Message from the CEO

Sydney has a housing affordability crisis; for three consecutive years we have been the second least affordable city in the world.1 In 2016 the average house cost 10.8 times the average income.2

The housing affordability crisis is being caused by a lack of supply we have yet to properly supply our growth, despite housing supply at record levels. Sydney needs to be producing 41,250 homes per year, we have never sustained that level of housing supply. While supply peaked with a rising market, we need to ensure that housing supply remains robust over the medium term, otherwise, housing will continue to be extremely unaffordable.

When UDIA first completed Building Blocks in 2012 the Sydney market had been delivering less supply than Adelaide, and housing completions had been at record lows. This led to a 100,000-dwelling backlog that created the housing affordability crisis. The original Building Blocks report provided a plan to kick-start growth in NSW and led to the establishment of the Housing Acceleration Fund.

The last building blocks report focussed on the key trunk infrastructure to unlock housing supply within a three year period for Lots above 10 hectares. We have continued that analysis in the Building Blocks 2 report, and it now includes the fragmented land holdings above 1,000 square metres, particularly given the progress of land development in the North Western Growth Precinct.

Now the landscape has changed, we do not need development to be kickstarted, but a lack of coordination has meant that there are many areas where “one last piece of infrastructure” is delaying housing supply. Leading consulting firm Mott Macdonald in collaboration with the UDIA NSW Land Committee has identified 17 projects costing a total of $286 million that can enable the delivery of 94,500 lots within the next three years (see below), while the development pipeline faces critical shortages.

UDIA NSW has called on the NSW Premier to set up an Urban Development Program (UDP) to lead Government Departments, Agencies and infrastructure providers to coordinate the delivery of serviced and rezoned land. This would mean that there would be greater focus on strategic infrastructure planning looking at the medium and long term needs of the market. This will eliminate the situation where many areas have one last piece of infrastructure holding up development.

There remain major pressures on supply and affordability. Government investment is needed to catalyse supply and deliver the last piece of infrastructure, which is too big for a developer, but not big enough for typical focus from government. These lots will bring forward the homes that can help fill the 100,000 dwellings backlog and meet our economic and population growth targets.

STEVEN MANN | UDIA NSW CEO

1 Demographia
2 ABS 2016

Building Blocks Sydney Partner

MOTT MACDONALD
BUILDING BLOCKS FOR HOUSING SUPPLY

There are 8 key “quick fix” Policy Building Blocks that can support the delivery of housing within the next three years as well as establish the framework to fast track housing supply into the medium term:

1. **Greater Adoption of the Urban Development Zone** - the use of the Urban Development Zone adopted in the Wilton Priority Growth Area and the Aerotropolis Precinct should be extended to all greenfield release areas comprising large land holdings in limited land ownership. This will streamline planning and accelerate rezoning where opportunities prevail. Fragmented areas will still require greater coordination.

2. **Release more Precincts for Rezoning** – this is a simple building block. Yet it is illustrative of the lack of progress of the rezoning of Sydney’s Priority Growth Area Precincts, particularly in the South West. Of the 7 sites endorsed by The NSW Government’s Potential Home Sites Program in 2012 as suitable for immediate rezoning, only 1 site has been rezoned today, 6 years later.

3. **Streamline Development Assessment** – There are unnecessary bureaucratically induced delays in development assessment. Approvals for major projects over $20 million in value took over 9 months in 2015-16. There are also long delays (over 6 months) to seek recourse in the Land and Environment Court. Legislated time limits on responses from Agencies need to be enforced. Multiple agency referrals need to be rationalised and reduced; and more funding must be provided to the Court to increase its capacity and responsiveness.

4. **Reform Sydney Water Certification Policy** – Sydney Water’s recent removal of bonding for S.73 Certificates has created significant and pointless delays in land registration. This has been exacerbated by inefficient work practices in the disinfection process. Certification, and the steps within it should be opened up to private, appropriately accredited, third parties.
5. **Cap Cumulative Development Contributions at $60,000** – Today, 25% of the cost of a new home in NSW comprises taxes and charges. It is the highest in the country. The uncapping of local S7.11 Contributions and increased cost shifting to home buyers to pay for state infrastructure could push this to beyond 35%. This is not reasonable and the industry is burdened with uncertainty. Contributions need to be set and capped immediately at $60,000. This still maintains new homes in NSW as the most heavily taxed in the country. However, it provides for a 50% increase on S7.11 Contributions.

6. **Accelerated Pathway for Bio certification** – Biocertification is complex, requires excessive investigation, is time consuming and inherently conflicting between State and Federal requirements. Yet there is sufficient understanding to enable the introduction of benchmark offset credits and a streamlined process that can dramatically simplify and speed up Biocertification.

7. **Decentralised Water Treatment** – Package Treatment Plants can be installed on site, quickly and cheaply. They can also be expanded giving ultimate flexibility. Adoption, however, is constrained by existing Sydney Water Policy that favours large expensive centralised treatment plants, and EPA constraints on discharging treated water into Sydney’s rivers. Adopting the use of decentralised water treatment and discharging water into riparian systems such as South Creek will significantly contribute to the achievement of the Greater Sydney Commission’s liveability, parkland and amenity goals. It is a simple, but critical, policy change that is essential for Western Sydney.

8. **Catalytic Infrastructure** - Catalytic Infrastructure remains at the heart of the building blocks report. Mott MacDonald has analysed the key pieces of infrastructure that is necessary to unlock housing supply over the next three years. Investing in catalytic infrastructure will accelerate the growth of Sydney and the NSW economy.
BUILDING BLOCKS CATALYTIC INFRASTRUCTURE METHODOLOGY

UDIA and Mott MacDonald sought to deliver catalyst infrastructure on land that was ‘ready to go’ immediately. We have identified areas where there is the last missing piece of infrastructure that cannot be delivered by the development industry. The focus was on catalytic infrastructure that unlocks development: roads, electricity, sewer, and water, that can be delivered in three years. UDIA and Mott Macdonald have developed a framework that addresses the current market conditions and can unlock the most supply.

- Investigate all greenfield land in Sydney’s Growth Areas that can supply dwellings to market within 3 years (i.e. land that is either Rezoned or Released)
- Only investigate land that is released and/or zoned for residential development (no analysis has been undertaken on Employment Land Supply)
- Only investigate infrastructure projects that can be typically delivered within a 3-year timeframe
- Only investigate infrastructure projects unlikely or unable to be delivered by developers (too small for Government, too big for Developer)

Building Blocks Methodology

**Estimate Dwelling Yield**
- Identify constrained Land (Ecological, Flooding, Heritage, Open Space, etc.)
- Predict Development Yield based on ILP, typical development densities, etc.

**Estimate Cost of Infrastructure Projects**
- Identify Infrastructure Projects
  - SIC Roads
  - Zone Substations
  - Sewer Pump Stations
  - Water Reservoirs
  - Wastewater Treatment Plants

**Estimate a dwelling Yield for each Infrastructure Project**
- Infrastructure Catchment
- Indicative Layout Plans
- Average Dwellings per Hectare
- Developer Provided Yields

**Estimate Infrastructure Project Duration**
- Design
- Land Acquisition
- Tender
- Construction
- Commissioning

**Evaluate Each Infrastructure Project**
- Total Dwellings Unlocked
- Dwellings per dollar

**Prioritised List of Infrastructure Projects**

**THERE REMAINS A CRITICAL NEED FOR LONG-TERM INFRASTRUCTURE PLANNING**
Critical infrastructure investment needed to accelerate land holdings in the North West:

<table>
<thead>
<tr>
<th>INFRASTRUCTURE</th>
<th>COST</th>
<th>LOT YIELD</th>
<th>COST PER LOT</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Box Hill Zoned Substation</td>
<td>$38 Million</td>
<td>6,300</td>
<td>$5,990</td>
</tr>
<tr>
<td>Riverstone East Zoned Substation</td>
<td>$38 Million</td>
<td>14,200</td>
<td>$2,670</td>
</tr>
<tr>
<td>Hambledon Road (Part)</td>
<td>$30 Million</td>
<td>1,700</td>
<td>$7,560</td>
</tr>
<tr>
<td>North Marsden Park Sewer Pump Station</td>
<td>$3 Million</td>
<td>1,600</td>
<td>$760</td>
</tr>
<tr>
<td>North Marsden Park Sewer Pump Station</td>
<td>$12 Million</td>
<td>9,700</td>
<td>$340</td>
</tr>
<tr>
<td>Schofield West Sewer Pump Station</td>
<td>$6 Million</td>
<td>5,100</td>
<td>$290</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$127 Million</strong></td>
<td><strong>38,600</strong></td>
<td></td>
</tr>
</tbody>
</table>

Potential Yield → 38,600 Dwellings
**CATALYSING THE SOUTH WEST**

**South West Growth Area**

<table>
<thead>
<tr>
<th>INFRASTRUCTURE</th>
<th>COST</th>
<th>LOT YIELD</th>
<th>COST PER LOT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Austral Leppington Package</strong></td>
<td>$49 Million</td>
<td>21,000</td>
<td>$2,333</td>
</tr>
<tr>
<td>- Austral Reservoir</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Kemps Creek Sewer Pump Station</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Kemps Creek Gravity Main</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Kemps Creek Gravity Main (Part B)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Kemps Creek Zoned Substation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>North Leppington Zones Substation</strong></td>
<td>$32 Million</td>
<td>11,800</td>
<td>$2,710</td>
</tr>
<tr>
<td><strong>Catherine Fields Zoned Substation</strong></td>
<td>$39 Million</td>
<td>9,900</td>
<td>$3,960</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$118 Million</td>
<td>49,700</td>
<td></td>
</tr>
</tbody>
</table>

**Potential Yield → 49,700 Dwellings**

Source: Mott MacDonald
Critical infrastructure investment needed to seed development in Wilton:

<table>
<thead>
<tr>
<th>INFRASTRUCTURE</th>
<th>COST</th>
<th>LOT YIELD</th>
<th>COST PER LOT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Packaged Waste Water Treatment Plan</td>
<td>$20 Million</td>
<td>4,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Upgrade Waste Water Pump &amp; Main</td>
<td>$6 Million</td>
<td>4,000</td>
<td>$1,500</td>
</tr>
<tr>
<td>Wilton Roads Package</td>
<td>TBD</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$26+ Million</td>
<td></td>
<td></td>
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</tbody>
</table>

Potential Yield ➔ 4,000 Dwellings in Three Years
SEEDING GROWTH IN GREATER MACARTHUR

Greater Macarthur

Critical infrastructure investment needed to seed development in Greater Macarthur:

<table>
<thead>
<tr>
<th>INFRASTRUCTURE</th>
<th>COST</th>
<th>LOT YIELD</th>
<th>COST PER LOT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appin Road</td>
<td>$15 Million</td>
<td>2,000</td>
<td>$7,500</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$15 Million</td>
<td>2,000</td>
<td></td>
</tr>
</tbody>
</table>

Potential Yield → 2,000 Dwellings in Three Years
SOUTH WEST SEWER - INTERIM SOLUTIONS REQUIRED

There is limited capacity for sewerage treatment in the South West. There are two options for wastewater treatment in the South West:

1. A Waste Water Treatment Plant at South Creek, or
2. Decentralised Waste Water Treatment at South Creek and Lowes Creek.

Option 1 would cost approximately $500 million take 7-10 years to deliver and require changes to Sydney Water’s bubble licence to enable treated water to be discharged into South Creek. Decentralised Waste Water treatment can be delivered in a faster timeframe and at a much lower cost.

Resolving the waste water crisis for South West Sydney by allowing treated water to trickle into South Creek is critical to create the spine of the Western Parkland City. It will enable the emergence of a living waterway that can form the basis for cool, green and attractive urban communities the NSW Government is seeking to create.

Critical to enabling the future growth of the South West and Aerotropolis regions is beginning planning for waste water treatment including the development of decentralized waste water treatment, by enabling treated water to flow in South Creek.

Source: Mott MacDonald
WESTERN SYDNEY AEROTROPOLIS PRECINCT

The Western Sydney Aerotropolis Precinct will transform the Western Sydney providing a mix of residential and urban lands in Western Sydney, creating Sydney’s third city.

UDIA supports the rezoning of the aerotropolis through the Urban Development Zone. We understand from briefings from the Department and Greater Sydney Commission rezoning will be completed by 2019.

Critical to the success of the aerotropolis will be enabling the delivery of jobs and homes in the next three years. It is welcome to see the adoption of an accelerated rezoning process. However, to actually deliver homes we will also need to see key policy building blocks adopted

1. Streamlined Development Assessment
2. Certain and Capped Development Contributions
3. Accelerated Pathway for Bio-certification
4. Decentralised Water Treatment
5. Catalytic and Seed Infrastructure to kick-start the development.

Without these elements coming together the aerotropolis will be sterilised, and become just another airport, without the employment and housing outcomes.