jobs and services	Amenity and aesthetics
Tenure forms and rights	Access to public transport	Energy and environment
Housing types and sizes	Accessibility and adaptability	Standards and maintenance

## Our Objectives

<b>Productive cities and regions</b>	<b>Poverty-free communities</b>	<b>Protected neighbourhoods</b>
Access to jobs and services	Housing stress and homelessness	Energy use and consumption
Housing costs and consumption	Physical and mental health	Urban heat
Financial and economic stability	Education access and attainment	Climate resilience and adaptation

## Introduction

Thank you for the opportunity to comment on the draft Sydney Plan and the ‘A new approach to strategic planning – Discussion Paper’ (‘A new approach’) prepared by the Department of Planning, Housing and Infrastructure (DPHI) (‘The Department’).

Our submission focuses on housing and related planning matters, particularly where it affects people living on very-low, low and moderate incomes – the bottom three quintiles of income distribution – or people who are otherwise disadvantaged or marginalised.

## Proposed principles for ‘A new approach’

Shelter NSW provides detailed commentary regarding the statewide priorities outlined in ‘A new approach’ in section 3. While we consider the statewide priorities to be broadly appropriate – with some needed changes regarding definitions of housing affordability and diversity – goals and priorities are best defined when they are underpinned by principles.

‘A new approach’ does implicitly mention some principles, such as ‘consistency’, and a plan that is ‘outcome driven’ and ‘adaptable’. But in our view, there is some confusion around the principles and goals of the plan, which are somewhat conflated in the proposed seven statewide priorities.

This submission will assess ‘A new approach’ and the draft Sydney plan based on the following principles - developed by Shelter NSW - to underpin good strategic planning:

- Community-driven: Strategic planning is designed with current and future community members and organisations and responds to community needs.
- Adaptable and responsive.
- Monitored and controlled: Priorities and desired outcomes include mechanisms from the outset to ensure they are delivered.
- Consistent and long term focused.

We note that the ‘new approach’ to strategic planning in NSW has failed to meet community expectations. Indeed, the planning reforms passed through the Environmental Planning and Assessment Amendment (Planning System Reforms) Act 2025 (Amendment Act) had limited community involvement.

Changes to planning legislation should follow the development of a new approach to strategic planning, and not the other way around.

Second – and this submission will develop this point further – there has been a lack of clear mechanisms in NSW housing policy initiatives to ensure that desired outcomes and priorities are effectively delivered.

Objectives in 'A new approach' and the draft Sydney plan include supporting 'diverse housing' and 'housing affordability' but the documents fail to sufficiently address ways to deliver diversity and affordability, especially for people living on lower incomes. Shelter NSW urges the Department to include clear measures and quantitative and qualitative objectives to ensure that these objectives are delivered, based on measures such as housing stress, levels of social and affordable housing as a proportion of total stock, or proportions of new stock affordable to rent or purchase for the lowest three quintiles of incomes.

Private market housing delivery has consistently and repeatedly failed at increasing housing affordability for people living on lower incomes, but the exhibited documents seem to continue to rely on private market supply to deliver diversity and affordability almost entirely.

Whereas, it is well established that the delivery of social and affordable housing by government and/or in partnership with the community housing sector is the most cost efficient and impactful way to increase affordability and diversity.<sup>1</sup> Thus, we encourage the NSW Government to continue to invest in proven methods to address affordability. This should include an improved pathway for private development to deliver affordable housing in perpetuity through the planning system.

## 1. The need for a long term, integrated spatial strategy

Shelter NSW welcomes the renewed impetus from NSW Government on strategic planning and the supply of well located, affordable housing. From our perspective, however, both the 'New Approach' and the draft Sydney Plan lack a truly integrated spatial strategy that aims to guide housing delivery, infrastructure investment, and ensures benefits are broadly shared across diverse communities and households with different needs and levels of income.

The discussion paper identifies several reasons as to why the system needs reform:

- Limited coordination across different levels of government,

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<sup>1</sup> Lawson J, Pawson H, Troy L, van den Nouwelant R and Hamilton C, *Social Housing as Infrastructure: An Investment Pathway* (Final Report No 306, Australian Housing and Urban Research Institute Limited, 15 November 2018) 3–6, 55–60 <https://www.ahuri.edu.au/research/final-reports/306>

- Overlapping strategies that cover similar content (for example, housing and employment),
- Disconnect between strategic land use planning and infrastructure delivery,
- Contradictory policy settings,
- Fragmented responsibilities, split across different levels of government,
- Inconsistent data and a lack of transparency make it hard for each level of government to deliver much-needed affordable housing products.

This is all true, which is why reform needs a steady and consistent approach, particularly when it comes to supporting the delivery of affordable rental housing.

Shelter NSW strongly agrees with the need for a new approach. As identified by DPHI, the current planning framework is overly complex and delivering suboptimal outcomes when it comes to affordable housing for people living on lower incomes. Housing targets should be broader and include targets for non-market/sub-market affordable housing linked with access to transport, jobs, services, and community facilities.

### 1.1 The need for adequate consultation with local government

Shelter NSW supports the NSW Government to take leadership in delivering well-located, affordable, adequate housing and in harmonising and guiding strategic planning and development. We note, however, that the duplication of Local Strategic Planning Statements (LSPS) and Local Housing Strategies (LHS) is largely due to the last set of planning reforms, and that from our perspective, a long term and consistent approach – particularly for affordable housing contributions – is currently absent from the draft plans.

It is also important to note that local councils are sometimes insufficiently resourced to prepare well-researched, appropriate, ambitious housing strategies including Affordable Housing Contribution Schemes (AHCS). Only councils with a solid financial base can afford to undertake the necessary research to deliver an approved AHCS. The easiest pathway for the delivery of AHCS is for the state government to implement a 2% affordable housing levy on the rezoning of all residential land and on any additional height and FSR benefits granted above the existing control. Alternatively, the NSW Government should actively support local councils to prepare integrated place-based plans through both capacity building and financial resourcing.

We are also concerned about the lack of clear avenues for councils to contribute to the development of the plans – including the ‘rest of NSW’ regional plan – when they are the ones in charge of delivering the most meaningful actions. While there is a need for leadership, the current approach seems to be heavily ‘top-down’, with limited opportunities for local government (including practising planners) to contribute iteratively to the strategic planning process.

## 2. Recognise the diversity and richness of regional, rural, and remote NSW

While a State Land Use Plan presents an opportunity to articulate state and national priorities for growth and infrastructure, the proposed grouping of 83 LGAs into a single ‘rest of state’ plan is not conducive to delivering effective local outcomes. Such an approach inadequately reflects the distinct planning priorities and socio-economic and cultural contexts that exist across NSW, from Byron to Broken Hill.

Feedback from our regional stakeholders indicated that while a State Land Use Plan is a useful way to coordinate state priorities for infrastructure, housing delivery, and employment creation, it does not reflect the diversity and richness of regional, rural and remote NSW. The unique nature and form of regional cities and towns across the ‘Rest of NSW’ should be better recognised through a comprehensive regional planning framework.

We recognise that having three different plans for the connected but separate metropolitan areas of Sydney, Newcastle and Wollongong is appropriate. However, the proposed regional plan lacks the capacity and strategic planning vision to deliver well-coordinated and tangible land use outcomes.

As recognised in ‘A new approach’, regional, rural and remote NSW is rich and diverse, with different socio-economic, environmental, and governance challenges, from the tourism-based communities of the Snowy Mountains to the mining-reliant economies of Central and Far West NSW. A single strategic plan for over 80 local government areas (LGAs) - spanning a 600km radius – is not appropriate. It is difficult to envision how strategic planning work can deliver good outcomes in regional NSW without dividing the state into at least large sub-regions with common characteristics, challenges, and opportunities.

Shelter NSW recommends that NSW Government leads and coordinates the development of separate regional plans, which could be based around the boundaries of rural, regional and remote Department of Communities and Justice (DCJ) districts. We also contend that proximity of the ACT to some regional centres (e.g. Goulburn, Yass, Queanbeyan) warrants a separate, specific strategic planning document.

***Recommendation 1 – Develop separate regional plans to better recognise the diversity of rural, regional and remote NSW***

### 3. Proposed statewide priorities

Shelter NSW's comments focus on housing and related planning issues, as per our remit as a specialist housing policy peak body. Our submission is informed by the experience and expertise of our members, including community housing providers, specialist homelessness services, community services, academics, developers and planning practitioners from local and state government.

#### 3.1 Aboriginal Outcomes

Self-determination is a right that indigenous peoples have under the United Nations Declaration on the Rights of Indigenous People (DRIP).<sup>2</sup> It is based on three elements: choice, participation, and control. While self-determination might include social, cultural, economic and environmental aspects, the current formulation of this strategic planning statewide priority seems limited. From our understanding, while the strategic planning process might have included participation from First Nations People, there seems to be limited choice and control of First Nations Peoples over the process, objectives and intended outcomes of the strategic plan.

The discussion papers include a stated priority of 'Embedding co-design to recognise Country in planning outcomes.' How this statement can deliver positive outcomes for First

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<sup>2</sup> <https://humanrights.gov.au/know-your-rights/rights-of-individuals/aboriginal-and-torres-strait-islander-peoples-rights/articles-aboriginal-and-torres-strait-islander-peoples/self-determination>

Nations People in NSW on its own is not evident. To ensure the overarching aim is met will require further work and clarification linked with clear and actionable outcomes.

Similarly, the draft Sydney Plan is scant on detailed outcomes for Aboriginal people. It is limited to a commitment to 'Enabling Country in planning' and a mention that 'The NSW Government's State-led rezoning program, informed by engagement with Aboriginal communities, stimulates increased understanding of Country to deliver on Aboriginal land use planning.'

To create a strategic planning framework that delivers positive outcomes for First Nations peoples and communities, it is imperative that DPHI conduct further work on this priority and provides clear, actionable objectives and processes as to how it will deliver better outcomes for First Nations peoples through land use planning.

Current objectives of 'Enabling Country in planning' and 'stimulat(ing) increased understanding of Country' are extremely vague and must be revised for greater clarity.

***Recommendation 2 - Revise the 'Aboriginal Outcomes' priority in collaboration with First Nations peoples including Aboriginal community-controlled organisations***

*Shelter NSW recommends that DPHI starts over with the development of a statewide priority regarding how the new strategic planning framework will deliver better outcomes for First Nations peoples.*

### 3.2 Housed

The second statewide priority of 'A new approach' is 'Housed': Delivering affordable, diverse housing in accessible locations. Success means more homes are built faster, close to jobs and transport.

As the statewide peak body for housing policy, Shelter NSW commends the NSW Government for making delivery of diverse and affordable housing a top priority of the new strategic planning framework for NSW. We strongly support this objective. However,

Shelter has two main concerns that should be addressed. First, the definition of success. Second, the over reliance of the strategic planning framework on the private market – which has consistently failed to deliver improvement to housing affordability.

### Defining success

Shelter NSW is particularly concerned about the definition of success for 'Housed' proposed by the Department; 'Success means more homes are built faster, close to jobs and transport.'

There are issues with defining success in this way.

First, more homes being built faster does not mean that those houses will be occupied by those who need them the most, or that they will be occupied at all. Evidence for filtering/'vacancy chains' is limited,<sup>3</sup> and as previously mentioned, private market supply has done virtually nothing to improve housing outcomes for lower income households in the past.<sup>4</sup>

Second, while the goal of building more homes faster is laudable, this should not be done at the expense of building quality, strategic land use planning, and [community consultation](#). Shelter NSW has previously outlined concerns with a 'supply-at-all-cost-and-hope-for-the-best' approach, which seems to continue to be adopted by DPHI.

Specifically, we strongly reject the statement/objective of 'more housing supply to bring down cost and wait times'<sup>5</sup> and that 'increasing housing diversity and choice across the region will improve affordability'. The increase of supply will not significantly improve affordability, particularly for lower income households who do not have the means to save for a deposit or service a mortgage. Demand for housing is largely elastic and investor-friendly tax settings as well as population growth continue to place upward pressure on prices. Demand, coupled with the staged supply of dwellings by landowners/property developers to prevent oversupply and price depreciation, works to prevent any meaningful

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<sup>3</sup> Nygaard, Christian, van, Ryan, Glackin, Stephen, Martin, Chris, & Sisson, Alistair (2022). *Filtering as a source of low-income housing in Australia: conceptualisation and testing*. Australian Housing and Urban Research Institute.

<sup>4</sup> Reynolds, Margaret, Parkinson, Sharon, De, Jacqueline, & Hulse, Kath (2024). *Affordable private rental supply and demand: short-term disruption (2016–2021) and longer-term structural change (1996–2021)*. Australian Housing and Urban Research Institute.

<sup>5</sup> NSW Department of Planning, Housing and Infrastructure, *The Sydney Plan: Draft for Public Exhibition* (Sydney: NSW Government, 2025), 22.

improvements in affordability due to new supply. There is no credible evidence to suggest that increased supply reduces rent and/or purchase prices.

From our perspective, in the face of the available evidence from the last 25 years, the focus of the department on increased private market supply to deliver improved housing affordability is wishful thinking at best.

We would support a different definition of success focused on housing outcomes for people living on lower incomes, recognising the fact that if the system works for people facing disadvantage, it will work for most people.

***Recommendation 3 – Adopt a definition of success based on housing outcomes for people on ordinary incomes, not on construction and stock numbers***

*Shelter NSW recommends a different definition of success for the 'Housed' statewide priority, based on (a) measures of rental affordability such as the Rental Affordability Index (i.e. comparing median incomes and median rents) and actual housing stress experienced by the lowest three quintiles of income (b) the stock of non-market housing available and (c) downward changes – in real terms – of purchase and rental prices.*

**Ensuring that affordability is more than a wish for the private market to deliver**

The two documents on exhibition seem to make the same critical error of assuming that housing affordability is a supply issue. As Shelter NSW – and many others – have previously argued in detail, general private market supply does very little to improve affordability for people living on lower incomes. Housing affordability should be understood as a ***distributional issue***, not a supply issue. It therefore requires to be addressed through ***targeted supply***.

There needs to be clear measures to guarantee that strategic planning will deliver affordable housing; that is housing costing less than 30% of occupants' income. For people living on lower incomes, this needs to be non-market housing, i.e. social housing or 'affordable' rental housing (noting the need to amend the Ministerial affordable housing guidelines to require that rents be capped at 30% of occupants' income).

As Shelter NSW has pointed out previously in a position statement, **'Housing supply, but for whom and at what cost?'**, decades of record private market supply have done virtually nothing to improve housing outcomes for people living on lower incomes.

NSW Government must provide strong leadership and guidance through the strategic planning framework by (a) setting an overall target for social housing and rental affordable housing as a proportion of total stock and (b) mandating that local strategic planning statements stipulate a local target based on local needs and constraints.

While we welcome the commitment of NSW Government to ‘secure the supply of affordable housing’<sup>6</sup>, Shelter NSW is deeply concerned to see that the words ‘social housing’ do not appear in ‘A new approach’ and only appear on 2 pages/5 instances in the draft Sydney Plan. Social housing is the clearest, most tightly controlled, and guaranteed way to provide rental affordable housing to lower income households while growing government’s assets and revenue. It should be a central part of any response to housing affordability challenges.

***Recommendation 4 – Set a target for social housing and a target for rental affordable housing as part of the new strategic planning framework***

*Shelter NSW recommends a target of 10% of total housing stock to be social housing. This statewide target should be supported by local targets adapted to local context and need.*

We note that contrary to the assertion of the ‘Waterloo case study’ (p.49 of the draft Sydney Plan), the proportion of affordable and social housing across the South Waterloo precinct has not ‘increased to 50%’ given that it was close to 100% of the properties in this area previously. Given the uplift unlocked by the rezoning, absolute numbers may have increased **by 50%** - we do not have enough information available to calculate this ourselves. While this is arguably a (limited) success, this factual error should be corrected in the next iteration of the plan.

***Recommendation 5 – Mandate local social housing and affordable housing targets for every local government area in NSW***

***Deliver more social and affordable housing on unused and underutilised government land***

We strongly support action 3.3 of the draft Sydney Plan mandating that every council in Greater Sydney prepare and implement an Affordable Housing Contribution Scheme (AHCS) by 2027. We note that due to delay in implementing inclusionary zoning measures,

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<sup>6</sup> The draft Sydney Plan, Response 3, 5.

NSW has already missed out on capturing significant proportions of private market development for the purposes of rental affordable housing.

There cannot be any further delays to this critical measure. While AHCS must necessarily be tailored to local land values and market conditions – we suggest that DPHI examine Shelter NSW research into the operation of the infill affordable housing bonus policy and its recommendation to require a cash contribution and/or further affordable housing contributions in the policy – NSW Government should require a minimum level of affordable housing contributions.

***Recommendation 6 – Mandate a minimum level of affordable housing contribution for AHCS***

*Shelter NSW recommends a minimum of 5% of total floor space when rezoning or upzoning occurs.*

In order to fast track approval and delivery of social and affordable housing, it is important to recognise that some of the delays experienced by councils in preparing and implementing AHCS come from state level approval processes.

Local AHCS require councils to prove they have a shortage of affordable housing. They also need to undertake an ‘Economic Viability Analysis’. It involves a rigorous in-depth consultation with the Department on contribution rates. The Department conducts its own independent peer review of the ‘Economic Viability Analysis’.

Once the Department is satisfied, council submits a planning proposal to DPHI for "Gateway Determination" to be issued. The draft scheme is then publicly exhibited. The final AHCS is submitted to the Minister for Planning for approval, and amendments to the council’s Local Environmental Plan (LEP) are implemented.

It should be acknowledged that approval can be a long and arduous process for councils. The following example outlines how long Ryde Council has worked towards getting approval for its AHCS<sup>7</sup>.

<b>History Re Ryde Council's Affordable Housing Contribution Scheme</b>	
2016	Ryde City Council Affordable Housing Policy 2016 – 2031.
2017	Council undertook research and sought approval for an affordable housing contribution scheme.
2018	Council resolved to support a planning proposal for affordable housing and requested inclusion into SEPP 70

2020	The Department required Council to clarify specific aspects of its proposed affordable housing contribution scheme.
2020	The Department formally recommended that the proposal not proceed due to inconsistencies.
2021–2022	During 2021–2022 Council submitted revised AHCS proposals, including the West Ryde Town Centre Master Plan.
2024	Council sought approval for an AHCS linked with the Macquarie Park Transport Oriented Development Precinct. This component came into effect on November 27, 2024.
2025-2026	Council continues to negotiate with the Department on its broader 'Draft Key Workers Affordable Housing Policy' and AHCS.
Sources: West Ryde Town Centre Masterplan Draft Options 2021. Ryde City Council Affordable Housing Policy 2016 – 2031. Draft Key Workers Affordable Housing Policy 2025. Council minutes and website.	

What the above table highlights is that despite councils having a strong commitment to implement an AHCS, state level processes can create delays. In light of this, any proposed strategic reforms need to do more than just require councils to undertake affordable housing strategies and instead should provide better guidance and support for local government authorities to establish AHCS with a clear and transparent fast-track system for approval and sign off.

***Recommendation 7 - That the NSW State Government implement a 2% affordable housing levy on all rezoning of residential land and on any additional height and FSR benefits granted above the existing control.***

***Recommendation 8 - That the NSW Government be required to fast-track the preparation and adoption of the Affordable Housing Contribution Scheme undertaken by local government authorities.***

***Recommendation 9 - The NSW Government, in collaboration with local councils, to develop a fast-tracked planning approval process for developments that incorporate an appropriate amount of affordable housing.***

**Create an affordable housing contribution for state significant developments**

Today, the NSW planning system operates under several distinct development approval pathways, ranging from minor "exempt" works through to major state significant projects. Access to each pathway is determined by the scale, cost, and impact of the proposed development (see table below).

Most large-scale developments are approved by the state government, and these developments deliver significant financial benefits to the applicant through rezoning and/or additional height and scale. By August 2025, over 215 state-significant proposals had been approved, delivering more than 79,094 potential homes. SSD also provides the best opportunity to capture a proportion of the land-use planning value in the form of long-term affordable housing.

<b>Planning Approval Pathways</b>	
State Significant Development (SSD)	Managed and determined by the Department of Planning, Housing and Infrastructure or the Independent Planning Commission.
Housing Delivery Authority (HDA)	Accelerate residential development projects that bypass traditional local assessment and meet specific criteria.
Regionally Significant	Larger-scale development projects that are usually valued at over \$30 million (or \$5 million in specific cases).
Local Development	A common pathway for Development Assessment is local government authorities.
Complying Development	A fast-track process for residential, commercial, and industrial projects that meet predetermined standards.

Currently, only 3 provisions in the Housing SEPP (2021) support a contribution towards affordable housing linked with planning uplift:

1. In-fill Affordable Housing with a capital investment value over \$75 million in Sydney (or \$30 million regionally) if they include at least 10% affordable housing on a 15-year tenure basis.
2. Transport Oriented Development (TOD) for new developments to include an affordable housing component in perpetuity, typically starting at 2% initially, with plans to increase over time.
3. Local affordable housing contribution schemes that identify the need for affordable housing but still require State Government approval<sup>2</sup>.

Although locally based affordable housing schemes provide one pathway, they can be cost-prohibitive for some councils (in terms of evidence-based research), and implementation has historically taken a long time to secure state approval.

Shelter NSW argues that the financial value provided to developers through the HDA and the SSD approval pathways should also deliver much-needed affordable housing and require a mandatory affordable housing contribution. This would ensure a steady stream of properties are provided into the future for low to moderate-income earners.

***Recommendation 10 – NSW Government to require a 5% minimum affordable housing contribution to be mandated on all major developments approved via the HDA and SSD pathways.***

#### Ensuring genuine affordability of affordable rental housing products

To ensure that the affordable housing delivered is genuinely affordable to people living on lower incomes, the Ministerial guidelines for affordable housing should be amended to mandate that (a) rent for rental affordable housing is capped at a maximum of 30% of occupants' income and (b) rental affordable housing is to be rented to a mix of very low, low and moderate income households (with minimum percentages for allocation to each income group across portfolios and/or local government areas).

***Recommendation 11 – Amend the Ministerial Affordable Housing guidelines to ensure rental affordable housing is genuinely affordable to lower income households***

#### Flexible arrangements for contributions

Action 3.2 of the draft Sydney Plan states that NSW Government will 'maximise the affordable housing outcomes delivered under Transport Oriented Development and infill affordable housing programs by creating more flexible arrangements for contributions'.

Shelter NSW supports most measures designed to maximise the provision of affordable housing. For example, we would support the implementation of regional AHCS allowing for contributions to be pooled across LGA boundaries in order to deliver more affordable housing, sooner, in the local area regardless of formal LGA bounds.

It is essential, however, that more flexible arrangements for affordable housing contributions do not result in landowners and property developers being able to subtract themselves of their obligations or otherwise result in less affordable housing being delivered. Flexibility should be designed to increase affordable housing provision in all circumstances.

#### Secondary housing diversity measures

As noted in this submission, Shelter NSW has concerns around the level of control state and local governments have to ensure that more housing diversity will deliver more housing affordability. Housing diversity, however, has benefits of its own – and potential

affordability benefits for households on moderate incomes – and we do support more diverse and well-located housing.

Shelter NSW supports action 4.3 of the draft Sydney Plan for local councils to review E1 and E2 zoning to increase floor space for provision of goods and services in local centres. We are also strongly supportive of councils considering the increased permissibility of shop top housing in local centres in order to increase housing diversity and the supply of diverse housing located close to services and employment.

Social and affordable housing is a form of socio-economic and care infrastructure. It should be recognised as such by the strategic planning documents and the planning system. Shelter NSW recommends that NSW Government and councils review SP2 zoned land to investigate provision of social and affordable housing on suitable sites.

***Recommendation 12 - NSW Government consider amending the permitted uses on appropriate well-located SP2 zoned land to include opportunities for affordable housing developments.***

#### Ensuring viability and longevity of private rental stock

As noted, the current drafts of 'A new approach' and the Sydney Plan predicate their housing successes on dwelling approvals and completions, with no clear consideration of more meaningful affordability indicators for lower income households. Consequently, these documents ignore how residential land is utilised after occupation certificates are issued.

In recent years, the rise to prominence of short-term rental platforms (e.g. Stayz, Airbnb) has seen entire private dwellings otherwise utilised as long-term accommodation leave the market to be listed as non-hosted short-term rental accommodation (STRA). This mainly impacts highly touristic areas, where demand for tourist accommodation is at such a level that it allows for greater returns than residential tenancies.

Modelling from Atlas Economics for the City of Sydney,<sup>7</sup> shows that current - and hypothetical - regulations allow STRA to provide greater returns than long-term residential tenancies, particularly in more sought-after areas. For example, in Surry Hills it is estimated that a 2-bedroom dwelling could match the annual rental returns of a long-term residential

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<sup>7</sup> Mecone and Atlas Economics, Short-Term Rental Accommodation Review (Sydney: Mecone, 2024), prepared for the City of Sydney, 52.

tenancy after being leased for 110 nights as a short-term rental.<sup>8</sup> Current short-term rental regulations in Greater Sydney limit non-hosted STRA to be let for 180 nights a year.

The impact of this transfer of rental stock from long-term to short-term rental markets is amplified by the low rental vacancies across the state. Recent data estimates the rental vacancy rate in Sydney to be at 1.5%, with rental supply less readily available across regional NSW where the combined estimated vacancy rate is 0.9%.<sup>9</sup> Consequently, the lack of available rental stock, both in urban and regional areas of NSW, is placing upward pressure on rents and actively hindering efforts to improve affordability.

While NSW Government has identified a need for greater supply, stated in these strategic planning reforms, the severity of the current undersupply of rental stock and its impact on prices should encourage the government to implement policies to improve the utilisation of existing housing stock. Specifically, NSW Government should implement further regulation of the non-hosted short-term rental market to ensure that the new stock facilitated by recent and proposed planning reforms aids affordability and meets the needs of long-term residents and the communities in which they live.

Shelter NSW notes that the impact of STRA differs greatly depending on rental markets/LGAs. We therefore encourage NSW Government to work closely with local governments to develop regulations that best suit local circumstances, informed by the government and Independent Planning Commission's reviews into existing regulation.<sup>10</sup>

***Recommendation 13 – NSW Government work with local government to implement STRA density and 60-120-day letting caps.***

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<sup>8</sup> Ibid.

<sup>9</sup>SQM Research, "Vacancy Rates – Sydney," accessed February 16, 2026, <https://sqmresearch.com.au/property/vacancy-rates?region=nsw-Sydney&type=c>; Sarah Webb, "NSW Regional Towns Where Rents Rose Most Over the Past Year," Sydney Morning Herald, January 13, 2026, <https://www.smh.com.au/property/news/nsw-regional-towns-where-rents-rose-most-over-the-past-year-20260113-p5nts1.html>.

<sup>10</sup> Independent Planning Commission NSW, *Byron Shire Short Term Rental Accommodation Planning Proposal: Advice Report* (27 April 2023), <https://www.ipcn.nsw.gov.au/cases/2022/12/byron-shire-short-term-rental-pp>; New South Wales Department of Planning, Housing and Infrastructure, *Discussion Paper on Short- and Long-Term Rental Accommodation* (February 2024), <https://www.planningportal.nsw.gov.au/draftplans/under-consideration/discussion-paper-short-and-long-term-rental-accommodation>

***Recommendation 14 – NSW Government introduce a non-hosted short-term rental accommodation levy with funds raised directed to compliance with and enforcement of regulation and social housing delivery and management.***

### 3.3 Resilient and Liveable

Shelter NSW agrees with NSW Government that ensuring that NSW is resilient – especially to a changing climate and increasingly frequent extreme weather events – and liveable is of utmost importance.

At this stage, however, the actions proposed in ‘A new approach’ and the draft Sydney Plan are lacklustre. Risk management guidance and principles on building back better are important, but not a commensurate response to the severity of the climate emergency and the need to respond with, at scale, state of the art climate mitigation and adaptation. For example, the draft Sydney Plan rightly identifies the need for a sustainable built environment that is adapted to a hotter and more extreme climate, as well as the high levels of heat vulnerability in many parts of Greater Sydney.<sup>11</sup>

However, none of the responses, including response 9 and 12, seem to be appropriate. Collecting urban canopy data and encouraging greening targets for local councils will not address urban heat vulnerability, nor will it do anything concrete to create residential buildings that contribute to both climate mitigation and adaptation. A much stronger response is required from all levels of government, including planning for buildings, neighbourhoods and communities that are ‘net zero ready’.

There are specialist organisations and policy experts regarding climate mitigation and adaptation who are better placed to provide policy analysis and advice on this topic.

Shelter NSW supports a range of measures to increase resilience and liveability through improved design of housing and neighbourhoods, such as minimum energy efficiency standards for rental properties, the scaling and expansion of the Social Housing Energy Performance Initiative (SHEPI) to urgently improve the energy performance of social housing stock and occupant health and wellbeing, changes to building codes and regulation to incentivise take up of climate friendly material, and stronger heating and cooling

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<sup>11</sup> The draft Sydney Plan, 36.

standards. Providing guidance and leadership to assist councils and households to exit the gas network is also a health, climate resilience, liveability and cost of living measure.

We note that in the context of an ageing population and limited suitable stock, it is urgent for NSW Government to ensure that new housing stock is adapted/adaptable to people with mobility challenges or disability, and that there are incentives to upgrade existing, older homes.

***Recommendation 15 – Scale and expand SHEPI***

*More detail on this recommendation was provided in [Shelter NSW 2026-27 NSW pre-budget submission](#) - see key investment 2.*

***Recommendation 16 – Implement minimum energy efficiency standards for rental properties***

*The [Community Sector Blueprint: A National Framework for Minimum Energy Efficiency Rental Requirements](#) provides further details on the principles underpinning successful implementation of such standards.*

***Recommendation 17 – Mandate the silver level of the Liveable Housing Design Standards for new buildings in state level legislation***

*Mandate silver level of the LHDS for new builds as per the National Construction Code (NCC) 2022 update.*

**Need for public open space**

As identified in both documents, public open space is a critical aspect of healthy, connected, resilient and liveable communities. While Shelter NSW agrees that providing open space as part of new development represents an opportunity, it is essential to ensure that new open space is public and accessible to all.

As living in residential flat buildings becomes popular, including for families with children, we too often see reports from members and stakeholders that strata-managed open space can have many restrictions in place making it unsuitable for use by families, for example for child play. Or that new open space created as development occurs is privatised and only accessible by a few – who are often wealthier. It is essential to plan for public open space accessible to all.

### 3.4 Coordinated: Rebalancing growth must not entrench inequality

The Plan states growth will concentrate in the east while the west develops as infrastructure arrives (pp. 15–16).

Shelter NSW cautions that Western Sydney already carries a high proportion of new development and disproportionately higher levels of rental stress compared to Central/Eastern Sydney. Delayed infrastructure sequencing risks reinforcing spatial disadvantage. As recognised by the NSW Government’s commitment to AHCS being implemented in every LGA, affordable housing must be an integral part of development across Sydney, including in the east. But because of lower levels of development overall, and high land values, creating affordable housing in Eastern Sydney can be a challenge.

As recommended in our [‘Density Deals’](#) research, we would be supportive of a higher/longer affordable housing contribution in the affordable housing bonus in-fill policy and/or the implementation of an additional cash contribution in higher land values areas, such as Eastern Sydney.

It is also essential that the limited remaining opportunities for greenfield growth include social housing at scale from the outset.

#### ***Recommendation 18 – Increase the affordable housing contribution in the in-fill affordable housing policy under the Housing SEPP***

*Increase the contribution in higher land value areas, either through (a) a deeper subsidy – more than 10-15% (b) a longer subsidy – more than 15 years (c) an additional cash contribution or a combination of all the above.*

#### ***Recommendation 19 – Target at least 10-15% social housing in greenfield growth areas***