SUBMISSION ON THE EXTENSION OF SEPP 70 TO FIVE ADDITIONAL LOCAL GOVERNMENT AREAS

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COMMERCIAL AND ECONOMIC PLANNING ASSOCIATION INC

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SEPP 70 and Applicant Local Government Areas

Five councils have applied to state government to be included in SEPP 70, allowing them to charge a levy/tax for affordable housing in their local government area (LGA). The five councils are:

- Randwick City Council
- Inner West Council
- Northern Beaches Council
- City of Ryde Council
- City of Canada Bay

The Department of Planning and Environment (DPE), in their Explanation of Intended Effects, says that the councils' reports to support their inclusion in SEPP 70 demonstrate a need for affordable housing in the respective LGA. DPE considers that they meet the requirement under Section 94F(1) of the *Environmental Planning and Assessment Act 1979* to demonstrate a need for affordable housing within the local government areas. As a result, DPE proposes an amendment to SEPP 70 to identify these five councils as local government areas with a need for affordable housing, and therefore able to impose a levy/tax for that purpose.

The Commercial and Economic Planning Association (CEPA), however, is very critical of DPE for not undertaking any economic modelling as part of its Statement of Intended Effects. It would be useful – for government, industry and the general public – to model the impact on prices and market rents that SEPP 70 has – which even DPE would admit is greater than zero. DPE has not even done the basic modelling to determine how much councils will raise, and therefore have to administer, under this policy. It may be that, with this modelling, government decides that the impact of SEPP 70 on market housing is too great to justify its alleged benefits, and that the councils are not set up to deal with such large sums of money. DPE should be embarrassed that it has recommended a policy position without having done some basic due diligence. Until modelling has been done, no council should be included in SEPP 70.

This submission seeks to answer some of these questions and concludes that the benefits of SEPP 70 for low and medium income households are vastly outweighed by the costs to market housing.

Introduction

Sydney faces a housing affordability crisis. It is imperative, therefore, that policy makers improve the situation, rather than make it worse. The state government is trying, with support for first home buyers worth up to $50,000. However, modelling by CEPA indicates that SEPP 70 will add $39,100 to the cost of a new dwelling, which once financed, will add $46,920 to a typical new apartment. It would essentially be the case of the state government giving with one hand and taking away with another.

The interplay of supply and demand sets prices in the market. However, the housing market is not a typical market, as it takes time for houses to be built and the planning system places restrictions on what can be built where. So price rises, which would induce an increase in supply in other markets, do not work in the same way in the housing market. Housing supply is relatively inelastic to prices in the short run, but over the long run does respond to prices. This lag is generally caused by the regulated nature of the housing market, including the need to often rezone a site and then obtain development approval, which in some cases can take seven to ten years. Low interest rates should be making the cost of capital, and therefore the cost of final production, cheaper. But, as a developer does not know what the prevailing market conditions and cost of capital will be when the building is complete (and they burn through capital while they await approval) there are fewer dwellings built than would be in a world without these planning restrictions, and at higher prices than would otherwise prevail.

But at the same time, low interest rates are inducing a demand response which is forcing the price of housing up. This increased demand, coupled with a slow supply response in the short run, means that prices will continue to rise. As supply can only catch up in the long run, the housing affordability crisis is further exacerbated.

When she became Premier, Gladys Berejiklian promised to tackle the housing affordability crisis that Sydney has been experiencing for some time. Indeed, the most recent Demographia report[1] suggests that the Sydney market is the second-least affordable market in the world (behind Hong Kong). At a median multiple to income of 12.9:1 in 2017, Sydney recorded the second poorest result ever.

The Premier has announced a number of strategies around making housing more affordable, but at the most fundamental level, Sydney lacks the dwelling supply to cope with its growing population.

In March 2017, the Planning Minister, the Hon Anthony Roberts[2] suggested that developers could build two additional storeys on their developments, with one dedicated to affordable housing and one available for market housing. While this may not be enough to place developers back at a break-even point, it would offset what would otherwise be a tax under SEPP 70.

The Greater Sydney Commission has called for the dedication of 5-10 per cent of all new developments as affordable housing, which would then be leased by a Community Housing Provider at below-market rent. However, they have not put forward a scheme that would result in no impact on house prices.

It is important to note that SEPP 70 does not do what the Planning Minister suggested in March 2017. SEPP 70 is a tax on development, which will only serve to make market housing less affordable, and the burden of which falls most on younger first home buyers.

Canada Bay Council's consultant has suggested a figure of $\$488.75/m^2$ as the amount for the SEPP 70 tax. This is an exorbitant amount of money and will result in \$39,100 increase in the cost of housing in the LGA. It will increase costs by as much in other LGAs that use the same pricing.

Using the dwelling targets for each LGA, if each LGA used a figure of $\$488.75/m^2$ and the average apartment size was $80m^2$, the tax would raise \$132.9 million in the five years to 2021. This equates to around 2,450 apartments or 11.5 per cent of new apartments as affordable housing.

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[1] 14th Annual Demographia International Housing Affordability Survey: 2018

[2] http://www.smh.com.au/nsw/more-density-around-rail-stations-and-new-schemes-for-renters-nsw-housing-plan-20170318-gv19u2.html

Number of Dwellings and Credibility of SEPP 70 Targets
The GSC has called for 10 per cent of dwellings constructed in the metropolitan area to be affordable over the next 30 years. On the targets for the respective applicant LGAs, this equates to between 123and 246 per year. This is a very small number of houses, given there are 1,855,734 private dwellings in the Greater Metropolitan Area[3]. Effectively these homes will go to the lucky few and government can say they have solved the housing affordability crisis. At 246 homes per year, with no increase in the stock, it will take around 750 years for affordable stock to be 10 per cent of the total stock.

SEPP 70 is not an ambitious policy. That said, 246 new affordable homes per year over the next 30 years is simply not credible when only 735 affordable homes have been built under SEPP 70 in the City of Sydney in 15 years. This is less than 50 per year.

The Impact of SEPP 70 on Housing Affordability
Sydney faces a housing affordability crisis. It is imperative, therefore, that policy makers improve the situation, rather than make it worse. The state government is trying, with support for first home buyers worth up to $50,000. However, modelling by CEPA indicates that the introduction of SEPP 70 at rates suggested by Canada Bay's consultant is likely to add at least $48,875 to a typical new apartment. While the state government is giving some level of support to new home owners, it would be clawing it back in SEPP 70 taxes.

SEPP 70 also has an impact on market rents. Modelling suggests that rents will rise by $49 per week, or $2,542 per year. This so-called affordable rental policy only leads to higher rents across the board for market renters.

There will also be an impact on these councils making their dwelling targets as set by the Greater Sydney Commission (GSC). CEPA modelling suggests that these councils will fall around 8,492 short of their 30-year targets with SEPP 70 imposed.

SEPP 70 Tax
It is clear that SEPP 70 has all of the hallmarks of a tax, and a poor tax at that.

There is a reason why taxes of this nature are reserved for the Commonwealth government under the constitution – this sort of tax is dangerous in the hands of those who do not understand its implications. Tax has implications for economic activity. It forms a deadweight loss – economic production that is lost to both suppliers and consumers, and creates inefficiencies. At its worst, a bad tax can increase risks on business and drive good businesses out of an industry or a geographic location.

Taxes do not simply raise revenue. In certain circumstances, not only might a tax not raise any revenue, but it may lower revenue in other areas. This might be the case if all developers decide not to do business in the applicant council areas as a result of the implementation of the proposed tax – it would lower statutory planning fee revenue, revenue from development levies and ultimately rates revenue. A bad tax might, then, be worse for the economy (and council) than no tax at all.

Not only is SEPP 70 a tax, it is also a retrospective tax, despite possibly being *prospective* in intent. This is because it affects developers and land owners who have already entered contracts or

[3] Census of Population and Housing 2016

executed purchases and sales possibly long before the policy is to be implemented. SEPP 70 has real material implications for the feasibility of development in the council areas targeted. Indeed, with development being a risky enterprise to start with, they may result in the abandonment of projects, jeopardising housing targets and affordability, and ultimately, the liveability of the entire Greater Sydney area.

Even if they are found not to be "taxes", the burden of these levies falls on new home buyers. Under the GSC target, around 2,462 dwellings will be produced in the five applicant councils each year to 2036. This is an incredibly narrow tax base and unfair at a time when they are financing the cost of a new home. There are 323,332 households in the five local government areas – the burden should be spread to them, or the Greater Metropolitan area or even the entire state.

Intergenerational Inequity

The burden of paying the SEPP 70 tax is likely to fall upon the young. Older residents of the councils with SEPP 70 provisions are unlikely to ever pay it. Indeed, as new homes set the benchmark for the market in established homes, older residents are likely to benefit, as the cost of SEPP 70 is capitalised into the price of new apartments, prices across the board will rise, meaning capital gains for those who already own established homes.

It is completely unfair that the younger purchasers of the 21,300 apartments over the next 5 years should pay for affordable housing when it should be the responsibility of all. There are better models for improving affordable housing than it being paid for by such a small tax base.

It is the coming of the new serfdom, whereby the young are indentured to their landlords until they can afford a deposit to buy their freedom. We should therefore be concentrating on making all housing cheaper, rather than making it cheaper for the lucky few.

SEPP 70 as an Upfront Tax

Payment for SEPP 70 contributions would be due prior to issuance of a construction certificate. This means that a developer virtually needs to pay the tax upfront. City of Sydney Council allows a bank guarantee in lieu of full payment in advance. However, a bank guarantee requires the proponent to have all the money in an account against which the guarantee is issued. Therefore, the proponent is required to have the money upfront anyway. In addition, it is unlikely that a proponent would be able to obtain finance to pay contributions, so the proponent would need to find the equity capital prior to construction. This is particularly unfair on smaller developers who do not have the finances to pay the tax upfront and suggests a fundamental misunderstanding of the finance market on behalf of councils and state government.

As smaller developers have less access to finance, it is likely that SEPP 70 will ultimately lead to the monopolisation of the industry. When smaller players are forced out, it will result in even higher prices, as the larger developers will not have to compete on price with smaller developers.

Councils are the Least Fiscally Responsible

Local councils are the least fiscally responsible level of government. Indeed, Northern Beaches and Inner West Councils exist because their former constituent councils were deemed to be "not fit" for the future under the recent local government amalgamations. The City of Ryde was also deemed "not fit" and Randwick was earmarked as a council to be amalgamated. Trusting councils with hundreds of millions of dollars, when they are not set up for it is a recipe for disaster. Only state and federal governments, with fully established treasuries are in a position to handle such sums. Apart from DA approval, there should be no role for councils in affordable housing.

Perverse Outcomes
Under SEPP 70, councils could become the developer, owner and landlord for new affordable housing developments. SEPP 70 has the potential to pervert the planning process, as councils could find themselves in a conflict of interest scenario.

Councils would gain the benefits in terms of monetary contributions (which they would earn interest on) and in-kind contributions (which they would earn rental income on). This could corrupt the planning process and lead to poor planning outcomes.

It also makes this an important question: why should the dwellings be handed to councils for free when the recipient councils get the rental/interest income?

SEPP 70 Is Not The Minister's Vision
As mentioned earlier, the Minister's vision was that a partnership be created between developers and the state, rather than the imposition of a tax. If developers are able to offset affordable housing contributions by building more market apartments (either through additional floors or additional FSR within existing height envelopes), affordable housing could be built more quickly (as developers are incentivised to build and sell as soon as possible), more cheaply and more could be achieved.

Better Alternatives
There are better, less costly, alternatives to SEPP 70. These include:

- fund affordable housing out of general revenue so that all tax payers contribute, not just new home buyers
- allow height and/or density increases to offset the cost of affordable housing, for example for increasing heights or backing out the "affordable dwellings" from FSR calculations – this would be along the same lines as the Minister's vision for affordable housing.
- make it a rental model so that it is not handed over to councils for free and in perpetuity
- change SEPP 70 so that it is not an upfront tax
- change SEPP 70 so that it backs out other taxes and levies, such as State Infrastructure Contribution and S94
- negative gearing and Commonwealth Rent Assistance
- make it a state levy on all s94 payments, so it can be spread across a region, so it is not individual developments that are being taxed
- bring it in over, say, 10 years so that it is not retrospective and can result on lowering land prices
- allow the market to increase supply – and therefore lower prices and rents – through broader zoning and faster approvals.

Conclusion
SEPP 70 raises the price of market housing for the benefit of only a select few low and middle income earners. CEPA modelling shows that the amount of tax is almost equivalent to the NSW government's recently introduced first home buyer incentives. The government would, therefore, be giving with one hand and taking with the other, in applicable LGAs. There are no silver bullets with regard to lowering prices and rents, as population growth in Sydney continues to outstrip housing supply. However, SEPP 70 makes it worse. CEPA strongly opposes the extension of SEPP 70 to the applicant councils, and indeed considers that it should be wound back altogether.

SEPP 70 and the Policy Process

SEPP 70 and Applicant Local Government Areas

Five councils have applied to state government to be included in SEPP 70, allowing them to charge a levy/tax for affordable housing in their local government area (LGA). The five councils are:

- Randwick City Council
- Inner West Council
- Northern Beaches Council
- City of Ryde Council
- City of Canada Bay

The Department of Planning and Environment (DPE), in their Explanation of Intended Effects, says that the councils' reports to support their inclusion in SEPP 70 demonstrate a need for affordable housing in the respective LGA. DPE considers that they meet the requirement under Section 94F(1) of the *Environmental Planning and Assessment Act 1979* to demonstrate a need for affordable housing within the local government areas. As a result, DPE proposes an amendment to SEPP 70 to identify these five councils as local government areas with a need for affordable housing, and therefore able to impose a levy/tax for that purpose.

The Commercial and Economic Planning Association (CEPA), however, is very critical of DPE for not undertaking any economic modelling as part of its Statement of Intended Effects. It would be useful – for government, industry and the general public – to model the impact on prices and rents that SEPP 70 has, which even the greatest advocate of SEPP 70 would admit is greater than zero. DPE has not even done the basic modelling to determine how much councils will raise, and therefore have to administer, under this policy. It may be that, with this modelling, government decides that the impact of SEPP 70 on market housing (and the administrative burden on these councils) is too great to justify its alleged benefits. DPE should be embarrassed that it has recommended a policy position without having done some basic due diligence. Until modelling has been done, no council should be included in SEPP 70. To not be able to answer the basic question in the Statement of Intended Effects of whether the housing market will be made better or worse by the accession of new councils to SEPP 70 is a poor reflection on DPE and the government.

It is with this in mind that this submission seeks to answer some of these questions and concludes that the benefits of SEPP 70 for low and medium income households are vastly outweighed by the costs to market housing.

Introduction

Sydney faces a housing affordability crisis. As the population continues to rise, and the number of dwellings continues to lag behind, housing will only continue to get more expensive. It is for this reason that the Commercial and Economic Planning Association Inc (CEPA) is opposed to policies that aggravate this crisis, rather than alleviate it.

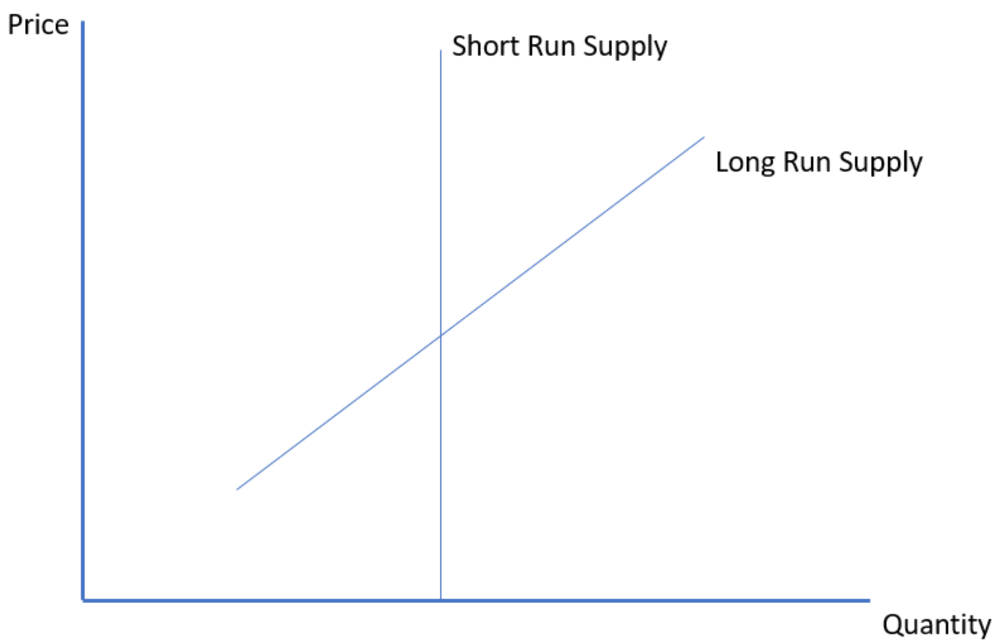
There are very few houses that are owner-built and therefore without some involvement from the development industry. The vast majority of people live in homes that were built by developers; without developers who are willing to take a risk, there would be an even greater housing crisis.

Between the 2011 and 2016 Censuses, the Greater Sydney area has experienced an increase of 432,317 people, or growth of around 9 per cent. At the same time, the number of dwellings has only increased by a little over 7 per cent. This mismatch is one of the prime causes of housing unaffordability today. Other causes of unaffordability include levies and charges, time delays and the increasing price of land.

At a time when interest rates are low, demand is outstripping supply, and prices are rising, this would normally be a signal to the market to provoke a supply response. However, as the housing market is not a pure market and is constrained by zoning and the development approval process, it is often the case that the market has moved on before the supply response is evident on the ground.

This is because housing, in the short-run, is relatively inelastic to prices. A developer (or for that matter, anyone) cannot just build a new dwelling overnight in response to prices. There is a lengthy process that must be followed before new supply can be added to the stock of housing, and the quantity is set regardless of the price. Figure 1 shows the short-run and long-run supply responses to price.

Figure 1 – Short-run and Long-run Supply Responses to Price



Over the long-run, supply does respond to price, but generally to a forecast of future prices, or to prices prevailing at the time of the planning proposal or development application. With delays of up to seven to ten years from a planning proposal to final completion, it is very likely that market conditions will have changed by the time the dwellings are finally built. The risk that the market could turn, and the fact that a developer is burning through money due to holding costs mean that there is not as much housing built as there would be in the absence of these risks.

The Greater Sydney Commission (GSC) is planning for the delivery of a minimum of 725,000 additional dwellings in the next 20 years across Greater Sydney. The GSC says that this will require sustained efforts by all Councils and a "longer-term outlook" and "capacity-based approach", given the timescales involved with development.

Councils' Housing Targets

Table 1, shows the five-year residential targets for the five councils applying to join SEPP 70.

Table 1: Five Year Dwelling Targets For Applicant Councils

Council	Dwelling Target
Randwick	2,250
Canada Bay	2,150
Inner West	5,900
Ryde	7,600
Northern Beaches	3,400
Total GC Target for SEPP 70 Applicants	21,300

The GSC has created targets for each district, and within each district, each council is to produce a "local housing strategy". The local housing strategies are to improve housing choice in a local government area (LGA), improve housing diversity (which is essentially the same goal as the first) and affordability, and co-ordinate and monitor outcomes.

The GSC has set the district a *minimum* housing target of 21,300 dwellings across the five applicant councils. These targets are the minimum, not a maximum, and more dwellings rather than less will better alleviate the housing affordability crisis.

In addition to the housing target, as part of the "liveability priorities", councils are also required to implement the affordable rental housing target. The target is set at 5 to 10 per cent (subject to viability) for nominated areas for very low and low income households. This has further implications for housing affordability and investment. That said, in the Draft District Plans, the GSC says:

> *We will work with industry, community housing providers and the Department of Planning and Environment to enable clear and consistent implementation of the Affordable Rental Housing Target that is cognisant of flow-on housing supply implications.*
>
> *Where required, we will act independently to verify the development feasibility of a nominated target. We will also provide advice to government and determine where exceptions may be granted, for example where the provision of affordable housing would financially hinder the delivery of a critical or major component of city-making infrastructure.*

We will undertake a strategic needs assessment for Affordable Rental Housing across Greater Sydney to support the work of relevant planning authorities in preparing their local or district housing strategies.

The GSC says in the Draft District Plans that "the realisation of the housing targets relies on actions by the relevant planning authorities (from providing enabling planning controls through to development assessments), infrastructure provision and the continuation of current market conditions and industry's critical role in delivery." The GSC has not said, but implies, that councils that place undue restrictions or burdens on new housing delivery are not acting in accordance with the District Plan and in danger of not meeting its targets.

Taxation Policy is Dangerous When Handled Inexpertly

Tax has implications for economic activity. It forms a deadweight loss – economic production that is lost to both suppliers and consumers and creates inefficiencies. At its worst, a bad tax can increase risks on business and drive good businesses out of an industry or a geographic location.

Taxes do not simply raise revenue. In certain circumstances, not only might a tax not raise any revenue, but it may lower revenue in other areas. This might be the case if all developers decide not to do business in the five applicant councils as a result of the implementation of SEPP 70; this would lower statutory planning fee revenue, revenue from development levies and ultimately rates revenue. A bad tax might, then, be worse for the economy than no tax at all.

In addition, while the state government implemented policies in the 2017-18 budget to assist first home buyers, CEPA modelling shows that this is wiped out by what we are calling the SEPP 70 tax, leaving first home buyers no better off. SEPP 70, through the Department of Planning and Environment, is therefore directly contradicting state government policy from Treasury aimed at helping buyers into the housing market and tackling housing affordability.

Retrospective Nature

While SEPP 70 may be *prospective* in intent, it is *retrospective* in effect. This is because it affects developers and land owners who have already entered contracts or executed purchases and sales possibly long before the policy is to be implemented. The policies have real material implications for the feasibility of development in the applicant LGAs. Indeed, with development being a risky enterprise to start with, they may result in the abandonment of projects, jeopardising housing targets and affordability, and ultimately, the liveability of the entire Greater Sydney area.

Taxation Incidence Versus Impact

While SEPP 70 may look like a tax on developers (the "impact" of the tax), the party that ultimately pays the tax (the "incidence") will depend on supply and demand elasticities in the individual housing markets across the applicant LGAs. A tax imposes a burden on both the seller (in this case, developers) and the buyer (in this case, home buyers). Depending on elasticities, DPE has not modelled as part of the Explanation of Intended Effects, it is likely that new home buyers will pay a significant proportion (that is, the tax will be "passed on" to new home buyers). Elasticities are generally a function of market power, which is mostly with developers in a rising market. In any event, the retrospective nature of the tax means that for the foreseeable future (except for developments where the land component has not yet settled), the tax cannot be passed back to the original land owner in the form of lower prices for the land. The developer then really has only one way to pass the tax – on to the new home buyer. It appears that the tax will result in land owners paying no tax, developers paying some tax and new home buyers paying most of the tax.

Indeed, ultimately, new home buyers are a very narrow base. The GSC target of around 21,300 for the next five years across the five councils, and 73,848 over the next 30 equates to 2,462 dwellings per year (or the size of 25 medium-sized apartment developments) to 2036. Assuming this 2,462 is all that is produced, the buyers of these dwellings are a very small proportion of the overall population of the applicant LGAs. Instead of slugging the 2,462 new home buyers a year with the burden of funding all affordable housing in these areas (and assuaging the guilt of inner-city trendies who do not contribute by the fantasy of hitting the "greedy developers"), it would be fairer for the state to ensure that all tax payers pay their share.

Number of Dwellings and the Credibility of SEPP 70 Targets

The GSC has called for 10 per cent of dwellings constructed in the metropolitan area to be affordable over the next 30 years. On the targets for the respective applicant LGAs, this equates to between 123 and 246 per year. This is a very small number of houses, given there are 1,855,734 private dwellings in the Greater Metropolitan Area[4]. Effectively these homes will be rented by the lucky few and government can say they have solved the housing affordability crisis. At 246 homes per year, with no increase in the stock, it will take around 750 years for affordable stock to be 10 per cent of the total stock.

SEPP 70 is not an ambitious policy. Furthermore, 246 new affordable homes per year over the next 30 years is simply not credible when only 735 affordable homes have been built under SEPP 70 in the City of Sydney in 15 years. This is less than 50 per year.

[4] Census of Population and Housing 2016

The Impact of SEPP 70 on Housing Affordability

Canada Bay's evidence report included a full model of their prospective SEPP 70 levy/tax. The consultant recommends a tax rate of $488.75 per square metre of residential development. There is no reason to think that the per-metre rate for SEPP 70 would not coalesce around this amount, which CEPA has assumed to be the tax rate for each of the five applicant councils.

It should be noted that this is $138.75 higher than Parramatta Council's "Phase Two" value uplift tax, which CEPA is strongly opposed to.

If the five new councils are granted access to SEPP 70, it would impose a new tax on just about all new development in the five LGAs. $488.75 per square metre would be paid to the councils for every square metre of net developable area. Table 2 shows the amount that could be raised across the five applicant councils in SEPP 70 taxes over five and 30 years.

Table 2: Estimated Total Amount of SEPP 70 Raised in Five LGAs

Council	5 Year Dwelling Target (no.)	Proportion of Respective District (%)	30 Year Target In Proportion to Five Year Target (no.)	Dwellings Per Year (no.)	SEPP 70 Tax ($)	Average Dwelling Size (m^2)	Five Year Revenue ($)	Following 25 Year Revenue ($)
Randwick	2,250	4.8	7,613	254	488.75	80	87,975,000	209,684,774
Canada Bay	2,150	4.6	7,274	242	488.75	80	84,065,000	200,365,451
Inner West	5,900	12.7	19,962	665	488.75	80	230,690,000	549,840,075
Ryde	7,600	29.3	26,944	898	488.75	80	297,160,000	756,355,222
Northern Beaches	3,400	13.1	12,054	402	488.75	80	132,940,000	338,369,441
TOTAL SEPP 70	**21,300**		**73,848**	**2,462**			**832,830,000**	**2,054,614,964**

Taking a typical apartment size of 80m^2 and the GSC's dwelling targets for the next five years for each applicant LGA, total revenue in SEPP 70 taxes would be $832.8 million across the five LGAs. Taking the 30 year target for each district to be proportionate for each LGA, the next 25 years will yield a further $2.05 billion. The full 30 years would yield just under $2.9 billion, or $96.2 million per year. Over 30 years, Ryde would raise over a billion dollars in SEPP 70 revenue.

The impact of this can best be illustrated with an example of a typical development. In the scenario outlined in Table 3, the land area is 2,000m^2 and the floor space ratio (FSR) is 5:1. This means that the gross floor area (GFA) available in the development is 10,000m^2. Typically only 85 per cent of the GFA is available for sale, as the rest is public space including lobbies, lift wells, hallways, bin areas, etc. This leaves 8,500m^2 available for development. A typical apartment is 80m^2 in size. Therefore, the typical development would have 106 apartments. The developer would pay the SEPP 70 tax of $488.75 on each of the 8,500 square metres, resulting in a tax paid of just under $4.2 million, or $39,100 per apartment.

Table 3: Cost Of SEPP 70 on a Typical Development Scenario

Item	Amount
Land (m^2)	2,000
FSR	5
Gross Floor Space 8:1 (m^2)	10,000
NSA (85% of GFA) (m^2)	8,500
Number of Apartments (at $80m^2$ per apartment)	106
SEPP 70 Rate (\$/m^2)	488.75
Total SEPP Tax (\$)	4,154,375
Cost Per Apartment (\$)	39,100

SEPP 70 is an upfront tax, meaning that the developer would need to either pay in cash or provide a bank guarantee for the amount before building commences. It is not well understood in government that a bank guarantee is not a deferral of payment. A bank guarantee needs to be covered by the exact amount of capital that is being guaranteed. In the example in Table 2, if a developer was looking to obtain a bank guarantee, they would need \$4,154,375 in cash deposited into a special account which they would not be able to access (except the interest), against which the bank would issue the guarantee. A bank guarantee, therefore, is not a way to defer the payment of the SEPP 70 tax without it affecting cashflow.

Developers cannot defer the SEPP 70 tax, and a bank guarantee does nothing to limit the impact on cashflow. It is also unlikely that a bank or any other lending institution would lend a developer the money to pay their upfront taxes. Therefore, the developer would need to find equity funding to pay the SEPP 70 tax. Equity funding is much more expensive than debt funding. It is likely that equity financing to a small developer to pay for SEPP 70 would be in the vicinity of 25 per cent in total. Table 4 shows the impact of finance on the SEPP 70 tax.

Table 4: Impact of SEPP 70 Tax After Finance on a Typical Development Scenario

Item	Amount
Contribution (\$)	4,154,375
Equity Finance (%)	25
Cost After Finance	5,192,969
Cost Per Apartment (\$)	48,875

In this scenario, the developer would be passing on at least \$48,875 per apartment on to the new home buyer. Of course, this only breaks even for the developer, and would be likely to be more than this to ensure the developer does not make a loss.

It can be seen, then, that despite SEPP 70 being a policy that aims to promote housing affordability, it would be devastating for housing affordability, and indeed, would cancel out any first home buyer incentives provided by the state.

Effect on Rent

An increase of \$48,875 on a typical apartment means that the typical purchase price would increase by at least that amount. Typically, weekly rent has been 0.1 per cent of the purchase price. As the price of apartments goes up, the rent would consequentially go up. And as the effect would be more wide-ranging than just the affected developments (as new housing sets a benchmark for all prices in the market), all rents would rise. Table 5 shows the effect on market rents of SEPP 70.

Table 5: Effect on Market Rents of SEPP 70

Item	Amount
Apartment Cost ($)	340,000
Developer Margin on Cost of Building (%)	50
Market Price ($)	510,000
Weekly Rent ($)	510
Annual Rent ($)	26,520
SEPP 70 Cost Additional Cost ($)	48,875
Market Price with SEPP 70 ($)	558,875
Weekly Rent with SEPP 70 ($)	559
Annual Rent with SEPP 70 ($)	29,062
Increase in Weekly Rent ($)	49
Increase In Annual Rent ($)	2,542

Table 5 shows that the typical apartment would sell for around $510,000 without SEPP 70. Under this scenario, the weekly rent is $510 per week and the annual rent is $26,520. With SEPP 70 imposed, the market price rises by the cost of the tax, to $558,875 and the weekly rent consequently rises to $559 per week. The annual rent with SEPP 70 would be $29,062, or $2,542 more than without SEPP 70.

It is therefore clear that SEPP 70 is also not a rental affordability scheme, as it increases rents in general. Interestingly, an Opal fare for 20-34 kilometres is $4.94. The increase in rent is almost equivalent, then, to the workday public transport travel bill for the typical outer-ring renter.

Effect on Small Developers and Market Prices

SEPP 70 has a disproportionate impact on smaller developers and their potential customers, but in so doing, affects the whole market.

Professor Paul Cheshire of the London School of Economics has expressed this effect in conversation with CEPA. Under policies and schemes like SEPP 70, smaller developers find it harder to participate in the market because of both the additional complexity in the planning process and cost of capital. This is because conditions are not known ahead of time so smaller developers without internal capital resources have a disproportionate difficulty financing such schemes. This slowly reduces competition in the development industry, pushing up the price of all new housing. In so doing it helps drive the monopolisation of the development industry with damaging effects across the entire market. As a result, over the long run, it is likely that the effect on prices and rents are an understatement, as smaller developers are driven out of the market and only larger developers survive.

Impact of SEPP 70 on Dwelling Targets

SEPP 70 is estimated to add nearly $50,000 to each dwelling in the applicant LGAs at the time when housing affordability is considered to be as crisis levels.

As the demand side of a market is made up by buyers with a certain “willingness to pay”, it is likely that higher prices will result in fewer effective buyers. This does not mean that underlying demand is affected, it just means that prices become more out of reach, and therefore the market has fewer people who can afford to participate. Fewer buyers mean that developers will build fewer apartments, or withdraw completely from the applicant LGAs. Combined, these councils have73,848 dwellings by 2036 as part of their respective District Plans.

Supply is likely to fall with the imposition of SEPP 70. CEPA modelling, illustrated in Table 6 shows what would happen to supply in the five applicant LGAs if supply is lowered by the value of the tax.

Table 6: Estimated Impact on Dwelling Targets of SEPP 70

Council	30 Year Revenue ($)	Cost Per Apartment ($)	Apartments Foregone (no.)
Randwick	297,659,774	340,000	875
Canada Bay	284,430,451	340,000	837
Inner West	780,530,075	340,000	2,296
Ryde	1,053,515,222	340,000	3,099
Northern Beaches	471,309,441	340,000	1,386
TOTAL SEPP 70	**2,887,444,964**	**340,000**	**8,492**

With an average cost of $340,000 per apartment, it is likely that – at least – around 8,500 apartments will be foregone as a result of SEPP 70 over 30 years, if supply is lowered by the value of the tax.

The GSC’s 30 year targets for the five applicant LGAs is 73,848 dwellings. However, CEPA modelling estimates that there could be a shortfall against the Greater Sydney Commission’s dwelling targets of around 8,500, and that only 65,355 dwellings would be built. This would further exacerbate the housing affordability crisis by increasing the mismatch between population growth and housing growth.

SEPP 70 And The Problem of Deadweight Loss

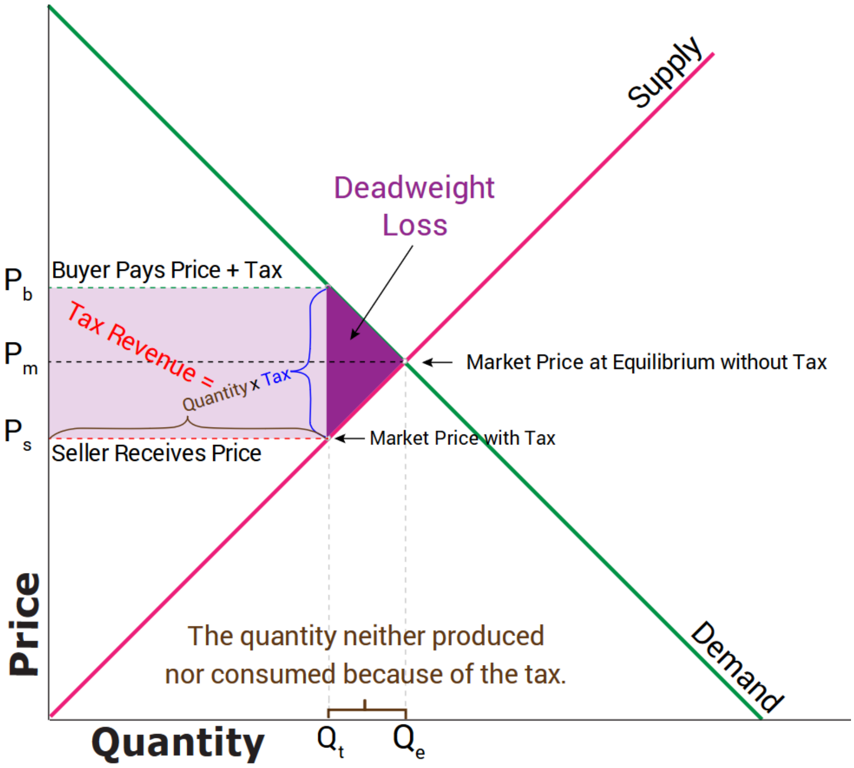
Deadweight Loss

The laws of economics apply to the housing market as much as to any other market. This includes what happens when a tax is applied to a good or service – a deadweight loss is created, which is borne by society at large.

Taxes lower the value of transactions to both buyers and sellers, in that, to some extent, the buyer pays more for the product and the supplier receives less. Some of that loss of value goes to the government (the reason it collects taxes). However, it has long been recognized that the loss of value to the market participants is greater than the gain to the government. Therefore, the economy as a whole loses some value from taxation, and this complete loss is referred to as the deadweight loss of taxation. Specifically, deadweight loss consists of the loss of consumer surplus for buyers plus the loss of producer surplus for sellers who do not participate in the market for reasons other than the price of the product or service, resulting in a loss of total surplus for the economy.

Diagram 2 shows why this deadweight loss occurs. When a market transaction is taxed, the buyer pays a higher price and the seller receives a lower price. This lowers demand, which shifts the buyer's equilibrium from the market price (P_m) to a higher price (P_b) at lower quantities; likewise, because the seller receives a lower price (P_s) for his product, less of it is supplied, which moves the seller's equilibrium down the supply curve, to a lower price and quantity. The amount the government receives equals the tax, which equals the buyer's price minus the seller's price, times the quantity of the transaction, whether for goods or services (tax revenue = tax × quantity).

Diagram 2 – Deadwieght Loss of Taxation



The area of the light purple rectangle in Diagram 2 is equal to the tax revenue collected by the government. The area of the dark purple triangle is equal to the economic welfare lost to taxation.

- P_b = Price buyers pay. Demand is reduced because buyers must pay a higher price because of the tax.
- P_m = Market price without taxes.
- P_s = Price sellers receive.
- Q_e = The quantity supplied without the tax.
- Q_t = The reduced quantity supplied because of the tax.

This loss of economic welfare consists of buyers who will no longer buy the product because the price is higher than their willingness-to-pay price, so they decide to do without. Likewise, some sellers will not produce a product because they are not receiving a high enough price to cover their economic costs. The benefit that these buyers and sellers would have added to the economy but for the tax is a deadweight loss of taxation. Because these buyers and sellers do not participate in the market, they do not contribute to the tax, which is why the government does not receive the portion consisting of the deadweight loss. Instead, the taxes are paid by the buyers and sellers who continue to participate in the market. The buyers pay part of the tax, in an economic sense, as a reduction in their consumer surplus, which is the difference between their willingness-to-pay price and the product price. Likewise, sellers pay part of the tax as a reduction in their producer surplus. This loss, however, goes to the government in the form of its tax, which makes sense, since only the buyers that continue to buy the product and the sellers who continue to sell the product contribute to the tax. Thus, in terms of total surplus (consumer surplus + producer surplus), the deadweight loss equals the reduction in total surplus minus the tax revenue collected by the government.

The amount of the deadweight loss varies with both demand elasticity and supply elasticity. When either demand or supply is inelastic, then the deadweight loss of taxation is smaller, because the quantity bought or sold varies less with price. With perfect inelasticity, there is no deadweight loss. However, deadweight loss increases proportionately to the elasticity of either supply or demand. Who suffers the tax burden also depends on elasticity. When supply is inelastic or demand is elastic, then the seller suffers the major tax burden; when supply is elastic or demand is inelastic, then the buyer pays most of the tax. The effect of elasticity on the tax is no different from its effect on any other price change.

Society at large is made worse off by the amount of deadweight loss. In the housing market this means fewer dwellings built. Fewer dwellings means a larger gap between the rising population and the number of dwellings, which can only mean higher prices for housing. Indeed, taxing housing not only increases the price of the houses that are taxed, it increases the price of all housing.

Principles of Good Tax Design

Deadweight loss can be exacerbated by poor design and implementation of a tax. In order to alleviate some of the deadweight loss associated with taxation, eleven principles have been developed principles of "good tax design"[5]. They are:

- Adequacy: taxes should be just-enough to generate revenue required for provision of essential public services.
- Efficiency: tax collection efforts should not cost an inordinately high percentage of tax revenues.
- Equity: taxes should equally burden all individuals or entities in similar economic circumstances.
- Neutrality: taxes should not favour any one group or sector over another, and should not be designed to interfere-with or influence individual decisions-making
- Broad-based: taxes should be spread over as wide as possible section of the population, or sectors of economy, to minimize the individual tax burden.
- Compatibility: taxes should be coordinated to ensure tax neutrality and overall objectives of good governance.
- Convenience: taxes should be enforced in a manner that facilitates voluntary compliance to the maximum extent possible.
- Predictability: collection of taxes should reinforce their inevitability and regularity.
- Simplicity: tax assessment and determination should be easy to understand by an average taxpayer.
- Earmarking: tax revenue from a specific source should be dedicated to a specific purpose only when there is a direct cost-and-benefit link between the tax source and the expenditure, such as use of motor fuel tax for road maintenance.
- Restricted exemptions: tax exemptions must only be for specific purposes (such as to encourage investment) and for a limited period.

Table 7 outlines how the VPA policy violates these principles.

Table 7: Principles of Good Tax Design

Principle	Comment
Adequacy	Despite raising many millions in taxation, SEPP 70 will only ever raise enough money to buy a few houses for the lucky few. CEPA modelling estimates that SEPP 70 could result in 2,450 new affordable dwellings made available in the first five years (490 per year) and 8,492 over 30 years (283 per year). There is much pain to a small base (see below) for what could be very little gain.
Efficiency	SEPP 70 results in deadweight loss, which, as shown previously, results in fewer houses being built.

[5] http://www.businessdictionary.com/definition/taxation-principles.html

Principle	Comment
Equity ✗	The advent of SEPP 70 would mean that not all home buyers would be treated the same, nor does it treat all developers the same. Smaller developers face a higher cost of finance to pay the tax upfront (even with a bank guarantee), so pass on the increased cost as an even higher price than larger developers, who have better access to funds, would. As for new home owners, as discussed above, the tax burden would fall on them. But the tax burden only falls on these buyers if they purchase in a development that was subject to this policy, so those who buy just before this policy is implemented, and those who buy established dwellings are advantaged over purchasers of new housing in other LGAs. Indeed, those who purchase outside of the applicant LGAs are also advantaged over those who purchase in applicant LGAs.
Neutrality ✗	SEPP 70 clearly breeches this principle, as it does not treat all land and all buildings on land equally. Firstly, those who just knock down and rebuild will not be subject to the policy. Secondly, it will change decisions made by developers, as they would look to develop outside of the applicant LGAs. Thirdly, it treats buyers of new homes and old homes differently.
Broad-based ✗	As discussed, SEPP 70 implements a tax that is anything but broad-based. The very narrow base (just 21,300 new home buyers) of this tax makes it very poor.
Compatibility ✗	This tax adds to the burden that developers (and home buyers face) when developing. Although it could be offset by s.94 and SIC contributions, where applicable, this would lower the amount that would be raised for infrastructure by these levies.
Convenience ✗	SEPP 70 is set out in a way that makes the actual paying convenient. However, weighed against this is that 100 per cent of it is required to be paid upfront, prior to the issuance of a construction certificate, which would impact on a developer's cashflow.
Predictability ✓	SEPP 70 is a predictable tax. If set out as Canada Bay's consultants would have it, a "per square metre" rate would be known and could be included in future feasibilities.
Simplicity ✓	As with predictability, SEPP 70 is quite simple.
Earmarking ✗	SEPP 70 explicitly is designed to be spent on affordable housing in the applicant LGAs. Receipts could be more or less than budgeted. In the event that less is raised, councils may need to prioritise the expenditure; if more is raised, councils will need to determine what will be done with the excess funds.
Restricted Exemptions ✓	SEPP 70 has few exemptions.

On all but three principles, SEPP 70 fails the test as a "good tax".

Equity

Intergenerational Equity

The burden of paying the SEPP 70 tax is likely to fall upon the young. Older residents of the councils with SEPP 70 provisions are unlikely to ever pay it. Indeed, as new homes set the benchmark for the market in established homes, older residents are likely to benefit. As the cost of SEPP 70 is capitalised into the price of new apartments, prices of all apartments and houses across the board will rise, meaning capital gains for those who already own established homes.

It is completely unfair that the younger purchasers of the 21,300 apartments over the next 5 years should pay for affordable housing when it should be the responsibility of all. There are better models for improving affordable housing than it being paid for by such a small tax base.

It is the coming of the new serfdom, whereby the young are indentured to their landlords until they can afford a deposit to buy their freedom. We should therefore be concentrating on making all housing cheaper, rather than making it cheaper for the lucky few renters of affordable rental housing.

SEPP 70 sounds like a great tax – it hits the developer and everyone can go about saying how they have made the social evil better by using their profits to fund affordable housing. However, as the analysis in this submission has made plain, SEPP 70 has real consequences for the private housing market, both for purchase and for rent, and it is not the developer who pays ultimately bears the burden of the tax.

It's OK for those who already have their homes to see house prices go up even further – this is likely to result in capital gains for these owners. But it is the young, those who are not yet in the housing market, and the poor, who are likely to suffer disproportionately under the SEPP 70 tax.

Horizontal Equity

Horizontal equity requires that those in the same circumstances are treated the same. However, SEPP 70 aims to make 8,492 new households better off while effectively ignoring the rest.

Why Councils Should Not Be Involved

Councils are the Least Fiscally Responsible

Local councils are the least fiscally responsible level of government. Indeed, Northern Beaches and Inner West Councils exist because their former constituent councils were deemed to be "not fit" for the future under the recent local government amalgamations. The City of Ryde was also deemed "not fit", while Randwick was subject to amalgamation. Trusting councils with hundreds of millions of dollars, when they are not set up for it is a recipe for disaster. Only state and federal governments, with fully established treasuries are in a position to handle such sums. Apart from DA approval, there should be no role for councils in affordable housing.

Perverse Outcomes

Under SEPP 70, councils could effectively become the developer, owner and landlord for new affordable housing developments. SEPP 70 has the potential to pervert the planning process, as councils could find themselves in a conflict of interest scenario.

Councils would gain the benefits in terms of monetary contributions (which they would earn interest on) and in-kind contributions (which they would earn rental income on). This could corrupt the planning process and lead to poor planning outcomes.

It also makes this an important question: why should the dwellings be handed over for free when councils get the rental/interest income?

Conflict of Interest

SEPP 70 creates a conflict of interest. This is because, on the one hand the council, in exercising its planning decision, is obliged to only act on proper planning grounds, yet, as the consent authority. But under SEPP 70, the council has an interest in the outcome of the planning process and decision.

In short, it would appear to be impossible for councils to abide by the principle that development that is unacceptable on planning grounds should not be permitted because of planning benefits offered by the developer that do not make the development acceptable in planning terms."

Potential Constitutional Issues

SEPP 70 expressed as a rate "per square metre" on all development raises issues in relation to the Commonwealth of Australia constitution. The setting of a "per square metre" rate could be interpreted by the High Court to be an *ad valorum* tax. Section 90 of the Commonwealth of Australia constitution states:

> On the imposition of uniform duties of customs the power of the Parliament to impose duties of customs and of excise, and to grant bounties on the production or export of goods, shall become exclusive.
>
> On the imposition of uniform duties of customs all laws of the several States imposing duties of customs or of excise, or offering bounties on the production or export of goods, shall cease to have effect, but any grant of or agreement for any such bounty lawfully made by or under the authority of the Government of any State shall be taken to be good if made before the thirtieth day of June, one thousand eight hundred and ninety-eight, and not otherwise.

The High Court of Australia has consistently ruled that ad valorum taxes are excises, and therefore can only be collected and controlled by the Commonwealth. If the High Court was to rule that the SEPP 70 imposed in this way constituted an excise, it would not be a legal tax.

Better Ways Than SEPP 70

Fund Affordable Housing Out of General Revenue

As discussed earlier in this submission, SEPP 70 is a way for those who are against development to have their consciences assuaged by syphoning off what they see as excess profits from developers into making housing more affordable for those who cannot afford it. This is wrong.

SEPP 70 makes the gap between the rich and poor wider, under the guise of improving affordability.

The tax base for SEPP 70 in the applicant councils is only as much as 2,462 households per year over the next 30 years (given the target for each applicant LGA is reached). This places an unfair burden on those new home buyers.

A better policy would be to raise the money required for affordable housing through a tax on all households in Sydney, or indeed NSW. The same amount of tax ($96 million per year over 30 years) could be raised with a $50 per year tax on all households in Greater Metropolitan Sydney. This could be given to housing associations on a competitive tendering basis to ensure value for money is obtained.

Allow Height/Density Increases to Offset SEPP 70

At the moment, SEPP 70 works just as a tax, without the ability of the developer to offset it against greater densities than would otherwise be allowed under the relevant planning scheme.

Minister Roberts' vision[6] was that a partnership be created between developers and the state, rather than the imposition of a tax. If developers are able to offset affordable housing contributions by building more market apartments (either through additional floors or additional FSR within existing height envelopes), affordable housing could be built more quickly (as developers are incentivised to build and sell as soon as possible), more cheaply, and more could be achieved.

To reiterate, SEPP 70 does not do what the Planning Minister suggested in March 2017. SEPP 70 is a tax on development, which will only serve to make market housing less affordable, and the burden of which falls most on younger first home buyers.

Rental Model

SEPP 70 raises the question as to why developers should hand over their stock to councils for free in perpetuity, when it is the councils that will then get the benefit of owning and renting out these dwellings, albeit at a lower-than-market rent.

A better model, which would incentivise developers, would be along the lines of the National Rental Affordability Scheme (NRAS). NRAS looked to the private market to own and operate rental properties at lower than market rents in return for a subsidy over ten years. The owner could then sell the property, or roll it over for another ten years.

NRAS also helped community housing associations enter the market. Community housing associations are best placed to manage and operate affordable housing.

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[6] http://www.smh.com.au/nsw/more-density-around-rail-stations-and-new-schemes-for-renters-nsw-housing-plan-20170318-gv19u2.html

Change the Timing of SEPP 70 Payments
As mentioned earlier, SEPP 70 is an upfront tax. It is therefore particularly burdensome on smaller developers. Also, as mentioned earlier, there is no way to defer the tax (noting that a bank guarantee still requires the capital upfront and has just as much effect on cashflow).

Therefore, it would soften the blow, and improve cashflow, if the developer could defer SEPP 70 payments to prior to the issuance of an occupation certificate, or later.

Allow SEPP 70 to be Offset Against State Infrastructure Contributions and S94
SEPP 70 would be made more affordable if it could be offset against other taxes and charges, such as the State Infrastructure Contribution and s.94 levies.

Negative Gearing and Commonwealth Rent Assistance
One may say that Australia already has an affordable housing policy: negative gearing and rent assistance. Negative gearing subsidises the investor in the early years while their returns are negative, but typically after about five years, returns turn positive. Negative gearing allows the investor to keep rents down, while Commonwealth Rent Assistance targets low and medium income earners and enables their rent to be subsidised. In this way, both the supply and demand sides are subsidised, and supply is able to match demand.

Make SEPP 70 a Levy on All s94 Payments
If SEPP 70 was a levy on all s94 payments, it would be spread across a region, rather than being a tax on individual developments. It would also reduce some of the issues identified in this submission around perverse incentives of councils. Councils could increase their s94 levies by a certain amount, and state government could impose a levy on councils against councils' s94 accounts, which could go to community housing providers on a tender basis.

Bring SEPP 70 In Over A Longer Time Period
One of the biggest problems with SEPP 70 is that it is retrospective in nature. Developers have no way of passing it back to the original land owner if the land has already exchanged hands, and developers have no way of anticipating the introduction of the tax. Therefore, it would be fairer to declare that the tax will be brought in, across all LGAs, at some date in the future – perhaps 10 years time. Doing this will enable the developer to pass the tax back in the form of lower land prices, rather than passing it on to new home buyers.

Allow The Market to Increase Supply
SEPP 70 will reduce supply and even then make housing more expensive to buy and rent. A better alternative is to increase the supply of housing, some of which will continue to be bought to rent, and some of which will be bought to live in by the owner. A better way to increase supply is to broaden the zoning of land, so that fewer changes to planning instruments are required (which takes time and costs money) and incentivise councils to approve meritorious developments faster. In this way the supply curve shown in Diagram 1 can become less inelastic.

Conclusion

Solving Sydney's housing affordability crisis requires sound economics acting in concert with sound policy and planning. Unfortunately, SEPP 70 provides none of these.

It is incredibly naive to think that a massive increase in taxes will have no effect on volumes of dwellings produced or to the prices of those developments or resulting rents. Adding nearly $50,000 to the typical market apartment is going to do lasting damage to housing supply in the five applicant councils. At a time when housing affordability is at crisis levels, it is unconscionable.

CEPA modelling suggests that the price of new housing will increase by around $50,000 in the applicant LGAs as a result of introducing SEPP 70. Indeed, it will also increase market rents by around $50 per week. Never has a housing affordability policy done so much to increase house prices and rents.

SEPP 70 is likely to only increase the stock of affordable housing by less than 250 per year – although this appears ambitious when only 735 dwellings in total have resulted from SEPP 70 in the last 15 years. It is clear that SEPP 70 will increase the price of new dwellings in the five applicant councils, will lead to increased market rents and will hurt the young to the benefit of the old. With all the pain it will create in the private market, it will also only result in a handful of new affordable dwellings available for rent to the lucky few.

SEPP 70 has a disproportionate impact on smaller developers and their potential customers, but in so doing, affects the whole market. Under policies and schemes like SEPP 70, smaller developers find it harder to participate in the market because of both the additional complexity in the planning process and costs of capital. This is because conditions are not known ahead of time so smaller developers without internal capital resources have a disproportionate difficulty financing such schemes. This slowly reduces competition in the development industry, pushing up the price of all new housing. In this way it helps drive the monopolisation of development industry with damaging effects across the entire market. As a result, over the long run, it is likely that the effect on prices and rents are an understatement, as smaller developers are driven out of the market and only larger developers survive.

SEPP 70 is a poor policy, and extending it to more councils is worse. CEPA strongly opposes both SEPP 70 and its extension to more LGAs.

The Commercial and Economic Planning Association Inc

The Commercial and Economic Planning Association was established in July 2017 to look after the interests of smaller developers, associated companies, and new home buyers.

Additional taxes, regulation and delays (particularly at the local government level) hurt smaller developers – and their customers – much more than they do larger developers. Small and medium developers, financiers, planners, architects and associated companies have a higher opportunity cost of capital and have fewer projects to spread additional costs around. Therefore, the Commercial and Economic Planning Association Inc has been established to represent the interests of smaller developers, to give voice to their concerns to state and local government, and to advocate in favour of sound economic and planning outcomes.