



THE UNIVERSITY OF  
**SYDNEY**

**The Henry  
Halloran Trust**



## **Housing Supply Outcomes From Codification in Sydney**

*Keiran Thomas*

Urban Planning Consultant

**Citation: Thomas, K. 2016 “Housing supply outcomes from codification in Sydney”, Research and Policy Brief, Urban Housing Lab, University of Sydney, Sydney.**

This Research and Policy Brief draws on research presented in the following publication:

Thomas, Keiran. 2016. "Housing supply outcomes from codification in Sydney" *Henry Halloran Trust Report No. 06*, University of Sydney, Sydney

### **ACKNOWLEDGEMENTS**

This material was produced with funding from The Henry Halloran Trust at The University of Sydney. The Author gratefully acknowledges the important role of the Trust in promoting scholarship, innovation and research in town planning, urban development and land management.

### **DISCLAIMER**

The Henry Halloran Trust is an independent body, which has supported this project as part of its program of research. The opinions in this report reflect the view of the authors and do not necessarily reflect those of the Henry Halloran Trust, its Advisory Board or The University of Sydney.

# Summary

- Eight years ago the NSW Government codified the approval of secondary dwellings as complying development. 5,000 secondary dwellings – more than 10% of the Government’s supply target – were approved in Sydney last year. Recently the Government proposed extending codification to medium density development of up to 10 dwellings per lot<sup>1</sup>.
- This research project modelled the code rules for minimum lot size, zone, and environmental exclusions across the Sydney Metropolitan Region to map all of the lots that could be eligible for codified secondary dwellings and/or medium density development, if no additional zoning, permissibility or exemption criteria were imposed.
- In both hypothetical cases, approximately 830,000 (85%) of the residential lots in Sydney could be eligible for codified additional dwellings. In volume terms, this is consistent with the NSW Government’s target of supplying 664,000 additional dwellings in Sydney by 2031.
- However, the location of these lots could create risk for the NSW Government’s urban consolidation agenda. The outer suburban ring would be disproportionately eligible for both codified secondary dwellings and codified medium density development. In contrast, the inner suburban ring would be disproportionately ineligible. This runs contrary to the principle of density at the centre. This risk would be exacerbated by the fact more than half of the outer ring lots would be eligible for the highest of codified densities – up to 10 dwellings per lot.
- Across Sydney, the R2 Low Density Residential zone would also be disproportionately eligible for medium density, which could disrupt the objectives of this zone if developed *en masse*. Zoning would effectively be replaced by lot size as the determinant of density.
- A less significant risk would exist in the high proportion of R3 Medium Density and R4 High Density zoned lots eligible for secondary dwellings. This could encourage resistance in affluent areas to market forces pushing for higher densities.
- The project concludes by modelling minor changes to the code rules which could re-align the lot eligibility to the urban consolidation agenda for Sydney and the density objectives of each residential zone. These changes seek to balance the need for new housing with strategic control over density.
- The study demonstrates the importance of modelling potential changes to land use planning controls as a basis for evidence based reform. However, at present spatial modelling of the kind demonstrated in this project is not routinely carried out or made transparent to help stakeholders understand the potential benefits and risks of different regulatory options.

---

<sup>1</sup> A revised draft policy was exhibited for public comment on 12 October 2016 until 12 December 2016. This revised draft policy is significantly different to the November 2015 version and is not the subject of this research project.

# Introduction

This Research and Policy Brief outlines a 2016 research paper by Keiran Thomas entitled “Housing supply outcomes from codification in Sydney”. The research examines the relationship between the criteria for codified housing development and the characteristics of Sydney’s residential lots.

It draws on existing data on the uptake of codified development in Sydney. It also creates new data on the eligibility of all existing residential lots in Sydney for codified development if no additional zoning, permissibility or exemption criteria were imposed. The hypothetical residential density outcomes from codified development are compared to zoning objectives and distance from Sydney’s CBD.

## Context

Housing supply is a key issue in Sydney. Projected population growth figures alone imply that Sydney requires an additional 664,000 additional dwellings by 2031 (DPE 2014: 64; and 2015b: 1). Maintaining a steady output of new, diverse, and moderately priced housing is also an important strategy for addressing affordability pressures. A myriad of factors affect supply, but the ease and speed of approval from planning authorities is often cited.

In 2008, the NSW Government began to codify housing rules to improve the consistency and speed of approvals. The codes mean that new single dwellings and secondary dwellings which comply with set rules are able to be approved without an additional planning assessment. Codified approval takes less than a third of the time of a conventional approval. Not surprisingly, the uptake of the codified approval pathway has been significant.

Based on this success, in late 2015 the NSW Government proposed to codify low-rise medium density residential development – up to ten two-storey dwellings per lot (DPE: 2015b). A discussion paper proposed minimum lot size, zoning and design standards for this code. To date, public commentary and discussion has focussed on the design outcomes of these codes and the impacts of code-approved dwellings on neighbour amenity. There has been little discussion of how such codes affect residential density patterns across Sydney, nor the supply impacts of potential change.

Nor has there been independent review and reflection on the outcomes achieved to date as a result of previous codification reform, in terms of housing supply outcomes overall and particular dwelling types in particular.

## Sources

This research project relied on nine years of data from the NSW Government’s *Local Development Performance Monitor* to document the growth in codified approvals for secondary dwellings and the rise of private certification (rather than approval by council planners) across Sydney.

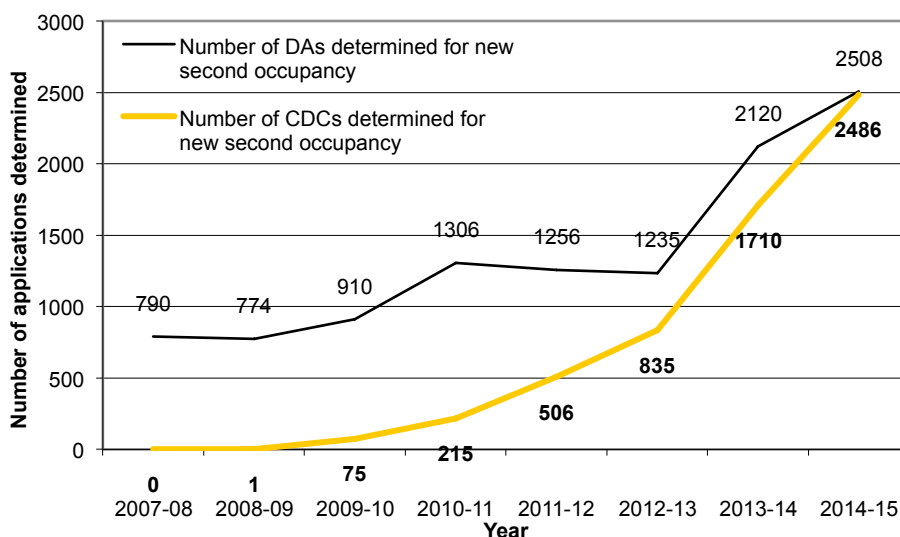
A unique spatial model was developed using Geographic Information Systems to map all of the lots in Sydney that could hypothetically be eligible for codified additional dwellings. This model used lot size, zoning and environmental datasets to analyse volume and density outcomes from the current and proposed codes if no additional zoning or permissibility criteria were imposed. The model also allows testing of variations to the proposed code rules. Further refinement of datasets could significantly enhance the accuracy of the model.

# Key Findings

## Growth in Codified Approval of Additional Dwellings

Since the introduction of State Environmental Planning Policy (Exempt & Complying Development) 2008 and State Environmental Planning Policy (Affordable Rental Housing) 2009, secondary dwelling approvals have grown to 5,000 per year. Codified approvals have contributed 50% of this growth and it is anticipated that they will have overtaken conventional approvals as the major contributor to growth when this year's results are published. The speed and simplicity of codified approval (one-third the time of conventional approval and no construction certificate required) are likely a strong factor in this growth.

**Figure 1: Number of development applications and complying development certificates determined for new secondary occupancies in Sydney LGAs, 2007-2015**



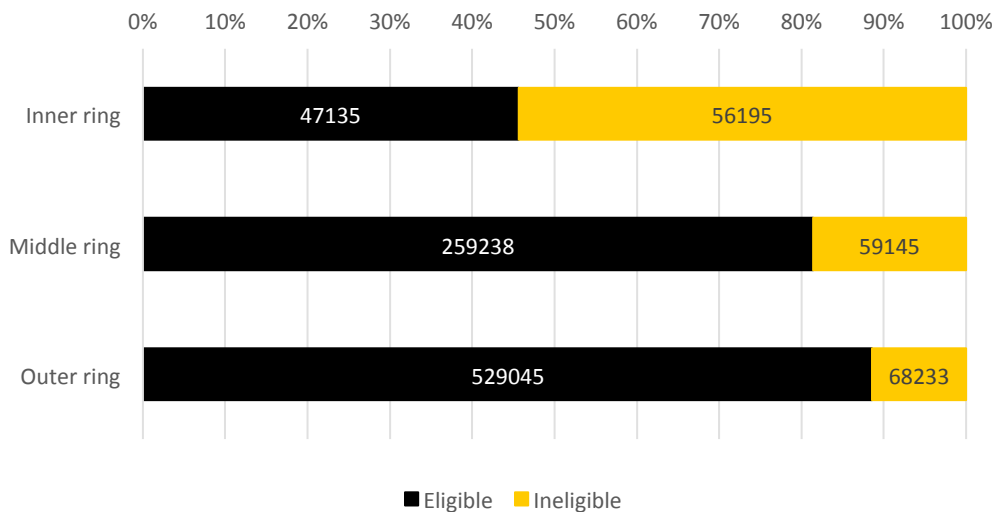
Source: The author, compiled from NSW Government *Local Development Performance Monitors* 2007-2015.

Private certification has grown exponentially in the same period. Homeowners wishing to build a secondary dwelling are much more likely to seek approval from a private certifier than to go through their local council. The growth in private certification has important consequences for local councils' oversight of housing approvals. In the outer suburban ring, for example, almost 4000 secondary dwellings have been approved without council involvement.

# Potential Spatial Outcomes for Secondary Dwellings

835,418 lots in Sydney would be eligible for codified approval for a secondary dwelling. Sydney's outer suburban ring, and R2 Low Density Residential zone lots in general, are disproportionately eligible. This may not be a significant risk at such a low level of densification. However, the volume of R3 (medium density) and R4 (high density) lots eligible for secondary dwellings may be cause for concern. We should consider whether this risks losing these lots to suboptimal densities, especially in more affluent suburbs. There is a case to be made for retaining discretion over secondary dwellings in the R3 and R4 zones.

**Figure 2: Eligibility of all R1-R4 lots in the Sydney Metropolitan Area for secondary dwellings as complying development, by suburban ring.**

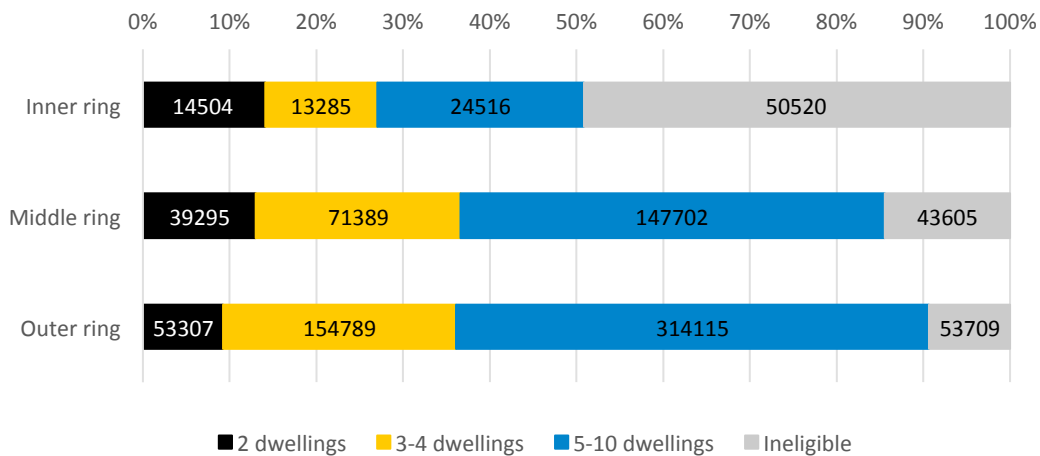


Source: The author, compiled from Geographic Information System data.

# Potential Spatial Outcomes for Medium Density Development

832,902 lots in Sydney would be eligible for codified approval of medium density development. Again, the outer suburban ring and the R2 zone in general are overrepresented. The risk is higher in this case because more than half of the outer suburban ring and R2 lots are eligible for the highest density – 10 dwellings per lot. This could lead to lots containing ten dwellings that are located far from centres and infrastructure, interfacing with detached single dwellings. It could also lead to enclaves of such development, multiplying densities of some neighbourhoods by ten, simply because the lots are the 'right' size.

**Figure 3: Eligibility of all R1-R3 lots in the Sydney Metropolitan Area for the medium density proposal, by suburban ring and maximum potential dwelling yield.**



Source: The author, compiled from Geographic Information System data.

A key question is whether control over density as high as ten dwellings per lot should be lost to codification. This is largely a question of design, which is given considerable thought in the policy discussion paper and is not addressed by this research project. However, this project suggests that the consequences for suburban density of retaining a ten-dwelling allowance could be significant, especially in the outer suburbs.

## Implications for Practice

This project is an example of how modelling planning policy settings in a real world context can inform policy development. It also shows the importance of developing and maintaining spatial datasets for the policy parameters because otherwise the physical implications cannot be mapped, analysed, and exposed to public scrutiny and debate.

The results demonstrate two types of tension in planning for housing in NSW. The first is the tension between local zoning controls and regional prerogatives – by applying region-wide criteria based on lot size, we may undermine the strategic planning process. The second is the tension between codification and discretion – how much strategic control over density should be lost in the name of simpler and faster approvals?

## References

NSW Department of Planning and Environment (2014) A Plan for Growing Sydney, Sydney: Department of Planning and Environment.

NSW Department of Planning and Environment (2015b) One Part of the ‘Missing Middle’ Part 1: Discussion Paper November 2015, Options for Low Rise Medium Density Development as Complying Development Sydney: NSW Government.