

4th July 2017

Ms. Evelyn Ivinson
Team Leader
Land Release
NSW Department of Planning & Environment
Level 4, 10 Valentine Avenue
Parramatta NSW 2150

Re: North West Priority Growth Area (NWPGA)– Land Use and Infrastructure Implementation Plan (LU&IIP) including the Explanation of Intended Effect (EIE).

Thank you for the opportunity to comment on the NWPGA – LU&IIP and the EIE.

HomeWorld supports the NSW Government and Departments recent key initiatives including:-

- The NSW State Governments 'A plan to improve housing affordability' including the Priority Growth Areas (PGA's).
- The Department of Planning & Environment (DPE) taking a stronger role in the delivery of the NW Priority Growth Area (NWPGA).

However, we have two main concerns about the proposed changes to the planning controls proposed in the EIE that risk dramatically increasing costs and slowing the rate of development in the NSPGA.

- 1) The introduction of a maximum density will immediately increase the cost of raw land for developers by increasing land vendor expectations of the likely land value from the currently stated minimum density per hectare to the proposed maximum density per hectare.
- 2) The amendments to the planning controls and relocation from the SEPP to the LEP will create uncertainty and reduce flexibility for the industry to respond to the increasing affordability crisis by introducing new more compact and innovative housing types in the future.

HomeWorld believes given the significance of the Priority Growth Area's to the Governments stated objective of 'Boosting Supply' as well as need for a continuing consistent approach to encourage investment we recommend the DPE should maintain the SEPP and drive the NWPGA with a 'hands' on approach.

We understand the need for density caps to allow certainty around the provision of infrastructure but the move to a single minimum lot size with a density cap runs the risk of limiting housing diversity. In our view the DPE should maintain the stated minimum density per hectare and allow increased yields but not introduce a maximum density cap.

Educated valuers and agents are aware of the current yields and can work that backward to determine land a residual land value but stating a maximum yield has the potential to produce an increased minimum raw land price across the precincts in the NWPGA.

We anticipate the increase in vendor expectations in land value from the existing minimum to the new maximum will be in the order of \$1 - 2 million per hectare. Given the current debates about 'value capture' this represents a huge tax free gain for exiting vendors of fragmented land. This risks stopping the transition of raw land from fragmented into the development pipeline that we have seen over the past few years..

Homeworld believe the strategic planning should lead and the provision of infrastructure should follow. The Sydney Basin has a limited supply of land suitable for future development and there is a constant and reasonable media focus on the environmental impacts of 'urban sprawl' and the social impacts of long travel commutes to and from work on workers. So given the markets growing acceptance of more compact housing and increased densities due to the affordability crisis as well as the massive investment by the NSW State Government in heavy rail and bus T ways in the NWPGA, reducing yields rather than increasing infrastructure capacity seems like a missed opportunity to leverage this significant investment by the State.

The difference in the population living under the PMF line for 20 or 25 dwellings to the hectare seems minimal. With smaller lots and dwellings you could anticipate a smaller number of people per dwellings, sure this will vary, but it seems to be only a minor increase to an acceptable risk. Given the stated objective to make the controls more simple this adds complexity to the R2 zoning.

Given that following the introduction of the Housing Diversity Package amendments to the SEPP and DCP's supply has reached record levels and DPE (and Government) wants it to continue to Boost Supply we don't believe there should be any change to minimum lot size, approval pathways or housing types.

There is a tsunami of demographic change affecting the housing market and increasing the demand we have seen over the past two years for more affordable compact lots and smaller dwellings. The level of interest in smaller lots, compact dwellings, dual occupancies, secondary dwellings and Manor Homes from the buying public expressed to HomeWorld in new and established areas is enormous. The changes we have seen occur in demand for smaller more compact lots and dwellings over the last two years driven by demographic change and affordability is the tip of the housing diversity iceberg.

The housing and development industry has invested heavily and adapted quickly, The industry is in the process of rolling out new display homes, house types and lot sizes that reflect these changes that were implemented by DPE over two years ago. Innovations such as approval pathways that allow for BEP's (A2) and registration of subdivision prior to construction for integrated housing (B1) allowing house and land packages (industry BAU) for 'abutting' terraces are now very important to the industry.

Supply is currently playing catch up in the NWPGA following the introduction on the Housing Diversity Package with unregistered land being sold up to 18 months prior to registration. This land is being purchased in good faith with the expectation that the planning controls in 2 years when purchasers lodge DA's will be the same as they are now.

We are concerned any changes could result in uncertainty, risking investment, economic loss and future supply and diversity.

An example of this uncertainty and potential economic loss, many DA approved lots (>500 m2 but <600 m2) have been sold 'off the plan' in R2 land in Marsden Park to builder/ developers who are intending to build Dual Occupancies and the lots won't register until the end of 2018.

These Builder/ Developers have in good faith paid extra because dual occupancy is currently permissible on these lots. They intend to lodge DA's for Dual Occupancies with Blacktown City Council in early 2019 once the land registers.

There are also some 600 m2 lots on corners in that R2 that have sold that currently have Manor Homes permissible.

The new HomeWorld Display village proposed on DA approved land in Marsden Park is another example, where many of the Display Homes will be on lots smaller than 300 m2. The intention from our shareholder builders is these their significant investment in these Display Home will be to provide homes that can be built on lots less than 300 m2 that will be supplied in the future in R2 in the NWPGA.

Having worked very hard to embrace innovation and change there seems to be considerable risk for our homebuilder shareholders about their future investment in terms of diversity and supply given the proposed changes in the EIE.

HomeWorld is aware that 70% of new households in the next 10 years will be 1 and 2 person households and there is a growing demand from aging baby-boomers to downsize (also financial incentives for Governments). The Hills and Blacktown have some of the highest growth rates in over 65's given the dominance of detached large homes settled in the 80's and 90's.

We are also experiencing a growing demand for affordable housing with homeownership in the under 35 years age group (first home buyers) falling dramatically.

The Grattan Institute and the Council for the Ageing have show there is strong demand for smaller more compact and affordable homes with a courtyard garden (such terraces, dual occupancies, studies and manor homes). Most downsizers in the Hills and Blacktown LGA's want to age in place, they don't want an apartment and they fear 'strata levy' costs in retirement. While the industry is only just starting to provide these housing types in R2 and R3 now there is a tsunami of demand coming our way over the next 20 years.

Industry needs to maintain this flexibility in the planning controls, removing it now given the demand that is coming will limit future innovation in affordable housing. Maintaining the flexibility and consistency in controls across all LGA's in the Priority Growth Areas (and all other Greenfields Releases) will future proof the supply of housing to be able to adapt to ongoing demographic and social changes.

HomeWorld strongly supports maintaining the current planning controls in the current Growth Centers SEPP and DCPs introduced after a long period of public consultation as part of the Housing Diversity Package. We also support the minor amendments requested in our submission late last year and the introduction of the Practice Notes to assist with the education of Council's and Industry that were issued in Draft form to Council's about 3 years ago.

HomeWorld is very supportive of most of the DPE's proposed changes in the NWPGA and thankful for the opportunity to be consulted, but given the need for certainty and to keep boosting supply we recommend you leave the current controls as they have been for the past two years since the introduction of the Housing Diversity Package.

We would welcome the opportunity to be involved in further consultation.

Yours faithfully,
Homeworld Group of Companies

A handwritten signature in black ink, appearing to read 'Michael Scott', with a long horizontal stroke extending to the right.

Michael Scott
Chairman