

To: Stephen Cain  
Chief Executive Officer  
PO Box 1215,  
Bibra Lake DC  
Western Australia 6965

29<sup>th</sup> July 2014

Dear Mr Cain

### **HOUSING DIVERSITY AND AFFORDABILITY STRATEGY**

The Property Council of Australia welcomes the opportunity to submit comments on the City of Cockburn's 'Housing Diversity and Affordability Strategy'.

The Property Council of Australia is the leading advocate for Australia's property industry. It counts the bulk of the nation's major investors, property owners and developers – as well as the industry's professional service and trade providers – amongst its members.

Housing affordability is a concept denoting the dynamic relationship between household income and expenditure on accommodation. The Property Council believes that the concept of affordable living provides an appropriate framework for understanding the role that local government and the property industry can encourage housing diversity and affordable outcomes. As defined by in the Department of Planning's Planning for Affordable Housing Discussion Paper, affordable living recognises that direct rental or mortgage payments are not the only expenses that households incur. Affordable living recognises indirect costs of dwelling such as utility payments, access and cost of transport and proximity to employment. In some cases, the additional cost of living in low quality or poorly located dwelling can outweigh the benefits of lower priced accommodation.

The Property Council therefore extends the following comments to encourage affordable living outcomes in the City of Cockburn.

### **Infill and Greenfield Development**

The Western Australian property market presents significant opportunities to encourage diversity through infill and greenfield development. The *Property Council* (2013) in conjunction with *Australian Urban Design Research Centre* and *The Greens* investigated the infill housing potential along seven growth corridors. Planning provisions that focus on diversity to deliver affordable living opportunities should encourage an increase in

housing supply through both infill and greenfield development. The *Transforming Perth* report concluded that medium to high density developments could yield more than 157,000 new dwelling if infill development was supported by public policy. *Directions 2031 and Beyond* as a strategic plan for Perth and Peel provides the opportunity for planning provisions to contribute to affordable living outcomes through a joint focus on both infill and greenfield development.

The Property Council's support for dwelling diversity is supported by property industry data and echoed by other industry groups. The *Housing Industry Association with the Commonwealth Bank* (2013) noted an increasing demand for diversity through size particularly around transport nodes. The report revealed that there is a significant market for relatively smaller lots within new estates located in growth corridors. The Property Council strongly supports planning provisions that increase housing supply while promoting housing diversity. The Property Council maintains that infill development of Perth's growth corridors presents the opportunity to achieve this goal. Property industry members believe that encouraging diversity in the context of the affordable living framework would be the most effective, long term market based strategy to deliver more affordable living outcomes.

## **Incentives**

Voluntary planning incentives could take multiple forms to increase the supply of affordable living options including fast-tracked approvals and assessments, or development bonuses such as plot ratio bonuses, density bonuses or height bonuses as well as development concessions to increase the rate at which affordable living options are provided to the market. However, the Property Council suggests that local councils that employ voluntary incentives should be guided by a toolbox of approved measures.

Fast-tacked assessment systems with guaranteed approval timeframes also provide an incentive to deliver affordable living. The Property Council believes that efficient housing supply requires a disciplined assessment and approvals system so that the housing market is operating at its fullest potential. Prioritised approvals will be an attractive incentive.

Property Council of Australia members suggested that height, density and plot ratio bonuses make sense as a low cost planning incentive but only if they are structured to increase the project's feasibility. The affordable housing incentive structure should not impact the commercial viability of the development and preferably improve the developer's return. Although this may be the obvious function of a planning incentive structure, Property Council members have noted that some local governments in the Perth metropolitan region have designed incentive structures that impact the commercial return. For example the assumption that more floor space through height bonuses would be equated to a lower cost per square metre is incorrect. The additional space through height does not necessarily offset the cost of providing affordable housing and if anything may trigger more costs due to subsequent building codes. Ultimately any incentives

employed to encourage affordable living dwellings need to be tailored to suit the development.

Voluntary incentives could also include car bay concessions. The minimum number of car bays per new dwelling is a development cost that can be eliminated in areas of good public transport. Car parking adds significant cost particularly when densities make it impossible to accommodate surface parking. Additionally, sustainability concessions in the built environment for property developers to encourage utility efficiency could support affordable living outcomes as they reduce the overall cost of living. Fairly low cost incentives such as this can be implemented by integrating planning provisions with public transport plans.

The Property Council believes that providing voluntary incentives to support the affordable living outcome is an appropriate role to be taken through the planning provisions. Feedback from Property Council of Australia members would caution that the incentives need to be tailored to the development so that the commercial return is not threatened.

### **R-Codes**

The City of Cockburn would be able to easily create the environment under which greater affordable housing options are possible by choosing not to enforce the minimum size restrictions under the R-Codes. In this way, apartment size can be market dependent, with smaller apartments created to cater to those with smaller budgets. Pursuing housing affordability outcomes through the R-codes would provide dwelling opportunities to the demographics identified by the City of Cockburn as being most vulnerable to housing stress such as the elderly and young people.

By the City of Cockburn choosing not to apply the R-Codes, they will be creating an environment in which it is possible to have diversity of stock that is also affordable.

### **Mandatory Inclusionary Zoning**

The Property Council does not support the City's decision to lobby the State government to consider Mandatory Inclusionary zoning as mechanism to encourage housing affordability. International evidence shows that mandatory provisions fail to provide a significant boost to supply and in fact can discourage property development. Mandated provisions establish an incognito, inefficient tax levied that is passed onto non-mandated dwellings make the bulk of supply more expensive.

The Property Council strongly supports market based solutions, opposed to mandates, to deliver affordability outcomes.

### **Conclusion**

The Property Council thanks you again for the opportunity to make comment on the policy. If you would wish to discuss this further, please

contact our Policy Advisor Rebecca Douthwaite on 9426 1203 or at  
[rdouthwaite@propertyoz.com.au](mailto:rdouthwaite@propertyoz.com.au).

Yours sincerely,



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Executive Director

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