



Three budget ideas to help the housing crisis



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Over the past few years, housing has dominated the policy agenda at every level of government – and rightly so. The housing crisis is costing Sydney \$14bn a year in lost productivity and risking our city's ability to offer future generations a secure place to call home. Asked about what he'd like his legacy to be, the NSW Premier last week stated it simply: Housing.

Over the last three budgets the government has moved ambitiously on planning reform, on innovative schemes like the pre-finance guarantee and in investing record amounts in social housing. But, with an election nine months away, traditionally this budget has been modest, leaving spending splashes for the half-yearly budget review in December, while complex reform is unlikely till at least April 2027.

But there's always more to do. Here's three big, and small, investments that will go a long way in delivering more great housing across Sydney that we're hoping to see in the upcoming budget:

- 1. Improve housing feasibility by shifting infrastructure contributions payments from the construction to completion stage for large projects up until 2029**

Density done well means delivering infrastructure in line with housing growth. Currently, the bulk of funding for this infrastructure comes from state and local infrastructure contributions.

These contributions are so important to ensuring that communities can get the infrastructure they need, but the current system leaks value before it can deliver it. Contribution payments are due at the start of construction just when projects are most capital intensive and financially exposed. For large scale, multi-stage projects the interest costs on upfront contributions can reach tens of millions of dollars – up to 45% of the total contributions owed itself. At a time when feasibility is already tight, that cost coming years before a

project completes can kill an otherwise viable project – taking with it both the housing and infrastructure funding it would have generated. The fix is straight forward. Moving contribution payments for large-scale projects above \$10 million to occupation, rather than commencement, would reduce financial pressure at the point it matters most, without reducing the infrastructure funding communities need.

Councils may reasonably raise two concerns: that infrastructure can't be delivered until after construction is complete, and that there is risk to councils and communities if a development falls over. Both are manageable. Councils already have the power to borrow against forecast contributions and can be given access to low-cost finance to do so – for example Local Government NSW proposes a \$5bn loan facility for councils. The state government could also step in directly, establishing an infrastructure guarantee fund to advance contributions upfront – recovered at completion on concessional or cost-recovery terms.

Given current market conditions, this whole approach should be piloted until 2029 to test whether the model works before making it permanent.

2. Continuing the record investment in Social Housing

More social housing benefits everyone. It takes pressure off the cheapest rentals in the private market, reduces homelessness and gives people somewhere stable to land when life doesn't go to plan.

The market cannot be expected to solve all parts of our city's affordability crisis. The government's \$5.5 billion social housing fund has been transformational – already funding 3,300 new homes for low-income, vulnerable people – especially women escaping domestic and family violence.

But this fund runs out soon. The government should commit to the next 5 years of funding for this program – giving certainty to Homes NSW to continue to deliver, and certainty that Public, Community and Aboriginal housing will continue to grow in line with broader market housing.

3. Expanding the Audit of Government land to plan for public space and social infrastructure alongside housing

As Sydney densifies, the pressure on land isn't only to deliver more homes, but to also deliver the open space, parks, libraries and community facilities that make density liveable. These need to grow together.

The government's land audit should be expanded beyond housing sites to identify land suitable for the civic infrastructure that must accompany growth. Every new home increases demand on public space, and that demand needs to be planned for, not retrofitted. Residual land not suitable for development should be earmarked for public use – think contributions to new greenways, sports facilities, libraries, pools and the infrastructure that makes neighbourhoods worth living in.

Land identified for civic use should be transferred to local government or community providers at below-market cost, recognising that public amenity is as essential to a well-functioning city as the homes themselves.



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