

Council Reference: 1625E (D17/330729)

Housing Policy Unit Manager
Social Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

By Email: HousingConsultation@treasury.gov.au

Dear Sir/Madam,

Shoalhaven City Council Submission – National Housing Finance and Investment Corporation Consultation Paper

Thank you for the opportunity to provide feedback on the National Housing Finance and Investment Corporation (NHFIC) Consultation Paper. It is understood that the purpose of the consultation is to obtain feedback on the potential structure and governance of the National Housing Finance and Investment Corporation (NHFIC) and the operation of the National Housing Infrastructure Facility (NHIF) and Affordable Housing Bond Aggregator which were announced in this year's Federal Budget as part of the Government's comprehensive housing affordability plan.

Please note that this submission has been prepared by Council's Planning, Environment and Development Group and does not necessarily reflect the views of the elected Council. Due to reporting timeframes, this submission was unable to be formally considered by Council.

Shoalhaven Local Government Area (LGA) is located approximately 160 kilometres south of the centre of Sydney and is one of the largest coastal LGAs in New South Wales. Shoalhaven is experiencing particular supply and affordability pressures which have been recently highlighted in Council's draft Affordable Housing Strategy, with pressures in the Sydney housing market contributing to an increasingly competitive market in Shoalhaven. While housing in Shoalhaven is still lower in cost compared with much of the Illawarra and Sydney, costs comparable to income remain high, making Shoalhaven now one of the least affordable areas in Regional NSW for both low income purchasers and renters.

With respect to the NHFIC Consultation Paper, Council's comments in this submission focus mainly on the NHIF. This NHIF is fundamental to Council's role in planning, developing and maintaining critical infrastructure that is required for the release of land for housing.

This submission responds to the specific consultation questions based on Council's experience in Urban Release Area (URA) planning, for your consideration.

Infrastructure

What types of infrastructure do LGs fund, deliver and own? What types of infrastructure could be prioritised to address infrastructure bottlenecks?

Council plays a significant role in funding and maintaining public open space, water, sewer and road infrastructure across the 49 towns and villages that make up the LGA. At the present time, Council is actively planning for two URA's known as Moss Vale Road North (MVRN) and Moss Vale Road South (MVRS). These are two of several Regionally Significant URA's that were first identified in the Nowra-Bomaderry Structure Plan which was adopted by Council in 2006 and endorsed by NSW Department of Planning & Environment in 2008, and subsequently identified in the NSW Government's Illawarra-Shoalhaven Regional Plan 2015. Combined, the MVRN and MVRS URA's will see the development of approximately 250 hectares of residential zoned land with an estimated yield of 2,250 new dwellings (*Illawarra-Shoalhaven Urban Development Program, 2016*).

Before land in URA's can be released for development in NSW, local Council's must first prepare and finalise a site-specific Development Control Plan (DCP) and Contributions Plan (CP) for each site as well as ensure that satisfactory arrangements for State and Public Utility Infrastructure have been made.

Critical infrastructure such as roads, public open space, drainage and utilities (sewer and water) must be available before lots can be released, thereby unlocking land for new housing supply. Funding through site-specific CP's and/or Voluntary Planning Agreements can take a considerable amount of time to prepare and collect required funding which may lead to delays in the provision of critical infrastructure and the ultimate release of land. Other sources of funding and assistance that may be available from the Commonwealth Government, may assist in eliminating the risk of such delays, and would encourage the provision of housing supply to be made available much sooner.

In addition, other types of infrastructure necessitated by the development of URA's that are not funded, delivered or owned by Council include upgrades to State (transport, health and education) and utility (electricity, gas, telecommunications/NBN) infrastructure, specifically those that are unable to cope with the additional demand of the new development. Greater coordination between State government agencies and stakeholders, including Commonwealth financial support through the NHIF, could encourage better planning and delivery of these significant infrastructure investments. It is considered that financial support through the NHIF has the potential to provide significant assistance in addressing infrastructure bottlenecks and influence over housing affordability.

Design of the NHIF

Are the design features appropriate, including the considerations that the NHIF could take into account when assessing projects?

Council supports the Government's proposed \$1 billion NHIF which will partner with Local Government to fund critical infrastructure such as transport links, power and water infrastructure and site remediation works. It is understood that the design features of the NHIF will comprise of \$600 million in lending, \$225 million in equity investments and \$175 million in grants, which will be administered by a new corporate Commonwealth entity, the NHFIC. However, given the size and scale of the issue of housing affordability across Australia at the current time, there is some doubt as to the actual impact that a \$1 billion proposal will have when spread amongst individual states and territories from a national level. In the context of Shoalhaven, the total capital works cost to support the Moss Vale Road URAs is estimated at approximately \$115 million.

The proposed NHIF is of central relevance to Council as it will enable expedition of critical infrastructure delivery and new housing development and release. As you are aware, local governments across Australia play a key role in the delivery of residential land, local roads, public open space, water, sewer and stormwater infrastructure that support housing and contribute to strong, healthy and prosperous communities. At the same time, local Councils have limited funding sources to deliver such infrastructure through contributions planning, planning agreements and general or special rate revenue. Council therefore welcomes any commitment from the Commonwealth Government to provide additional support for local governments in financing this critical infrastructure that will potentially accelerate development and increase the supply of new housing.

With regards to the considerations that the NHIF could take into account when assessing projects, it is crucial that the NHIF not only acknowledge housing affordability as an issue facing metropolitan areas. Housing affordability is an equally significant issue facing regional areas where typically, income is generally lower. Despite the cost of homes being less than metropolitan areas, the margin between average cost of homes and average income demonstrates comparable affordability issues to metropolitan areas. Council supports the consideration of infrastructure proposals on a case by case basis, however greater information as to the weightings that will apply in any cost-benefit-analysis (CBA) should be further clarified so that equal consideration of funding can be guaranteed to regional applicants, outside the major metropolitan centres.

It is hoped this submission provides a good understanding of some of the issues facing local governments in planning for the delivery of land for housing, particularly in relation to URA's. We anticipate that Council's comments are fully considered and that the NHFIC provides equal opportunities for financial assistance to regional areas as our metropolitan counterparts.

If you need further information about this matter, please contact Molly Porter, Planning Environment & Development Group on (02) 4429 3596. Please quote Council's reference 1625E (D17/330729).

Yours faithfully

A handwritten signature in black ink that reads "Gordon Clark." The signature is written in a cursive, slightly slanted style.

Gordon Clark
Strategic Planning Manager
20/10/2017

c.c.

The Hon. Ann Sudmalis, MP