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By email: [info@gcc.nsw.gov.au](mailto:info@gcc.nsw.gov.au)

Dear Lyndal,

**RE: Six Cities Region Discussion Paper**

The Urban Development Institute of Australia NSW (UDIA) is the peak industry body representing the leading participants in urban development in NSW. Our more than 450 member companies span all facets of the industry from developers and consultants to local government and state agencies. UDIA advocates for the creation of Liveable, Affordable and Connected Smart Cities.

UDIA is a strong supporter of the NSW Government's new strategic focus on the Six Cities Region to plan for growth and lift the global competitiveness of NSW and Australia.

**UDIA welcomes the release of the Six Cities Region Discussion Paper (Paper). The Paper outlines a bold and ambitious vision and UDIA is enthusiastic to see the Six Cities Region succeed. However, there is a long way between an aspiring vision and seeing that turn into reality.**

The Discussion Paper lays out the vision and kicks off the engagement process. This is important. However, the hard work must begin now, to fully articulate the vision through formal strategic planning, and to create the proper governance structures across the NSW Government to deliver the strategies.

We agree with much of the direction outlined in the Discussion Paper, and UDIA and our members want to be part of the vision's efficient delivery. Indeed, the level of success will depend on government's ability to collaborate with and leverage the private sector.

UDIA is committed to bringing our members' vast experience and expertise to the process. We aim to work collaboratively and constructively across all relevant areas of the NSW Government – especially with the Greater Cities Commission (GCC), Department of Planning and Environment (DPE), Transport for NSW (TfNSW) and Treasury – to find and implement better processes for planning, governance, and engagement to unlock the private sector investment required to realise the NSW Government's vision for the Six Cities Region. The development industry looks forward to playing our part to unleash Australia's economic powerhouse.

Our response is set out into 3 areas:

- Areas of agreement
- Areas of concern; and
- Where more work is required

UDIA offers the following recommendations for the next steps and our submission provides further supporting commentary. Our recommendations are:

- 1. Adopt an incentives-based approach to increasing affordable housing supply instead of inclusionary zoning, to provide a diversity of housing types and ownership models that allow for broader ownership and more secure residency.**
- 2. Take a strategic approach to achieving Ecologically Sustainable Development that balances environmental, social, and economic outcomes, and includes biodiversity considerations to bring more certainty to land use planning for housing, jobs, and infrastructure.**
- 3. Adopt an engagement approach that embraces a high level of genuine collaboration with stakeholders including the development industry to identify and choose from a range of solutions to implement the vision.**
- 4. Engage the Productivity Commission to assist in the significant task of setting up the right approaches to governance to achieve integrated city shaping outcomes and how to leverage private sector investment.**
- 5. Incorporate contingency factors in setting dwelling targets and managing the development pipeline, in recognition that the planning process inevitably results in some reduction as projects move into the delivery phase and that the market needs a supply buffer to guard against price escalation.**
- 6. Build in strategic considerations from outside the Six Cities boundary, including neighbouring areas like the Blue Mountains, the Southern Highlands corridor through to Canberra and Upper Hunter; and consider extending the boundaries where and when appropriate.**

## Areas of agreement

The Six Cities Region currently delivers around a third of Australia's gross domestic product, making it by far the most important economic region in the country. With over 6.3 million people, the region needs to be planned to grow as a globally competitive powerhouse heading towards a conurbation city in coming decades of over 8 million people, able to rival the Randstad in the Netherlands and San Francisco in the USA. To achieve success, the NSW Government's focused work for the Six Cities should inspire and justify Federal Government investment to secure the future potential for the Six Cities Region and support Australia's global standing.

UDIA agrees with most conceptual aspects of the Discussion Paper. In particular, we welcome the Paper's inclusion of the following important concepts which were also included in UDIA's [Issues Paper: Priority Focus Areas to Ensure Success for the Six Cities Region](#).



- Ensuring the strategic framework is centred on coordinated growth
- Achieving physical and digital connectivity, including planning for future fast rail
- Integrating transport and land use planning
- Focussing on higher density and diversity around transport nodes (i.e., more transport-oriented-development)
- Achieving housing targets and reporting results
- Achieving desired housing density and diversity
- Considering the use of Urban Development Program (UDP) Committees to align infrastructure provision with the development pipeline and promote transparency, measurement and accountability. UDIA emphasises the need for UDP Committees to be empowered in order to get results on the ground. See our paper [Empowered UDP Committees](#).
- Planning for resilience and achieving net zero. UDIA emphasises an incentives approach to net zero.
- Leveraging each City's competitive advantage so the whole is greater than the sum of the six parts

However, the Discussion Paper does not articulate how these concepts will be fulfilled. That detail is critical, and the chosen methodology can be the difference between success and failure. If the GCC's collaborative process is genuine, UDIA and other constructive stakeholders can help identify potential approaches and work with NSW Government to land on the most effective solutions to deliver the desired outcomes for these concepts. We urge the GCC to adopt a high level of genuine collaboration with industry including UDIA.

## **Areas of concern**

There are some details of the Discussion Paper that cause us concern. UDIA stresses that these matters must be included in the forthcoming engagement process with industry.

### *How to provide enough affordable housing*

The Paper rightly identifies that more affordable housing needs to be delivered throughout the Region and UDIA strongly agrees. We recently formed an Affordable Housing Taskforce and are working at both the national and state level on recommendations that address the underlying causes of the problem and propose solutions. UDIA National recently released a Policy Paper on alternative approaches to inclusionary zoning, which we commend via this [link](#).

At this time, we note the fundamental need at the regional planning level to set a clear definition of 'affordable housing', as there is still much confusion around the term.

We highlight our concern with Strategy 3.6 of the Paper which calls for a 10 per cent affordable housing target for new rezonings. Based on global experience, such an inclusionary zoning approach is not successful in delivering the affordable housing needed, and instead works against the goal by reducing housing supply overall and making at-market housing incrementally more expensive. This is a positive feedback loop that does not address the root cause of housing affordability.

In addition to providing more 'affordable housing', the NSW Government should be focused on providing a diversity of housing types and ownership models – including build to rent, rent to buy and land lease – which would allow for broader ownership and more secure residency.

We welcome the stated intent to work with stakeholders to improve the delivery of affordable housing. We are actively working on evidence-based research from our members' collective experience to find solutions and urge the GCC to engage closely with UDIA on this policy area.

**Recommendation 1 – Adopt an incentives-based approach to increasing affordable housing supply instead of inclusionary zoning, to provide a diversity of housing types and ownership models that allow for broader ownership and more secure residency.**

### *How to achieve Ecologically Sustainable Development*

While the Paper emphasises the importance of the environment, it is mostly focused on the effects of climate change. Unfortunately, it is silent on biodiversity and the overall importance of achieving Ecologically Sustainable Development (ESD). This is a disappointing omission.

The scale of growth envisaged by the Paper will require more land for housing, jobs, and infrastructure throughout the Six Cities Region whilst providing good biodiversity outcomes. Achieving a successful balance is difficult. We highlight that development on a site-by-site basis under the Biodiversity Conservation Act (BC Act) is creating immense uncertainty for the NSW Government's strategic land use plans. For example, UDIA's [Greenfield Land Supply Pipeline Report](#) (October 2022) demonstrates that over 60% of Hunter and Central Coast lots, and over 40% of Illawarra lots, are held up by biodiversity constraints. Zoned employment land and infrastructure projects face similar constraints. Notably, these are areas where the NSW Government has not delivered holistic strategic conservation land use planning. As UDIA and EMM outlined in our [Issues Paper on the Biodiversity Offset Scheme](#), the current approach is not delivering good outcomes for either biodiversity or development projects.

The BC Act is now undergoing its 5-year statutory review with a report due to Parliament in August 2023, and UDIA is engaging closely in the review process. This policy area has enormous implications for the NSW Government's strategic land use plans. See UDIA's [Action Plan to Improve Outcomes for Biodiversity, Housing and Jobs](#) for our recommendations for improvement.

To underpin the Six Cities vision with Ecologically Sustainable Development and provide the certainty it needs, the NSW Government must invest in and deliver strategic conservation planning for the Hunter and Central Coast just as it has done for Western Sydney via the Cumberland Plain Conservation Plan. Consideration and interrogation of the draft State Significant Agricultural Lands work currently being led by the Department of Primary Industries must be accounted for as well.

UDIA urges the GCC to make strategic conservation planning a high priority for the whole of the Six Cities Region.

**Recommendation 2 – Take a strategic approach to achieving Ecologically Sustainable Development that delivers good environmental, social, and economic outcomes, and include biodiversity considerations to bring more certainty to land use planning for housing, jobs, and infrastructure.**

### **Areas where more work is required**

Potential responses to the issues listed above and others must be identified, and the appropriate solutions must be chosen, through genuine collaboration with stakeholders including the development industry.

In particular, UDIA would like to work with NSW Government to address the following critical areas:

- Delivering affordable housing
- Achieving Ecologically Sustainable Development goals
- Identifying the right governance approach for engagement on and implementation of strategic plans
- Leveraging private sector investment
- Achieving dwelling targets
- Delivering housing diversity and density
- Identifying future settlements
- Mapping the development-ready pipeline to ensure sustainable housing supply over the long term
- Working toward net zero

### *The importance of genuine collaboration*

The International Association for Public Participation (IAP2) has developed a Spectrum of Public Participation to guide government engagement with the public; its definitions are widely accepted internationally. Under the Spectrum, government may “inform, consult, involve, collaborate or empower” the public via its chosen level of engagement.

As the GCC conducts its work and develops the updated Region Plan and District City Plans, UDIA strongly urges it to adopt a “collaborative” approach to engagement with the development industry. Consistent with the IAP2 definition of collaboration, we recommend that the GCC's participation goal should be “to partner with [industry] in each aspect of the decision including the development of alternatives and the identification of the preferred solution.” The promise of the GCC should be that it will look to stakeholders including the development industry “for advice and innovation in formulating solutions and incorporate advice and recommendations into the decisions to the maximum extent possible.”

In past experience, under the Greater Sydney Commission (GSC), the engagement approach was much lower on the Spectrum, closer to “inform” or “consult”. We urge the GCC to collaborate with UDIA to identify and choose from a range of solutions to the critical issues outlined in our submission.

**Recommendation 3 – Adopt an engagement approach that embraces a high level of genuine collaboration with stakeholders including the development industry to identify and choose from a range of solutions to implement the vision.**

### *Governance*

We are pleased that the Discussion Paper acknowledges the importance of governance. However, we are disappointed that the Paper does not propose any options for actual discussion.

Currently in the NSW “planning and delivery” space, there is no sole government agency charged with the implementation of the policies and plans developed by the GCC and DPE. Once well-thought-out and sensible policies and strategic plans are developed, it takes many years to see these become a reality due to ad hoc, unfunded, conflicted agencies, and multi-fronted and misaligned development delivery stages. In many cases, the plans are never fully achieved.

Internationally, the best model for the facilitation of development outcomes is for government to act as an enabler, by forming partnerships with private developers. In contrast in NSW, we observe that the establishment of for-profit development entities within the NSW Government can create competition with the private development industry. As an example, it can be argued that the Western Parkland City Authority (WPCA) has exercised its powers as a development authority to advantage the delivery authority over private developers with land that is ready to go to market. UDIA is interested in exploring the potential benefits of a “development authority” that would play an enabling role for delivery (versus directly competing with the private development industry), without adding another layer of bureaucracy. Opportunities for a development authority should be carefully considered in the governance discussion.

The paper rightly calls out the need for better integration of transport and land use planning. We agree. An example of the lack of integration of land use and transport planning can be seen in the results delivered on the ground along Sydney Metro NW. Early in the planning process, TfNSW established appropriately scaled TOD opportunities along the corridor, but those plans were not released to the public. Without a clear articulation of the appropriate densities and mix of building uses that will be delivered at key transit interchanges, the community does not come along on the journey to understand and accept the need for more development intensity aligned with high-capacity transport infrastructure. As a result, the planning outcome is diminished, and the competitiveness of our cities falls away.

Similarly, in areas where the scale is lower or where development is dependent on road upgrades, TfNSW has not been adequately integrated into the planning process and therefore development outcomes are stifled. UDIA has been working with Professor David Levinson from the University of Sydney to look at how the NSW Government can better integrate transport and land use using the concept of accessibility. Our case study looking at the South West Rail Link extension can be found at this [link](#).

UDIA continues to advocate that under our present governance structures, the best way to achieve integration of transport and land use strategic planning, is to place both functions under a single Minister.

The issue of governance is much broader, however. The success of the Six Cities Region requires answers to all of the issues we have outlined in our response, and ultimate success will rely on effective governance to oversee the delivery of the Region and District City Plans.

We recommend any governance structure must:

- a) ensure alignment of priorities across the NSW Government, including commitments to the timely planning and funding of infrastructure necessary to support the plans' delivery;
- b) focus on delivery and implementation of plans including dwelling targets, by establishing efficient structures and transparent pathways including regular public reporting and monitoring for each City, and pathways to reasonably consider out-of-sequence development proposals;
- c) effectively engage with the private sector and leverage private sector investment; and
- d) understand and communicate the economic development potential and key industry clusters in each location, and Government's role in expanding the agglomeration effects of place-based economic development strategies.

To assist NSW Government in meeting these objectives, we recommend the NSW Productivity Commission should be immediately tasked with identifying appropriate governance structures. Specifically, we suggest the Productivity Commission should:

- undertake a review of international approaches to governance and identify best practices under different scenarios with regard to the desired outcomes;
- identify the existing barriers in attracting private sector investment in the Six Cities Region and solutions for removing those barriers; and
- consider changes that should be made to government procurement processes.

#### *Leveraging private sector investment*

We welcome the Paper's recognition that the realisation of the vision will require a step change in the State's ability to attract private sector investment to deliver the places and infrastructure we are going to need.

Historically, and as noted above, a significant challenge in NSW Government investment has been a focus on infrastructure project delivery rather than coordinated city building, and this has often resulted in missed opportunities for transformative city-shaping outcomes, such as when stations are placed in the wrong locations or high-potential station locations are missed completely. Fixing these issues would deliver significant long-term community returns from future infrastructure investments. We need to ensure every infrastructure dollar gets to the right project as soon as possible, integrated with related local and State works, to ensure there is no missing piece to inhibit growth and the creation of great places.

For the Six Cities to rightfully connect, thrive and reach their optimal potential, major spending on infrastructure will be required. UDIA's experience with the various City Deals across Australia, including the Western Sydney City Deal, has made apparent that without early engagement and investment by the private sector, we will be unable to plug the funding gap in major and critical infrastructure, thereby detracting from the goal of timely delivery of our globally competitive cities of the future.

Applying the learnings from past projects and experience, UDIA believes the key issues to consider in attracting private sector investment include:

- getting the governance right to create more certainty (uncertainty creates barriers to growth and investment);

- ensuring government facilitation and encouragement of private sector investment (NSW Government has a reputation for red tape and inter-agency misalignment);
- choosing the most appropriate and efficient funding, financing and delivery mechanisms to support expedient delivery; and
- engaging with the private development industry early enough in the design and planning process to allow for innovation.

Currently, we do not believe that the NSW Government is equipped to deliver these essential ingredients. Therefore, it is critical that the NSW Government do the supportive work now to position itself with the understanding and ability to employ appropriately tested strategies and tactics that can promote private-sector collaboration and unlock transformative investment. As mentioned above, we propose that the Productivity Commission would be best placed to provide this advice.

**Recommendation 4 – Engage the Productivity Commission to assist in the significant task of setting up the right approaches to governance to achieve integrated city shaping outcomes and how to leverage private sector investment.**

#### *Achieving dwelling targets and delivering housing density and diversity*

The Six Cities together represent 90% of new housing supply for NSW, with the Intergenerational Report’s 10-year outlook indicating 400,000 new dwellings will be needed by 2031 across the region. We have a long way to go before this is achievable and we welcome the NSW Government’s recognition that we need to get it right.

UDIA is supportive of setting dwelling targets as a means of transparency to communicate intent to local government, the community and industry. Targets also provide the basis for measurement over time and support accountability.

However, setting targets does not guarantee delivery. We welcome the Paper’s priority on *achieving* the dwelling targets, and acknowledgment that more work is needed on how to ensure that achievement. Governance will play a significant role in achieving targets, and we are hopeful the Productivity Commission can identify the best approach(es).

As the GCC works to determine the targets, we caution that the development-ready pipeline must incorporate a contingency factor, to account for the fact that attrition to expected development yield occurs throughout the planning process (i.e., the number of dwellings a development project ultimately delivers is often lower than originally envisaged after accounting for NSW planning policies, and site design capabilities; in some instances, a development site can never be delivered).

In addition, to keep prices affordable, the dwelling targets themselves need to be higher than 1:1 to the expected demand, to allow for an efficient market where supply can be quickly added in response to increased demand. These factors are important to achieve target delivery, and UDIA can provide practical detail to inform the GCC’s work in this space.

To provide a foundation for transparency, measurement and accountability, Urban Development Program (UDP) Committees should be used to manage the pipeline for development-ready housing and employment areas. Active supply (i.e., projects that are DA approved, with infrastructure funding in place and biodiversity offsets arranged if required) must be the key measure of success. UDIA’s paper [Empowered UDP Committees](#) explains how UDP Committees can be used to align necessary infrastructure and identify other barriers to delivery. With its practical focus and cross-government, agency and industry membership, the UDP should provide a shared understanding of where growth will occur, and the platform to measure delivery against



the targets. The UDPs should be supported by technology and provide rolling data as well as annual reports on public dashboards.

The Paper envisions greater housing diversity and higher density, especially around transport nodes. UDIA supports both ambitions. We caution that suburban density should be considered according to the local context. For example, lower-density housing should continue to be offered where market demand is strongest such as in parts of the northern Cities.

Given all the above, it is critical that the NSW Government collaborate directly with the development industry to understand the complexities to housing delivery and streamline processes so targets can be achieved.

**Recommendation 5 – Incorporate contingency factors in setting dwelling targets and managing the development pipeline, in recognition that the planning process inevitably results in some reduction as projects move into the delivery phase and that the market needs a supply buffer to guard against unaffordable price escalation.**

#### *Future settlements and geographic boundaries of Six Cities Region*

We welcome the Discussion Paper’s recognition that better connections throughout the Six Cities will open up new opportunities for settlement and support increased housing supply. We support the strategic investment that both the Federal and State Governments have committed towards planning for fast rail, which will provide transformational links between Newcastle, Gosford and Sydney in the first instance.

Broadly, we see the opportunity for new towns and centres to emerge within the Six Cities Region, supported by appropriate infrastructure at the Regional, City and local scale. We recommend that the next phase of strategic planning should identify such opportunities for new settlements. This should be developed considering the greater potential for population growth and broader acceptance post-COVID of working from home, while still maximising the benefits of the established key centres in each of the Cities.

We note that although the GCC’s planning is now focused within the set boundaries of the Six Cities Region, strategic considerations should take into account the impacts from, and upon, neighbouring areas like the Blue Mountains, the Southern Highlands corridor through to Canberra, and the Upper Hunter. Such areas have intrinsic relationships with the Six Cities Region and should inform NSW Government’s overall plan for growth. In future, it may become appropriate to realign the boundaries of the Six Cities to better facilitate these linkages.

**Recommendation 6 – Build in strategic considerations from outside the Six Cities boundary, including neighbouring areas like the Blue Mountains, the Southern Highlands corridor through to Canberra and Upper Hunter; and consider extending the boundaries where and when appropriate.**

#### *Working towards net zero*

UDIA is currently investing in research with our members to identify approaches to delivering more environmentally sustainable development, without undermining industry’s ability to deliver the housing supply and jobs NSW needs.

We are eager to engage constructively with the NSW Government in this policy space and look forward to collaborating on solutions in the new year.

## **Conclusion**

UDIA is excited about the future of NSW, and we want to see the Six Cities Region succeed.

We need to use this major strategy review now to implement better processes for planning, governance, and engagement to unlock the private sector investment required to support the NSW Government's vision for the Six Cities Region as Australia's economic powerhouse. We emphasise the need for the NSW Government to deliver an integrated city shaping capability through the work of the Six Cities Region Plan, where the outcomes are quickly seen to deliver more than the sum of the parts as we reach toward becoming a global exemplar megaregion.

We call on the NSW Government to work collaboratively with UDIA to deliver the envisaged outcomes.

Thank you again for the opportunity to make a submission on the Six Cities Region Discussion Paper. Should you have any further questions or to arrange a meeting, please contact Kezia Wallace at [kwallce@udiansw.com.au](mailto:kwallce@udiansw.com.au) or (02) 9262 1214.

Kind Regards,



Steve Mann

**Chief Executive  
UDIA NSW**