PROPERTY COUNCIL of Australia

Australia's property industry
Creating for Generations

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18 March 2022

Mr Mark Bryant
Housing and Homelessness Agreement
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

By email: housing.agreement@pc.gov.au

Dear Mark

National Housing and Homelessness Agreement Review

The Property Council of Australia would like to thank the Productivity Commission for the opportunity to contribute to this review of the National Housing and Homelessness Agreement (the Agreement).

Lack of strategic zoning of land, inefficient planning and high taxation on the construction of new homes, both social and at-market, creates a negative environment for meeting the nation's housing needs as the population begins to grow rapidly once again.

The Property Council's core recommendation is that the Agreement should be structured to incentivise state, territory and, through them rather than directly, local governments to facilitate more and lower cost housing supply for the general housing market and to ensure that the total stock of affordable and social housing actually grows. Neither of these is a requirement under the existing Agreement despite the very substantial Commonwealth Government outlays involved.

A tighter system with clear, National Competition Policy-style incentives for State Governments to create new social and affordable housing is urgently needed. The private and not-for-profit sector also has an important role to play in the provision of this type of housing stock, as discussed later.

The Agreement sits in a broader context of national housing supply policy failure

It is four years since renowned urbanist Professor Greg Clark wrote about Australia's city-governance deficit in his landmark report for the Property Council, *Creating Great Australian Cities.*[1] A large part of this governance deficit is the failure to ensure adequate supply of well-serviced housing to keep downward pressure on at-market prices, which in turn effects the price points of all housing stock whether the purchaser is a private individual, a government or third-party provider.

[1] https://advocacy.propertycouncil.com.au/great-cities-advocacy-priorities

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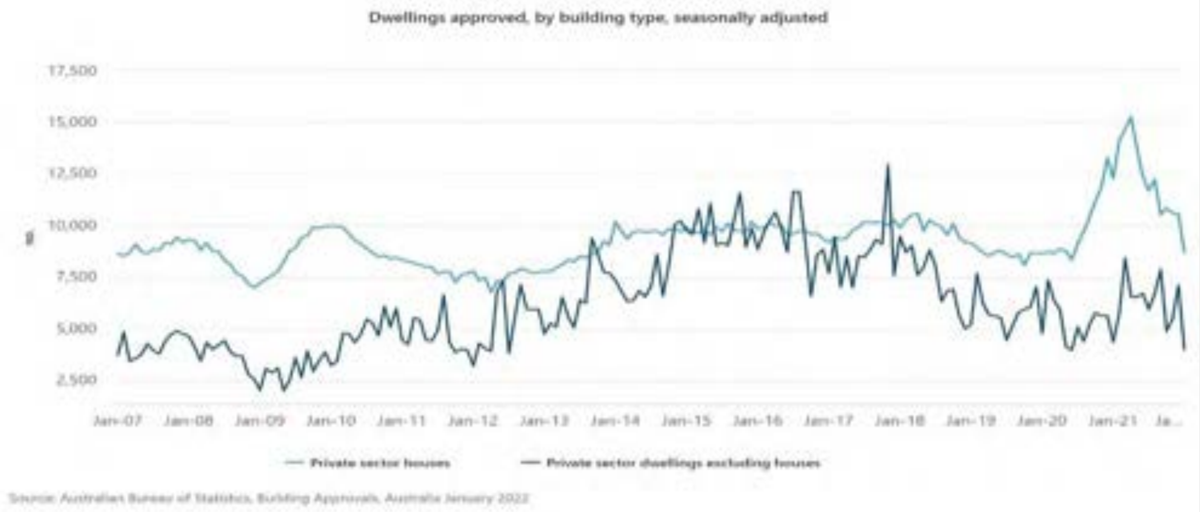
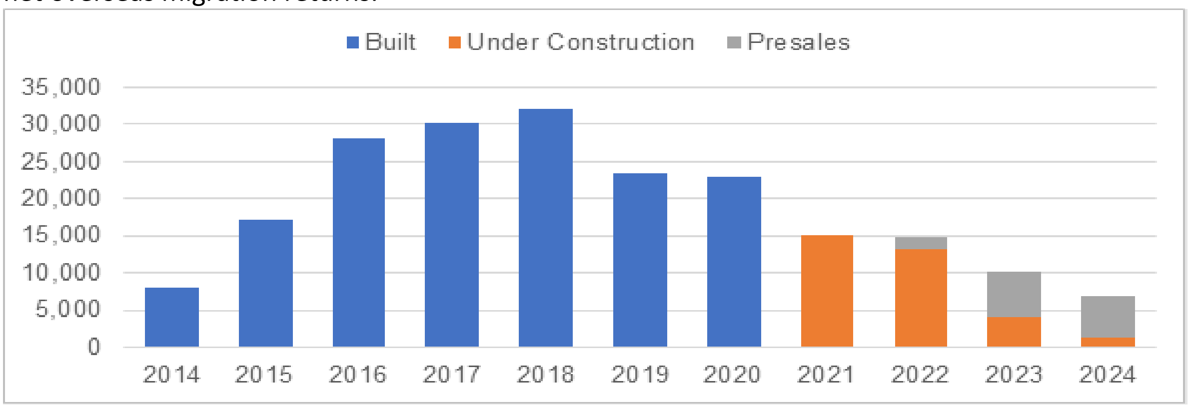
Looking at the broader market, of which social housing is a continuum, since the National Housing and Homelessness Agreement came into effect in 2018, housing stock in Australia fallen short of demand. Data from the ABS shows that building approvals from 2018 until 2021 have effectively remained stagnant.



It is only through the implementation of the Federal Government's *HomeBuilder* scheme that dwelling approvals increased. However, while the number of dwellings completed as a result of *HomeBuilder* rose to historic highs, as graphed above, the reality is that these completions only filled the pre-existing demand gap. The most recent data from the ABS released in March this year shows a drastic decline of over 25% in building approvals, year-on-year, to January 2022.[2]

Of equal concern, the latest report by the National Housing Finance and Investment Commission (NHFIC)[3] acknowledges growth corridors housing supply is at crisis levels in NSW and Queensland and the NSW Productivity Commission identified a 54,000 NSW home supply deficit even without overseas migration to May 2021[4].

At the same time, capital city apartment shortages loom by 2024. Urbis research for the Property Council *Jobs and Homes – Australia's looming apartment supply crunch and how to fix it (page 5)* from October 2021 shows capital city apartment supply will shrink to 21 per cent as against 2018, as net overseas migration returns.



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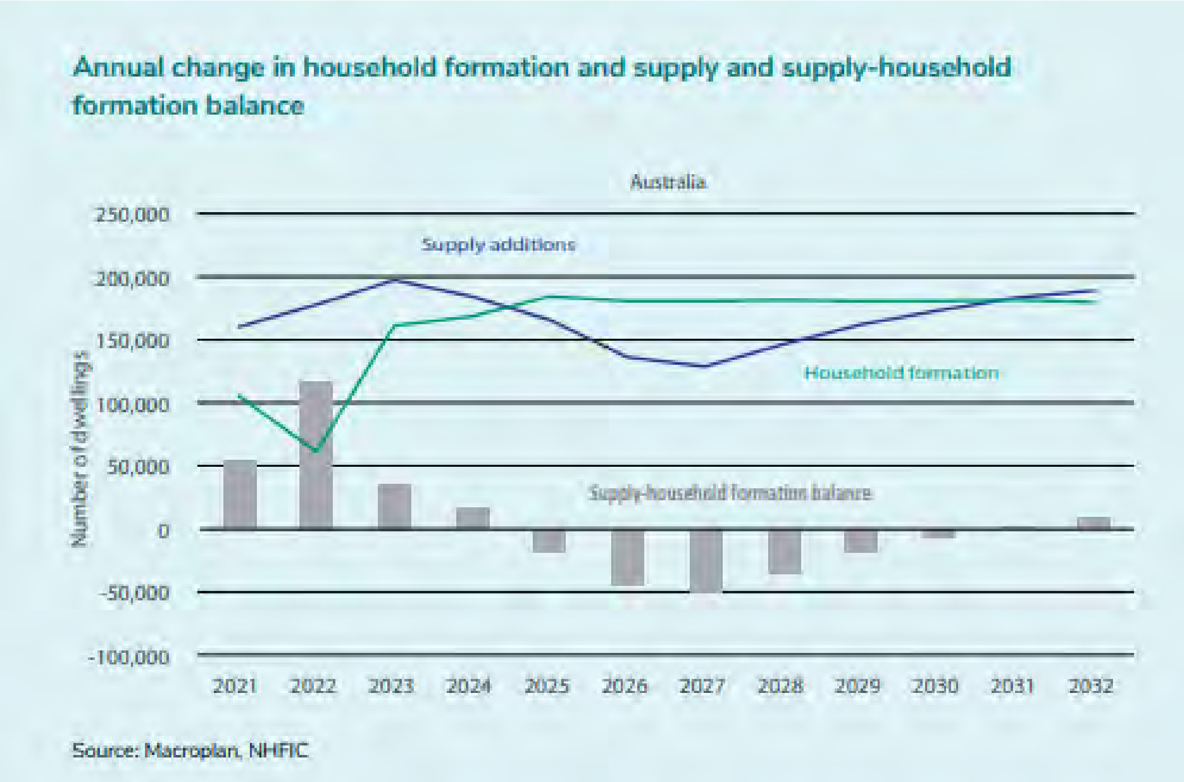
[2] https://www.abs.gov.au/statistics/industry/building-and-construction/building-approvals-australia/jan-2022
[3] https://www.nhfic.gov.au/media/1814/nhfic-state-of-the-nations-housing-2021-22-full-final.pdf
[4] Productivity Commission White Paper 2021 (nsw.gov.au)

The NHFIC report also reveals that between 2025 and 2032, Australia will find itself 163,400 homes short of expected demand.[5]



The Urbis *Planning to Prosper* report, commissioned by the Property Council, found the Australian economy has the potential to gain up to 39,200 additional jobs and almost $5.6 billion in added value over the forward estimates around the nation if key planning reforms are adopted. See report attached.

The overall productivity impacts of inefficient planning systems are well understood by the Productivity Commission. In its seminal 2017 report, *Shifting the Dial – A Five Year Productivity Review*, creating more productive cities and towns was seen as one of the big five policy levers to pull to improve Australia's lagging productivity performance, with land use planning issues recommended as a key focus area for reform.

The overall productivity of planning systems is essential to drive down the cost of producing all homes; social, affordable and at-market. This is true regardless of the interest rate cycle and even when the very high cost of taxation on the end cost of housing, by all three levels of government, is factored in. Clearly even improved government leadership and accountability cannot bridge this growing gap alone.

[5]https://www.nhfic.gov.au/media/1814/nhfic-state-of-the-nations-housing-2021-22-full-final.pdf

The social and affordable housing dilemma

There has been a multi-decade gap in the production of the social and affordable housing Australians need.

The National Affordable Housing Alliance (NAHA), of which the Property Council is a member, notes in its paper *Increasing the supply of social and affordable housing at scale and in perpetuity: Policy options,* that the scale of the gap in social and affordable housing has become monumental. An estimated 891 000 dwellings need to be constructed over the next twenty years to keep up with demand and population growth. [6]

This has been exacerbated by the looseness of the most recent Agreement, whose broad terms are best summarised in the discussion paper, page 3, where it is noted that States and Territories must only,

> *"…publish housing and homelessness strategies, provide annual statements of assurance, contribute to data development and enter into a bilateral agreement with the Australian Government in return for Australian Government funding. States and Territories are also required to match Australian Government contributions to homelessness funding, as per previous NPAHs."*

As canvassed in the Issue Paper, current "funding relatively untied" status quo has led to "a net increase in social housing of only 120 dwellings" since the agreement was signed in 2018.[7] Expenditure on social housing may grow over time, however, the productive use of existing money to provide more homes must be improved immediately.

As first proposed in the 2016 Property Council Deloitte Access Economics report (the DAE Report) *A Federal Incentives Model for Housing Supply*, undertaken by Professor Ian Harper AO, National Competition Policy-style supply and housing incentives could boost state housing supply and spur state housing production within three years.

> *"A similar scorecard would be developed for each State at the commencement of the framework, potentially with weighting of the metrics determined in collaboration with each State to reflect the focus of reforms and current perceived problems. An annual scorecard comparing the States across consistent metrics would be created to provide comparability and establish best practice outcomes chosen."* See report attached.

The DAE Report goes into some detail about practical metrics but ultimately a contemporary process would need to be negotiated. NHFIC, Commonwealth Treasury, the Productivity Commission, states and local governments, industry and Community Housing Providers would establish delivery metrics and incentives. Federal demographic and population forecasts would form the basis of discussions. Starting points for that discussion could involve performance metrics for:

- Strategic state plans that include housing targets;

[6] Report - Review of the operations of the NHFIC Act (treasury.gov.au)
[7] Issues paper - National Housing and Homelessness Agreement Review (pc.gov.au)

- The translation of these strategic objectives into statutory planning frameworks, with more streamlined planning systems that provide state and local agencies with the tools required to deliver on housing targets in a timely and efficient manner, so that housing can be delivered at lower cost;

- The nature of the housing targets themselves, including the type, number, location and the relative affordability of the housing supply; and

- Other important features of housing, such as density and access to infrastructure."

Overall 'dashboards' of metrics would be agreed between the Commonwealth and the States, reflecting both national and state-specific metrics. Data measurement, collection and reporting would form part of any agreement, as would the framework for tying payments to the specific metrics.

Using the DAE Report approach as a model, there must be a binding productivity dimension to the Agreement when it is renewed. The Federal Government should clearly and measurably incentivise the States and Territories to achieve stretch social and affordable new dwelling targets under the Agreement. Funding must be contingent on the delivery of new homes.

The Agreement has failed to drive accountability and output, including new social housing

As adverted, the supply of social and affordable dwellings in Australia has not significantly increased in the years since the NHHA came into effect.

In his 2018 review of NHFIC[8] Chris Leptos AM noted that meeting the shortfall in social and affordable housing would require $290 billion over a two-decade period.

He further noted that to achieve this sum would require significant investment from the private sector to ease the financial burden of state, territory and even Commonwealth governments.

There are many factors that have led to this point. These include a 'go slow' or 'no go' approach to planning improvements by states and territories and a failure to ensure proper land release volumes in growth corridors. Policy failures in major capital cities, especially regarding density and height limits, will be further exacerbated once international borders reopen and migration levels start to return to pre-pandemic levels.

Further, a lack of state-based infrastructure spending on roads, water and sewerage mean that land supply is being held up along identified growth corridors. Unlocking these corridors, especially in Queensland and NSW would increase the supply of lower cost land for social housing.

Low cost of land is an especially important input for social and affordable housing. A new NHHA must be drawn up in 2023 with supply targets at the core of the agreement before federal funding is applied.

[8] Report - Review of the operations of the NHFIC Act (treasury.gov.au)

A new role for the private and not-for-profit sector – The NAHA

While it is clear the Agreement must be tightened up to achieve the provision of new homes, there is also an emerging role for the private sector.

As previously noted, the Property Council is a member of the National Affordable Housing Alliance (NAHA). Chaired by Rod Fehring, the Alliance's other core members include the Australian Council of Trade Unions, the Australian Council of Social Service, the Community Housing Industry Association, Industry Super Australia, Homelessness Australia, the Housing Industry Association, Master Builders Australia and National Shelter.

The NAHA has put forward a number of effective, apolitical policy options that could be adopted individually, or preferably together, to create a pipeline of new affordable and social housing at scale by leveraging non-government sources of capital. The goal is to develop an ongoing viable capability and create a framework that will attract investors and new sources of capital. These options will also assist in enhancing capability in the community housing sector and allowing the construction industry to forward-plan delivery.

If implemented by the Federal Government, it is estimated the NAHA policy options could deliver 11,150 to 14,950 additional social and affordable homes per annum on top of the new supply already being created by state and territory governments through separate initiatives. See attached paper.

The NAHA advocates four initial core policies:

1. Implementing a Housing Capital Aggregator supported by refundable Affordable Housing Tax Offsets to incentivise and crowd in institutional investment in new social and affordable housing supply.

The Commonwealth would first support a market for institutional capital investment in new construction by introducing a refundable Affordable Housing Tax Offset (AHTO), a ten-year term annual refundable tax offset. The Commonwealth would also establish a Capital Aggregator (preferably through an existing entity such as NHFIC) that operates as an interface between institutional investors and project proponents, assisting crowding in of private sector capital for new social and affordable housing supply in exchange for allocated AHTOs.

2. Establishing a Social and Affordable Housing Future Fund with an initial $20 billion in funds under management to close the social and affordable housing funding gap.

Annual dividends from a Social and Affordable Housing Future Fund could be administered by NHFIC and used to bridge the social and affordable housing funding gaps in two ways, either individually or a combination of, providing: 1. upfront capital grants for new projects 2. ongoing annual availability payments on eligible dwellings

The Fund could also be used to increase state and territory governments' social housing investment. For example, NHFIC could allocate funds via a reverse auction thereby encouraging competitive federalism.

3. Activating Affordable Build-to-Rent housing as a vehicle to deliver additional social and affordable housing. Build-to-Rent housing is purpose-built to give people longer-term rental options, a high level of on-site services and amenities and flexible leases that are centrally and professionally managed, often with onsite support.

This nascent sector has the potential to deliver affordable rental accommodation at scale, in high amenity locations and within apartment complexes that provide superior community services. It is well established across the Northern Hemisphere.

To incentivise investment, a withholding tax rate of 10% should be applied to the affordable housing components of Build-to-Rent projects held within an MIT. This will facilitate the inclusion of affordable dwellings as part of these new projects.

At the state and territory level, land tax concessions are also needed to ensure affordable rental housing does not pay commercial property levels of land tax (which would result in returns being insufficient to warrant investment).

4. Enhancing state and territory-based planning and development contributions legislation to prioritise up to 1% of infrastructure contributions and levies to be aggregated and channelled into social and affordable housing provision consistent with state and territory housing policies across Australia.

Re-prioritising the allocation of 1% of new infrastructure and development contributions made by the private sector towards social and affordable housing initiatives could channel an annual additional capital contribution of $53 million to match state, territory and federal government contributions without impacting existing private housing supply or adding to house cost escalation.

In parallel with these policies, NAHA is also seeking a commitment to the development of an integrated database that tracks the delivery of social and affordable housing delivery at a national and regional level to ensure that capital is deployed where need is greatest.

Of the total net new additional supply created by the application of this policy suite, NAHA' s position is that a minimum of 25% be dedicated to addressing the needs of the most vulnerable households as social housing with rents capped below 30% of household income.

The Alliance is seeking to work with all levels of government and has proposed establishing a joint federal, state and territory government taskforce in partnership with NAHA to progress the development and implementation of the recommended policy suite.

Conclusion

The current Agreement is not targeted enough, does not incentivise jurisdictions to keep pace with growing and future demands and has not addressed slow state and territory reform.

At the same time, given the scale of the challenge, the need to leverage private capital to create more affordable and social housing has never been greater.

The Property Council's core recommendation is that the Agreement should be structured to incentivise state, territory and, through them, local governments to facilitate more and lower cost housing supply for the general housing market and to ensure that the total stock of affordable and social housing actually grows. Neither of these is a requirement under the existing Agreement despite the very substantial Commonwealth Government outlays involved.

It would also be in keeping with the terms of reference and broadly beneficial for the Productivity Commission to shine a light on the reform recommendations of the NAHA –

1. Federal tax incentives to create a Housing Capital Aggregator
2. Create a Social and Affordable Housing Future Fund
3. Activating Affordable Build-to-Rent as a source of affordable housing
4. Re-prioritise existing development contributions for affordable housing

We look forward to the opportunity to engaging further during the public consultation process.

Yours faithfully,

Ken Morrison
Chief Executive.

Planning to Prosper

Boosting productivity, jobs and housing supply

About the Residential Development Council

The Residential Development Council is an invitation-only leadership forum of the Property Council of Australia that brings together the country's largest residential developers.

The residential development industry is a key driver of the nation's economy. Every million dollars of construction activity creates nine full time jobs. It is the role of the Residential Development Council to steer the national conversations that influence the success of the industry: better planning for growth; smarter tax regimes; and red tape reduction.

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About the Authors

Princess Ventura
Regional Director – Urbis

Princess Ventura is an experienced economist and project manager with over 20 years of experience. She focuses on applying international best practice, economics and quantitative skills in a variety of business and public policy areas.

Prior to joining Urbis, Princess was an Economist for a number of years for The World Bank in international development advising policy makers on the design and implementation of reforms in a variety of economic spheres and conducting economic and policy analysis.

John Wynne
Director – Urbis

John Wynne is one of Australia's most experienced and sought-after urban planners.

A strategist and thought leader, John concentrates on the planning phase of projects; his work, as he sees it, is to map a path for clients from the drawing board to development approval and beyond, from problems to possibilities. John is a renowned and vocal advocate of good quality urban development who applies his knowledge to his clients and through his active involvement in a range of government and peak industry activities.

URBIS

“Good planning matters to each of us.

Foreword

As we seek to emerge from a global crisis, planning becomes a game-changer for government and industry. The total economic and jobs value of projects making their way through planning departments right now is the subject of welcome government focus on 'priority projects' around the country and more needs to be done. We must champion productive planning systems that deliver more great places to meet community needs.

More houses, more jobs and greater service and social opportunities. Faster.

Planning to Prosper presents:

- an assessment of how policies that determine the rate, type and location of housing can contribute to a **sustainable level of economic activity;**
- **planning and policy 'quick wins' for state and territory governments** to ensure housing delivery keeps pace with population growth and diversity;
- **economic impact modelling** that shows the employment, housing affordability and labour productivity benefits of these quick wins; and
- **an opportunity for government decision-makers** to become productivity champions.

The Productivity Commission's 2017 report, *Shifting the Dial,* highlighted better functioning towns and cities as a reform priority that could deliver a $29 billion increase in Gross Domestic Product. The report recommendations on public infrastructure, planning and access to housing were no surprise to those in the residential development sector, which adds some $136 billion to Australian economic growth each year.

Over the past decade the Residential Development Council has commissioned successive research reports that measure the economic benefits of planning reform. In 2016, one of these, Deloitte's *Federal Incentives for Housing Supply*, found that improving housing planning could deliver around $3 billion a year in potential gains. These research reports have also laid out consistent recommendations to improve planning frameworks.

However, state and territory governments continue to underestimate the economic harm done by poor planning processes. In so doing, governments often pass over reforms allowing new housing supply to meet demand and help grow the economy. When plans are out of date, new housing hasn't been zoned, rules are complex or uncertain and assessment is slow, the result is less housing supply than Australia needs at higher prices and with fewer jobs created.

Planning to Prosper adds to the evidence that states and territories with better planning systems improve the economic output of their cities. The extensive research, inclusive stakeholder engagement and robust economic modelling underpinning this report reinforce the central place of the housing industry as an employer and wealth creator. Thanks to Urbis, *Planning to Prosper* distils the experience and expertise of those who interact with the system on a daily basis, including developers, local government officers, planning consultants, lawyers and academics to highlight potential improvements across Australia at every level.

Planning to Prosper is a reforming call to action: for Treasurers, Housing Ministers and Planning Ministers, government departments and Members of Parliament and for anyone with a role to play in responding to our growing housing needs and strengthening the Australian economy.

I commend *Planning to Prosper* to you and welcome your feedback.

Mike Zorbas

Group Executive Policy

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Executive Summary

Producing adequate housing supply and housing choice are essential to the liveability, affordability and competitiveness of Australian cities. Making a $136 billion contribution annually and employing almost 1 million people, housing development is also a key driver of Australia's economy[1].

As the Australian economy continues to feel the effects of a global pandemic, there is a clear opportunity to support the economy through the housing sector. While government and planning departments across the country have implemented targeted fast-tracking of residential development, these measures do little to overcome the embedded inefficiencies in Australian planning systems.

In 2016, Deloitte found that improving housing planning can deliver around $3 billion a year in potential gains[2]. These benefits, dependent on successful reform implementation, would flow from labour market outcomes, including increased participation and improved job matching, reduced congestion and higher productivity in the construction sector.

However, the Property Council's DA Report Cards conducted in 2009, 2012 and 2015 established that state and territory governments do not fully appreciate the negative impact of poor planning processes. The DA Report Card used the Development Assessment Forum's (DAF's) Leading Practice Principles to assess the success of planning reforms. The benchmark report consistently demonstrated that the implementation of reforms to improve housing supply has been slow and inconsistent[3].

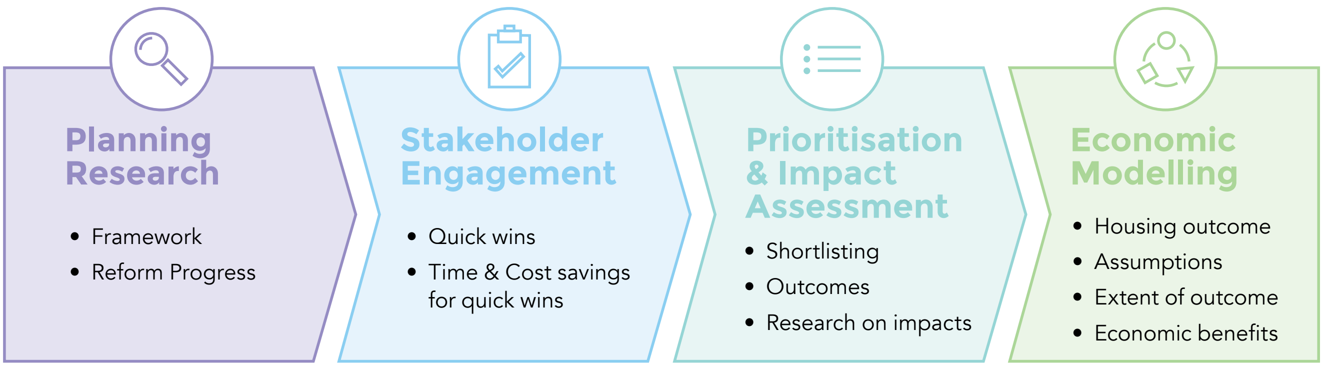
The objective of this research project is to demonstrate the economic benefits that can easily be realised if state and territory governments prioritise planning improvements that will improve the productivity of the residential development sector in the short term. If each state and territory implements just one of the reforms identified in this report, each year the Australian economy has the potential to gain up to 39,200 additional jobs and $5.7 billion in added value.

This is not to say that medium to long term reforms are not necessary, in some cases these will have an even more significant economic impact. But action is needed today.

[1] *AEC. 2017. Property Industry Economic Contribution.*
[2] *Deloitte Access Economics. 2016. Federal incentives for Housing Supply. www.propertycouncil.com.au*
[3] *Macroplan. 2015. DA Report Card. www.propertycouncil.com.au*

Methodology

This report outlines progress and challenges in Australia's state and territory planning systems. It analyses the role that productive planning improvements can play in accelerating housing delivery. It also measures the significant positive economic impacts such improvements could have on each state or territory's economy.



Planning Systems

Though some progress has been made in recent years, planning systems across all states and territories are plagued by inefficiencies and uncertainties. South Australia and Tasmania, cases in point, where major reforms to their planning systems may well deliver efficiencies, but the reforms will remain unproven for some time.

Planning systems have been evaluated based on their merit and planners and stakeholders have identified high priority, high impact changes that could be delivered within the next 12 months in each state. Across Australia, simplifying approvals processes and improving transparency and certainty within planning systems are considered vital to ensure delivery of adequate future housing supply.

Quick Wins to Drive Productivity & Economic Growth

Though planning issues and proposed solutions vary across jurisdictions, three clear strategic themes emerge to reduce approvals process delays and deliver more housing.

1. Transparent process around re-zonings. These are a major pain point for delivering housing in areas close to transport where it should have the strongest benefits for liveability and urban productivity.
2. Accountability of agency referrals. These remain an issue in four different states and territories as a process that desperately needs more transparency and accountability for decision making timeframes.
3. Ensuring simple proposals undergo simple assessment processes utilising complying development and private certification pathways. These arose as clear wins for the delivery of housing, both accelerating approvals for complying dwellings, and releasing capacity within planning authorities to assess non-complying residential development.

What's a Quick Win?

A 'quick win' is defined as an actionable planning change that can be implemented within 12 months. While medium and long-term planning changes are acknowledged as necessary in some jurisdictions, this report focuses on near term changes that can help mitigate any slowdown in housing delivery at the bottom of market cycles

Identified State and Territory Quick Wins

<table>
<tr><td>NSW</td><td>Finalise state plan</td><td rowspan="2">Simplify the rezoning process</td><td>More complying developments</td><td>Calculate contributions</td><td>Embrace technology</td></tr>
<tr><td>SA</td><td>Restore stamp duty concessions for off the plan development</td><td>Increase scope of CAT 1 Development (more complying)</td><td>Amalgamate Councils</td><td></td></tr>
<tr><td>WA</td><td>Clarify role of structure plans</td><td>Expand role of DA Panels</td><td>Broaden scope of private certifiers</td><td>Implement the design review guide</td><td></td></tr>
<tr><td>ACT</td><td rowspan="4">Rationalise the agency referrals process</td><td>Broaden scope of private certifiers</td><td>More exempt or code tracked developments</td><td>Improve efficiencies in planning policy amendments</td><td>Performance of the National Capital Design Review Panel</td></tr>
<tr><td>VIC</td><td>Commit to increasing delivery of greenfield lots</td><td>Introduce complying development/code based assessments</td><td>Provide financial incentives to local governments to encourage performance</td><td>Restore stamp duty concessions for off the plan development</td></tr>
<tr><td>TAS</td><td>Statutory approval time frames for engineering</td><td>Support development of Glenorchy to Hobart corridor</td><td></td><td></td></tr>
<tr><td>NT</td><td>Technical guidelines for performance based assessment</td><td>Prioritise infrastructure planning and development</td><td>Increase density and diversity in high amenity areas</td><td></td></tr>
<tr><td>QLD</td><td>Streamlining & consistency in environmental policies</td><td>Abandon Brisbane's Town House Ban</td><td>Revise infrastructure agreement process</td><td>Adopt the state wide housing code</td><td>Support the growth monitoring program</td></tr>
</table>

Benefit Summary

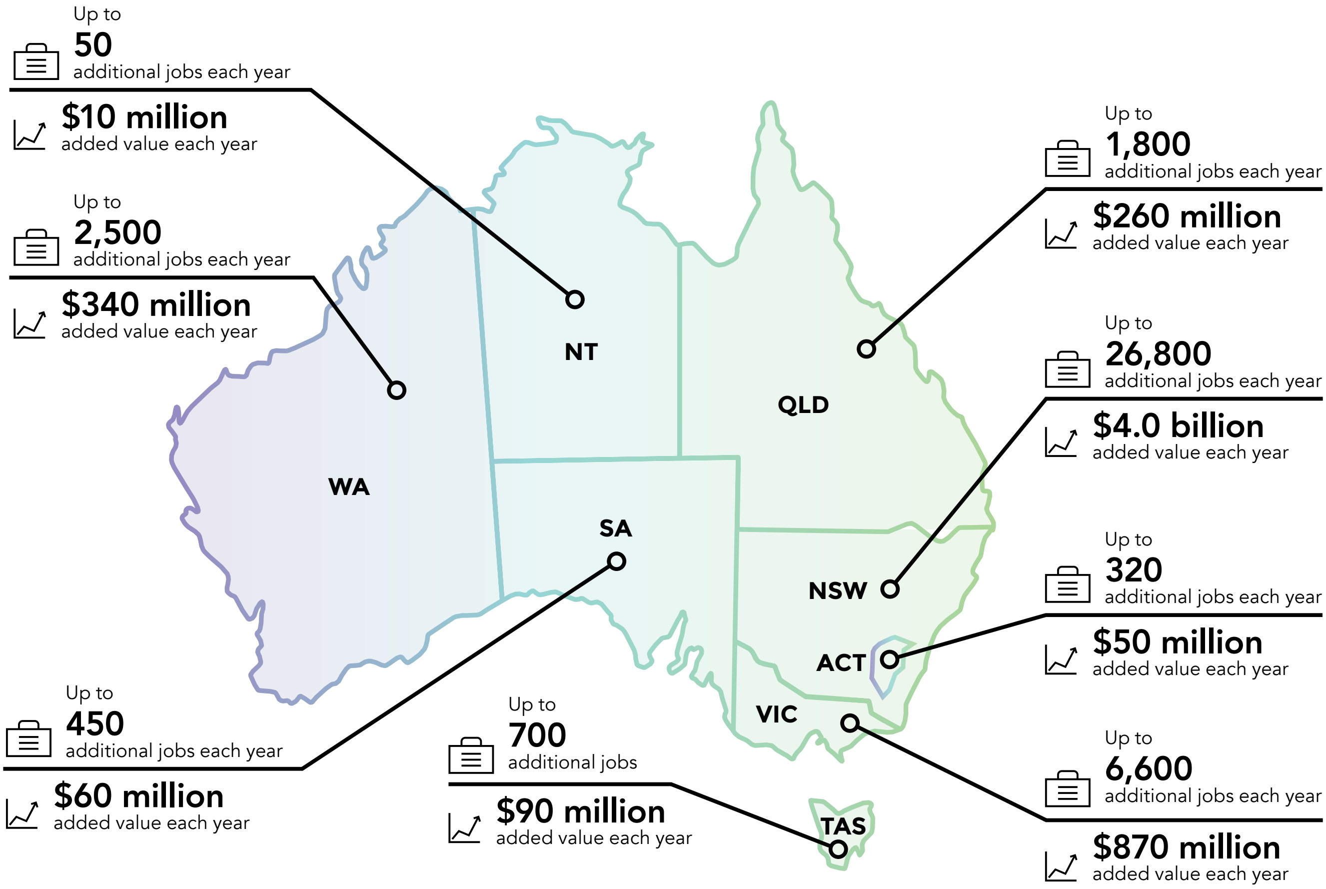
If each state and territory government can deliver their identified quick wins this will immediately boost the number of homes built and shorter timeframes for delivery of these dwellings. This would result in significant benefits to the economy, including more jobs and gross value added (GVA), better housing affordability, and increased labour productivity as a result of agglomeration (population density in key centres increasing productivity of resident workers).

This paper quantifies these economic impacts through impact modelling of each of the identified quick wins. Not all of these economic impacts will apply to each of the quick wins and it should be noted that the economic impacts described in this report should not be cumulatively totalled. Note also that state and local government taxes and charges comprise roughly a quarter of the cost of each new home built around the country.

The graphic below shows the additional jobs and GVA that could be achieved in each year through the proposed quick wins in each state and territory. As the benefits of each quick win should not be cumulatively totalled, the graphic shows the maximum potential jobs and GVA from a single quick win in each state and territory.

If each state and territory implements just one of the reforms identified in this report, each year the Australian economy has the potential to gain up to 39,200 additional jobs and $5.7 billion in added value.

Estimated Potential Jobs and Economic Value Added



In addition to the economic benefits of better delivery of housing, our research identifies the following additional and broader imperatives in each state and territory planning process:

Integration of Economic & Spacial Planning

Housing policy and local planning and economic strategies need to be better integrated and include productivity and place competitiveness as clear objects.

Planning Culture

We need to support a culture around planning as a way to facilitate positive development and social outcomes, not as a mechanism by which to stifle growth.

Education & Outreach

We must educate the community on why we need to plan for the future and why the shape of our cities must evolve to meet the needs of the population.

Resourcing

We need to support the capability of planners, government officers and decision makers through investment in tertiary and continuing education programs, to recruit, educate and inspire the next generation of planning leadership.

Call to Action

A significant body of research in the last five years has laid the groundwork for change, highlighting the economic benefits that can be achieved through reforms to the planning systems across Australia.

However, the implementation of reforms to improve housing supply to date have been slow and inconsistent. State and territory governments do not fully appreciate the cost of poor planning processes (reduced productivity growth, gross state product, direct jobs and flow on demand) and, as such, fail to prioritise much needed actions to improve the rate of housing supply.

This research paper arms key decision makers and stakeholders with the economic evidence to push for concrete action. The identified reforms to planning systems across Australia are not only quick to enact, but will have powerful effects on jobs, economic value, labour productivity and housing affordability.

Why Housing?

Sustainable, effective delivery of housing must be a national priority.

Housing supply and housing choice are essential to support the liveability and competitiveness of Australia's growing cities.

Improving housing planning is both a social and quality of life opportunity, and a key contributor to our productive economic infrastructure. The residential development sector employs nearly 1 million workers, completes more than 200,000 homes a year during cycle peaks and contributes $136 billion to the Australian economy annually [7].

Policymakers have long understood the relationship between housing and the economy through the multiplier effects of housing investment on national income and employment. Parliaments also rely heavily on housing as the taxation bedrock of state and territory budgets.

Conversations and policy initiatives around housing supply often focus on enabling investment and access. However, housing supply is often overlooked in macroeconomic models of productivity.

As we seek to emerge from a global economic crisis, with high unemployment and low investment in the Australian economy, it is as important now as ever to realise the potential gains of improving housing supply. Government and planning departments across the country have implemented various short-term boosts to the housing sector, but the long-standing inefficiencies of these systems need to be addressed.

Inefficiencies in the planning system are both harmful to the development and construction industry and damaging to the supply of enough new homes to keep downward pressure on prices. Low and slow supply strikes at the heart of the liveability and economic performance of our states and territories.

This report seeks to better understand the economic benefits of planning policy and targeted housing supply.

[7] *AEC. 2017. Property Industry Economic Contribution*

Housing Challenges in Australia

In the decade between 2008 and 2018 Australia's population increased by 17% (3.7M people), with New South Wales and Victoria accounting for 61% of total national growth. Net overseas migration is responsible for most of the population increase, driven by Melbourne and Sydney's attractiveness as global cities. Keeping up with this population growth has spurred tremendous activity in the residential sector. In 2018, the development and construction industries completed 220,349 dwellings [8].

Our policy and planning framework around housing must meet the needs of our current growth and be productive and innovative enough to provide housing for growing future generations and the changing ways they might live.

This also means considering our aging population, the rise of co-living and adapting to the sharing economy. We must therefore make room in our planning framework for innovative projects that might not fit the existing regulations around product types and densities.

A more flexible and adaptable system that supports a more diverse array of housing types will also better enable the market to cope with any future shocks to the economy.

[8] *REMPLAN Economy. 2019.*

Who Does It Well?

The global challenge: Take all the world's housing units from the past 6,000 years, and now build them again by 2030.

Global population growth and the increasing rate at which societies are urbanising presents a monumental challenge to all major cities around the world. The growth of urban populations is happening at a rate many times faster than the capacity to plan, build and manage urban settlements to meet demand.

In Australia, we can look to the following global case studies to understand key challenges and responsive housing policies.

Hong Kong

In densely populated Hong Kong, housing consumes an average of **34%** of household spending. As the government attempts to keep pace with population growth and deliver enough housing supply to reduce market pressures, they have sought to unlock land supply in key locations:

- Hong Kong has added **1.4 million dwellings** along extensive railway networks in the new greenfield release territories while **43%** of residents and **56%** of jobs in Hong Kong are located within 500 metres of rail and metro stations.
- The Mass Transit Railway Corporation builds, maintains, and operates the network without subsidies by generating around **50%** of its revenue from developing and renting or selling property in station areas.

South Korea

In South Korea, households spend an average of just **15%** of their gross adjusted disposable income on housing, the lowest level in the OECD.

This success in balanced housing supply has been supported by the government improving urban land-use rules.

- By changing land-use rules to enable density, usually by substantially adjusting the permitted floor-area ratio in areas close to transport infrastructure, Seoul, South Korea has been able to expand housing supply.

Canada

In Canada, households spend **22%** of their gross adjusted disposable income on housing, above the OECD average of **20%**. Canadian state and city governments understand the impacts that housing stress can have on their society and economy and are taking the following steps to remove barriers to delivering housing supply to relieve market pressures:

- The Vancouver 2018 Housing Strategy outlines policy changes to sustainably increase density (and therefore affordability) in town centres and near transit in key low-density areas.
- Toronto and Vancouver municipal governments rezoned all single-family neighbourhoods in the 2000s to allow homeowners to rent out secondary/ basement suites within their properties or "laneway" houses, thereby increasing affordable rental supply.

Source: OECD *Better life Index*, *South China Morning Post*, Urbis

The Research Process

Stakeholder Engagement

The research team facilitated stakeholder workshops in each state and territory to support the distillation of the policy quick wins and their potential benefits.

The workshops included industry experts, large and small development firms, local and state government officials, think tanks and consulting firms. These participants helped explore key challenges within the planning framework, highest priority planning actions and their potential implementation and impact.

Over the first half of 2019, eight workshops hosted 105 attendees who generated a long list of 116 potential actions.

Planning Research

Planning experts from each state analysed the existing planning systems in each state and territory, exploring key challenges, planning priorities and reforms currently in progress. The following framework guided the analysis for each state. In this way, issues and wins across states and territories with diverse planning systems and individual policies could be compared effectively.

Influences

Politics
- Culture & values
- State v local agendas
- Community attitudes

Costs
- Fees & levies
- Complexity
- Certainty
- Timeframes

Resources
- Technology
- People

Planning Framework

Strategy
- Vision
- Objectives
- Targets & priorities

Plan Making
- Legislation
- Land release & zoning
- Growth accommodating or restricting controls
- Pathway options

Approvals Processes
- Application & assessment
- Consultation & referrals
- Determinations
- Post approval & appeals

Housing Outcomes

Adequate Supply

Timely Delivery

Diversity

Liveability

Affordability

Economic Benefit Analysis

Economic impact modelling was undertaken for each of the priority quick wins derived from stakeholder workshops and interviews to understand the impacts each action would have on the quantity of housing supply delivered, delivery timeframes, and impact of homes consequently constructed on each state and territory's economy.

If each state and territory deliver the quick wins identified in the following pages, more homes can be built faster in Australia. This will produce the following key economic benefits:

1. **More jobs:** An increase in dwelling approvals and completions will spur a greater need for workers in the construction and development sectors each year (based on REMPLAN input output modelling and an average construction spend per dwelling).
2. **Gross Value Added (GVA):** Higher output in the construction and development sector will also result in more value added to the economy by these industries (based on REMPLAN input output modelling and an average construction spend per dwelling).
3. **Housing Affordability:** Time saved in the application and assessment process for each new dwelling will reduce the amount of time a landowner must hold land without return. Foregone holding costs for the developer will flow through to lower prices for the final homeowner.
4. **Labour Productivity (Agglomeration):** The delivery of housing in targeted areas will result in agglomeration benefits – where grouping of the population in density around strategic and productive centres will improve the productivity of resident workers in these areas.

The impacts have been quantified for each of the identified priority actions.

Driving modelling assumptions include:

- Subject matter expert inputs on potential time savings of proposed changes;
- Developer holding costs saved due to time savings;
- Analysis of potential additional dwellings based on time savings, reduced project risk, and potential for projects that would not go forward but for the action; and
- The current delivery status of State Plans and the potential for additional housing per year within these planned precincts.

Not all of these economic benefits will apply to each of the priority actions.

It is important to note that the economic benefits described in this section are not additive, meaning that delivery of all of these actions are not expected to result in the sum total of economic impacts shown here.

It is also worth noting that if the priority actions are not delivered as outlined in this document, outcomes in terms of additional dwellings, time savings and economic impact will be different.

These outcomes are dependent on the quality of new planning reforms and tools and unconstrained adoption of changes by market participants. Market factors will also impact the total number of homes delivered.

Beneficial Housing Outcomes

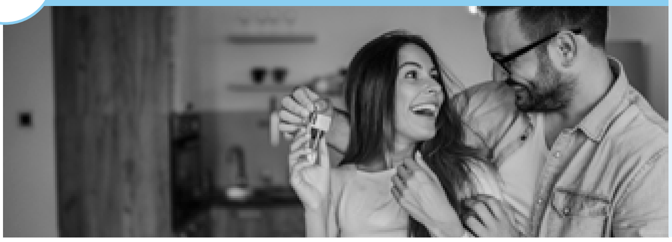
Planning actions should seek to address not only the overall quantity of housing delivered, but also the timeliness, diversity, and affordability of that housing.

Further, targeted policy to ensure housing is delivered in the right areas that have good access to amenity and employment will help enhance overall liveability in Australia.

Housing Supply

Economic principles and the market experience across Australian growth corridors in the last few decades indicate that increasing the supply of housing will reduce pressure on housing prices and enhance affordability. Failing to deliver enough dwellings to house our growing population will have the opposite effect.

Timeliness



Delays in the planning system harm the market's ability to respond effectively to supply and demand fluctuations and consume precious resources that drive up the cost of housing. An efficient system that can respond quickly to changing housing needs and process planning applications within reasonable timeframes will deliver housing faster.

Diversity

As Australia's population becomes more diverse and as the baby boomer generation ages, the housing typologies of the past will not meet the new demographic needs. Providing an appropriate diversity of dwellings (including providing for an increasing number of single person and couple without children households) must be an essential consideration of new housing policies and reforms.

Liveability

Land release and subsequent housing delivery in the right areas with good access to employment and amenities make cities more liveable and more productive. Density also saves on infrastructure costs per capita.

The Federal Government Can Inspire & Circuit-Break

Planning productivity matters and we need more government champions for it.

Inefficiencies in state and territory planning systems hurt the quantity, timeliness, diversity and affordability of housing.

The damage to Australia's liveability and economy can be measured in billions of dollars each year.

The economic evidence shows that the expert-led planning quick wins in Planning to Prosper, will produce more housing supply and support affordability, create thousands of new construction jobs and deliver broader economic activity as our cities continue to grow.

More efficient planning systems will ensure continued delivery of housing that keeps pace with population growth and contributes to a healthy and sustainable level of economic activity regardless of the supply cycle.

However, reform is often challenging regardless of the benefits in prospect. Sometimes state and territory governments need external circuit breakers to kick start reform.

Federal government incentives have previously been successful in encouraging reform. National Competition Policy and Asset Recycling are well regarded examples of productivity incentives.

Analysis undertaken for the Property Council in 2016 by Professor Ian Harper and Deloitte Access Economics showed that using financial incentives to tackle housing supply would have GDP benefits in the order of $3 billion every year.

Such an incentive model would be similar in principle to that adopted under the National Competition Policy (NCP) reforms of the late 1990s and early 2000s in which the federal government made payments to the States for measurable progress against certain reforms recommended by the *Hilmer Review*.

An incentive framework leveraging incentives to states and territories into billions of dollars of economic output has the potential to drive concrete changes in the short term.

More productive planning systems will also uplift delivery of housing to keep pace with population.

In addition to supporting the priority actions, we note the ongoing need to support the integration of economic planning and housing policy as two frameworks that are necessarily intertwined. We also acknowledge that these actions must be supported by adequate resources and education within the relevant planning bodies.

Finally, together, we must continue to educate community stakeholders on the need for planning and policy to support increased housing supply as a way to preserve quality of life, equality of opportunity, liveability and dignified ageing in place for everyone in our great Australian cities.

New South Wales

Planning Quick Wins

The Planning Context

74,796	**$35.3B**	**61,980**	**8.13 million**	**985,000**
Housing Completions	2017 Contribution to State GDP	Jobs in Residential Building Construction	Residents in 2019	Dwellings
(2018)	(3.1% of total output)	(1.8% of Total Employment 2018)	(65% in Greater Sydney)	Needed by 2036

Source: Australian Bureau of Statistics; REMPLAN Economy

Though some progress has been made, New South Wales remains the most complex planning and approvals system in Australia, plagued by inefficiencies and questions around implementation of the established strategic vision.

Progress in New South Wales

In the last five years, the NSW Government has made significant progress:

- NSW has established the Greater Sydney Commission and the regional and district plans, effectively setting a vision for a quickly-evolving Sydney Metropolitan area and state overall.
- Independent assessment panels for state significant developments has been a win for the development approvals process.
- E-planning capacity being expanded by the NSW Department of Planning, Industry and Environment.

The NSW Government has also committed to streamlining the approval process by introducing the following:

- A best practice guide on assessment timeframes for LGAs
- Reducing state assessment timeframes
- Increasing complying development opportunities
- New frameworks for concurrences and referrals
- Independent assessment panels to all councils
- A renewed focus on productivity improvements, led by the NSW Productivity Commissioner, including refroms to the planning and contributions system

Challenges Ahead and Opportunities

In late 2019, Premier Berejiklian announced the NSW Government would focus on key reforms to the NSW planning system in 2020. This included reforms to the infrastructure contributions system and continuing the implementation of eplanning. The substance and extent of these reforms is yet to be determined and further development of these plans is expected in 2020.

The NSW Government has confirmed changes to planned precincts across Sydney. Four new pathways; Strategic Planning, Collaborative Planning, State-led Rezoning and Council-led Rezoning, have been developed to overcome the delays and obstacles with the current arrangements. This new system is yet to be fully implemented and its effectiveness is still unknown.

The successful implementation of the strategic vision established in the Greater Sydney Commission's Greater Sydney Region and District Plans will be determined through the update of Local Environment Plans (LEP) by Councils over the next year. Local Strategic Planning Statements that will inform these updates are required to be finalised by March 31, 2020.

Despite significant progress in NSW, several challenges remain to increasing housing supply.

- Uncertainty about councils' **ability to effectively execute on the State's strategic vision**
- The poor **quality of some strategic statements** concerns the development community and creates ambiguity about the future of individual project sites.
- Ambiguity in strategic outlook in some Local Government Areas has resulted in **delays finalising some precinct and corridor plans**, such as Sydenham to Bankstown or the Parramatta Light Rail Corridor. This uncertainty creates additional project risk and forces developers to submit site-specific rezonings for projects to proceed before a corridor plan is finalised, adding to project cost and lengthening project timelines.
- **Ineffective rezoning process** with long timeframes, a convoluted process and a lack of strategic foresight at a local level This means a lack of transparency and certainty for the community and the industry.

Sydenham to Bankstown corridor plan housing targets.

	Key Legislation	What Works Well?	What are the Problems?
Strategic Direction	NSW Housing Affordability Package (2017) • Premier's Priority • 61,000 dwellings/ year through streamlined approvals process & accelerated rezoning GSC Region Plan and NSW Regional Plans: set the 20-year vision to plan for housing, jobs, infrastructure and environment.	• Strong commitment to boosting supply and clear guidance for policy makers regarding housing need. • Regional plans clearly articulate where new growth can occur and the policy measures to protect land (e.g. protection of rural lands) • Recent changes to state legislation set a framework for plan making to reflect the strategic vision, which gives veracity to the housing supply goals.	• Political decisions and change of government can lead to change in approach and funding, evident in 2019 where policies aimed at increasing supply (e.g. The Missing Middle) have been deferred to appease local politics
Plan Making	*NSW Environmental Planning and Assessment Act* establishes: 1. Regional and District Plans 2. State Environment Planning Policies (SEPPs) 3. Local Environment Planning Policies *Precinct Plans*	• SEPPs have provided clear guidance and have aided in the delivery of targeted outcomes. • Complying Development Certification enables fast track development for single dwellings without being delayed by the development application process. • State Significant Development panel approvals provide certainty compared to approvals at the LGA level. • Precinct Plans are most effective when State-initiated rezoning is implemented • Provides housing opportunity in locations with high quality infrastructure (i.e. transport)	• The Apartment Design Guide lacks clarity on interpretation and implementation and can limit innovation • Outdated SEPPs require review • Some Councils have been granted a deferral o to the 'Missing Middle', the legislation that gives permission to subdivide and redevelop lots into terraces/dual occupancies. • Action on precinct plans is slowed down by local politics, especially when local councils have role of implementation (lengthy delays and changes in outcome).
Development Approvals	*NSW Environmental Planning and Assessment Act*	• Independent Planning panels provide a level of consistent approach to decision making. • E-lodgement opportunities. • NSW Government has introduced a best practice guide on assessment timeframes for LGAs.	• Prolonged development assessment timeframes • Substantial reports and supporting documents for DAs with no consistency across councils • Shortage of planning staff and resources in councils • Substantial delays in court appeals process
Contributions	1. Local Infrastructure contributions (flat rate or proportioned) 2. Voluntary Panning Agreements (VPA) 3. Special Infrastructure Contributions (SIC)	• Provision of adequate infrastructure in areas of housing growth. • Opportunity for voluntary planning agreements (VPAs) can provide flexibility. • A State-wide guideline for Voluntary Contribution Plans is being undertaken and yet to be finalised.	• Delays in preparation of draft SIC plans for planned precincts creates uncertainty for development feasibility. • Layering of contributions and lack of coordinated approach impacts feasibility and subsequent delivery of supply • Inconsistency in application and approach

Quick Win 1

Finalise state plans

What's the issue?

According to the Greater Sydney Commission (GSC), Sydney needs 725,000 more homes by 2036 to meet the population growth we are likely to experience. To meet this challenge more than 40,000 new homes need to be delivered each year. Government needs to keep a clear focus on ensuring housing is being delivered at the necessary rate.

Meeting Sydney's housing challenge is not just about meeting the overall target. It is about putting the right type and number of homes in the right locations in the timeliest manner possible.

This means we need the right policy and plans in place to guide development in Planned Precincts, Growth Corridors and through Code Assessment.

Local Strategic Planning Statements also need to be high quality and comprehensive documents that set a 20 year vision for managing and supporting growth in local areas.

In recent times, policy changes, local politics and a lack of policy focus on housing has put housing supply and more affordable homes at risk.

How do we fix it?

Finalise and implement State Plans and Policies that ensure appropriate local zoning, deliver infrastructure and ensure a diverse supply of housing.

Key policies and plans include:

- The Missing Middle
- Planned Precincts and Growth Areas
- Corridor Plans
- Quality, targeted, Local Strategic Planning Statements

What are the benefits?

Increased development reflecting strategic state plans across the Sydney Metropolitan area will enhance the liveability and affordability of housing.

Quantity

Planned Precincts and Growth Areas alone can provide over 300,000 additional dwellings. If plans for these precincts are finalised, this could deliver up to an additional **10,570 dwellings per year** in targeted, well serviced locations across the state.

Timeliness

Implementing these policies and plans will improve certainty and transparency for both the community and industry and reduce project risk in these high investment areas.

Affordability

Potential to provide a diverse supply of housing in priority areas, close to transport, infrastructure and services.

Liveability

Improve the quality of life for residents through delivering housing well-serviced by transport infrastructure - shortening commute times, green space and community services.

Diversity

By implementing the "Missing Middle" policy, it will support increased supply of medium density housing appropriate for NSW's changing demographics and provide a more affordable option for first home buyers.

Big Economic Impacts

These policy changes will result in more jobs, a boost to economic growth and increased productivity.

Jobs	↑	**26,800** ongoing jobs per year
GVA	↑	**$3.96B** gross value added per annum
Labour Productivity	↑	**$95 million** gross value added per annum

Quick Win 2

Relook at rezonings

What's the issue?

New South Wales is growing.

By 2050 Sydney's population will be about 8 million and growing. To ensure it is a great global city we need to focus on managing that success by dealing with unaffordability and congestion, deliver the Greater Sydney Commission's 30-minute, polycentric vision and improve amenity and liveability by focusing on creating great places.

This can sometimes mean changing the way land in strategic locations is zoned. While the strategic vision of local areas is being finalised, industry still requires an efficient pathway to realise a change in land use to meet the changing social and economic needs of a community.

Long timeframes, a convoluted process and a lack of strategic foresight at a local level all make the rezoning process unwieldy and ineffective. This means a lack of transparency for the community and a lack of certainty for industry.

How do we fix it?

Implement a more streamlined rezoning process that is implemented consistently across councils, mirroring the efficiency of state led rezoning processes.

Clear and consistent guidelines for rezoning land must be set as a part of this process including timeframes for approval that planning authorities are held to. If a timeframe for approval lapses, then "deemed approval" should apply.

What are the benefits?

An efficient and consistent rezoning process will greatly improve the certainty of outcomes, reduce approval timeframes, and help increase overall dwelling supply.

Quantity

Reforming the rezoning process could deliver up to an additional 6,336 dwellings per year.

Timeliness

It would shorten the application and assessment timeframe by up to 10 weeks per dwelling.

Affordability

It would result in savings of $2,222 per household, $46 million in house price savings across the market per year.

Liveability

By building residential where it is needed most, residents have better access to jobs, education, transport and essential services.

Big Economic Impacts

Relooking at the rezoning process will result in more jobs and greater economic growth.

In addition to jobs, GVA and housing affordability benefits, this action would help to:

- Improve certainty of development outcomes, attracting more investment in the property sector
- Ensure cohesive land use planning across large-scale rezoned precincts, and successfully deliver density around centres and transport nodes

Jobs ↑	**16,071** ongoing jobs per year
GVA ↑	**$2.374 billion** gross value added per annum

Quick Win 3

Deliver diverse housing more easily

What's the issue?

Complying development means a greater supply of diverse, more affordable housing.

It means development that can move more easily through the planning system as it meets already agreed stringent standards and local council zoning requirements which means high quality development in the right places.

It means a range of quality affordable homes can be assessed as complying development as long as they meet specific design standards, saving time and money for homeowners.

Currently, simple projects that are compliant with planning and building requirements are stuck in the planning system and key complying development codes have been deferred.

How do we fix it?

Increase the effect and coverage of complying development pathway as an alternative to development applications.

In 2017-2018, the latest year for which data is available, roughly 30% of development approvals in NSW qualified as exempt and complying developments. A higher percentage of applications going through a complying development pathway would improve certainty of outcomes, reduce approval timeframes, and deliver more affordable, diverse homes.

CASE STUDY:

The Queensland Code Assessible Pathway, which took effect in mid-2017, simplified the approvals process for compliant development applications. From January to June 2018, 78% of development applications in Brisbane City Council fell under the code assessable pathway.

What are the benefits?

Increased development reflecting strategic state plans across the Sydney Metropolitan Area will enhance the liveability and affordability of housing.

Quantity

If the complying development pathway in NSW had the same effect and coverage as the equivalent pathway currently has in Queensland, this could deliver up to an additional 570 dwellings per year.

Timeliness

Increase the coverage of exempt and complying development to shorten the application and assessment timeframe by up to 7 weeks per dwelling.

Affordability

Potential savings of $7,287 per household, $213 million in house price savings across the market per year.

Big Economic Impacts

Delivering diverse housing more easily will mean more jobs and increased economic growth

In addition to jobs, GVA and housing affordability benefits, this action would help to:

- Improve the certainty of development outcomes
- Allow planning authority resources to be re-allocated away from small developments to the delivery of more complex, city-shaping projects.

Jobs ↑ **1,450** ongoing jobs per year

GVA ↑ **$213 million** gross value added per annum

Quick Win 4

Calculate contributions

What's the issue?

New South Wales' tax environment heavily influences our attractiveness as an investment destination.

Not only does NSW compete for capital with other Australian states and cities, the State increasingly competes with international jurisdictions as part of the global economy.

Currently the contributions regime is spread across legislation, regulations, orders, determinations, directions, practice notes, circulars and local contribution plans.

The current calculation and application of state and local development contributions is inconsistent and unsustainable and undermines our State's competitiveness as an investment destination.

It means we have a layer cake effect of taxes and charges on development that undermines project feasibility, adds to the cost of housing and doesn't necessarily lead to better infrastructure for the community.

How do we fix it?

Improve clarity and consistency of the total development contributions that apply to developments by publishing a Development Contributions Calculator.

1. Improve upfront transparency of fees
2. State and local entities must holistically consider the impacts of various contributions on overall feasibility in an area and to finalise these contributions as soon as possible, especially:
   a) draft special infrastructure contribution amounts for Growth Areas
   b) potential SEPP 70 affordable housing requirements.

What are the benefits?

Transparency of development contributions will provide certainty on project costs, lower costs on homes and make NSW a more attractive State for investment. This would create efficiencies throughout the planning process by creating a single point of reference for the multiple parties that contribute to the preparation and assessment of an application.

Quantity

Up to an additional 520 dwellings per year

Timeliness

Shorten the application and assessment timeframe by up to 12 weeks per dwelling.

Affordability

Potential savings of $2,980 per household, $194 million in house price savings across the market per year.

Big Economic Impacts

Calculating contributions will increase jobs and increase economic growth.

Jobs ↑ **1,310** ongoing jobs per year

GVA ↑ **$194 million** gross value added per annum

Quick Win 5

Embrace technology

What's the issue?

Technology has changed the way we socialise, our healthcare system, the way we communicate and the way we travel – it should also be used to change our planning system.

Technology must be used to drive change in the planning system and in lodgement, assessment, and consultation processes.

Existing powerful technology that could streamline these processes isn't currently being used and if embraced, could result in big benefits for the community, government and industry.

How do we fix it?

Continue to implement the e-lodgement system across all councils and continue to advance the way that technology is applied in the assessment and consultation process.

- With the e-lodgement system being rolled out to all councils, the Department of Planning Industry and Environment needs to ensure that sufficient guidance is provided and rigour is in place around processes and timelines.
- 3D modelling and online consultations can also be adapted so the community can better understand the impact of proposed developments and the potential cumulative effect of all proposed developments in an area or precinct.

CASE STUDY:

The City of Adelaide has a 3D model for the entire Metropolitan area (3D Adelaide) publicly available for use by planners, developers, etc. in understanding and communicating the impacts new development could have on the existing fabric of the city. 3D Adelaide offers dynamic concept modelling for buildings, infrastructure and projects, which will be used to strengthen strategic planning, pre-lodgement case management, development assessment and transport planning outcomes. 3D Adelaide forms part of a three year collaborative project with AEROmetrex and Urban Circus, using the best available 3D mapping and data capture technology to produce highly detailed mappings of the Metropolitan area with verifiable overlays.

What are the benefits?

Planners, planning authorities, industry and mum and dad renovators across NSW will save on time, will save money and the community will have a clearer idea of the development that will occur in their community.

Quantity

Up to an additional 50 dwellings per year will be delivered.

Timeliness

Shorten the application and assessment timeframe by up 1 week per dwelling.

Affordability

Potential savings of $260 per household, $17 million in house price savings across the market per year.

Big Economic Impacts

Embracing technology will add jobs and boost economic growth.

Jobs ↑	**114** ongoing jobs per year
GVA ↑	**$17 million** gross value added per annum

Victoria

Planning Quick Wins

The Planning Context

64,932	68,154	51,272	6.65 million	1.6 million
Housing Completions	Dwelling Approvals	Jobs in Residential Building Construction	Residents in 2019	Dwellings
(2018)	(2018)	(1.9% of Total Employment)	(77% in Greater Melbourne)	Needed by 2050

Source: Australian Bureau of Statistics; REMPLAN Economy

In recent years, the Victorian Government has focussed on delivering transport and community infrastructure projects, partly to address the impacts of the state's strong population growth. The issue of housing affordability is intertwined in the population growth story. There has been a recognition at state and local government level that more needs to be done to increase the supply of housing and access to it. The planning system represents a constraint to housing affordability as well as an opportunity for improving it.

Progress in Victoria

During the last four years, the Victorian Government has undertaken an ambitious reform agenda to improve housing supply and affordability across the state. The following examples provide a snapshot of the extent of reform:

- The creation of the **Department of Jobs, Precincts and Regions** (December 2018). The Priority Precincts portfolio will view the Government's ambitious infrastructure agenda through a land use lens and lead the development of identified priority precincts (e.g. Fishermans Bend and Arden). The portfolio is working with other Departments and agencies to ensure that Government projects in these precincts are delivered in an effective and coordinated manner.
- The establishment of the **Victorian Planning Authority** (via the VPA Act 2017). The VPA plans strategically important precincts in Melbourne, key growth areas, and regional cities with the priority of facilitating housing and jobs growth. While its growth areas task is well understood, its role in inner and middle ring areas is not always understood by other stakeholders.
- Release of **Plan Melbourne 2017-2050** (March 2017). Victoria's blueprint for the sustainable growth and development provides high level guidance on where and how housing should be delivered throughout the state. A 2019 addendum was issued in February 2020, which updated key aspects of the strategy, including revised sub-region employment forecasts, inclusion of Government transport projects in the Melbourne 2050 Spatial Framework (e.g. the Suburban Rail Loop), and recognition of Melbourne's network of Priority Precincts.
- Reforms to Victoria's **residential planning zones** (March 2017). While the full impacts of these changes have not yet been quantified, it is understood that housing capacity has been increased in previously 'locked down' areas, whereas some new additions (e.g. the calculation of 'garden area') have created uncertainty amongst council planners and developers.
- Release of the **Homes for Victorians strategy** (March 2017). A whole of government strategy to improve housing affordability for Victorians and increase the supply of housing (both private sector and social housing). Initiatives include:
    - ◊ Increasing land supply in Melbourne's growth areas by adding 100,000 extra lots of zoned land (100,000 goal completed in early 2019).
    - ◊ Administering the Streamlining for Growth grants program to accelerate the planning and approvals process in both metropolitan and regional areas.
    - ◊ Amending the Planning & Environment Act 1987 to include a definition for affordable housing, and releasing a Ministerial Notice that outlines considerations for voluntary affordable housing agreements.
- Introduction of **Better Apartments Design Standards** (December 2016). A suite of planning controls were introduced to improve the amenity and longevity of apartment buildings in Victoria.

The Government and its agencies continue to undertake a number of long-term planning projects:

- Planning for major urban renewal areas in Melbourne's Central City (e.g. Fishermans Bend Urban Renewal Area and the Arden Precinct) and suburbs (e.g. the National Employment and Innovation Clusters).
- Planning for 50,000 additional lots in Melbourne's growth areas (12 new suburbs).
- Rollout of the Smart Planning Program to improve the performance of the planning system and reduce inefficiencies (VicSmart)
- Review by the Red Tape Commissioner of the State and local government processes surrounding building and planning approvals, and early building works infrastructure approvals and to identify opportunities to streamline processes and reduce delays.

Challenges Ahead

The Government's sweeping planning and housing reform agenda has naturally created uncertainty as programs are established, new governance arrangements are set up, and recently introduced controls and regulations are clarified or revised. A number of challenges remain to increasing the supply of housing, outlined below.

- **The success of many of Plan Melbourne's housing related actions will rely on strong state government leadership and local government decision-makers** willing to make potentially unpopular decisions within their local communities (e.g. accommodating additional residents and supporting dwelling intensification in established suburbs).
- While steps have been taken to clarify how voluntary affordable housing agreements should be struck between councils and landowners/developers, there is still much **uncertainty around how affordable dwellings should be delivered and what value uplift may be available.**
- **The time needed to produce Precinct Structure Plans for new suburbs on Melbourne's fringe continues to extend as the documents become lengthier and more complex.**
- **As urban renewal in middle ring areas becomes even more important, the process to undertake a land rezoning is becoming more resource intensive and complex.** No fast track process exists for significant sites and landowners rely on ministerial intervention if councils reject the proposal.

Solving issues such as these will be a challenge for those working within the Victorian planning system. Solutions may involve changes to governance and decision-making frameworks; effectively balancing the benefits of a fulsome consultation process versus a fast-track process; and stakeholders having a clear and realistic expectation of what information is required of applicants in order to make informed and timely planning decisions.

	Key Legislation	What Works Well?	What are the Problems?
Strategic Direction	• Planning & Environment Act 1987 (P&E Act) • Homes for Victorians strategy (2017), led by the Treasurer • Plan Melbourne 2017-2050 • Regional Growth Plans and Regional Partnerships	• Strong commitment to increasing housing supply, including social and affordable housing • Long-term strategy to direct the growth of Melbourne (sub-region approach) • Overarching housing strategy • Recent change to P&E Act provides a definition for affordable housing (supported by a Ministerial Notice and GIC Order)	• Political decisions and change of government can lead to change in approach and funding, although Plan Melbourne is broadly bi-partisan. • Timelines for Plan Melbourne actions are vague. • No long-term transport strategy/plan for Melbourne to complement land use planning initiatives.
Plan Making	P&E Act establishes the framework for: • Preparation of Growth Corridor Plans and Precinct Structure Plans in Melbourne's Growth Areas – VPA. • Development of Framework Plans and Structure Plans for metro areas identified for growth (e.g. NEICs, Health & Education Precincts,) – Councils and VPA. • VPA Act 2017 establishes the VPA's mandate to work on strategic projects throughout Victoria.	• PSP program has delivered affordable lots in Melbourne's growth areas and provides a reasonably certain development pathway. • Activity centre designation helps to deliver housing opportunities in locations with high quality infrastructure (e.g. in proximity to a train station). • VPA involvement in middle ring areas helps to expedite rezoning processes and better coordinate state level infrastructure provision.	• Outdated local policies and Activity Centre Structure Plans require review (not aligned with state level policy and updated population forecasts). • Planning for activity centres and strategic sites are slowed down by local politics and decision-maker uncertainty, resulting in lengthy delays and a increase project risk. • The timeframe to develop and approve a PSP has lengthened and generally includes a costly Planning Panel process. • Post-PSP approval processes are often delayed (e.g. time taken to sign off on subdivision plans, utility approvals).
Development Approvals	P&E Act	• Decision appeal process (VCAT) provides consistency in decision-making across municipalities. • Increased e-lodgement opportunities for applications. • Smart Planning program has begun to streamline planning schemes and reduce duplication.	• Lack of regard to statutory timeframes for application assessment from Councils and referral authorities. • Substantial supporting documentation required for applications, no consistency across councils. • Shortage of planning staff and resources in councils. • Substantial delays in VCAT appeals process (lack of resources, growing complexity of cases).
Contributions	P&E Act provides the framework for a variety of contribution mechanisms: • Growth Areas Infrastructure Contribution (GAIC) • Infrastructure Contributions Plan • Development Contributions Plan (to be phased out after ICP rolled out) • Section 173 Agreement.	• Provision of adequate transport and community infrastructure in areas of housing growth. • A tried and consistent approach to DCPs across growth areas. • Voluntary agreements between landowners and councils provide opportunities for the private sector to deliver affordable housing. • Works in Kind (WIK) agreements are becoming more common for state infrastructure projects (GAIC).	• The greenfield ICP system is brand new, regional and strategic area ICPs are overdue. • Voluntary agreements (S173) are increasingly being used by councils as leverage for the adoption of planning scheme amendments. • Layering of contributions and lack of coordinated approach impacts feasibility and subsequent delivery of housing supply.

Quick Win 1

Commit to increasing delivery of lots in greenfield areas to meet population growth (16,000 per year)

What's the issue?

Victoria is Australia's fastest-growing state. Almost 150,000 people from interstate and overseas move to Victoria every year, and growth is trending at 2 per cent per annum over the past decade. On current projections, Melbourne will require at least 1.6 million new homes over the next 35 years, approximately 50,000 per year. Delivery of housing, particularly greenfield lots, has not kept up.

In the past 20 years, Melbourne's median house price has tripled, from $195,000 to $845,000, locking many Victorians out of the housing market.

An essential part of addressing the growing demands on housing availability and affordability is to increase supply. Victoria needs diverse housing stock provided through a mix of greenfield developments, urban infill, especially medium-density development along existing and future public transport corridors and strategic urban renewal precincts such as Fishermans Bend, Arden and E-Gate.

How do we fix it?

Commit to the delivery of at least 16,000 lots of development-ready greenfield land in Melbourne's growth corridors every year to meet average annual demand.

Actions:

- Complete a full review of land available for housing development in the short, medium and long-term
- Continue to publish annual land supply data across all stages of development, including anticipated lot yield across all stages of development, to provide greater transparency and accountability for a reliable pipeline of housing projects.
- Provide the Victorian Planning Authority with greater authority and resources to streamline PSP approvals process to 24 months from commencement to completion.

What are the benefits?

Delivery of lots that will alleviate pressure on the housing market and increase liveability in Melbourne.

Quantity

New residents moving into Melbourne will drive demand for approximately 16,000 new dwellings in Melbourne's growth corridors each year. Based on historic delivery of new housing in these growth corridors in recent years, hitting a lot delivery target of 16,000 will enable delivery of an additional 2,200 dwellings per year.

Affordability

Housing shortages across Melbourne have driven housing costs higher.

Big Economic Impacts

Jobs ↑	**6,616** direct and indirect ongoing jobs per year
GVA ↑	**$873 million** gross value added per annum to the Victorian economy

Quick Win 2

Restore stamp duty concessions for off the plan development investment

What's the issue?

In July 2017, changes to the stamp duty concession for off-the-plan developments came into effect, limiting the concession to buyers purchasing an off-the-plan property to occupy as their principal place of residence with a dutiable value under the threshold.

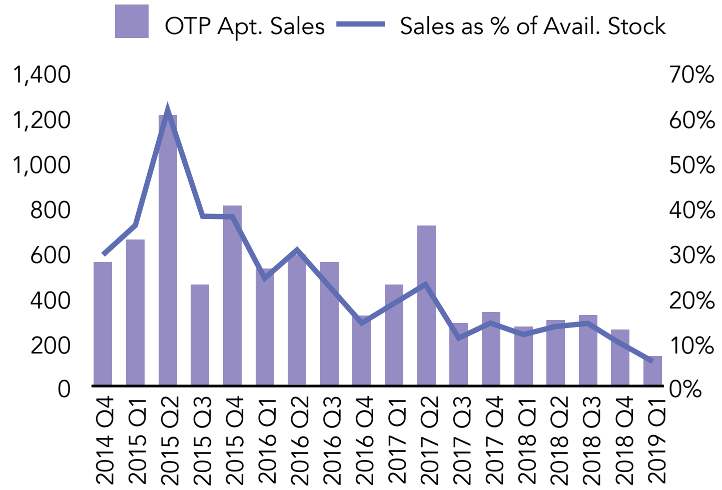
The removal of stamp duty concessions for off-the-plan developments has contributed to a fall in apartment releases and a drop in dwelling approvals. The relative attractiveness for investors to participate in the off the plan apartment market has challenged developers' capacity to secure sufficient off the plan sales and ultimately, their ability to attract construction funding and deliver new housing supply.

How do we fix it?

Re-instate stamp duty concessions for off-the-plan developments as an urgent affordability measure. Restoring the concessions will help to retain affordability as a key competitive advantage for Melbourne regarding overseas and interstate migration.

CASE STUDY:

Urbis' Apartment Essentials tracks off the plan sales volumes in the Apartment Market in Melbourne's inner and middle rings. The impact of the stamp duty changes in the second quarter of 2017 are clearly illustrated in the chart below. Sales spike before the concession ends and fall off sharply in the third quarter of 2017.



What are the benefits?

More medium and high-density housing in inner city areas will create agglomeration benefits including lower cost of infrastructure than greenfield developments, lower transport costs for residents and increased labour productivity.

Affordability

Based on a median attached dwelling price of $545,000 in Melbourne, anticipated savings per dwelling of approximately $50,000 for foreign buyers and $18,500 for domestic buyers, excluding first home buyers who currently receive stamp duty concessions. This will result in an overall market savings of $1.5 billion each year.

Quantity

Stamp duty concessions are expected to drive pre-commitments for new apartment developments, enabling the supply of up to an additional 2,062 dwellings per year.

Diversity

Support for apartment development will help increase the availability of more compact, affordable housing choices in a constrained market, appropriate to decreasing household size.

Productivity

Additional dwellings and population in key urban centres (urban areas) will increase population density and improve the productivity of resident workers in these areas. This impact will generate an increase in economic productivity of $13 million per year across the state.

Infrastructure Savings

Infrastructure savings due to increased infill development over the delivery of greenfield lots is anticipated to be $173 million per year.

Big Economic Impacts

Jobs ↑ **6,198** direct and indirect ongoing jobs per year

GVA ↑ **$818 million** gross value added per annum to the Victorian economy

Quick Win 3

Introduce code based assessments

What's the issue?

The development industry and the delivery of housing is slowed down by the time consuming process of seeking feedback and consent on certifications, statements of compliance and planning permit comments which routinely take longer than statutory timeframes even on simple, straightforward submissions.

How do we fix it?

Introduce code-based assessment in the planning system to improve approval timeframes.

The adoption of private certification of "low-risk" development application and certifications by accredited consultants would reduce the resourcing burden on council and utility providers. This process has been successfully applied in South Australia's Category One Approvals process and in Queensland's code based assessments. A more streamlined approvals process for simple developments will help keep Victoria competitive for property investment.

What are the benefits?

Faster development timeframes driven by more code based assessments will help delivery of development and housing that reflects strategic state plans across Victoria will enhance affordability in key growth areas.

Timeliness

Currently, around 89% of development applications in Brisbane City Council go through code based assessment with an average timeframe of 20 days. If the Victorian planning system can implement code based assessment with the same average timeframe and half the coverage of development applications as in Brisbane, assessment timeframes across the state will be shortened by up to 5 weeks per dwelling.

Quantity

Reduced approval timeframes will free up council resources and cut costs for developers, which has the potential to deliver an additional 1,638 dwellings per year.

Affordability

Based on time savings and reduced holding costs for developers, savings of approximately $1,333 per household are expected, overall savings to the housing market of $21 million per year.

Big Economic Impacts

Jobs ↑	**4,650** direct and indirect ongoing jobs per year
GVA ↑	**$650 million** gross value added per annum to the Victorian economy

Quick Win 4

Provide financial incentives to local governments to encourage proper and timely planning permit decisions

What's the issue?

Many councils are underprepared and under resourced when it comes to accommodating recent and projected population growth.

The Streamlining for Growth Program (funded by the Victorian State government and the Victorian Planning Authority (VPA)) has been successful in providing grants for councils who are struggling to cope with growth and have a backlog of planning applications.

How do we fix it?

Allocate an additional $5 million to support improved planning, to enable the delivery of much-needed housing supply across Melbourne's middle-ring suburbs and put downward pressure on house prices.

As council populations grow, the fund will help councils through the provision of planning experts to deliver on the new design and assessment needs of Melbourne's middle-ring communities. The experts will be employed by the State Government, and deployed to councils as-needed, to assist with short to medium-term resourcing constraints and bottlenecks.

What are the benefits?

Council planners will be able to more thoughtfully assess planning applications with resources, guidance and support staff that the program can provide.

Quantity

Additional resources for planning departments are expected to increase capacity to approve an additional 1,195 dwellings per year.

Timeliness

These resources are also expected to save 1 week per dwelling through shorter delays in council planners assessing applications.

Big Economic Impacts

Jobs	↑	**3,592** direct and indirect ongoing jobs per year
GVA	↑	**$474 million** gross value added per annum to the Victorian economy

STREAMLINING FOR GROWTH PROGRAM:

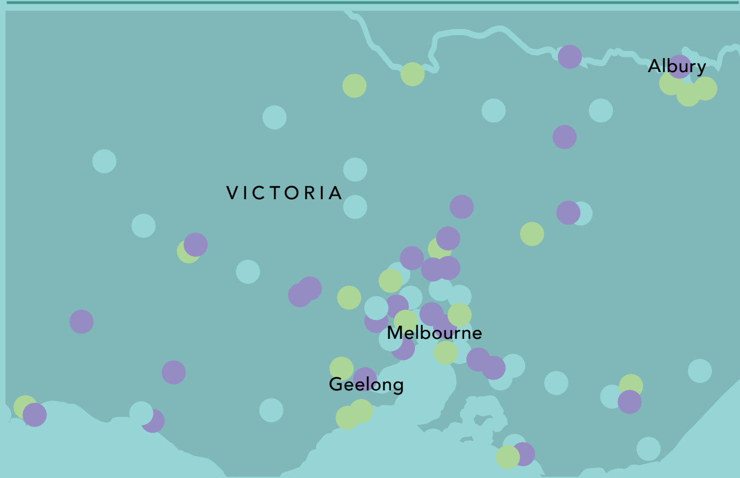
More than $15M in grants have been awarded to help accelerate projects across greater Melbourne and regional Victoria since 2016. Streamlining for Growth is administered by the VPA and has assisted on over 150 projects so far.

Notable projects for the delivery of housing (among many) include:

- Bakery Hill Urban Renewal Project
- Benalla Urban Growth Strategy Plan
- Monash NEIC Development Facilitation Offer (DFO)

FUNDED PROJECTS

Legend
2016-2017
2017-2018
2018-2019



Quick Win 5

Rationalise the referral process

What's the issue?

The referrals process in Victoria suffers from a lack of transparency and direction. The established statutory timeframe of 28 days is unrealistic and there are no consequences when referral agencies miss deadlines (some agencies regularly take three or four times as long as the established timeframe to deliver their reports). Complex applications can take three to six months within the referral process.

How do we fix it?

Establish an online tracking system to show a referral's status, staff assignment contact, and any outstanding information needed for assessment. The new system must also guide consistency across referral review processes, which today vary significantly across different authorities and regions.

Establish and enforce a realistic timeline of 8 weeks for referrals.

What are the benefits?

Transparency within the referral system will create accountability among agencies through better performance tracking and lead to better overall outcomes.

Affordability

Time savings and reduced holding costs would lead to savings of $1,100 per household, $52 million in house prices across the market

Quantity

A better referral process will enable more efficient assessment of development applications, resulting in the delivery of an additional 168 dwellings per year.

Diversity

Support for apartment development will help increase the availability of more compact, affordable housing choices in a constrained market, appropriate to decreasing household size.

Timeliness

The improvements to the referral process will save an average of 4 weeks per dwelling.

Big Economic Impacts

Jobs ↑	**505** direct and indirect ongoing jobs per year
GVA ↑	**$66 million** gross value added per annum to the Victorian economy

Tasmania

Planning Quick Wins

The Planning Context

2,664	3,202	3,315	537,000	51,000+
Housing Completions	Dwelling Approvals	Jobs in Residential Building Construction	Residents in 2019	Dwellings
(2018)	(2018)	(1.5% of Total Employment)		Needed by 2050

Source: Australian Bureau of Statistics; REMPLAN Economy

A strong economy supported by accelerated population growth has driven a healthy property sector in Tasmania over the last five years. A significant increase in migration from overseas and interstate has put pressure on Tasmania's constrained housing market. These issues have particularly impacted urban areas like Hobart and Launceston. For example, Hobart is Australia's least affordable capital city to rent a home relative to the average wage. In 2018 it had the lowest vacancy rate in the country at 0.7%, and the highest growth rate in both housing prices and median asking rents. House prices grew by 32% in Greater Hobart between early 2016 to August 2018.

Greater Hobart's planning system is under pressure from this accelerated growth. There is a growing concern about the lack of capacity and limited planning resources at councils and within the Tasmanian Planning Commission (TPC), an independent body created by the *Tasmanian Planning Commission Act 1997*. There is a limited pool of experienced planners to work within government and the private sector who are overwhelmed with the recent increase in development applications and the ongoing Tasmanian Planning reform.

Progress in Tasmania

The *Land Use Planning and Approvals Amendment Act of 2015* made changes to the *Land Use Planning and Approvals Act 1993*, which is the principal legislation for planning in Tasmania. The Amendment Act established the Tasmanian Planning Scheme, which will aim to deliver consistency in planning controls across the state. The Scheme consists of both State Planning Provisions and Local Provisions Schedules (LPS). As of this writing, some Councils are still preparing their LPS, so it is yet to be seen if the integrated scheme is responsive in addressing local issues, and if consistent rules are being proposed.

The reforms include:

- The Tasmanian Planning Scheme has allowed for greater consistency in standards in the 29 jurisdictions of the state.
- Heritage Tasmania and TAS Networks are now embedded in the DA assessment. This is seen as a positive improvement to the system
- The State is providing access to information. Significant additions to GIS and mapping are available online through IPLAN
- Hobart and Launceston City Councils have introduced e-lodgement processes, with many other Councils allowing electronic lodgement via email.
- Mediation process is now required by law under the tribunal
- Short stay accommodation controls

There have also been efforts to provide affordable housing such as the North West Land Release, however, more must be done to accommodate the steady population growth.

Challenges Ahead

Despite changes to the Tasmanian Planning Scheme that has facilitated more consistency in standards, a number of challenges remain as outlined below.

- The Tasmanian Planning Scheme will be an effective tool for implementing strategic planning. However, Tasmania needs a **comprehensive updated strategic plan** (i.e. update to its Regional Land Use Strategies) in order to determine where to best locate new development. Opportunities also exist to facilitate development, such as for rezoning of former industrial estates and for places in already identified priority areas. Planning officers have been experiencing “reform fatigue” – as the **limited planning resources** struggle to keep up with the growth in development applications; planning for a suddenly busy environment, and in keeping up with the requirements of the Tasmanian Planning Scheme.
- While there are regional land use plans that outline planning and development priorities for the three regions and the local government areas, there is a perceived **lack of an economic strategy aligned with infrastructure and land use planning, as well as housing targets.** The regional land use strategies, for example, were based on 2006 census data and failed to capture the recent demographic trends and demand for housing. It will be important to adequately plan and support density in key growth areas such as the Glenorchy to Hobart Transit Corridor.
- The Department of State Growth’s Population Growth Strategy aims to grow the population to 650,000 by 2050 from the current population of 515,000. Tasmania needs to determine how to optimally accommodate more development as well as protect areas of high cultural, landscape and agricultural value. There is a need for **strategic densification infill areas.**

	Key Legislation	What Works Well?	What are the Problems?
Strategic Direction	Resource Management and Planning System *Housing Land Supply Act 2018*	• RMPS guides strategic plans for the State, regions, and LGAs. It is guided by the principles of sustainable development (including intergenerational equity, efficiency, conservation of biodiversity). • Three regional land use strategies currently in place in Tasmania, originally declared in 2011.	• Lack of a strategic plan that considers the population growth and accelerated demand for housing. • Regional land use strategies were based on 2006 census data. These strategies should be updated and refined in regards to a brand new land use strategy.
Plan Making	• *Land Use Planning and Approvals Act, 1993* • *State Policies and Projects Act 1993*	• Tasmanian Planning Scheme allows for greater consistency across the State.	• The local sections have been handed over to the local Councils to prepare for exhibition. This involves preparation of the mapping of zones and overlays, local provisions schedules (LPS’s), lists to relevant codes, particularly purpose zones, specific area plans and any site specific qualifications. Some Councils have been slow to commit resources to undertake this work (given it came straight of the back of the Interim Planning Scheme reform), causing significant delays. The changes to the rural zones has also made the changes to the schemes complex. • This has a flow on effect to zoning (and other provisions), such that each Planning Scheme may change, resulting in general uncertainty around investment and approvals.
Development Approvals	• *Land Use Planning and Approvals Act, 1993*	• Overall, average approval timeframes in TAS are faster than in states with more complex planning systems.	• Lack of adequate resourcing is a key challenge. • Building approval and subdivision approval. There is private certification for buildings, but not for subdivision approvals. • Councils are struggling to fulfil their role especially with review of concept level engineering drawings.
Contributions	• *Local Government (Building and Miscellaneous Provisions) Act 1993*	• Contributions can be made towards provision of public open space equivalent to 5% of the unimproved value of the land.	• Tenement charge system for TasWater and TasNetwork. • Inconsistencies in charges among councils.

Quick Win 1

Accelerate approvals with statutory approval timeframes

What's the issue?

While a consolidated statewide planning scheme will help speed up housing development, complex and inefficient approval processes across several regulatory bodies still impede the time taken to deliver new housing to market.

Time limits exist for the assessment by councils of applications for planning approval. However, there are no such limits for secondary consent processes such as the assessment of detailed engineering designs, which contributes to lengthy delays for infrastructure developers who cannot start to assess DAs until the engineering designs are approved.

How do we fix it?

The Tasmanian Government must legislate for approval timeframes across all regulatory bodies involved in the planning and building process, similar in structure to the existing 28-day timeframe for assessing permitted planning application and 42-day timeframe for determining discretionary planning applications.

If these timeframes lapse and the planning authority has failed to determine the application in question, a deemed approval process is triggered and the application can be referred to the Resource Management and Planning Appeal Tribunal.

What are the benefits?

Accelerated approvals will save time within the development process which will reduce holding costs that are eventually passed on to the final buyer. A highly competitive development approvals process compared with other states will help Tasmania stay a focus for investment.

Timeliness

Based on current design approval processes often taking up to 3 months, enforced approval timeframes within the planning and building process could save as much as 8 weeks per dwelling in Tasmania.

Quantity

Reduced approval timeframes will cut costs for developers, which has the potential to deliver an additional 15 dwellings per year.

Affordability

Based on time savings and reduced holding costs for developers, savings of approximately $2,000 per household are expected, overall savings to the housing market of $3.4 million per year.

Big Economic Impacts

Jobs	↑	**33** direct and indirect ongoing jobs per year
GVA	↑	**$4.2 million** gross value added per annum to the Tasmanian economy

Quick Win 2

Rationalise the referral process

What's the issue?

TasNetworks have a lack of visibility in the project pipeline, which creates challenges around resourcing. Backlogs at the agency cause lengthy project delays and an inefficient approvals process. Electrical designs (typically completed in-house at TasNetworks) can take as long as 10 weeks. This 10-week process does not start until after the civil engineering drawings are complete, which is inefficient.

How do we fix it?

We propose the following:

1. Development applications should trigger a referral process to allow TasWater, TasNetworks and NBN Co. to forward plan work schedules and avoid design delays and supply problems.
2. A concurrent design process in which civil drawings and the TasNetworks electrical designs happen in parallel with coordination across engineers on both sides.
3. Ministerial direction for a six (6) week timeframe for electrical designs for TasNetworks.

We note that in a concurrent design process, the applicant would realise any risk and cost associated with having to redo electrical design drawings because something had to shift in civil design drawing process. Applicants can opt for non-concurrent processes for complex projects that may have higher risk of redesign.

What are the benefits?

Because an estimated 80% of dwellings go through this process, the impacts of streamlining and enhancing transparency within the referrals process will be significant. Accelerated timeframes will reduce holding costs that are eventually passed on to the final buyer.

Affordability

Based on time savings and reduced holding costs for developers, savings of approximately $2,875 per dwelling are expected, overall savings to the housing market of $8 million per year.

Quantity

Reduced referral timeframes have the potential to deliver an additional 35 dwellings per year.

Timeliness

A revised referrals process for utilities could save as much as 2-3 months per project, equating to approximately 12 weeks per dwelling.

Big Economic Impacts

Jobs ↑	**77** direct and indirect ongoing jobs per year
GVA ↑	**$10 million** gross value added per annum to the Tasmanian economy

Quick Win 3

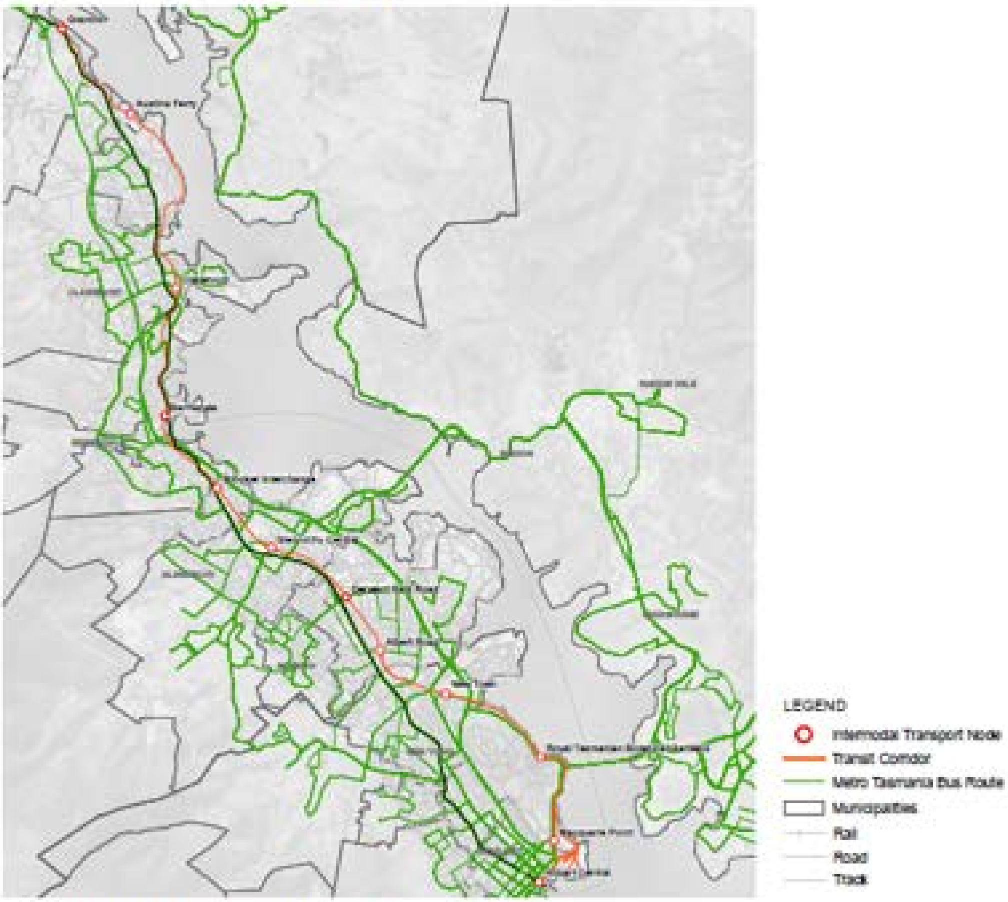
Develop the Glenorchy to Hobart Transit Corridor

What's the issue?

The transit corridor running between Glenorchy to the Hobart CBD has been identified as a key strategic area to support further growth of the greater Hobart region (refer to the figure below from the Glenorchy to Hobart Public Transport Corridor Study). Public transport and infrastructure development along the Glenorchy transit corridor is a key initiative in improving connectivity to Hobart's northern suburbs, an area with significant capacity to accommodate increased housing density.

Residential and commercial development along the corridor will follow improved public transport, increasing urban population density and activity in the region, making it a more desirable place to live and in turn, support the increased investment and use of public transport services.

The management and resources required to deliver such an integral component of continued economic and residential development in Tasmania are above what local governments can provide.



How do we fix it?

To support and encourage increased residential density in the northern suburbs, the Government should take action to develop the Glenorchy to Hobart transit corridor, increasing amenity for people living along the length of the corridor through improved access to services, employment and education opportunities.

- Funds must be allocated to establish the required public transport infrastructure quickly, providing immediate support for increased medium density housing along the Transit Corridor route. Bus system optimisation and bus travel priority measures must be implemented to improve public transport travel time and reliability. Further studies that investigate light rail alternatives to be conducted.
- Land use change to support urban renewal and development along the length of the corridor (such as rezoning Light Industrial sites in the Glenorchy central area to Inner Residential) must occur in order to accommodate and encourage further residential activity in each of the nodes it services.
- Existing barriers to development, such as planning restrictions in relation to height and other matters, must be eased along the length of the corridor in order to provide further incentives for medium density housing investment. Additional measures to incentivise development, such as Government funding of contamination assessments, should also be considered.
- Improved urban design in the street and park networks within the corridor must also be encouraged.

What are the benefits?

Release of land and development of supporting transport infrastructure along the Hobart to Glenorchy Transit Corridor will support development of housing in a key area with access to high quality employment.

Infrastructure Savings

Infrastructure savings of approximately $38 million per year are expected, due to increased infill development over the delivery of greenfield lots.

Quantity

If support for the corridor results in achieving dwelling targets for the growth area, that will mean an additional 323 dwellings per year (equivalent to 10% of dwelling approvals in 2018)

Productivity

Additional dwellings and population in areas with good access to transport, jobs and amenity will improve the productivity of Tasmania's labour force. This impact will generate an increase in economic productivity of $2.1 million per year across the state.

Big Economic Impacts

Jobs ↑ **703** direct and indirect ongoing jobs per year

GVA ↑ **$91 million** gross value added per annum to the Tasmanian economy

Queensland
Planning Quick Wins

The Planning Context

43,622	**39,926**	**36,972**	**5.13 million**	**976,900**
Housing Completions	Dwelling Approvals	Jobs in Residential Building Construction	Residents in 2019	Dwellings
(2018)	(2018)	(1.7% of Total Employment)		needed by 2041 (794,000 needed in Southeast Queensland)

Source: Australian Bureau of Statistics; REMPLAN Economy

The Queensland planning system has undergone multiple reviews and improvements over the past 10 years. This has included a new planning act, updated regional plans, planning scheme templates and planning scheme reviews. Updates to planning legislation is only one component of the overall planning system and challenges remain with respect to infrastructure provision and environmental and planning policy implementation.

Progress in Queensland

In the last five years, the QLD government has made significant progress:

- Commencing in mid–2017, the *Planning Act 2016* established a new planning system for the state, replacing the *Sustainable Planning Act 2009*
- Regional plans provide a regional framework for growth management, and set planning direction for sustainable growth, global economic competitiveness and high-quality living
- The Land Supply and Development Monitoring (LSDM) Report is a key new initiative, the objective of which is to work progressively towards a single point of truth for land supply and development activity data in SEQ to better inform infrastructure planning and land supply planning and policy
- Consolidation of State interests in land use planning and development across Queensland into a single State Planning Policy (SPP). The SPP applies when a council is making or amending their local planning instruments.

The QLD Government has also committed to enhancements to the planning process by outlining the following near-term focus areas:

- A series of 36 implementation actions have been identified that are necessary to deliver the intent and vision of *ShapingSEQ South East Queensland Regional Plan 2017 (SEQRP)*. The implementation actions are being delivered by various government and non-government entities over the life of the regional plan. Key initiatives include:
    - ◊ Unlocking the underutilised urban footprint
    - ◊ Deliver a Strategic Assessment
    - ◊ Progressing with a City Deal for SEQ

Challenges Ahead

Queensland has undertaken a range of planning policy reviews and updates over the past five years. The key to the success of this work will be the ongoing implementation of new policy by State and Local Government in partnership with industry and close engagement with community. A need to foster a culture of enabling solutions to planning and development challenges is emerging as a key area of focus for the industry in Queensland particularly in relation to the following areas:

- Implementation of new planning policy consistently across local authorities and jurisdictions
- Streamlining of the infrastructure agreement process needed to unlock development
- Managing the use of Temporary Local Planning Instruments inconsistent with strategic planning directions set for local areas
- Depoliticising the planning decision making and policy development process
- Enhanced engagement with community and use of technology to explain the benefits and plan to accommodate growth
- Further developing and agreeing on a best practice approach to the monitoring of land supply and growth.

The major challenge facing the Queensland planning system is one of culture. Despite regulatory reform, it has increasingly become political, tactical and adversarial. There is non-compliance with planning rules or policy making by councils without recourse for the industry. Stakeholders have raised the issue of needing to renew the inherent social license between the development community and Queensland's residents and emphasise the fundamental common goal of creating the best outcomes and delivering homes for Queensland's growing population.

	Key Legislation	What Works Well?	What are the Problems?
Strategic Direction	• *Planning Act 2016* • *Planning Regulation 2017* • *Regional Planning Interests Act 2014 (RPI Act)* • *Regional Planning Interests Regulation 2014*	• Local government planning schemes help articulate strategic intent for the development of their communities. • Regional plans help set an overarching and long term strategy for sub-regions to better coordinate land use and infrastructure planning.	• The roles of strategic plans being lost or overtaken by prescriptive planning in the development assessment process.
Plan Making	• *Planning Act 2016* • *Planning Regulation 2017* • *Regional Planning Interests Act 2014 (RPI Act)* • *Regional Planning Interests Regulation 2014*	• Consistency in planning scheme structures and terminology. • Utilisation of the Code assessment process in new policy to promote desired land use outcomes. • The ability to run a rolling program of planning scheme amendments to updated policy intent.	• A complex and lengthy plan making process that struggles to keep up to speed with design, technology or product innovation. • Limited appetite to test or explore innovation in design outcomes or new housing typologies through policy changes.
Development Approvals	*Planning Act 2016* *Planning Regulation 2017*	• Familiarity across the industry and government with the assessment process. • Ability for the process to be implemented in an efficient way where desired by a local government.	• A growing trend for prescriptive assessment and dilution of comprehensive assessment which considers site, context, prescriptive and strategic criteria. • Politicisation of the decision making process.
Contributions	• *Planning Act 2016* • *Planning Regulation 2017*	• Clarity and certainty around infrastructure charges.	• Complexity and inconsistency in approaches to reach final infrastructure agreements. • Uncertainty with respect to infrastructure charges for some greenfield development.

Quick Win 1

Streamlining, consistency and certainty around environmental policies

What's the issue?

The assessment process, is taking precedence over outcomes and the urgent need to deliver housing to accommodate population growth within the defined urban footprint.

Uncertainty around the future of environmental policies such as the Vegetation Management Act (VMA) scope changes passed in 2018 (protections increased across greater extent of land and Matters of State Environmental Significance greatly increased as a result of the new mapping) and recent court rulings regarding the clearing of Category X vegetation make it challenging for developers to clearly understand their development risk on a given land holding.

The newly adopted koala habitat regulation has also added a new layer of complexity and uncertainty that the industry is currently working through and will have further impact on supply.

How do we fix it?

Finalise environmental regulations as quickly as possible to reduce risk and unpredictability and deliver a Strategic Assessment for South East Queensland.

Areas identified as priority for residential development and the delivery of housing should have a greater level of exemption from environmental restrictions and overlays. In priority areas, planners should be enabled to make judgment calls about holistic project outcomes that are beneficial for the local community and environment without needing excessive documentation.

What are the potential consequences?

Uncertainty around the future of policies makes it challenging to measure the potential negative impacts of all proposed policies. We have made a conservative assumption that the potential developable area for greenfield residential housing across Queensland will be reduced by 5%.

Quantity

The reduction in total developable land is expected to reduce the overall number of dwellings delivered in Queensland each year by 803.

Timeliness

Revised environmental overlays and the need for additional environmental documentation is expected to extend the approvals process for new dwellings.

Affordability

Based on approval delays around environmental documentation causing increased holding costs for developers, we expect that the policy changes will cause dwelling prices to rise in the affected areas.

Big Economic Impacts

Reduced delivery of housing would result in

Jobs ↓	**1,788** fewer direct and indirect jobs per year
GVA ↓	**$260 million** per annum of potential gross value lost for the Queensland economy

CASE STUDY – MORETON BAY REGIONAL COUNCIL:

A report prepared by Saunders Havill Group assessed the effect of Environmental Legislative overlays on residential development within the urban footprint of Moreton Bay Regional Council. The study identified all developable greenfield residential land in the LGA and overlaid the local, state and federal development controls for residential development before and after the amendments to the *Vegetation Management Act 1999.*

The study found that 23.3% of the identified potential developable area was affected by environmental overlays. Significantly, the amendments to the VMA resulted in a **decrease of 9.1%** in the potential developable area within Moreton Bay Regional Council. This is due to the way in which Moreton Bay Regional Council incorporate Matters of State Environmental Significance in their Planning Scheme.

Quick Win 2

Abandon Brisbane's townhouse and apartment ban

What's the issue?

Responding to a call to "protect the Brisbane backyard," Brisbane City Council (BCC) voted in early 2019 to remove provisions allowing for the development of multiple dwellings on blocks of more than 3,000 square metres zoned LDR – low density residential.

The ShapingSEQ South East Queensland Regional Plan sets an objective of 60% of new housing development in South East Queensland in the existing urban area and emphasises promoting 'missing middle' forms of housing to support better and more diverse housing. It also sets a target for 2041 for BCC of 188,200 new dwellings and 94% consolidation (infill) development. This comes at a time where new house dwellings in Brisbane have remained relatively stable and higher density dwelling types have made a major contribution to meeting dwelling targets, particularly in inner Brisbane.

With traditional housing approvals likely to decline over the coming years and a stronger reliance placed on high density housing, multiple dwelling developments in low-density residential areas will provide much needed supply and diversity of housing.

How do we fix it?

Abandon Brisbane's townhouse and apartment ban.

While some of the negative feedback on poorly delivered townhouse projects is valid, the solution to this issue is to improve design controls to guarantee better design quality, not to ban townhouses altogether.

What are the potential consequences?

The proposed ban on townhouses and apartments in low density residential areas in BCC is likely to result in increased pressure on the housing market and less diverse and liveable housing in high-demand areas of Brisbane.

Quantity

A review of low-density residential zoned land in BCC found approximately 188,000 sq.m of undeveloped land that currently meet the requirements for medium density housing. This land has the potential to accommodate up to 723 medium-density dwellings, or 145 dwellings per year if absorbed over the next five years. This is a conservative estimate that does not take into account currently developed adjoining sites that could be consolidated into sites over 3,000 sq.m meet the requirements.

Diversity

Townhouses and apartments help encourage housing diversity and affordability, especially in high amenity, attractive neighbourhoods where young homebuyers or downsizing retirees could not otherwise afford to buy.

Affordability

Townhouses and apartments represent a more affordable dwelling type in BCC, with a median price $225,000 lower than the median house price in 2019. By removing the provision of these dwelling types, housing affordability will fall in these high demand residential areas.

Liveability

Eliminating townhouse and apartment development in single family areas will effectively shut out some portions of the housing market from these areas because of lack of supply diversity, reducing liveability for some Brisbanians.

Big Economic Impacts

Reduced delivery of housing would result in

Jobs ↓	**322** fewer direct and indirect jobs per year
GVA ↓	**$47 million** per annum of potential gross value lost for the Queensland economy

Quick Win 3

Revise the infrastructure agreement process

What's the issue?

The infrastructure agreement process in Queensland is unpredictable and drawn out, delaying the delivery of housing in key growth areas and putting developers at risk. Complex infrastructure agreements can take as long as three to four years to negotiate. There is no standard structure or process around infrastructure agreement negotiations, so each infrastructure agreement essentially starts from scratch.

How do we fix it?

Create standard infrastructure agreement templates for different land use types (greenfield, brownfield, etc.) to help support a more streamlined process for ensuring alignment between land use goals and the supporting infrastructure needed to support those land uses. The templates should also establish timeframe guidelines to support a 24 month negotiation period.

Standard infrastructure agreements applied like the property acquisition template contract will improve consistency and timeframes in delivery of infrastructure agreements.

WHAT IS AN INFRASTRUCTURE AGREEMENT?

An infrastructure agreement is established between one or more developers, a local authority, and an infrastructure provider, such as a water authority, and sets out the terms by which infrastructure in a particular development area will be funded and constructed. Infrastructure agreements help distribute the costs of new development infrastructure fairly across stakeholders.

What are the benefits?

An improved infrastructure agreement timeframe will reduce development timeframes and overall project costs for developers and for local and state government authorities if negotiation timeframes are reduced. It will also create consistencies across infrastructure agreements and allow for overall improvement to the process and stakeholder outcomes within the process if the negotiations and structure aren't starting from scratch with each agreement.

Timeliness

A revised infrastructure agreement process could save 6 months per project on average, or up to 12 months on projects where a complex infrastructure agreement is required.

Quantity

Reduced infrastructure agreement timeframes have the potential to deliver an additional 357 dwellings per year.

Affordability

Based on time savings and reduced holding costs for developers, savings of approximately $6,000 per dwelling are expected, overall savings to the housing market of $106 million per year.

Big Economic Impacts

Jobs ↑	**795** direct and indirect ongoing jobs per year
GVA ↑	**$115 million** per annum gross value added to the Queensland economy

Quick Win 4

Adopt the statewide housing code

What's the issue?

The Queensland Development Code (QDC) sets the rules for siting and design of houses and duplexes including aspects such as minimum setbacks from lot boundaries and maximum building heights. Industry groups and local governments have raised concerns that these rules are now out of date and do not reflect contemporary housing practice.

Most local governments include alternative siting and design requirements in their planning schemes. They also allow new residential developments to set their own rules in Plans of Development.

This creates a complex assessment system which leads to costly delays for the building sector and applicants.

How do we fix it?

The proposed Queensland Housing Code (QHC) will replace Parts 1.1 – 1.3 of the QDC with a single contemporary code that reflects current building and planning trends, simplifies processes and eliminates duplication between building and planning assessments.

This will standardise design and siting rules for the majority of residential dwelling development in Queensland and provide further guidance about what and how siting and design rules can be included in planning schemes. This will provide local government and the housing and property development industries with up-to-date siting and design rules that reflect emerging best practice for dwelling house development, while preserving local governments' ability to shape their communities through neighbourhood design. The proposed QHC will not impose density outcomes or set minimum lot sizes and will only deal with housing outcomes inside allotments once the local government has approved a subdivision.

The draft code applies to single and attached Class 1 dwellings, dual dwellings and associated Class 10 buildings (e.g. garages, car ports) and structures.

What are the benefits?

The Queensland Housing Code's new siting and design rules will support housing affordability by encouraging more efficient use of land and saving on infrastructure costs, and to allow for innovation in housing to provide for the changing housing needs of the community. The rules are likely to reduce the number relaxation applications and siting related building development appeals.

Quantity

Reduced approval timeframes will cut costs for developers, which has the potential to deliver an additional 26 dwellings per year. The QHC will also facilitate more efficient use of land and better responsiveness to market needs.

Timeliness

The QHC siting rules will reduce the number of relaxation applications and siting related appeals going through the planning system and generate efficiencies in design across different jurisdictions that currently have inconsistent guidelines, saving an average of 1 week per dwelling.

Affordability

Based on time savings, reduced holding costs, and reduced administrative costs for developers, savings of approximately $250 per household are expected, overall savings to the housing market of $7.8 million per year. This is in addition to affordability driven by lower developer costs associated with well-planned infrastructure.

Big Economic Impacts

Jobs ↑ **59**
direct and indirect ongoing jobs per year

GVA ↑ **$8.5 million**
per annum gross value added to the Queensland economy

Quick Win 5

Support the growth monitoring program

What's the issue?

The Growth Monitoring Program is an implementation item of the *ShapingSEQ South East Queensland Regional Plan 2017* and has funding allocated over 2 years. As part of the program the government the Government delivered the inaugural Land Supply Development Monitoring Report in November 2018.

It is critically important to continually monitor the region's land supply and development activity to ensure we have adequate land in the right locations to maintain SEQ's enviable lifestyle and unique characteristics. This will ensure the right infrastructure, housing and jobs are being delivered now and in the future.

Findings from the first Land Supply and Development Monitoring Report (LSDMR) (self-reported by Councils) appears contradictory to anecdotal, on-the-ground experience of developers and other stakeholders regarding availability of land supply. While the LSDMR attempted to assess impacts of changes to the scope of the *Vegetation Management Act* passed in 2018, those impacts are still uncertain.

How do we fix it?

Secure funding for the Growth Monitoring Program (GMP) for years to come and support ongoing improvements to the way the program collects and analyses land supply and housing delivery data. Maintaining clear data standards and accurate reporting is imperative to reap the benefits of this valuable program.

The 15 years of supply policy provides an indicator for when the state and local governments should initiate a range of solutions in response to potential shortages in planned dwelling supply, including identifying new land for urban purposes or investigating additional infrastructure opportunities. In doing this, both the state and local governments should ensure they are increasing supply in a way that is affordable to governments and the community, especially in terms of the quality, timing and cost of any required infrastructure.

What are the benefits?

The economic benefits of the GMP will be felt over the long-term and have not been quantified at this time. The data and trends reported as part of the GMP will serve to inform evidence-based decision making in accordance with the land supply framework identified in ShapingSEQ and provide a strong foundation for future iterations and reviews of the SEQ Regional Plan.

The GMP will continue to increase transparency and accountability around housing targets across different local government areas. It will become a single point of truth for this data, helping to resolve the back and forth between councils and the development industry around land supply.

As the GMP can identify councils that are underperforming on their targets and availability of land supply, it will enable the state government to pressure those councils to release additional lots and/or call for density uplifts in key target areas appropriate for additional density.

Northern Territory

Planning Quick Wins

The Planning Context

737	728	1,496	244,800
Housing Completions (2018)	Dwelling Approvals (2018)	Jobs in Residential Building Construction (1.4% of Total Employment)	Residents in 2019

Source: Australian Bureau of Statistics; REMPLAN Economy

The Northern Territory (NT) has a highly centralised planning system with few layers and a planning scheme that extends over almost all the NT. The Northern Territory Planning Commission is responsible for strategic planning, which is then included within the NT Planning Scheme following Ministerial endorsement. Statutory planning – development assessment and scheme amendments – falls to a Development Consent Authority and the Hon Minister.

The NT has a relatively small population that combines urban centres such as Darwin and Alice Springs with highly dispersed, regional settlements. There are particular demands on the quantum and form of NT housing including housing that is highly responsive to climate, that meets the needs of Aboriginal communities and achieves energy/communications/water security.

Student, tourist and mining populations are also factors in terms of housing type and the transient nature of these residents (including the cyclical nature of mining activity). Defence is another key NT industry and housing for defence personnel is an important consideration.

Progress in Northern Terrirory

The NT Government has embarked on a system of planning reform with Stage 3 of consultations in late 2019. On 13 February 2020, the Planning Amendment Bill 2020 was introduced to amend the Planning Act 1999 and the Northern Territory Planning Scheme. Reform is based on the principles of certainty, balance, transparency, reducing complexity, community participation/consultation and decision review. Proposed reforms include:

- Better strategic planning
- Better definition of the role of the Northern Territory Planning Commission
- Clarity and improvement around the role of policies in decision making
- Clearer application of discretion
- Better integration of land use planning and infrastructure
- Reform of consultation processes to allow for simpler notification on basic projects and better consultation on complex projects
- Clarity around planning scheme amendment processes

Challenges Ahead

Work has commenced on reforms to improve certainty, transparency and simplicity. However, a number of challenges remain to increase the supply of housing, outlined below.

- There are challenges in "unlocking" greenfield development in growth areas because of **insufficient infrastructure in development areas.** While Area Plans indicate how development might unfold in an area from a land use and built form perspective, these plans do not guide or coordinate the provision of infrastructure and services.
- The **fluctuating and transient nature of the NT population** presents a difficulty for longer term planning – when and where development might occur. This creates uncertainty for investment decisions, including the provision of infrastructure. It also puts housing affordability at risk if there is an unanticipated boom in population. This creates an imperative to get the planning frameworks right during periods of lower growth to prepare.
- While planning reform aims at better community participation – in relation to consultation on applications and third party review for example – this must be balanced with surety of process to create an environment of confidence for development to occur. Effective supply may be impeded by delays associated with potential reform outcomes such as **expanded third party appeal rights and proponent/submitter conferences.**
- It will be important that **planning officers are effectively trained and engaged** so they have scope and confidence to apply flexibility as appropriate, and to ensure that expanded community participation has a positive (rather than inhibiting) impact on planning processes and outcomes.

	Key Legislation	What Works Well?	What are the Problems?
Strategic Direction	*Planning Act* • Establishes function of NTPC *NT Planning Scheme* • NT & regional planning principles & land-use frameworks • Regional and sub-regional land-use plans • Area plans	• Simple, easy to understand framework • Ability to implement detailed guidance for specific areas	• Strategic planning being reflected in the Planning Scheme risks more rigid application than intended • Appears to be a missing, coordinating layer that sits outside of the Scheme: the equivalent of a State Planning Strategy, State Planning Policies and the like.
Plan Making	*Planning Act* • NT Planning Scheme • Jabiru Town Plan *NT Planning Scheme* • As per 'Strategic Direction'	• Simple, easy to understand framework • Ability to implement detailed guidance for specific areas	• Because the Planning Scheme is essentially NT wide, unless an Area Plan is in place the Scheme isn't geared to reflect location-specific issues • Strategic Direction and Plan Making are so combined there is the absence of an overarching, higher-order strategic/coordinating plan that can balance certainty with change to reflect economy (for example) and brings together economy, environment, infrastructure etc. • Focus on greenfield areas has left some inner ring areas in need of revitalisation
Development Approvals	*Planning Act* Need, process and responsibility for development applications	• Ability for self-assessment can reduce determination timeframes	• Delays can be experienced where approval is required, particularly within the agency referrals process. • Technical design guidelines are inconsistent and cause project delays and costly redesigns
Contributions	Individual jurisdictions implement their own areas specific contribution schemes	• Contributions are simple, transparent and easy to understand	• Applies only to servicing infrastructure – not 'soft' infrastructure that contributes to local amenity and liveability • Insufficient linkages to core principles/factors of need, nexus, timing etc. • Lack of effective infrastructure contribution scheme to support greenfield development

Measuring Economic Benefits in the Northern Territory

Because the scale of development in the Northern Territory differs significantly from other states (728 total dwellings were approved in 2018 in NT, compared to 64,716 in NSW), the scale of the benefits is also much smaller than in other states and territories analysed in this report. Furthermore, because the housing market is currently sluggish, demand factors like population growth (projected at just 0.5% per year until 2026) are limiting the number of dwellings delivered each year much more than any issues or inefficiencies within the planning system.

While some of the benefits for the following quick wins are quite small when calculated based on 2018's diminished level of supply, they can be expected to ramp up as the overall market improves. Implementing the quick wins outlined in the following section is important to prepare the planning system to increase flexibility for when demand drivers improve.

Quick Win 1

Establish referral process timeframes

What's the issue?

While the development application process is efficient in the Northern Territory – an average DA takes about three months – the post-approval agency referral process in order to obtain a certificate of compliance can take up to another three months.

Delays in referral approvals are driving up project costs and delaying construction starts at a critical project stage when resources are often already mobilised.

Delays in the referral process are also creating challenges around titles.

How do we fix it?

Establish a timeframe of 35 days for post-approval comments for referral agencies with deemed approvals if timeframes lapse.

What are the benefits?

Greater certainty around approval timeframes will reduce holding costs for developers and overall project risk.

Timeliness

The approvals process could be cut down by approximately 7 weeks per dwelling.

Affordability

The time savings in this process will reduce developer holding costs and uncertainty, with an anticipated savings of $1,852 per dwelling.

Quick Win 2

Develop technical guidelines to improve performance based assessment

What's the issue?

There is a lack of clear, consistent technical guidelines across different sites within a council and across different planning jurisdictions. After plans are submitted for approval, the technical reviews by agencies often yield inconsistent results. For example, a road width that was accepted in a prior planning proposal in the same jurisdiction might now require a costly site redesign.

Inconsistency and lack of transparency around technical standards are causing project delays and increasing project risk.

How do we fix it?

Finalised technical guidelines for greenfield infrastructure design (roads, sewerage, etc.) that are consistent across the state and updated on an established five year schedule will allow developers to have more uniform approvals processes across different councils and more consistent design outcomes.

What are the benefits?

Clear, consistent technical guidelines managed by the NT government will provide confidence and certainty around project rollout and better clarity around costs and revenue. It will also help to streamline the time-consuming agency referrals process and allow for performance based assessment of proposed schemes.

The economic benefits of technical guidelines are not able to be quantified using existing data sources, but are expected across the following categories:

Timeliness

Reduced need for project redesigns and fewer project delays will help accelerate the approvals process.

Affordability

The time savings in this process will reduce developer holding costs and uncertainty, resulting in house price savings across the market. Every week saved by a developer will reduce the cost of affected houses by approximately $250.

Quick Win 3

Establish a development contribution plan for greenfield infrastructure in growth areas

What's the issue?

The Northern Territory suffers from a lack of strategic planning and coordination around infrastructure. The absence of effective, fair cost sharing measures stalls development in periods of high demand and makes "unlocking" land for new residential greenfield development challenging.

For example, if a developer wants to bring infrastructure to a particular parcel, they need to front the entire cost of the infrastructure even if it will also benefit adjacent parcels.

How do we fix it?

Establish a development contribution plan to fund infrastructure in high growth greenfield areas. A study should be undertaken to understand optimal areas for growth and the optimal structure for an infrastructure cost sharing and implementation plan.

What are the benefits?

A development contributions plan focused on infrastructure provision will help enable greenfield development and prepare the Northern Territory for the next upswing in the market cycle. Development parcels in high growth areas will be unlocked and projects that are not happening today will go forward.

Quantity

Based on a 10% increase in the number of greenfield projects proceeding as a result of implementing an equitable infrastructure contribution plan, this action could support the delivery of an additional 36 dwellings per year, depending on market demand.

Big Economic Impacts

Jobs ↑	**49** direct and indirect ongoing jobs per year
GVA ↑	**$10.8 million** gross value added per annum to the Northern Territory economy

Quick Win 4

Ease zoning requirements to increase housing diversity and density in high amenity areas

What's the issue?

Much of new housing being delivered in the Northern Territory is in greenfield areas such as Palmerston. Infill areas that enjoy high levels of amenity and proximity to jobs need revitalisation and could logically support additional density.

There are older neighbourhoods in Greater Darwin that need revitalisation and could provide additional density within close commuting distances to Darwin's employment core.

Current zoning in inner ring areas supports low density product that already exists in the market. There is a shortage of product suitable for smaller households (singles, couples, and retirees) who could especially benefit from living in inner ring areas with high amenity. This type of housing is particularly important for transitional populations and better equipped to cope with population booms.

How do we fix it?

A planning policy led by the Department of Planning to support lot subdivision and development of medium density housing within existing high quality neighbourhoods would help improve the diversity of housing supply and revitalise inner ring neighbourhoods.

An infrastructure plan should accompany any planning policy to ensure that the increase in density is supportable given existing and proposed local infrastructure in the target areas.

What are the benefits?

Additional density and diversity of housing will revitalise inner ring neighbourhoods and improve liveability in Greater Darwin.

Diversity

Easing zoning requirements will increase the variety of product types available in Inner Ring areas.

Liveability

Increased density in areas close to amenity and employment centres will have productivity benefits for the city and will enhance liveability. If 100 dwellings each year were developed in infill areas in Inner Darwin instead of greenfield areas (equivalent to 27% of new dwellings in 2018), this would create $1.3 million in labour productivity benefits each year.

Affordability

The diversity of product type will open up some neighbourhoods that are currently exclusively detached homes to those with affordability restrictions that limit them to smaller dwellings.

Western Australia
Planning Quick Wins

The Planning Context

17,965	16,211	21,535	2.64 million	265,500
Housing Completions (2018)	Dwelling Approvals (2018)	Jobs in Residential Building Construction (1.8% of total employment)	Residents in 2019	New dwellings (needed by 2031) Based on forecast 616,000 new residents and an average household size of 2.32

Source: Australian Bureau of Statistics; REMPLAN Economy; WA Department of Planning, Lands and Heritage

While Western Australia (WA) planning policy has traditionally focussed on greenfield housing supply, metropolitan areas and regional centres with greater demand for high quality, smaller dwelling types are drawing renewed planning policy focus.

The WA Government is pursuing planning reform to streamline planning processes, create certainty (for proponents and the community) and achieve quality outcomes. Part of this reform is a move toward performance-based planning controls. While the planning system is fundamentally sound, the culture of implementation in WA is a potential barrier to effective delivery of housing supply.

Progress in Western Australia

The WA Government has embarked on a variety of important planning reforms with direct impact on housing supply. These have included:

- State Planning Policy 7.0 - Design of the Built Environment suite (especially State Planning Policy 7.3 Apartment Design)
- The Design Review Guide for Western Australia (effective as of 24 May 2019)
- Deemed Provisions – Planning & Development Act Regulations (Local Planning Schemes) 2015
- Modernising WA's Planning System: Green Paper (Independent planning review)
- Ministerial Action Plan on Planning Reform

The WA Government has also demonstrated an appetite to actively compel local governments to reflect state-level housing density targets in planning schemes, for example, with the Minister's recent intervention in the City of Nedlands.

Challenges Ahead

While the fundamentals of the WA system are generally strong, effective outcomes are compromised when the system is applied at a sub-optimum level. The challenges left to be resolved to increase the supply of housing in Western Australia are outlined below.

- There are cultural and process issues that can result in an **inefficient application of the planning framework.** For example, some decision makers take a prescriptive view on the implementation of 'due regard' documents such as structure plans while excessive requests for supporting information are sometimes made. There can also be a conservative application of the framework with base-standards/processes becoming default (i.e. requirements for optional approvals, length of advertising, application of discretion etc.).
- While 'circuit-breakers' are built into the planning system, there are **no penalties for authorities** who assess applications (structure plans, local development plans and local development plans) in a sub-optimum manner (not meeting assessment timeframes for example). Because of potential time and cost impacts, proponents will often elect to 'stick it out' with the determining authority instead of pursuing a circuit breaker route (Western Australian Planning Commission intervention or State Administrative Tribunal review, for example).
- Implementation in WA is impeded by the **sometimes-acrimonious approach to planning and planners**, often from vocal community groups. Decision makers and Council officers appear in media reports and officers have been the subject of personal focus. This environment does not foster performance-based, non-conservative planning by assessors and decision makers. In 2018, the Planning Institute of WA intervened to defend a Council officer considered to be under unreasonable community focus.
- Design review has the potential to better align the application of the planning system with its intent, however the weight placed on **Design Review Panel advice by decision makers and the process for review are still subject to testing** and should not pose an additional barrier for developers.

- Performance-based planning aims to achieve higher quality and responsive design outcomes. But **unless implementation culture keeps pace, performance-based planning will be inhibited**, and the system will not function as intended. An inhibited planning process has unnecessary costs associated with excessive information requirements, assessment delays, and a lack of certainty as proponents seek performance-based outcomes while assessors seek 'deemed-to-comply' solutions. It emphasises the need for supportive networks and partnerships (including training) across WA planning to raise awareness and expertise across industry (assessors and proponents).
- While **Development Assessment Panels** have (and will continue) to provide an effective means to achieve balanced development approval outcomes in a discretionary and increasingly performance-based environment, there is ongoing pressure from community groups and in the media on these panels with a perception that they over-reach in their application of discretion contrary to community aspirations. This perception is not borne out in reality, with the majority of Development Assessment Panel decisions reflecting responsible authority (such as local government) recommendations.

	Key Legislation	What Works Well?	What are the Problems?
Strategic Direction	*Planning and Development Act 2015* Directions 2031/Sub-Regional Frameworks *Planning and Development (Local Planning Schemes) Regulations 2015* *Perth and Peel at 3.5millon* Local Planning Strategies	• Guidance on the location and likely timing of land release areas • A basis to coordinate enabling infrastructure between agencies	• Changes in government and priorities can impact on major, planned infrastructure – location and timing. • •No avenue for Proponents to seek compensation where projects are delayed without due cause. EG. Civic heart being delayed by JDAP for 90 days because they wanted more time to read their documents. This could add up to $50-70k in holding costs to a project of that size. • Structure plans and schemes that are nonspecific, being over ruled by Councils or JDAPs with arbitrary specifics. i.e. Discretionary heights (Mustera Scheme)– what's 'fair', or South Perth having no height cap, yet nothing is allowed to be higher than the proposed Civic heart. • State Government's overarching strategic plans need to be enforceable at a local government level.
Plan Making	*Planning and Development Act 2005* • State Planning Policies • Region Schemes and Planning Schemes • Local Planning Schemes • Improvement Schemes *Planning and Development (Local Planning Schemes) Regulations 2015* • Local Planning Policies • Structure plans • Local Development Plans	• A clear and transparent framework/process with an intent that provides for effective, performance-based planning outcomes through the application of discretion	• Many structure plans and local development plans are out-of-date, include too much detail, and are applied too prescriptively by decision makers • Structure Plans do not address built form, which creates the need for an additional layer of planning control • Lack of understanding of how local planning requirements impact on affordability • Some Councils are highly reluctant to reflect State density targets with their planning schemes • No quick circuit breaker in case of dispute on information requirements or timeframes not being met • Insufficient links between local government planning frameworks and State housing targets
Development Approvals	*Planning and Development Act 2015 and Planning and Development (Development Assessment Panels) Regulations 2011* • Establishes JDAPs and the process for application *Planning and Development (Local Planning Schemes) Regulations 2015* • Need for and process of development approval	• Development Assessment Panels provide an effective means to approve major proposals • They provide for a full consideration of discretion and within a certain time frame • Equally effective/sound decisions: contentious proposals and quick decisions on simple proposals	• Numerous policies across various local governments impacts on consistency • Conservative approach to the application of discretion by some Councils • Limited community understanding of context for the development application creates conflict between proponents and the wider community. • JDAPs increasingly going against council RAR reports and recommendations and done so inconsistently. • JDAPs increasingly requiring proponents of large scale buildings to seek State Architect Review Panel advice in addition to the existing DRP process, even when a DRP has approved the scheme.
Contributions	*State Planning Policy 3.6 – Development Contributions for Infrastructure* Principles and characteristics of a DCP *Planning and Development (Local Planning Schemes) Regulations 2015* Guidance on how to incorporate contributions plans into planning schemes	• Attempt to simplify and standardise the approach to development contributions.	• Policy changes over the years led to the inclusion of additional infrastructure items over and above that necessary to facilitate development. • Fails to identify growth trends based on service catchment areas. • Fragmented nature of Perth local government authorities results in an inconsistent application of developer contributions. The State Government has recommended a cap on these as a guide, however, these should be regulated.

Quick Win 1

Clarify role and appropriate level of detail for structure plans

What's the issue?

Some decision makers take a prescriptive view on the implementation of 'due regard' documents such as structure plans, which compromises effective outcomes within the planning system. For example, although structure plans are intended to act as a solely guide, not statutory documents, they are often implemented in an overly prescriptive way.

Developers are required to submit structure plan amendments prior to development applications, which delays the approvals process excessively. Major development sites are often where Councils take an overly prescriptive approach, which slows down projects that have the potential to deliver the highest number of dwellings.

How do we fix it?

Minister to drive attitudinal change among Councils and the Commission to ensure that the Act and Regulations are implemented as intended, for example to avoid structure plans being used in an overly prescriptive way. Issue of Ministerial statement on the intended use of the Act/Regulations including guidance on the implementation of structure plans.

The statement will emphasise that the use of structure plans and local development plans is not necessary in some applications if applicants can demonstrate the case for not having a structure plan, and would allow those applicants to proceed straight to lodgement and avoid the extended timeline/process of Structure Plan, Local Development Plan, then Development Application.

What are the benefits?

A consistent and clear role for structure plans will deliver a more efficient approval pathway with fewer unnecessary processes and faster timeframes.

Quantity

More appropriate use of structure plans and local development plans could deliver an additional 1,407 dwellings per year if local governments do not need to amend local development plans and structure plans.

Timeliness

It would shorten the application and assessment timeframe by around 26 weeks for applications that are currently unnecessarily subject to a structure plan amendment or local development plan.

Affordability

It would result in savings of $6,435 per household, and $14.5 million house price savings across the market per year. .

Big Economic Impacts

Jobs ↑	**2,547** direct and indirect ongoing jobs per year
GVA ↑	**$429.5 million** gross value added per annum to the Western Australia economy

Quick Win 2

Expand role of Development Assessment Panels (DAP) on determinations

What's the issue?

Development Assessment Panels (DAPs) are a key component of planning reform in WA that enhances planning expertise in decision making by improving the balance between technical and strategic advice and local knowledge.

Non-DAP projects still can get tied up in inefficient local politics and processes which delays the delivery of housing.

How do we fix it?

Threshold values on developments to be reduced in the Planning Regulations to allow for expansion of DAP determinations, and thus reducing number of Council determinations and associated risk of political influence elements and ultimate uncertainty. Consider expansion of DAP role to provide determination of some structure plans/ structure plan modifications, subdivisions, simple Scheme amendments and local development plans. Another solution is to introduce a reduced threshold on developments in the planning regulations to allow for the expansion of DAP determinations.

What are the benefits?

Clear, consistent technical guidelines managed by the WA Government will provide confidence and certainty around project rollout and better clarity around costs and revenue. It will also help to streamline the time-consuming agency referrals process and allow for performance based assessment of proposed schemes.

The economic benefits of technical guidelines are not able to be quantified using existing data sources, but are expected across the following categories:

Affordability

It would result in savings of $1,967 per household, and $1.9 million house price savings across the market per year.

Quantity

Determination of one additional project by the DAP each week could result in the delivery of an additional 951 dwellings per year.

Timeliness

This win would shorten the process by approximately 8 weeks per dwelling for projects that could now take the DAP approval pathway.

Big Economic Impacts

Jobs ↑	**1,722** ongoing jobs per year
GVA ↑	**$290.3 million** gross value added per annum to the Western Australia economy

Quick Win 3

Effectively implement design review guide for Western Australia

What's the issue?

The *Design Review Guide*, launched by the Office of the Government Architect in February 2019, provides guidance for local governments to set up and operate design review processes. Effective implementation of this guide will be essential for the successful establishment and use of design review panels by councils across Western Australia.

How do we fix it?

Department of Planning, Lands, and Heritage must effectively implement the Design Review Guide by ensuring councils understand the concept and spirit of the guide and the value of independently evaluated design quality of built environment proposals. These clear guidelines, if effectively applied and implemented, will keep the design review process functioning as intended and keep political or other actors from interfering in a process focused on performance based outcomes.

NEW SOUTH WALES APARTMENT DESIGN GUIDELINES

The NSW Apartment Design Guidelines (ADG) include a chapter specifically outlining how councils can best establish successful design review panels. It attempts to clarify the function and purpose of design review panels, guides panel membership selection criteria and process, outlines roles and responsibilities for council coordinating officers and even outlines specific meeting procedures appropriate for a design review panel. There is concern that the NSW ADGs have been too rigidly applied, which has limited innovation and led to poor outcomes when design cannot be tailored to suit the needs of the residents or community.

What are the benefits?

Greater certainty for applicants as all parties will follow a design protocol process, which will reduce risk of issues arising between Councils and applicants.

Timeliness

Clear guidelines will help Councils establish and operate effective design review processes, reducing the number of protracted, costly approvals processes caused by lack of design review process or poorly run design review processes. We anticipate time savings of 17 weeks per dwelling.

Quantity

Better design review processes will reduce project risk and free up council resources, anticipated to increase the number of dwellings delivered per year by 526.

Affordability

This action would result in savings of $5,145 per household, and $17.9 million house price savings across the market per year. To note, this assumes that there is no rise in house prices caused by the higher construction costs associated with new apartments complying with the new requirements of the design review guide.

Liveability

Design review panels that effectively leverage industry expertise and remove politics can result in better built form and open space outcomes, improved health outcomes for residents, and reduction in energy and water consumption. These outcomes are anticipated to deliver annual liveability benefits of approximately $58 million[1].

Big Economic Impacts

Jobs ↑	**1,021** direct and indirect ongoing jobs per year
GVA ↑	**$172 million** gross value added per annum to the Western Australia economy

1. SGS Economics and Planning, 2018

Quick Win 4

Broaden scope of private building certifiers

What's the issue?

Currently, the WA system only allows for partial private certification of building permit applications meaning councils are required to double handle a certified application and then issue the permit for an additional fee.

The council fee is an unnecessary additional cost of compliance at a time when the state government should be incentivising the property industry to grow the economy. This is also creating extended timeframes for projects.

How do we fix it?

Expand role of private building certifiers to limit builders being referred to the local government planning departments on projects that already have a planning approval or are compliant/exempt.

The change would bring WA into line with other states, such as NSW and Victoria, and significantly streamline the application process.

What are the benefits?

Overall, a broader scope for private building certifiers will streamline the building permit process and reduce unnecessary costs that are passed on to homebuyers.

Quantity

More projects getting privately certified will reduce project cost and is anticipated to facilitate delivery of an additional 910 dwellings per year.

Timeliness

This win is expected to reduce the approval timeframe by 3 weeks.

Affordability

Eliminating the problematic duplicate fee structure will create savings of $1,261 per dwelling if passed onto homebuyers, an overall savings across the housing market of $18.6 million.

Big Economic Impacts

Jobs ↑	**1,647** ongoing jobs per year
GVA ↑	**$277.7 million** gross value added per annum to the Western Australia economy



South Australia

Planning Quick Wins

The Planning Context

11,802 Housing Completions (2018)	**11,965** Dwelling Approvals (2018)	**10,848** Jobs in Residential Building Construction (1.5% of Total Employment)	**1.76 million** Residents in 2019

Source: Australian Bureau of Statistics; REMPLAN Economy

The South Australian planning and approvals system is not to blame for the slow rate of housing delivery, rather, a lack of demand for housing as a result of marginal population and economic growth. A well implemented economic development strategy may assist in supporting investor confidence and population growth to drive residential development.

Progress in South Australia

In 2014, the SA government identified the need for a new planning system. In the last five years, the SA government has made significant progress in reforming the *Development Act, 1993* and *Development Regulations, 2008* to be replaced by the *Planning, Development and Infrastructure Act, 2016* and the *Planning, Development and Infrastructure (General) Regulations 2017* by the year 2020.

The reforms include:

- streamlining the suite of strategic planning documents and introduction of State Planning Policies and Regional Plans
- the introduction of joint planning arrangements to enable Councils to pool resources
- the introduction of a community engagement charter to outline the principles of good engagement that must be adhered to when developing or amending planning instruments
- the introduction of a Planning and Design Code to streamline assessment processes through state-wide application of planning rules
- the introduction of an ePlanning system for electronic lodgements
- an Accredited Professionals Scheme to ensure that development applications are assessed by a suitably qualified and experienced professional
- the introduction of Infrastructure Schemes to assist in delivery of new infrastructure
- the introduction of Environmental and Food Production Areas (EFPAs) to protect agricultural and food production areas outside of Metropolitan Adelaide from urban encroachment.

The reforms are underway with Phase One of the rollout for Outback Areas complete. Phase Two regarding Rural Areas is set for completion in July 2020 and Phase Three Urban Areas due for completion in September 2020. The Draft Planning and Design Code for Phase Three (Urban Areas) is on public exhibition until 28 February 2020.

The recent delay in implementation of Phase Three (from July 1 to September) is a response to anti-development fears currently being peddled at the Local Government level. In order to ensure that the planning system supports and encourages growth, it is imperative that the reforms are supported by the government and industry alike and rolled out in a timely manner.

Any further delays to the Planning and Design Code's implementation is anti-competitive, a disincentive for growth and harms the South Australian property sector.

Challenges Ahead

Despite significant progress over the last five years in reforming planning regulations, a number of challenges remain which are outlined below.

- The predominant form of housing has historically been detached dwellings on large allotments. There is a need for growth in more flexible housing options for one or two-person households as these represent the fastest growing household type (AHURI, 2016). Currently 62 percent of households have fewer than three residents, but 72 percent of dwellings have three or more bedrooms. The attitudinal and policy change required to shift towards **smaller dwelling types** to better align with the states demographic make-up represents a long-term challenge.
- The delivery of housing is defined by 30-year projections (not targets). These projections are for Greater Adelaide only, with no guidelines on exact location. Defining locations and implementing a framework which more clearly defines housing targets is a likely challenge.
- SA has average net interstate migration of -4,438 people per year (ABS, 2016, Net Interstate Migration 2007-08 to 2016-17), coupled with a decline in the number of people in full-time employment since 2011 (ABS, 2016, South Australia, People – Employment). Unlocking land through rezoning, to attract innovative industries together with cheaper rents (relative to the eastern states), represents an opportunity to attract investment. **Creating economic growth through attracting investment and professionals and tradespeople is perhaps the largest challenge for SA.**
- Greater regulation surrounding the **accreditation and education of planning professionals and that required of persons eligible to sit on Assessment Panels** will give rise to informed assessment outcomes.

	Key Legislation	What Works Well?	What are the Problems?
Strategic Direction	State Planning Policies. Regional Plans. 30-year Plan for Greater Adelaide, 2010 – this was updated 2017. Note: Target 6 – 'Greater housing choice'	• Recent changes to state legislation set a framework for plan making to reflect the strategic vision, which assists in providing projections for housing. SPP 6 relates to 'housing supply and diversity'. • The Regional plans articulate where new growth can occur and the policy measures to protect land (e.g. protection of food production land).	• There are no defined targets for the delivery of housing, only housing 'projections' are provided. • The links between delivery of new infrastructure and housing growth, in terms of funding, timing and responsibility are not clear.
Plan Making	*Planning, Development and Infrastructure Act, 2016* establishes: 1) State Planning Policies 2) Regional Plans 3) Council Development Plan's*) including concept plans for certain areas or precincts. *Development Plans are being replaced by the Planning and Design Code.	• State Planning Policies are to be the sole document to guide the preparation or amendment of planning instruments. • Regional plans provide the long-term vision for regions or areas about the integration of land use, transport, infrastructure and public realm, intended to drive regional investment across Councils. • Inclusionary planning targets for affordable housing through mandating a 15% affordable housing target in specified new residential areas as detailed in the Development Plans.	• Uncertainties about how the new planning system will function. • Rezoning process is slow and expensive. • A lack of incentives to deliver housing in key areas i.e. height bonuses or floor space incentives for retirement living etc. • Unclear links between greenfield development and the delivery of infrastructure.
Development Approvals	• *Planning, Development and Infrastructure Act, 2016.* 1) Council Development Plans. 2) Residential Housing Code	• e-lodgement opportunities being implemented. • Assessment process is relatively streamlined. • State Significant Development or major projects are delegated to the State Government authority and are case managed. • The Residential Housing Code allows for compliant housing development in certain areas to be fast-tracked.	• Minimal scope for what is considered a Category 1 development application. • Statutory assessment timeframes for assessment are not strictly enforced.
Contributions	Local Government Act 1999 – provides means for rateable charges to be applied to fund infrastructure. The Development Act 1993 – provides contributions for open space and car parking Note: Development Act 1993 is being phased out by PDI Act, 2016).	• Relative to other states, the mandated developer contributions are less expensive.	• Uncertainty regarding Developer Contributions under new changing legislation. • Lack of a clear, consistent and enforceable state-wide Developer Contributions Scheme. • Uncertainty regarding the timing for delivery of infrastructure when funded by applicant but delivered by authority. • Current system relies on Council's negotiating their own infrastructure funding agreements with various land owners and developers to address infrastructure challenges.

Quick Win 1

Increase the scope of Category 1 (Cat 1) development process

What's the issue?

The classification of a Development Application as Category 1 has been lauded as an effective tool for accelerating timeframes associated with planning assessment, particularly around delivery of new dwellings.

To note, as part of the planning reforms, there are changes to the classification of development and notification thresholds to streamline assessment timeframes. The draft Planning and Design Code provides for less instances where notification is required i.e. single dwellings in residential zones, shops in neighbourhood zones.

How do we fix it?

There is not explicitly a requirement to 'fix' this aspect of the system, but rather learn from its success. Expand the number of Category 1 developments as listed in the Development Plan or Schedule 9 of the *Development Regulations 2008* to include more complex residential housing types (exact changes to be determined through future study). Category 1 developments do not require a public notice period, as such they enjoy a more streamlined assessment timeframe.

What are the benefits?

Increasing the scope of what types of development are considered Category 1 would offer relief for developers from public notice processes for simple, complying residential projects. The change would reduce overall in assessment time and improve the consistency of processes between different councils.

If 10% of developments that currently fall into Category 2 assessment processes could go through the Category 1 process, the following benefits are anticipated:

Quantity

Increasing the scope of Category 1 approvals is anticipated to deliver an additional 201 dwellings per year.

Timeliness

The approvals process could be cut down by approximately 6 weeks per dwelling.

Affordability

Cost savings from lower lodgement fee and time savings of holding costs will generate an anticipated savings of $2,004 per impacted dwelling, overall savings to the market of $1.2M.

Big Economic Impacts

Jobs ↑	**445** direct and indirect jobs anticipated per year
GVA ↑	**$55.8 million** gross value added per annum to the South Australian economy

Quick Win 2

Renew off-the-plan stamp duty concessions to help support increased density in inner city infill areas

What's the issue?

There is a need for growth in more flexible housing options for one and two-person households as these represent the fastest growing household type in South Australia. Currently 62 percent of households have fewer than three residents, but 72 percent of dwellings have three or more bedrooms.

In the context of the EFPA's and the, anecdotally slow, delivery of infrastructure, densification of infill areas provides a solution to prevent urban sprawl while still delivering housing in high amenity areas with access to transport.

How do we fix it?

Renew the infill (off-the-plan) apartment stamp duty concessions (expired 1 July 2017). Buyer incentives like the stamp duty concession help support development of new home products and typologies that suit a broader range of household types and preferences.

CASE STUDY: DESIGN PERTH

The #designperth study, a collaboration between Greens Senator Scott Ludlam, the Property Council of Australia, CODA Architecture and Urban Design, and Curtin University Sustainability Policy Institute, shows the government saves $94.5 million for every 1,000 infill lots developed compared with the costs of developing new greenfield sites.

Building on the 2013 Transforming Perth study, it analyses the cost to government and individual households of both kinds of development. The data showed that the cost to government to provide infrastructure including roads, water, communications, power, health, education and emergency services in greenfield sites was $150,390 a lot, compared with $55,830 in infill sites.

The analysis also shows that greenfield developments result in an additional $6600 a year on average in costs for Perth households due to extra travel costs, and cost the broader economy $1400 a lot per year in environmental, health and productivity costs.

What are the benefits?

Stamp duty concessions increase affordability for buyers and will help support construction of medium and high-density apartments within inner metropolitan infill areas in Greater Adelaide. Better affordability for buyers will help developers sell apartments more quickly and reduce overall project risk and timelines.

Affordability

Cost savings on off the plan apartments will save buyers approximately $17,830 per dwelling, based on a median apartment price of $430,000 for Adelaide City LGA in 2018.

Quantity

Stamp duty concessions can be expected to increase the number of apartment dwellings delivered annually by 206 in strategic infill locations.

Diversity

Support for apartment development will increase the number of smaller dwelling sizes available for smaller households or those with tighter affordability criteria.

Productivity

Increased population density around areas of high amenity in close proximity to services is expected to increase productivity for a potential uplift in gross state product of $6.3M per annum.

Infrastructure Savings

Infrastructure savings due to increased infill development over the delivery of greenfield lots is anticipated to be $73.7M per year.

Big Economic Impacts

This policy change will result in more jobs, a boost to economic growth, and increased productivity.

Quick Win 3

Amalgamate councils

What's the issue?

The amalgamation of councils in South Australia in the mid-1990s resulted in the number of councils being reduced from 118 to 68. The process, however, was voluntary and as a result there still remains wide variations in the size, functions and capacity of many councils. Today councils in the state serve local populations that range from 900 to 165,000. There are 26 councils in SA with populations of less than 5,000.

South Australia has the highest rates per capita in the country at $774 in 2013-14, almost $150 more than the Australian average and rates in SA are increasing at a faster rate than the rest because of council dependence on rate revenue as an average of 76% of revenue base of Australia.

Varying council development application processes and requirements adds cost to the development process and generates uncertainty of planning and development outcomes.

How do we fix it?

Reduce overall number of councils to generate efficiencies across local government operations and the planning assessment process. We proposed amalgamating the current 68 councils into small metropolitan councils into populations of around 100,000-150,000 and nine larger regional councils (reduction in number of councils of about 50%).

What are the benefits?

Amalgamated councils will create efficiency and consistency across planning jurisdictions, allowing planning departments to assess applications more quickly, reducing development timeframes and costs and contribution to greater delivery of housing supply.

A study was undertaken by the PCA South Australia and ACIL Allen in 2016 to model the economic impact of a reduction in the number of councils in South Australia. The assumptions from this study (an increase in council efficiency of 1.4%) were used to estimate impacts of council amalgamation on the property industry.

Quantity

Amalgamated councils can be expected to increase the number of apartment dwellings delivered annually by 166 (assuming sufficient market demand).

Affordability

Amalgamation of councils is expected to deliver significant cost savings for rate payers. The 2016 study asserts that "a reduction in councils in South Australia by around 50 per cent would deliver savings to councils and the community of nearly $70 million per annum and result in a total benefit of around $543 million in Net Present Value terms (adjusted to 2019 dollars)."

Big Economic Impacts

Construction of the additional dwellings resulting from the increased efficiencies across councils will generate

Jobs ↑ **367** direct and indirect ongoing jobs per year

GVA ↑ **$27 million** gross value added per annum to the South Australian economy.

Quick Win 4

Simplify the rezoning process

What's the issue?

Rezoning in South Australia can follow one of three pathways:

1. **Council-led rezonings, which typically take about 12 months**
2. **Developer-led rezonings, which typically take about 12-24 months**
3. **Minister-led rezoning (for significant corridors or precincts), which can take anywhere from 12 to 36 months**

The two year developer led rezoning process involves a significant level of risk that leads some developers to not even attempt rezoning on sites that would otherwise be used to deliver additional housing stock. It is heavily reliant on Council's reception of the proposed rezoning and impacts the speed of delivery of innovative development outcomes.

How do we fix it?

Simplify the rezoning process to include enforced statutory timeframes and work toward a goal of developer led rezonings achieving a 12 month timeframe for arriving at a decision.

What are the benefits?

A simplified rezoning process would increase certainty for developers around rezoning outcomes and streamline the overall development process. It will assist in creating a system which aligns with the realisation of innovative development outcomes.

Quantity

A simplified rezoning process could deliver an additional 200 dwellings per year.

Timeliness

1 year process is reasonable for a decision on developer led rezonings, time savings of as much as a year.

Affordability

Anticipated savings of $12,000 per dwelling on rezoned sites, an overall savings of $16.3M across the housing market.

Big Economic Impacts

Jobs	↑	**381** ongoing jobs per year.
GVA	↑	**$47.7 million** gross value added per annum.

Australian Capital Territory

Planning Quick Wins

The Planning Context

3,834	7,160	8,263	427,400	110,400
Housing Completions (2018)	Dwelling Approvals (2018)	Jobs in Residential Building Construction (3.6% of Total Employment 2018)	Residents in 2019	New Dwellings Needed by 2058 (projected population of 703,400)

Source: Australian Bureau of Statistics; REMPLAN Economy; ACT Treasury and Economic Development Directorate

The Australian Capital Territory (ACT) has a relatively straightforward planning and approvals system. A dual planning regime is established for the ACT, with the Australian Government and ACT Government both having separate planning responsibility.

The Australian Government (through the National Capital Authority) is responsible for ensuring Canberra and the Territory are planned and developed in accordance with their national significance. The National Capital Plan sets out broad planning principles and policies for Canberra and the Territory, and detailed conditions of planning, design and development for the 'Designated Areas', identified for their particular importance to the special character of the national capital. The National Capital Authority are responsible for assessing and approving applications to undertake works in 'Designated Areas', and for preparing development control plans, urban design guidelines, master plans and draft amendments to the National Capital Plan.

The ACT Government is responsible for day-to-day planning and development of Territory land, setting strategic planning policy, administering development and building approvals, leasing and deed management. The ACT Government is also responsible for releasing and developing greenfield land (through the Suburban Land Agency) and identifying and leading the urban renewal of key strategic sites (through the City Renewal Agency).

The ACT operates under a leasehold system of land tenure. Meaning a purchaser buys the right to use the land under a lease, typically for a term of 99 years.

Progress in Australian Capital Territory

Significant progress has been made by the ACT Government in recent years to identify and lead the urban renewal of underutilised and strategically located sites. Notably, in February 2015, the ACT Government signed an agreement with the Commonwealth Government to sell territory assets as part of the Asset Recycling Initiative. The program provides incentive payments (15% of sale price) to states and territories that sell assets and reinvest the sale proceeds to fund infrastructure. A significant number of assets in the City Renewal Precinct have been released for redevelopment, with the incentive payments used to fund stage one of the light rail network – now complete.

In 2018, the ACT Government released the updated ACT Planning Strategy with a renewed focus on supporting sustainable urban growth. The Strategy aims to deliver up to 70% of new housing within the existing urban footprint by concentrating development in areas located close to the city centre, town and ground centres and along key transit corridors.

The ACT Government's Indicative Land Release Program continues to be a means for the delivery of housing in line with strategic planning directions and priorities and reflective of evolving market conditions.

Challenges Ahead

The ability to meet future housing needs is limited by the availability of land and in particular new residential development locations or 'greenfield' areas. Many of the areas identified in the 2012 ACT Planning Strategy have now been developed or are forecast to be completed in the short to medium term (2018-2031).

The options for urban expansion are limited. To the east of the city, the airport and environmentally significant areas preclude residential development. To the south, bushland and mountainous areas limit opportunities for expansion. To the north, is the ACT / NSW border. The 2018 ACT Planning Strategy identifies an area to the west of the city (beyond the Weston Creek and Molonglo districts) as a possible location for future urban expansion, subject to detailed investigations.

While support for urban infill and higher density development in suitable locations is outlined by the Government, there are a large number of perversive policies in addition to community opposition which limit the ability to achieve the stated targets.

The ACT Government has a strong commitment to community engagement through all levels of planning from strategic policies to master plans and development applications. Community angst and involvement in the planning and approval process remains a significant challenge to achieving housing diversity and growth.

	Key Legislation	What Works Well?	What are the Problems?
Strategic Direction	Commonwealth: *National Capital Plan* Territory: *ACT Planning Strategy 2018*	• The National Capital Plan sets out broad planning principles and policies for the Territory, and detailed conditions of planning, design and development for the 'Designated Areas', identified for their particular importance to the special character of the national capital. • The ACT Planning Strategy sets out long term planning policy and goals to promote the orderly and sustainable development of the ACT, consistent with the social, environmental and economic aspirations of the people of the ACT.	• Conflict between the National Capital Authority and ACT Government priorities / expectations for particular areas resulting in developer uncertainty and underutilisation of key sites. • Commonwealth priority is to protect the unique purpose, setting, character and symbolism of the National Capital. Whereas, the Territory is required to address urban challenges such as population growth, affordable housing, infrastructure, etc. • Territory policies in conflict with Commonwealth policies, particularly in areas identified for urban infill, significantly impacts on development outcome.
Plan Making	Territory: *Territory Plan*	• The National Capital Plan prevails over the Territory Plan, but the two plans are intended to be complementary. • Territory Plan sets out land uses that are either permissible (requiring a development application to be assessed in the code, merit or impact track) or prohibited in the zone. • Development codes provide 'rules' and 'criteria'. Rules provide quantitative, or definitive, controls. By contrast, criteria are chiefly qualitative in nature. In some instances, rules are mandatory. Non-compliance with a mandatory rule will result in the refusal of the development application. Where there is a departure from a rule the onus is on the applicant to demonstrate that the relevant criterion is satisfied.	• Limited scope for flexibility in design and assessment due to high number of mandatory rules in the development codes. • Developer led Territory Plan variations (re-zoning) are time and resource intensive with very little certainty of support.
Development Approvals	Commonwealth: *Australian Capital Territory (Planning and Land Management) Act 1988* Territory: *Planning and Development Act 2007*	• *Planning and Development Act 2007* provides track-based system for assessing developments. Development is either exempt, code, merit or impact. • Statutory timeframes set for code track (20 working days) and merit and impact tracks (30 working days if no representations are received or 45 working days when representations are received). • Ability to appeal a decision in the ACT Civil and Administrative Tribunal (ACAT). • Currently single dwelling housing that meets specific requirements considered exempt development or code track. • E-development portal used for online lodgement of development applications and building approvals.	• Limited amount of development that falls within exempt or code track assessment. • High volume of applications means statutory timeframes are rarely met. • The statutory timeframe does not start until "completeness checks" are confirmed which results in pseudo development assessment and increased times for assessment. • Entity referrals can cause significant delays in assessment process. Statutory timeframe of 15 works days rarely adhered to. • Ability for third parties to appeal a decision in the ACAT for a very low fee and timeframes for resolution very slow.
Contributions	Lease Variation Charge	• Used as a means to capture "value uplift" stemming from a change in land use, development rights or obligations under an existing lease. • The revenue received from the Lease Variation Charge can differ significantly from year to year depending on the number of major projects requiring a lease variation. The 2018-19 Budget includes an estimate of Lease Variation Charge revenue of $21.5 million.	• The Lease Variation process is highly complex and there is significant unpredictability around timeframes and ultimate costs. • Large amount of variability in valuation between private and government valuers, resulting in many projects not proceeding. • The current Lease Variation Charge framework could hinder residential redevelopment activity because of the financial impact on development costs, particularly for medium to high density residential projects. • Length of time and cost of ACAT appeals. • Budget is not general revenue and not necessarily invested directly into areas undergoing renewal. • Simple changes are dealt with same process (e.g additional uses, amending easement etc), irrespective of whether permissible in zone and or result of changing engineering practices.

Quick Win 1

Allow for private certification for initial technical check of development application process

What's the issue?

Major influx of development within the ACT has overloaded the planning authority, creating lengthy delays in the development application process.

Prior to lodging a DA, the ACT Environment, Planning and Sustainable Development Directorate (EPSDD) requires an initial check that the applicant has provided all the documents and information required to assess the application.

While this part of the process is valuable in reducing back and forth between applicant and assessor, it is currently a bottleneck in the assessment process, holding up applications from progressing through to assessment. The check itself usually only takes less than a day and the EPSDD advises that the check will be complete within 10 working days. However, the process is currently taking up to 8 weeks on some projects due to insufficient EPSDD resources or overly detailed requests of information. Even simple projects that should zoom through the process can get stuck "in line" behind more complex projects.

How do we fix it?

Private certification of the initial technical check by certified local planners could free up capacity within the planning authority to focus on the more complex stages of the DA process. Local planners will typically perform a similar check of documents as part of their own process at the start of an application. A system should be established to give certified local planners the option to take on these checks with an allocated timeframe of 2 days.

What are the benefits?

Increased resources to perform the initial check of documents will free up planning authority resources, which will ultimately lead to more dwelling approvals. Private certification will also reduce the timeframe for this technical check, reducing holding costs for developers.

Quantity

Additional available resources within the planning authority could enable delivery of an additional 191 dwellings per year.

Timeliness

Private certification for the initial technical check of information is expected to save 26 days per dwelling.

Affordability

Reduced holding costs resulting from the streamlined DA process will yield a savings of $852 per dwelling, total savings to the housing market of $6.1 million per year.

Big Economic Impacts

Jobs ↑	**304** direct and indirect ongoing jobs per year
GVA ↑	**$46.3 million** gross value added per annum to the ACT economy

Quick Win 2

Rationalise the referral process

What's the issue?

The referrals process in the ACT operates in a manner that is contrary to strategic planning goals for delivery of housing.

While there are established and tested statutory timeframes (15 working days), referral agencies rarely adhere to these timeframes and there are no consequences when referral agencies miss deadlines (some agencies regularly take twice as long as the established timeframe to deliver their reports). The referral process is currently taking on average four to six weeks, with extended timeframes for complex applications. The agency delays can stall projects and prevent decision making within the court as well as adding significant holding costs for developers.

Applicants have the option to go to agencies before DA lodgement to get comments and fast track the application. However, in most cases the assessor requests referral to the agency anyway, further extending the application process.

How do we fix it?

Increase the statutory timeframe for agency feedback on DA referrals from three weeks to a more realistic timeframe of four weeks. Enforcing this more realistic timeframe will speed up the average DA approval and appeals process.

The planning authority must administer the statutory timeframe and hold agencies accountable to it by introducing a requirement for agencies to report on their performance in meeting statutory timeframes each year. This will improve the transparency of the referral process and pinpoint the source of referral delays.

What are the benefits?

Transparency within the referral system will create accountability among agencies through better performance tracking and lead to better overall outcomes. Faster development timeframes driven by a rationalised referrals process will help create certainty for developers in the approvals process and deliver housing more quickly.

Quantity

Reduced referral timeframes have the potential to deliver an additional 18 dwellings per year.

Timeliness

If the ACT planning system can enforce a four-week referral timeframe, the approval process will be shortened by 2 weeks per dwelling.

Affordability

Based on time savings and reduced holding costs for developers, savings of approximately $525 per dwelling are expected, overall savings to the housing market of $3.8 million per year.

Big Economic Impacts

Jobs ↑ **28** direct and indirect ongoing jobs per year

GVA ↑ **$4.3 million** gross value added per annum to the ACT economy

Quick Win 3

More exempt or code track developments

What's the issue?

Development applications are required for too many insignificant building changes and tend to clog up the system and capacity of planners for working on more meaningful projects with much larger impacts.

Currently, a residential development may only be exempt from requiring a DA if it is the sole dwelling on a property. In New South Wales there are a range of categories of work that are complying development, which would trigger a DA in the ACT under the current exemption criteria. This includes construction or demolition of a secondary dwelling, small retail and commercial developments, and street awnings and business signs.

How do we fix it?

Requirements for a DA submittal must be rationalised. An estimated 30% of all developments (both residential and non-residential) currently requiring a DA could be assessed as complying developments.

Residential projects smaller than three stories and 15 dwellings are already acknowledged as low risk projects in the lack of requirement for pre-consultation before DA lodgement. This same threshold should be adopted for complying development.

EXEMPT AND COMPLYING DEVELOPMENT ACROSS AUSTRALIA

Exempt and complying developments are those that do not require lodgement of a full DA as they meet a set of requirements or codes. There are significant cost savings involved for these developments compared to a DA for both the applicant and the assessor, which has the potential to be passed on as more affordable dwellings.

The Centre for International Economics in 2015 found that there was a potential $15,000 saving for single dwellings approved under the complying development pathway in NSW, and a $2,600 saving for residential extensions and alterations.

Different states and territories across the country have implemented this development pathway with varying coverage and success. While NSW and South Australia implement these pathways with good coverage of developments, there are clear opportunities to expand their scope to include more residential development.

Brisbane City Council's code assessment is the most successful example, providing clear codes for quickly assessing simple applications. Urbis tracked all applications going through the Brisbane City Council for a six-month period in 2018, finding around 78% of applications were code assessable.

NSW COMPLYING DEVELOPMENTS (2015-16)

33% of all DAs

22 day average timeframe

BRISBANE CITY COUNCIL CODE ASSESSMENTS (2018)

78% of all DAs

20 day statutory timeframe

SOUTH AUSTRALIA CATEGORY 1[1] ASSESSMENTS (2019)

93% of all DAs

14 day statutory timeframe

1. South Australia Category 1 assessment covers development that is exempt from public notification, however a developer is still required to lodge a formal application for development approval.

What are the benefits?

A reduced overall number of DAs within the system will enable faster processing of meaningful development applications and the delivery of additional housing.

Affordability

Time savings and reduced holding costs would lead to savings of $2,501 per household assessed as a complying development, $1.3 million in house prices across the market.

Quantity

If 30% of developments currently requiring a DA were assessed through the complying development pathway, the remaining development applications would be assessed more efficiently, resulting in the delivery of an additional 200 dwellings per year.

Timeliness

Residential developments assessed as complying developments will save on average 10 weeks in assessment time compared to if it required a DA.

Big Economic Impacts

Jobs	↑ **319** direct and indirect ongoing jobs per year
GVA	↑ **$48.6 million** gross value added per annum to the ACT economy

Quick Win 4

Improving efficiencies in planning policy and approval processes

What's the issue?

Delays in progressing planning approvals; and in particular, matters that require policy amendments prior to or concurrently with progression of a Development Application.

Many complex projects require consideration of a policy matter (Territory Plan Variation (TPV) or similar) to allow their progression. These projects are often well aligned with ACT government policy objectives, are innovative, and if able to be realised, positioned to bring strong benefits to the ACT community and economy.

There are a number of key road blocks in relation to these more complex assessments:

- The legislation provides timeframes for the completion of planning processes, however in implementation this rarely is achieved. Although the statutory timeframes for TPV suggests this may be facilitated within 12 months, experience has demonstrated that the TPVs can take in excess of 2 years to be progressed. This is often due to complexity as well as availability of key resources within the relevant Planning Section.
- Whilst there is an ability to run concurrent development applications with the policy amendment (as is practice across a number of jurisdictions), this rarely if at all occurs.
- Matters of land administration (Lease Variation and title matters) are progressed following DA approval, when these can also be partly progressed concurrent with DAs.
- Resourcing and facilitation of complex projects through EPSDD.

How do we fix it?

To continue the progression of projects, a key opportunity is to review the process regarding concurrent assessment of projects that require policy changes such as Territory Plan Variation and other Land Administration processes to facilitate a specific development proposal, concept and/or master plan proposition. Focus should shift to considering how these projects can be facilitated within the statutory framework on a priority basis to bring medium term stimulus to the ACT economy.

Many of these projects are subject to processes with statutory timeframes. Some processes can be undertaken concurrently or expedited without adversely impacting on the opportunity for consultation or sound governance. Such efficiencies would deliver approval outcomes in a potentially faster timeframe whilst still complying with all statutory requirements including opportunities for stakeholder engagement.

Further, a dedicated area within the Planning Authority could assist in identifying and assisting with key priority projects and facilitating the multiple channels of assessment.

The flow chart on the following page demonstrates the operation of approval processes for a hypothetical project involving land acquisition, rezoning and a development application for land that is subject to the Territory Plan under the Planning and Development Act 2007.

The chart compares both current assessment timeframes and potential reduced assessment timeframes if concurrent processes are applied. It indicates a potential reduction in approval timeframes of approximately **100 weeks** or more (2 to 2.5 years) with improved approval efficiencies and concurrent processes.

What are the benefits?

Approval efficiencies would translate to faster project commencements and feasibility; as well as the earlier realisation of development completion and its associated benefits including contribution to social, economic and employment objectives for the ACT. Benefits include:

- Improving assessment efficiencies would allow the progression of proposals for precinct development that require policy changes. Such projects can bring benefits to the Canberra community and urban economy in the medium and longer term.
- Concurrent DA assessment, policy changes, and post-approval activities would result in earlier construction commencement, a shorter time to project completion and sales settlements, and reduced holding costs for proponents.
- The direct economic stimulus of these projects would amount to a local capital investment of billions of dollars, both in direct investment in construction works, business expenditure and activity, as well as indirect economic benefits from increased rates base and job creation.
- Proponents are generally willing to make a commitment to progress such projects that are successful in the planning policy and assessment phases.

The scope, scale and nature of these projects would create a strong base for ongoing economic stimulus over a 5 – 10 year horizon following the planning and approvals phase, providing important economic stimulus and recovery once government support ends.

Standard integrated planning assessment process for land acquisition, rezoning and a development application.

204-290 Weeks

POLICY

- Process direct sale application
- Minister approves direct sale; grant of land
- Request for Scoping Document for Territory Plan Variation (rezoning)
- Progress Territory Plan Variation to Notification of Draft Variation
- Approval of Territory Plan Variation to final recommended Variation
- Standing Committee Hearings and Ministerial Decision to Assembly refer for Disallowance

STATUTORY APPROVAL PROCESSES

- Assessment and Issue of Notice of Decision for Development Application
- Address conditions of approval
- Determining of Lease Variation Charge
- Registration of Crown lease

Integrated assessment process with concurrent activities.

110-133 Weeks

POLICY

- Process direct sale application
- Minister approves direct sale; grant of land
- Request for Scoping Document for Territory Plan Variation (rezoning)
- Progress Territory Plan Variation to Notification of Draft Variation
- Approval of Territory Plan Variation to final recommended Variation
- Standing Committee Hearings and Ministerial Decision to Assembly refer for Disallowance

STATUTORY APPROVAL PROCESSES

- Prepare and lodge Development Application (including Design Review Panel attendance)
- Assessment and Issue of Notice of Decision for Development Application
- Address conditions of approval
- Determining of Lease Variation Charge
- Registration of Crown lease

Quick Win 5

Performance of the National Capital Design Review Panel (NCDRP)

What's the issue?

The NCDRP has been in operation as a statutory requirement since October 2019. This process was initially supported widely by Industry due to potential for consideration of design merit outside the standard Territory Plan interpretation

Whilst there was some early indication of potential, the property industry is concerned that the process is already weighed down in process and red tape that is diluting its effectiveness and reducing its potential.

Noting that the process is to occur before DA submission and substantial design commencement, the timeframe from initial engagement to a panel hearing has blown out to over 5 months. Where multiple panel hearings are required the process can take in excess of 9 months to complete; with the process being required to be completed prior to being able to submit a development application.

The choice of whether a proposal is to be subject to Full Hearing, Desktop Assessment or Internal Document Review is unclear, and timeframes for completion are not well articulated.

Although the EPSDD generally administers the DRP process well, the panel hearings often appear to delineate from the expectation outlined in the Panel's Terms of Reference and do not deliver the benefits envisaged from this process as conceived in the legislation.

The cost to Industry is not insignificant. In addition to the timeframe and holdings costs, costs to prepare for a panel hearing often exceed over $20,000 per session, and proponents do not feel that the process outcomes and advice given from the panel reflects a value for money proposition. Concerns are raised over the following:

- Level of transparency
- Lack of Impartiality of advice
- Lack of understanding of the site context, planning controls and other governing structures dictating the outcomes that can be achieved
- Lack of perceived ability to influence or inform decisions (that is changed an opinion that has been determined prior to the meeting).

The selection of Panel members initially and for individual panel sessions is not transparent and proponents are not advised of Panel members prior to the session, thus limiting the ability to engage with the Panel in a meaningful way. It also limits a proponents ability to raise concerns over potential conflicts of interest, perceived or otherwise, particularly given the potential for interactions between professionals in Canberra's small environment. The composition of the Panel does not always reflect a diverse, multidisciplinary group.

The Panel often does not appear to provide advice in relation to the design presented to evaluate the proposal; rather the Panel provides a personal interpretation as to how the site should be developed. The Panel's objective to provide clear, constructive advice on the proposal is often not achieved.

There further appears to be no improvement in DA assessment timeframes or processes in response to attending a DRP process, even where general endorsement or commendation of a proposal is received from the Panel. The additional cost and time taken in this process (including extended land holding costs) is expected to result in a more expeditious DA assessment process; reports reflect that this outcome is yet to be experienced by proponents.

How do we fix it?

- Greater transparency in the selection of panel members into the system and introduction to proponents in advance of Panel hearings.
- Curating panel members that reflect a diversity of views across different ages, demographics and professional disciplines.
- A clear fencing and understanding by the Panel of statutory, planning policy and controls and land title constraints that limit or guide planning outcomes on sites.
- Focus on design matters that can be reviewed rather than challenging fixed constraints or matters that are beyond the control of the proponent to influence.
- Acknowledgement by the Panel that the proposal presented relates to the specific site and project team; and a requirement that the Panel present their consideration and findings within the framework of such constraints.
- Where these matters are highlighted in Panel discussions, the Panel should be required to adopt these constraints as part of their consideration, findings and advice.
- Adequate opportunity to attend the appropriate Panel forum for all projects that require DRP engagement in a timely manner; given the expectation that proposals are presented to the Panel at concept stage and often a second time closer to DA submission, it is imperative that adequate resources are afforded to conduct hearings within a 4 week period from the initial request.
- A clear set of guidelines as to whether a proposal is best assessed at full hearing, desktop assessment or internal document review would be beneficial.
- Focusing the panel to respond to and provide advice specifically on the materials presented and providing clear and constructive advice specifically in relation to the proposal presented.
- Providing a clear understanding on the actual benefits that a proponent can derive and expect in DA assessment where the Panel provide supporting advice and/or endorsement to a scheme presented.
- Adequate resourcing of the ACT Government Architect.
- Greater alignment with the South Australian Design Review Panel (which has significantly reduced DA approval times in line with acceptance of recommendation to assessing authority. This provides the incentive.

What are the benefits?

- Higher quality design outcomes.
- Expedient development assessment where Panel support is received. Shorter assessment times provide economic stimulus and savings to proponents that are passed through to the community, future residents and the ACT economy as a whole.
- More certainty in development assessment around subjective matters relating to design as set out in the Territory Plan.
- Better engagement between the Panel and design professionals in a collaborative and constructive manner to promote the development proposal presented to the Panel.
- Buy-in, support and embracing of the Panel process by proponents, designers and the community.

Deloitte Access Economics

A Federal Incentives Model for Housing Supply

Property Council of Australia

2016

Deloitte.

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Executive Summary

With housing costs comprising a large part of the average household's expenditure, housing affordability is a significant issue for policy-makers. Rising prices in our larger cities, particularly Melbourne and Sydney, have recently made affordability a more acute issue.

House prices are influenced by a range of factors on both the demand and supply side. There is evidence that supply has not kept up with demand in recent years, leading to a supply gap that has placed upward pressure on prices. In 2012 the former National Housing Supply Council estimated cumulative shortfall over the period 2001-2011 had reached 228,000 dwellings, and forecast this to increase to around 670,000 by 2031.

The responsiveness of supply is itself influenced by the planning system in which construction activity operates. While several reforms have improved the planning process in parts, there is room for further improvement.

In Australia the instruments for planning are primarily the responsibility of the State and Territory Governments. These governments have regularly adjusted planning policies to achieve a range of objectives. The Commonwealth has also developed housing and planning policies. Commonwealth Rent Assistance and the National Affordable Housing Agreement are two such examples. Further, successive governments have released housing and cities initiatives to address economic, community and environmental goals.

In addition to the social and community benefits, the economic dividends resulting from effective planning frameworks may be large. Cities are rightly being acknowledged as the engines of productivity and unlocking their potential could drive future economic growth.

Estimates in this report show that the potential gains from improving housing planning could be around $3 billion a year. These benefits could flow from labour market outcomes, including increased participation and improved job matching, reduced congestion and higher productivity in the construction sector. Of course the extent to which these benefits can be realised depends on the success of reforms. But equally it shows what is at stake. To put this in perspective, the $3 billion is approximately equal to what Deloitte Access Economics recently estimated could be the benefit from abolishing non-residential stamp duties (the least efficient tax currently raised at any level of government) nation-wide.

The Commonwealth can play a role in helping achieve these benefits, despite the direct control of planning being held by the States and Territories. By coordinating action and collecting nationwide housing data, the Commonwealth can provide a platform through which meaningful and measurable gains can be made.

The National Competition Policy (NCP) reforms of the late 1990s provide a good example of the Commonwealth driving a reform agenda across the States. Under these reforms the Commonwealth provided incentive payments to the States and Territories subject to them making observable one-off reforms aimed at enhancing competition. The Intergovernmental Agreement on Federal Financial Relations provides another example, recommending the increased use of financial incentives in stimulating reform, and measuring progress against stated goals in order to improve accountability.

The Property Council of Australia commissioned Deloitte Access Economics to investigate whether an NCP style federal incentives model could be applied to stimulate improved housing outcomes, and what the benefits from an effective model could be. A workshop was held in December 2015, comprising leaders in housing and planning policy across the three levels of government, academia and the private sectors. This workshop, and other research, revealed broad support for the initiative, while recognising the unique challenges that effective planning policy faces.

Some aspects of an NCP style federal incentives model would translate well to housing. This includes the ability of financial incentives to stimulate policy actions at the State level, the need to measure performance against agreed targets, and the linking of benefits flowing to the Commonwealth, for example through increased income tax revenues, to the payments. Indeed, in the Government's response to the recent Competition Policy Review it indicated that it saw Commonwealth payments to the States for housing reforms as a feasible commitment to achieve reforms in this field.

But other aspects of the NCP will need to be adjusted for the housing context. This includes the regulatory, rather than competition, aspect of housing policy, the more diverse outcomes from effective housing policy (which includes a mix of social and economic outcomes) and the need for ongoing and possibly evolving monitoring of progress. These mean that a concrete link between observable economic outcomes and the payments that are made will be more difficult to reach than they were in the original NCP model.

The framework is also complicated by the three levels of Government involved. Local Governments play an important role in planning and should be included in the financial payments in order to ensure their buy-in. There are existing pathways through which funding can be directed from the Federal Government to Local Governments via the States.

Financial incentive payments can be strong motivators of reform. It will be important, however, that the model is structured such that payments are only made when real progress can be demonstrated, including early in the process when strategic metropolitan plans are developed to allow progress to be measured over time. The threat of missing out on Federal payments is what will drive the action from the States and Territories.

The basis of determining the metrics against which incentive payments could be awarded should involve consultation between Commonwealth and State Governments. Starting points for that discussion could involve performance metrics for:

- Strategic state plans that include housing targets;
- The translation of these strategic objectives into statutory planning frameworks, with more streamlined planning systems that provide state and local agencies with the tools required to deliver on housing targets in a timely and efficient manner, so that housing can be delivered at lower cost;
- The nature of the housing targets themselves, including the type, number, location and the relative affordability of the housing supply; and
- Other important features of housing, such as density and access to infrastructure.

Broadly, the data that is currently available for assessing housing and planning policies at the State level focuses on inputs rather than housing outcomes and is insufficient for the purposes of the incentives model.

An institution should therefore be established to collect this data from the States and report on a regular basis. This would be similar to the former National Housing Supply Council but have a broader remit reflecting the diversity of outcomes to be reported on. The institution could sit within a Commonwealth agency, and should be linked to the Government's broader Cities agenda. The institution could then make recommendations to a body that would decide on and administer the payments to the States and Territories. The proposed Australian Council for Competition Policy, which would have responsibility for incentives payments in other policy areas, may be an appropriate institution for this role.

Five steps to implementing a financial incentives framework:

1. **Set targets.** Identify and agree on performance metrics with the States. States already collect data relating to their planning systems and these could be standardised and reported to a dedicated housing policy body (see 2 below). The metrics chosen will depend on the reform initiatives agreed, but could consist of housing targets by relative affordability, and the development of metro plans with specified targets and measures of the system's efficiency. Targets and metrics need not be identical across States. Some States will face location-specific issues and should be given sufficient flexibility to choose targets and metrics appropriate to their situation. However, this should not be open-ended.

2. **Make someone responsible.** This report suggests establishing a housing institution which could sit within a Commonwealth agency, with a broader role than the National Housing Supply Council, to collate consistent data on housing. The proposed Australian Council for Competition Policy, with responsibility for incentive payments, could receive recommendations and input from this institution, and ultimately decide on issuing payments.

3. **Model the benefits.** Economic modelling that estimates the impact of State housing outcomes on Commonwealth revenues will inform the size of benefits achievable through reform, and where these benefits accrue.

4. **Link payments to action – upfront and ongoing.** Metro plans could form the basis of up-front payments at the commencement of the incentives framework. Ongoing payments should be based on realised performance against metrics. The creation of plans alone should not be sufficient grounds for receiving ongoing payments, but may be sufficient to attract a start-up incentive payment.

5. **State Governments to lead, but involve Local Governments.** While policy reform will ultimately be driven by the States, Local Governments will be a key part of the process and they should qualify for incentive payments for participation and achievement of objectives.

Deloitte Access Economics

1 Introduction

The Property Council of Australia commissioned Deloitte Access Economics to investigate the potential for a federal incentives model to address issues around planning and housing supply in the States. Such an incentives model would be similar in principle to that adopted under the National Competition Policy (NCP) reforms of the late 1990s and early 2000s in which the Commonwealth made payments to the States for measurable progress against certain reforms recommended by the Hilmer Review.

The issues around planning and housing supply are naturally different to those that the Hilmer Review sought to address, both in terms of the policies adopted and the flow of benefits created. However, the principle that incentives payments can be an effective mechanism for generating reform momentum is the common thread between those reforms and potential reforms to housing. This report investigates possible frameworks for implementing payments, how payments could be tied to measurable outcomes, and what reform options the States could look to pursue.

The current housing and policy environment means this work comes at an opportune time. There has been increasing attention paid to the importance of cities at the Federal level, and February 2016 saw the appointment of a new Assistant Minister to the Prime Minister for Cities and Digital Transformation. Housing markets in the large capital cities have also seen a period of rapid growth in prices, reducing affordability. Looking back further, housing demand has outstripped supply for much of the last decade, placing further pressure on prices and affordability. Ensuring that housing markets, throughout the whole development process, function effectively and efficiently is therefore important in increasing the supply of housing, and the right type of housing, to meet demand.

This report is informed in part by a workshop hosted by Deloitte Access Economics in December 2015. The workshop comprised attendees from Commonwealth and NSW State Government agencies, Local Government, academics and industry. The focus of the workshop was on making an incentives framework workable by: identifying current issues with the planning process, outlining performance measures that could be used to measure progress and on which to base payments, and discussing broad questions of governance and the administering of payments.

The remainder of the report is set out as follows:

- Section 2 provides background on housing supply and affordability in Australia, and the use of incentives payments in the NCP reforms;
- Section 3 provides modelling results that indicate the indicative economic gains that could be received through improving planning and housing supply policy;
- Sections 4 and 5 identify the policies available to State Governments to influence housing supply and affordability, and the metrics through which progress can be assessed; and
- Section 6 outlines pragmatic considerations for an incentives model, including how the size of payments could be determined and potential governance frameworks.

2 Background

Policy settings that impact the property market can have a large influence on the wellbeing of Australians. The property sector and related markets are large employers of Australian workers and a key destination for capital investment. In 2015, the AEC Group report for the Property Council *Economic Significance of the Property Industry to the Australian Economy* found that the property sector directly contributed to 11.5% of Australia's GDP, representing around $182 billion in 2013-14. The report also found that the sector directly employed almost 1.2 million full-time equivalent employees (11.8% of the total labour force) in 2013-14.

Property is the largest asset held by the majority of Australian households and repayments account for a significant proportion of household expenditure. In addition to direct residential property ownership, more than 14 million Australians have a financial stake in the commercial property sector through their superannuation funds. The location, quality and type of housing also has implications for where and how Australians live, the jobs which they have access to, and the quality of life they are able to lead. Put simply, housing matters.

With housing-related costs comprising a large part of the average household's expenditure, housing affordability is a topic that is of natural concern for policy-makers. Rising prices in our larger cities, particularly Melbourne and Sydney, have recently meant that 'housing stress' has become a more acute issue. Housing affordability has a wide range of causes, both on the demand and supply side of the market. Only some of these causes can be strongly influenced by governments, with other factors such as macroeconomic conditions or physical geography being significant contributors to affordability but generally not able to be influenced by policy-makers.

Efforts to improve affordability have typically focused on the supply side of the market, and in particular on the planning system. In Australia it is the States and Territories that have primary control over planning, with some aspects devolved to Local Governments under various planning and assessment Acts.

Successive reforms in all States and Territories over the last decade have sought to improve planning outcomes, with a focus on reducing the compliance costs associated with development applications. This has led to states implementing changes aimed at streamlining planning decisions, such as standardised planning instruments and categories of codified development. Most recently, the Property Council's 2015 *Development Assessment Report Card* highlights several States and Territories that have progressed on various planning reform initiatives over the past few years. These include:

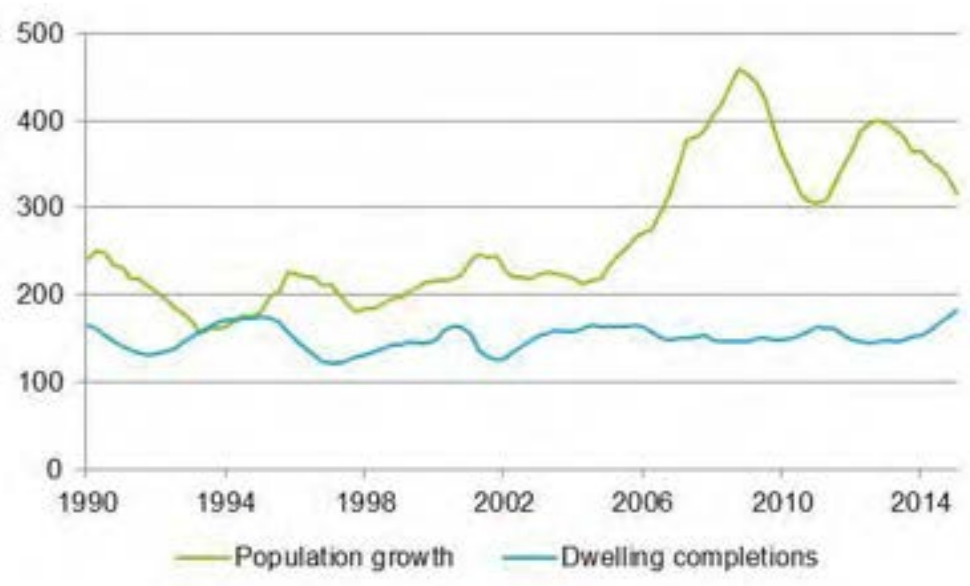
- The Northern Territory's introduction of a Planning Commission to provide independent planning advice and progress strategic plans;
- The West Australian Planning Commission playing an increasingly noticeable role in overseeing the implementation of state planning strategy;
- Victoria's Metropolitan Planning Authority and its accompanying metropolitan strategy; and

- South Australia's efforts in promoting inner city development through Renewal SA and its new Inner Metropolitan Development Assessment Committee.

Overall, however, the efficiency of planning systems is difficult to assess due to the lack of a single metric, or set of metrics, relative to the broad set of outcomes that planning may seek to achieve. Most definitions of efficiency focus on whether underlying demand is being met by new supply. However, this is often supplemented by other requirements that focus on the type and quality of new supply. For example, in a recent Australian Housing and Urban Research Institute (AHURI) publication, the standard supply-demand definition was augmented by the statement that '*An efficient and responsive housing market should support sustainable urban growth, labour mobility, social inclusion and community wellbeing*'.[1] While there is likely to be little argument about the benefits of these goals, measuring whether, and what part of, a planning system contributes to these outcomes can be difficult.

Prior to being abolished in 2014, the National Housing Supply Council was tasked with measuring the dwelling supply gap across Australia. In its final *Key Indicators* report in mid-2012 it estimated that the cumulative shortage over the period 2001-2011 had reached 228,000 dwellings, and forecast this to increase to around 370,000 dwellings by 2016, and 670,000 by 2031. This gap grew most quickly over the period following 2006 when relatively sharp and prolonged increases in population were not met by corresponding supply side responses (Chart 2.1 below). More recently, this gap has narrowed as the rate of population growth has slowed somewhat, accompanied by a slight rise in dwelling completions over the past couple of years.

Chart 2.1: Population growth and dwelling completions, 1990 - 2015 ('000s)



Source: Australian Bureau of Statistics, catalogue numbers 3101.0 and 8752.0

[1] Australian Housing and Urban Research Institute. (2015). *Housing markets, economic productivity, and risk: international evidence and policy implications for Australia*, page 47. [online] Available at: http://www.ahuri.edu.au/research/final-reports/254.

This slight increase in dwelling completions over recent years suggests that housing supply is beginning to respond to the high demand generated by population growth and an extended period of low interest rates. Nonetheless, the period of under-supply over the years of prolonged population growth following 2006 suggests that there are inefficiencies in planning systems across Australia that are preventing relatively quick supply side responses to demand shifts. While there is some international research in this area, there is little or no research on supply responsiveness in Australia.[2]

Supply responsiveness will also have implications for housing affordability in Australia. While affordability is a function of economic variables on both the supply and demand side of the market, the ability for supply to respond efficiently to changes in demand will determine to some extent whether periods of demand growth are met through increased prices alone, or corresponding increases in supply which will have a dampening impact on prices. Much of the reform to planning in recent years has focused on streamlining decisions in order to increase this responsiveness without removing the community interest aspects of planning.

The following section briefly reviews the recent experience with housing affordability in Australia.

2.2 Housing affordability in Australia

The house price-to-income ratio in Australia increased steadily throughout the 1990s and early 2000s, and has remained at these historically high levels in the decade since (notwithstanding a couple of dips following the global financial crisis and subsequent economic slowdowns).[3] IMF research suggests that the house price-to-income ratio in Australia is currently higher than the global average.[4]

However, as a measure of housing affordability, house price-to-income ratios can be incomplete since they do not account for debt servicing costs associated with a housing mortgage. For example, mortgage interest rates were considerably higher in the 1980s as compared with the rates observed over recent years. Over the period up to, and soon after, the global financial crisis the house price and repayment to income ratios followed each other relatively closely. However, the sharp falls in interest rates following the crisis have led to a diversion of the two affordability measures. Despite this, house prices have risen to a degree that low interest rates cannot offset, meaning that housing affordability remains an issue for many Australians.

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[2] This is a currently active research area in the country, with AHURI undertaking a current research program looking into, among other things, the responsiveness of supply to market conditions.

[3] Reserve Bank of Australia. (2014). *Submission to the Inquiry into Affordable Housing*. [online] Available at: http://www.rba.gov.au/publications/submissions/housing-and-housing-finance/inquiry-affordable-housing.

[4] International Monetary Fund. (2015). *Global Housing Watch*. [online] Available at: https://www.imf.org/external/research/housing/.

Chart 2.2: House price and repayment to income ratios, 1990 - 2015[5]

Source: ABS (catalogue numbers 6416.0 and 5206.0), Reserve Bank of Australia (statistical table E2)

Another measure of housing affordability that factors in these debt servicing costs is the share of households experiencing 'mortgage stress', which is commonly defined as households paying more than 30% of household income on mortgage repayments (this is sometimes amended to focus only on those households in the lowest 40% of incomes).

The 2011 Census found that the number of Australian households in mortgage stress had increased by around 18% since 2006, and that almost half of all low-to-moderate income homeowners with a mortgage are in mortgage stress – a rate three times higher than the average across Australia.[6]

This suggests that, even with mortgage interest rates being relatively low at present, housing affordability is still a significant issue for low-to-moderate income households. In addition, the stock of social housing available to those in greatest need of affordable housing options has declined as a share of the overall number of Australian dwellings, from 4.9% in 2006 to 4.6% in 2011.[7]

Housing affordability has implications not only for home ownership in Australia, but also for renters. The 2009 Henry Review noted that higher house prices have the effect of reducing rental affordability, as rents need to increase in order for investors to maintain their rental yield. The 2015 Senate Inquiry into housing affordability *Out of reach? The Australian housing affordability challenge* reported that rising rents and a shortage of affordable rental options have had a particularly large impact on low-income households, especially those in Australian capital cities. This effect has been compounded by the fact that a

[5] Note: the repayment-to-income ratio is reported as a percentage. That is, in 2017 housing interest payments accounted for around 7% of household incomes.

[6] Australian Housing and Urban Research Institute. (2015). *How long do households suffer mortgage stress?*

[7] Australian Institute of Health and Welfare. (2013). *Housing assistance in Australia 2013*. [online] Available at: http://www.aihw.gov.au/publication-detail/?id=60129545054.

growing number of tenants are renting for longer terms, as unaffordable house prices have reduced the ability of low-income households to access home ownership.

Specific causes of affordability are likely to be varied. On the demand side it could reflect the housing preferences of the Australian population. This includes, for example:

- Changes in consumer preferences towards larger or better quality homes;
- Households using housing for intergenerational asset transfer, with older households using the equity in their homes to assist their children; and
- Tax and welfare advantages to dedicating discretionary income to housing incentivise purchases of housing, both as an owner-occupier and as an investment.

Nevertheless, for all the strong demand for housing supply has not responded as one might expect. There are a number of potential causes of falling housing affordability in Australia. One is the availability of land for development as residential housing and, relatedly, the planning and development processes and charges associated with land supply.

Issues of land supply, land-use planning and approval processes and infrastructure cost recovery were assessed by the Housing Supply and Affordability Reform (HSAR) Working Party in 2010, which found that:

> *"There are a number of regulatory impediments that may prevent land from being allocated to its highest value use… governments should focus on ensuring planning policy settings do not unduly constrain the market's capacity to provide the type of dwellings that people want to live in at the locations where they want to live."*[8]

These sentiments were echoed by participants at the workshop held as part of this work. When asked whether insufficient land supply was reducing affordability, participants argued that there was generally not a shortage of land as such. Instead, it was argued that there are challenges associated with developing the available land into a viable housing product that meets the requirements of potential homebuyers. For example, with respect to greenfield areas, in many cases the available land is not serviced with infrastructure and is therefore not easily developable for sale. With regards to prospective infill developments, the available land may be incorrectly zoned, and the need to rezone the land can cause significant delays in the development process.

In addition, workshop participants highlighted that the process of taking land through the purchase, development, construction and sale process represented a cost equation (that includes government taxes and charges) and that other components of this equation were driving higher housing costs. In particular, both explicit and implicit costs of the planning system were seen to be adding unnecessarily to the cost equation.

Aside from land supply and planning, there are of course many other factors that could influence housing affordability. The macroeconomic environment – including policy settings such as interest rates, and general economic conditions such as unemployment and consumer confidence – can play a role in determining the level and growth of house prices. Taxation policy, including taxes on capital gains and property transfers (stamp duties), can also affect property market activity and prices.

[8] Council of Australian Governments. (2010). *Housing Supply and Affordability Reform Working Party - Final Report*.

Finally, housing affordability can be considered as a function of broader parameters than simply price and interest rates. The affordability of a dwelling can depend on its proximity to employment, public transport and other amenities. Building well located dwellings that grant occupants the opportunities to participate in society can be as important as the price of the property.

2.3 Planning frameworks and state responsibilities

Planning responsibilities in Australia are split between various functions at the three levels of government: Federal, State and Territory, and Local Governments. Australia is reasonably unique in devolving planning responsibilities to the States, with the Federal Government having relatively little direct influence on planning regulations. The table below sets out the responsibilities of each level of government.

Table 2.2: Planning Responsibilities in Australia

Federal Government	Funding social housing programs Commonwealth rental assistance Funding significant infrastructure projects Migration policy settings
State/Territory Governments	Planning frameworks (law and strategic plans) Funding and administering housing assistance programs The supply and management of public housing Urban infrastructure, including associated charges and levies
Local/Territory Governments	Land use zoning and controls Assessing development proposals Local infrastructure and associated developer charges

Source: Deloitte Access Economics

All levels of governments can influence housing and affordability through other levers, including tax settings (principally the land and property taxes set by State and Local Governments) and macroeconomic settings.

Under Australia's federal system, the States have the legislative and governance responsibility for how land is managed in their jurisdictions, exercised primarily in their respective planning and assessment Acts and instruments. However, the States also delegate some important responsibilities for land use and management to Local Government as part of this legislative framework. All States have specific legislation for constituting Local Governments providing the powers under which local authorities exercise local decisions over land and development.[9]

[9] Although in specific cases and applications, local council decisions can be appealed to State courts.

Largely within the States' respective Local Government acts, councils are constituted as democratic independent institutions[10] with publicly elected officials presiding over a local body. In recent times, individual States have sought to reform Local Government arrangements, for example in response to concerns over the exercise of local planning decisions. In some cases, such changes have involved State governments removing actual planning and development consent powers from local councils whether on an overall basis or on specific project proposals themselves. In others, State governments have implemented independent bodies such as panels or advisory committees to make development assessment decisions.

In other cases, the States have looked to amalgamate or alter Local Government boundaries to reflect demographic change. This was the case in Victoria in the early 1990s and more recently in Queensland. The NSW government's Fit For The Future reforms are also characteristic of this approach.[11] The ability of State Governments to impose their statutory responsibility over Local Government is a clear demonstration of the fundamental role that States continue to retain with respect to land use planning and development.

Despite a rather limited direct role in planning, the Commonwealth has over time taken an active interest in planning issues. It has been involved in planning policy at the national level through its role in the Council of Australian Governments, and both Coalition and Labor Governments have created policy documents and portfolios which have expressed views on the state of planning policy and reforms.

For example, the 2011 National Urban Policy released by the then Labor Government set out the Commonwealth's proposed role in '*establishing national principles and priorities to guide States and Territories in the development of strategic planning systems to ensure our cities become more productive, sustainable and liveable*' and in '*articulating how the Australian Government will coordinate its own policies, investment and activities in cities'*.[12]

More recently the current Coalition Government has signalled its interest in planning and urban policy through its appointment of an Assistant Minister to the Prime Minister for Cities and Digital Transformation. Indeed, in the Government's response to the recent Competition Policy Review it indicated that it saw Commonwealth payments to the States for housing reforms as a feasible commitment to achieve reforms in this field.

The Commonwealth has also added to housing and planning policy through various reviews. A comprehensive review of planning was undertaken by the Productivity Commission when it investigated the performance of planning arrangements in 2011. The

[10] In some cases, specifically appointed administrators may preside over a local authority. In other examples, certain planning and land use decisions are jointly managed by both State and local bodies, such as the Sydney City Planning Commission.

[11] NSW Government. (2015). *Stronger councils for Sydney and regional NSW*. [online] Available at: https://www.nsw.gov.au/media-releases-premier/stronger-councils-sydney-and-regional-nsw.

[12] Infrastructure Australia. (2011). *Our Cities, Our Future — A National Urban Policy for a productive, sustainable and liveable future*. [online] Available at: http://infrastructureaustralia.gov.au/policy-publications/publications/Our-Cities-Our-Future-2011.aspx.

enquiry report concluded that there was room for improvement, stating among other things that:[13]

- Planning systems suffer from 'objectives overload';
- The ability of local councils to deliver timely decisions depends on resourcing, but also on the clarity of state planning laws and regulations and strategic city plans; and
- States differ significantly in the time taken to make planning decisions, to release urban land and in provisions to involve communities in planning decisions.

The report provided a range of performance metrics for the planning system, similar to those that could be used to measure progress under a Commonwealth incentives framework, and demonstrated both the commonalities and differences in performance across states. It also nominated a number of performance comparisons and benchmarks under a range of groupings which, when combined, can provide an indication of the overall performance of the planning system within each State and Territory. These included metrics relating to: [14]

- **The supply of land**, such as the overall time taken to complete developments, indicative times taken to complete various stages in the land supply process (e.g. rezoning or application approval) and the amount of vacant land zoned residential;
- **Infrastructure**, such as the level of integration between planning and infrastructure (e.g. through detailed infrastructure plans and committed funding and delivery timeframes) and the size of infrastructure charges;
- **Business compliance costs**, such as development assessment approval timeframes and the fees associated with development applications;
- **Competition and retail markets**, such as the number of activity centres within a particular area and the number of zones or other layers of development controls;
- **Governance and accountability**, such as the number of local councils, total planning expenditure and staffing at these councils and the availability of appeals mechanisms (e.g. third party appeals);
- **Community involvement**, such as the extent to which community participation and engagement took place in relation to planning issues and the share of the community that consider their governments are effective in planning; and
- **State and Territory referrals**, such as the number of matters, actions and activities that require the referral of a development application to a specialist government agency.

A sample of such measures are included in the table below. They are drawn from different stages in the development process and reflect comments from the workshop that while land supply itself is not seen to be a significant cause of falling affordability, the way in which land is converted to dwellings through the various stages of the development process can have a significant impact on cost and the responsiveness of supply to market conditions.

[13] Productivity Commission. (2011). *Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments*. [online] Available at: http://www.pc.gov.au/inquiries/completed/regulation-benchmarking-planning/report.

[14] Ibid.

Table 2.3: A sample of planning performance metrics from PC (2011)

	NSW	VIC	QLD	WA	SA
Median time for DA approval (days)	41	73	38	na	na
Elapsed time for land subdivision (months)	up to 119	30-60 plus	14-172	36-120	24-133
Infrastructure charge per dwelling ($)	37,300	11,000	27,000	20,000	3,693

Source: Productivity Commission (2011)[15]

2.4 The National Competition Policy reforms and incentives structures

In 1992 the Prime Minister announced an independent inquiry into a national competition policy. Known as the Hilmer Committee, after its chairperson Frederick Hilmer, the inquiry would look into a wide scope of potential reforms, addressing policy areas administered across different levels of government. The committee reported in 1993 making recommendations across six policy areas:

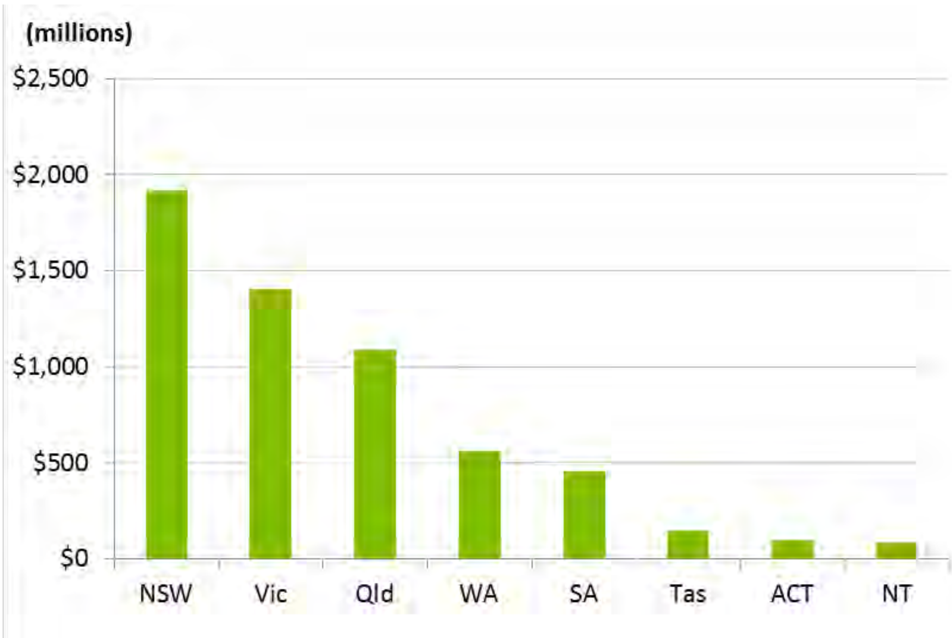
- Extension of the reach of the Trade Practices Act 1974 to unincorporated businesses and State and Territory government businesses;
- Extension of price surveillance to State and Territory businesses to deal with circumstances where other competition policy reforms had proven inadequate;
- Application of competitive neutrality principles so government businesses do not enjoy a competitive advantage over their private sector competitors simply as a result of public sector ownership;
- Restructuring of public sector monopoly businesses;
- Review of all legislation that restricts competition; and
- Provision for third party access to nationally significant infrastructure.

In 1995 the Council of Australian Governments (COAG) came to three intergovernmental agreements, laying out a nationally-coordinated microeconomic reform program known as the National Competition Policy (NCP), aligned with the recommendations of the Hilmer Committee. These agreements outlined a timetable in which all reviews and reforms were to be completed by 2000. COAG subsequently agreed to extend the timeframe for completion of the reform program until 2005.

Given much of the benefit of the reforms would accrue to the Commonwealth in the form of additional tax revenue, an essential component of the NCP program was payments to the States and Territories for completion of implementing the agreed reforms. The principle behind these payments was that the benefits of reform should be shared across all levels of government. A total of $5.7 billion was allocated for payments from 1997-98 to 2005-06 (see Chart 2.3).

[15] Productivity Commission. (2011). *Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments*.

Chart 2.3 Competition payments, 1997-98 to 2005-06



Source: Productivity Commission (2005)[16]

Reform progress was assessed by the National Competition Council (NCC), which made recommedations to the Federal Treasurer on whether the States and Territories had met their reform commitments, and hence whether full NCP payments should be made. On the success of these payments in stimulating reform, the NCC noted in their submission to the Productivity Commission on the Review of National Competition Policy Arrangements that:

> *"Reform would have been far slower and less comprehensive without competition payments. These payments (now at around $800 million per year) may not be large relative to State and Territory budgets, but nonetheless represent a significant source of incremental funds."*[17]

In deciding whether a penalty should be applied due to a failure to implement reforms, the NCC takes into account the significance of the compliance breach, the State or Territory government's overall commitment to NCP implementation, as well as any impact the breach in compliance may have on other States' and Territories' reform efforts.

The first significant payment penalties occurred in 2003-04, where penalties totalled approximately $180 million or around 24% of payments allocated for the year. The largest share of these penalties accrued to Queensland, Western Australia and New South Wales. Penalties in 2004-05 totalled a further $140 million, with Queensland, Western Australia and New South Wales again making up the largest share, accounting for over 90% of the penalties.

[16] Productivity Commission. (2005). *Review of National Competition Policy Arrangements*. [online] Available at: http://www.pc.gov.au/inquiries/completed/national-competition-policy/report.

[17] National Competition Council, 15 December 2005, Media release. [online] Available at: http://ncc.gov.au/images/uploads/AST7PR-001.pdf

3 The potential benefits of reform

Increasing attention is being paid to the connection between planning outcomes and economic growth and productivity. Indeed, many of the planning reforms progressed in recent years have identified the growth rationale as a key motivator for reform. Housing supply outcomes can influence the real economy in a variety of ways:

- By determining where people live, housing outcomes can influence the matching of labour to jobs. Poor housing outcomes lead to employees being located away from job opportunities, or those opportunities to which they are best matched. They can also reduce labour mobility.
- Planning can impact access to transport, leading to increased commuting times (and therefore potentially reduce hours worked) and congestion.
- The speed and uncertainty of planning decisions can affect the productivity of the development and construction sector, both by changing where and what development occurs, and the time-to-market for housing developments.
- More broadly, planning outcomes can affect wellbeing through a variety of channels, including local amenity, community connectedness and access to vital products and services.

This report attempts to shed light on the magnitude of benefits that may be available from improving planning outcomes. To do so, it takes a subset of the benefits identified above and places realistic indicative values on the benefits that may be received through successful planning reforms. The results are therefore ‘order of magnitude’ type estimates, with actual benefits being potentially either lower or higher than the estimated amount depending on scope, composition and implementation quality of reforms.

A higher level of housing construction only provides an economic benefit insofar as it improves economic welfare. Two broad benefit categories are estimated in this section, capturing the main types of benefits identified in the research literature:

- A reduction of holding costs to the construction sector – holding costs are costs that arise due to longer planning processes, such as fees to lawyers and consultants that are incurred as part of the approvals process in a development application (e.g. producing specialised reports, fulfilling requests for additional information, accommodating delays in assessment, appealing planning decisions). Holding costs also include larger interest payments from the longer holding period and the rates, charges and taxes that are payable on land that is held up in the planning process. This is not to say that all reductions in planning assessment times represent a net gain, but instead that where processes can be streamlined without reducing the quality of decision making, there are real economic gains to be achieved from doing so.
- Labour productivity gains – which may be realised through a range of mechanisms, including reduced commuting times, improved job matching, and increased labour mobility. A significant literature has linked inner-city urban density to labour productivity and this is the approach followed in this section.

The following sections review the research in these areas and present the modelling approach and results.

3.1 The benefits from getting planning right

3.1.1 Holding costs for the development and construction sector

Unclear planning regulations impose costs on the development process by introducing uncertainty into the ultimate size of holding costs involved in a development. The costs of uncertainty arise from the time taken for applications to be processed, and include any expenditure on lawyers or planning and design consultants needed as part of the process of lodging a development application and getting it approved. Indeed, council processes may influence whether or not a developer will choose to undertake activity in particular local government areas. This imposes the cost of lost economic development, however, such a cost is difficult to observe.

Statements from property developers surveyed by AHURI in 2009 show that if processes are uncertain, developers may choose to avoid development in particular councils.[18] Grimes and Mitchell (2014) also demonstrate that holding costs are considered in feasibility studies undertaken by developers.[19] However, Garner (2010) shows that there is no standard approach in calculating holding costs due to them not always being immediately apparent.[20]

Holding costs do not include the costs of complying with physical planning regulations, for example environmental or heritage requirements, however, surveyed developers have indicated physical requirements are less troublesome than uncertain processes, and indeed physical planning requirements such as amenities or environmental considerations may be considered a selling point.[21].

There are two ways of quantifying the cost of uncertain holding costs, and both give roughly the same magnitude of effects. The first is a top-down approach which involves looking at the difference in risk premiums between low and high uncertainty environments. This quantifies uncertainty as the additional profit needed to assure developers of the viability of a project, and includes their calculation of the expected expenditure on holding costs and lawyers or consultants needed to appeal any council rejections. One report quantifies this premium at $17,000 - $27,000 per dwelling in Australia.[22]

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[18] Australian Housing and Urban Research Institute. (2009). *Counting the costs: planning requirements, infrastructure contributions, and residential development in Australia*. [online] Available at: http://www.ahuri.edu.au/research/final-reports/140.

[19] Grimes, A. and Mitchell, I. (2014). *Impacts of Planning Rules, Regulations, Uncertainty and Delay on Residential Property Development*. [online] Available at: https://www.beehive.govt.nz/sites/all/files/2_The_Impacts_of_Planning_Rules_Regulations_Uncertainty_and_Delay_on_Residential_Property_Development.pdf.

[20] Garner, G. (2010). Approaches for Calculation of Holding Costs in the Context of Greenfield Residential Development. In: *16th Pacific Rim Real Estate Society Conference*. [online] Available at: http://www.prres.net/papers/Garner_Approaches_Calculation_Holding_Costs_Greenfield_Developments.pdf.

[21] Australian Housing and Urban Research Institute. (2009), above n 18.

[22] Centre for International Economics. (2011). *Taxation of the Housing Sector*. [online] Available at: https://hia.com.au/~/media/HIA%20Website/Files/Media%20Centre/policy%20developments/CIE%20Tax%20Report.ashx.

The second approach is bottom-up, and involves looking at the costs imposed by planning delays. The Queensland Department of Infrastructure and Planning estimates delays add \$15,000 - \$20,000 to the development cost of a single dwelling.[23] Garner (2008) points to a similar range, presenting a model based on a scenario for a development project in south-east Queensland, with a base holding period of 18 months for acquiring the necessary planning and building consents (including development assessment approval).[24] This is in line with the holding time found by Grimes and Mitchell in their study for New Zealand.[25] Their model posits holding costs of around \$15,000, and that reducing the holding period by 6 months to 12 months reduces holding costs to \$9,600 per dwelling (a reduction of \$5,400).

The Centre for International Economics (CIE) estimates that in Australia, average planning delay costs are roughly \$7,000, where the average waiting time *in excess of what is the minimal expected* is 6 months; this implies that a cut in waiting time of 6 months would reduce costs by \$7,000.[26] It should be noted that the magnitude of delays can differ based on the type of development, with different timeframes often arising between greenfield and infill developments, as well as differences based on the State in which the development is proposed. The CIE report notes that "unnecessary" delays – i.e. those in excess of the minimal expected – can range between 4 and 9 months depending on the location and type of development (Table 3.1).

Table 3.1: Length of unnecessary planning delays

Type of Development	Sydney	Melbourne	Brisbane
Greenfield	7 months	4 months	4 months
Infill	9 months	5 months	5 months

Source: Centre for International Economics (2011)

Based on a consideration of the sources, approaches and results described above in relation to the existing literature on planning delays and holding costs – both in Australia and other countries – we model the economic benefit of a reduction in waiting times of 6 months from a baseline case of 18 months is in the vicinity of \$6,000 per dwelling. While the modelling does not depict the impact of any specific policy change, and we note that there may be variations for specific project examples based on location and type of development, the parameters selected represent a reasonable and consistent indicator for examining what aggregate economy-wide benefits could eventuate from housing and planning reform in Australia.

The holding costs modelling relates to delays in the assessment of planning and building consents for housing developments, including the development assessment approvals

[23] Queensland Department of Infrastructure and Planning. (2007). *Queensland Housing Affordability Strategy*. [online] Available at: http://www.dilgp.qld.gov.au/resources/publication/housing_affordability_strategy_updated210608.pdf.

[24] Garner, G. (2008). The Impact of Planning Delays & Other Holding Costs on Housing Affordability. In: *"Looking Forward Outback" - PIA QLD State Conference*. [online] Available at: http://www.planning.org.au/documents/item/1199.

[25] Grimes, A. and Mitchell, I. (2014). *Impacts of Planning Rules, Regulations, Uncertainty and Delay on Residential Property Development*.

[26] Centre for International Economics. (2011). above n 22.

process. There are a number of other delays that can arise in the course of transforming raw land into residential housing that can be taken to the market. For example, the Productivity Commission noted that a number of delays are associated with land supply processes (that occur before development approvals processes), highlighting rezoning and structure planning as particular causes of delays and extended timeframes, with these processes taking up to 6 years due to the complexity and absence of statutory time limits in most jurisdictions.[27]

3.1.2 Impacts to the profile of urban regions in Australia

Both State Government and local council planning regulations may influence population density by decisions around land release and the approval of medium and high density development. Such increased population density, particularly in urban areas and industrial clusters, has been shown to lead to agglomeration economies, or productivity gains from people and firms being located near to one another.

This may occur through a number of mechanisms. Glaeser (2010) points out that these are all ultimately from transport cost savings, which allow for the more efficient exchange of goods, movement of people, and transfer of ideas.[28] The close proximity of suppliers and producers leads to reduced production costs, labour is cheaper due to reduced travel costs, and ideas and knowledge are exchanged due to increased face-to-face contact. Puga (2010) adds that the sharing of facilities with fixed costs (such as roads and water infrastructure) reduces their cost per user.[29]

A US study by Abel et al. (2010) finds that the doubling of density increases labour productivity by 2 to 4 percent, and that this tends to be amplified in areas with a higher stock of human capital.[30] Such density improves the matching of labour to appropriate employment, by expanding the size of the labour for the same area. Higher density is also known to be associated with higher wages (Elke, 2015; Glaeser & Maré, 1994).[31] In a meta-analysis of the literature, Puga (2010) shows that Abel's results are broadly robust across countries.

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[27] Productivity Commission. (2011). *Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments*.

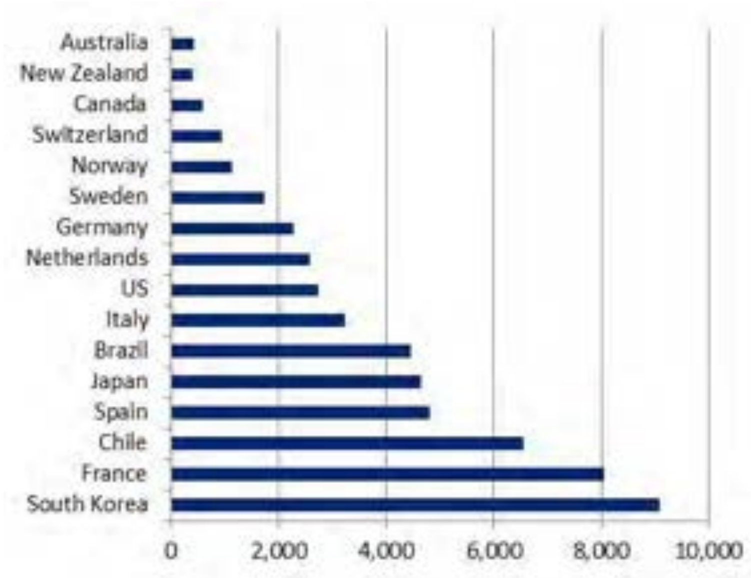
[28] Glaeser, E. (2010). *Agglomeration economics*. Chicago: University of Chicago Press.

[29] Puga, D. (2010). The magnitude and causes of agglomeration economies. *Journal of Regional Science*, 50(1), pp.203-219.

[30] Abel, J. R., Dey, I., & Gabe, T. M. (2010). Productivity and the Density of Human Capital (Staff Report No. 440). New York: Federal Reserve Bank of New York.

[31] Oberfichtner, M., Hirsch, B. and Jahn, E. (2015). The urban wage premium in imperfect labour markets. *ZBW - Deutsche Zentralbibliothek für Wirtschaftswissenschaften, Leibniz-Informationszentrum Wirtschaft*. [online] Available at: http://hdl.handle.net/10419/113003; Glaeser, E. L., & Maré, D. C. (1994). Cities and Skills (NBER Working Paper Series No. 4728). Growth (Lakeland).

Chart 3.1: Urban population density (people per km^2)



Source: Reserve Bank of Australia, United Nations

Chart 3.1 shows the urban population density (the population density for cities of 100,000 or greater) of Australia along with comparable nations. Given that the densities elsewhere are many times larger than Australia, a modest increase in urban population density in Australia should be achievable. An urban population density uplift of 10% was chosen for modelling purposes, as this would bring Australia's urban density in line with that of New Zealand, but still much lower than comparable countries such as the US and Canada.

Increased density may lead to additional benefit not modelled here. In particular, there may be significant environmental benefits to improving density through brownfield development. A US study found that the heightened density reduces the required cost of infrastructure investment, reduces air pollution through saved vehicle miles, and improves water quality through reduced runoff. Additionally, one hectare of brownfield development is estimated to conserve 4.5 hectares of greenfield development.[32] With regards to the size of these benefits, an Australian review found that although brownfield development may cost more – the economic, social and environmental benefits far outweighed the additional cost.[33]

Increased density may also impose some costs on the community, particularly to established residents who may perceive a reduction in the amenity or quality of life in the local area. Localised congestion may also result from an increasingly built up urban environment, if the appropriate investments in infrastructure are not made. This resistance may create political risks, particularly where the benefits from density are not well communicated to the community.

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[32] Paull, E. (2008). *The Environmental and Economic Impacts of Brownfields Redevelopment*. [online] Northeast Midwest Institute. Available at: http://www.nemw.org/wp-content/uploads/2015/06/2008-Environ-Econ-Impacts-Brownfield-Redev.pdf.

[33] Biddle, T., Bertoia, T., Greaves, S. and Stopher, P. (2006). The Costs of Infill versus Greenfield Development - A Review of Recent Literature. In: *29th Australiasian Transport Research Forum*. [online] Available at: http://atrf.info/papers/2006/2006_Biddle_Bertoia_Greaves_Stopher.pdf.

3.2 How large might the benefits be?

This section takes the micro-level impacts from section 3.1 and explains how they have been modelled as sector-wide productivity shocks to the Australian economy. These impacts can be estimated in a broad sense using a computable general equilibrium (CGE) model.

3.2.1 Potential benefits from process efficiencies

There are a number of cost estimates from the literature on planning reforms, as discussed in the previous section. The figure of $6,000 per dwelling was taken to be a conservative, reasonable benchmark of costs per dwelling based on a modest reduction in processing times. To understand this in the context of the Australian economy overall, this figure was taken across the 198,650 dwelling starts in 2014 based on ABS data, generating a sector-wide cost estimate of $1.19 billion in 2014.

According to the ABS, the new dwelling construction sector was $47.36 billion in that year, hence the planning process inefficiency costs were equivalent to 2.5% of sector output. Removing these costs is equivalent to a productivity gain in the sector. This cost reduction would be passed on to the users of residential construction, particularly households, increasing household spending on other items and flowing through to the rest of the economy.

Box 3.1: Deloitte Access Economics Regional General Equilibrium Model

Once the incremental productivity gains are established for each year of the modelling period, this is used as an input to a model of the Australian economy, in this case the Deloitte Access Economics in-house Regional CGE model (known as DAE-RGEM). CGE models provide a fully integrated framework for analysing policies and initiatives impacting the macroeconomy. They are regarded by government and their central agencies as the preferred tool of analysis for these types of impact studies. This is because they allow for crowding out (or displacement) effects where there are supply constraints, for example in the labour market given the low levels of unemployed labour in Australia.

Essentially, the CGE model contains a complex system of underlying economic relationships between the various agents (for example, households, producers, investors and government). The model formulas are solved simultaneously until ultimately the prevailing market equilibrium is reached for each forecast year. The model projects changes in macroeconomic aggregates such as gross domestic product (GDP), employment, investment and private consumption. The trigger for these changes is a specific modeller-defined set of economic 'shocks', tailor-made to investigate the particular policy area of interest (in this case, the impact of efficiencies to labour and the residential construction sector in particular.

To quantify the potential flow-on effects to the economy, this impact is simulated in the CGE model. Within the model, this shock is modelled as a 2.5% productivity shock to the new residential construction sector, from the 2017-2018 financial year onward.

This modelling indicates that, under these assumptions, **improvements to planning processes that reduce holding costs may increase GDP in the vicinity of $1.5 billion annually, and increase full time equivalent employment by around 1,600 workers.**

3.2.2 Potential benefits from increased urban infill and density

As summarised in Section 3.1.2, the economic literature has identified a range of potential impacts of agglomeration on the overall economy. In particular, Abel et al (2010) found that output per worker was higher in metropolitan areas of the US that had higher levels of population density, even after accounting for higher human capital.[34] The elasticity of labour productivity with respect to population density was around 0.04, dependent on particular specifications. Using this estimated parameter, the labour productivity impacts of an increase in urban density can be modelled.

As shown in Chart 3.1, Australia's major urban areashave the lowest average densities of comparable countries.[35] A 10% increase in this figure would move Australia to a similar level as New Zealand. ABS Census data was used to understand the share of the workforce that are located in urban areas – this is around 57%, after adjusting for differentials in wages. Hence, if 57% of the labour force experienced a 10% increase in population density, the 0.04 figure can be used to estimate that there would be a 0.23% increase in productivity for the manufacturing and services industries, as primary industries such as mining and agriculture are less affected by urban agglomeration economies.

Even an incremental increase in labour productivity has a large impact on the economy, as it reduces the cost of production in labour intensive industries and increases the use of capital and land, as complementary factors of production. According to standard models of the macroeconomy, where factors are paid their marginal product, the increase in productivity would result in real wages growth.

As for the construction-specific analysis, the economy-impacts of an increase in density was simulated using the DAE-RGEM model of the Australian (and global) economy. The modelling indicates that housing supply reforms that lead to **greater urban density could lead to productivity improvements in the order of $1.4 billion annually, and increase full time equivalent employment by around 1,500 workers**. These benefits could be realised through improved labour market outcomes, with workers being better matched to jobs, and through improved use of transport systems. Changes in the density profile of Australian cities will take a number of years to fully adjust as a result of policy change. This is in contrast to the relatively short lead time of construction industry benefits.

3.3 Summary of the potential benefits

The potential gains modelled from the indicative planning reform impacts here amount to around $3 billion of benefits annually, and the creation of around 3000 full-time equivalent

[34] Abel, J. R., Dey, I., & Gabe, T. M. (2010). Productivity and the Density of Human Capital (Staff Report No. 440). New York: Federal Reserve Bank of New York.

[35] Source: Australian Bureau of Statistics. (2011). *Census of Population and Housing*. [online] Available at: http://www.abs.gov.au/census. A major urban area is defined as an urban area with a population of 100,000 or more.

workers. This is broadly equivalent to the economic impacts of removing stamp duties on conveyances of non-residential properties, which were generally found to be one of the most inefficient taxes in *The Economic Impact of Stamp Duty: Three reform options* report, recently released by Deloitte Access Economics.

That these relatively conservative impacts can have the same broad magnitude as the potential benefits from major tax reform demonstrates the potential gains from improvements in the planning system. However, the actual benefits realised will naturally depend on the quality of reform and the time period over which the impacts are considered. With Australia's major cities estimated to approximately double in size by 2060, the benefits from getting planning right could be much larger than those modelled here.

In the shorter term, ensuring that housing supply is sufficiently responsive to changes in underlying demand will potentially lead to benefits through increased affordability. While the impacts of affordability itself are difficult to capture in an economic model (as it is primarily a transfer of wealth from current home-owners to first home buyers) it can have significant social welfare implications.

More broadly, the main reasons for pursuing planning reforms may be non-economic. The important social and equity implications of more affordable and well-located housing are likely to outweigh the pure economic motivations for reform. However, the scenarios modelled here demonstrate that these gains may still be significant. Further, the real economic benefits potentially created by housing supply and planning reforms can form a basis for financial incentive payments from the Commonwealth to the States. This idea is pursued further in the following sections.

4 The roles of State and Local Governments

Over time, a myriad of reviews and studies have focused on the land release and development approval aspects of the planning system and in particular the need to improve it by 'de-risking' the planning process. Measures that have been suggested include:

- Support for up front 'gateway' style approval arrangements (focusing on reducing overlap and duplication in assessment);
- Improved governance and transparency in decision making (helping to clarify objectives and reduce uncertainty); and
- Improved goal setting and strategic planning (assisting to identify potential zones of investment and land use).

At the core of the planning system is the fact that decisions around how land is used, and for what purposes, remain the responsibility of the States. Although the Commonwealth can influence decisions on how its own land is used (for example, on its defence lands), Commonwealth land use involvement is limited.[36] As a result, Commonwealth involvement in land use has tended to be reserved to introducing the appropriate incentives for the States to manage their own systems more effectively or by support for infrastructure projects (as a ballast to changed land use).

In the mid-1980s, for example, the Commonwealth assisted the States to improve local area planning through funding support for Integrated Local Area Plans. The current agenda from the Commonwealth to improve decision making around cities and urban zones shares characteristics of this approach.

Navigating the planning system and, in particular, the respective roles and responsibilities of State and Local Government remains a challenge for policy-makers seeking to improve the efficiency of land supply. Although, cases for change built on efficiency and effectiveness are readily available, policy makers have traditionally struggled with their implementation. Specific state government measures that have sought to streamline approval systems unilaterally have met resistance from affected councils buttressing against sovereignty concerns and the need to satisfy local public interests.

In contrast, attempts by local authorities to manage competing objectives under statutory rules can often lead to criticism for adding red tape and causing delays. Too often, the combination of tightly held private property rights with democratic mandates can make the task of policy reform insurmountable.

The goal of this report is not to recommend particular policies or approaches to improve planning, but rather to identify an incentives framework that could stimulate reform at the

[36] The Commonwealth can also affect decision making on land as a result of its environmental powers, provided as they are on the basis of international treaties.

state level. Nonetheless, the next two sub-sections identify particular issues raised at the workshop, and in other research, that will likely need to be addressed in any successful reform package. The final sub-section discusses the extent to which individual policies may need to be specified in an incentives framework.

4.1 The importance of strategic plans

A number of government reviews and industry reports have previously sought to examine planning systems across Australia, including the Productivity Commission's *Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments* inquiry in 2011, as well as the Property Council's *Development Assessment Report Card* report in 2015. These reports have typically highlighted the importance of aligning objectives across State and Local administrations, in order to provide a clear path forward to improving land use decision making. For example, in 2011 the Productivity Commission noted that:

> *"The success of local councils in delivering timely, consistent decisions depends on their resources as well as their processes. It is also influenced by the regulatory environment created by state governments — in particular the clarity of strategic city plans, the coherence of planning laws and regulations, and how well these guide the creation of local level plans and the assessment of development applications."*[37]

The *Development Assessment Report Card* also recognises the importance of strategic planning and reform at the State and Territory level in addressing housing affordability, highlighting jurisdictions such as NT, WA and Victoria for their progress in implementing strategic plans and metropolitan strategies (though progress in some other jurisdictions was not as advanced). In addition, strategic planning of major cities in Australia – including integration of town planning and infrastructure planning – has previously been nominated by COAG's Local Government and Planning Ministers' Council as a key area for delivering reform in improving the housing development process and the planning system.[38]

This point on the importance of strategic plans was also noted by participants at the workshop held as part of this work. A number of participants indicated a belief that a lack of clarity and direction in state strategic plans were causing excessive assessment effort at the Local Government level as councils sought to meet their, sometimes unclear, requirements.

Participants opined that strategic plans were typically light on specific details that would assist councils in understanding how particular land was to be developed. This was seen to place the risk of assessment back onto councils who were left to interpret how a development was to be assessed, for example, when subject to multiple overlays. Clearer strategic plans at the state level can help to address such uncertainties, though in addition

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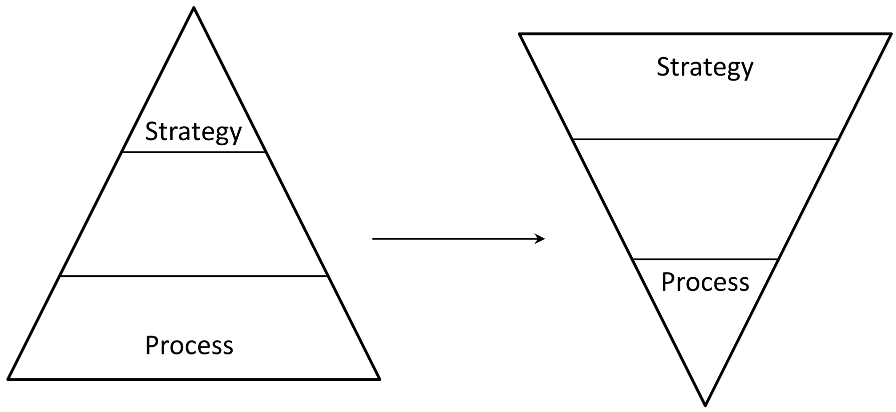
[37] Puga, D. (2010). The magnitude and causes of agglomeration economies. *Journal of Regional Science*, 50(1), pp.203-219.

[38] South Australian Government Department of Planning and Local Government. (2009). *Looking forward: the COAG agenda and planning reform*. [online] Available at: http://www.planning.org.au/documents/item/1418.

to this, Local Governments should also be encouraged not to create additional levels of complexity on the grounds of local circumstances or other location-specific reasons.

As a simple visual representation of this concept, the planning and assessment effort was represented as a triangle, with states currently undertaking only a small amount of high level strategic development of the planning system, and the bulk of work being undertaken by councils left to interpret this strategic plan and how it applies to an individual application. Some participants advocated inverting this triangle through the state taking on more responsibility in the strategic plan to set out in more detail how land is to be used, state level planning goals and targets, and the application and intent of planning overlays.

Figure 4.1: Inverting the triangle of planning accountability



Source: Deloitte Access Economics

Providing greater clarity in strategic plans for land use and ensuring that plans are transparent and interpretable by local authorities would clearly assist land supply management. Making this workable will require processes that promote co-operation across levels of government and that value the settlement of shared objectives.

Given their primacy in setting the overall land and housing supply framework, the States can look to improve co-ordination and objective sharing with local authorities by absorbing greater risk (and regulatory cost) of their housing supply plans. Similarly, policy makers have long been interested in the economically efficient allocation of risk – that is, that risk should fall on the party that can best manage its burden at the lowest cost (including process of adjudication and litigation).

In the case of housing supply, this potentially means that the States can look to absorb some of the risk of the regulatory imposts (such as the environmental, amenity and transport studies) of their housing supply plans in exchange for greater co-operation for implementation from Local Government. Applying such a 'mutual obligation' style framework would also have the benefit of reducing potential frictions in communities or at least the tensions that may arise from efforts to add to housing supply to existing settled communities.

In addition, an increased focus on strategic plans and the planning system at the state level can enable more community engagement in relation to broader city- or region-wide outcomes. Up-front and meaningful community engagement should be conducted as part of the process in creating a state-level plan, as this can assist in addressing the risk of community opposition to increased housing density before the development assessment stage. Liaising with the community can help to provide greater clarity for local residents and ensure that their views are suitably represented in implementing a state-wide strategic plan.

Effective consultation in the early strategic planning phases of the development chain can also mitigate the risk of community resistance to higher density proposals, permitting a wider urban focus to housing supply rather than debates around individual sites and private property entitlements.

4.2 State planning policies in a Commonwealth incentives framework

The above section has identified some areas under State control that future reforms could seek to address. However, an incentives framework need not specify the policies that States should pursue in order to receive payments. Instead, the framework could be effectively limited to providing the impetus and canvass for reform to take place, with the States themselves selecting and driving individual reforms.

A framework will need to specify how policy reform by the States will be linked to payments. There are three broad approaches to policy selection:

- **A prescriptive approach** – under which specific policies are prescribed for States by the Commonwealth, with incentives only distributed to those States which undertake the prescribed action;
- **A metrics-focused approach** – under which States are individually responsible for reform with minimal Commonwealth involvement, with payments based on agreed metrics being met; and
- **A mixed approach** – a ‘middle way’ between the prescriptive and metrics-focused approaches with the Commonwealth and States coordinating on policy reform options; for example through States submitting reform plans, which are subsequently agreed on with a central body at the Commonwealth level, along with performance targets and metrics.

An overly prescriptive approach is unlikely to be beneficial in the case of housing supply and planning reform. First, solutions are not sufficiently clear that a central agency would achieve greater success than State-driven reform, and indeed the Commonwealth is not well placed to make specific recommendations with respect to State planning matters. Second, solutions are likely to be to some extent State-specific, with centrally prescribed goals unlikely to be appropriate for all States. Finally, prescribed goals are unlikely to receive buy-in at the State level, which may not see the targets as appropriate or achievable.

Hence, either a mixed or ‘metrics-focused’ approach would be preferred. The exact role of a central body to administer the payments, and associated collection and reporting of data against process are discussed in the next two sections.

4.3 Incentivising Local Government

Equally important as establishing the appropriate framework between the Commonwealth and States will be establishing arrangements that accommodate Local Government as well. This observation reflects the nature of the planning system itself where regulatory impacts can manifest at the local level. Further, in the absence of local co-operation and collaboration, successful reform in planning systems can be diluted or at least be much more difficult to successfully achieve.

In the past, the Commonwealth has supported Local Government in improving local planning systems through integrated planning. Under the former Building Better Cities program, the Commonwealth supported Local Governments through the funding of integrated planning instruments, designed to provide “one stop shops” for development applications. Through the funding of infrastructure and urban renewal programs (such as the affordable housing programs); the Commonwealth has collaborated with local authorities in improving the availability and quality of social and affordable housing stock.

Currently, the Commonwealth applies a number of overarching frameworks through which Local Government is provided financial assistance. Under the Roads to Recovery program (RRP), the Commonwealth allocates direct assistance to local councils for road funding with Section 87 of the *National Land Transport Act 2014* (Commonwealth) providing the mechanism through which the Minister for Transport makes the financial allocation directly to local authorities.

Conversely, under the *Local Government (Financial Assistance) Act 1995* (Commonwealth) the Federal Government provides financial assistance to the States for the purposes of improving the financial capacity of their Local Governments. Financial Assistance Grants are allocated in the first instance to the States who, in turn, distribute these allocations under their own respective Local Government Grants Commission processes. The Act provides the Minister the ability to develop national guidelines for the disbursement of Financial Assistance Grants after consultation with the States and Local Government representatives.

Both the Financial Assistance Grants and RRP provide two distinct approaches through which the Commonwealth currently supports Local Government. Under Financial Assistance Grants, support is provided through the States and is then disbursed to Local Governments according to agreed national principles. In contrast, under the RRP, assistance is paid directly to local authorities through a Ministerial declaration.

These two approaches provide models through which Local Government can be incentivised to improve planning regulation in a broader NCP style framework. One option is for Local Government to be incentivised and rewarded directly from the Commonwealth. This approach would be consistent with the RRP and the earlier Building Better Cities grant based model. Alternatively, utilising the national guidelines principles available through the Financial Assistance Grants process, local authorities that engage in reform jointly with the States, could be rewarded for their initiatives in the State’s Local Government grants distribution process. Irrespective of the approach adopted, ensuring that Local Government is included in the framework and that local reform is incentivised correctly will be integral to future success.

5 Metrics for measuring success

A workable incentives framework will necessarily require progress made at the state level to be measured against pre-agreed metrics. The role of such metrics is two-fold:

- They would form a basis for identifying whether states are meeting their requirements to qualify for payments – any reliable indicator of progress against goals could be used for this purpose; and
- They could be used to measure the size of benefits created, and therefore inform the quantum of incentives payments – some metrics will lend themselves more easily to quantification of financial benefits.

This requires determining a set of metrics upon which each jurisdiction (at the state and local level) can be assessed, and the monitoring and collection of measurement data. Three broad types of metrics could be chosen:

- **Outcomes targets** – based on 'end-goal' objectives of reform (such as measures of housing affordability or home ownership);
- **Output targets** – based on observed outcomes in residential property markets in each state; and
- **Input targets** – focusing on the processes involved in producing planning and assessment outcomes, rather than residential outcomes themselves. Existing metrics, such as processing times, are typically inputs-based.

More broadly, metrics could include any measurable output from State governments that may influence housing supply and affordability outcomes. This could be linked directly to policy itself, for example through the inception and implementation of strategic plans, metro plans and related targets (such as housing supply targets). Indeed, these types of outputs have the advantage of being targeted to state- or location-specific issues. Nonetheless, they are not metrics taken at a 'snapshot' in time, and any payments based on plans should involve both the implementation and measurement of progress against stated targets over time.

The appropriate metrics will depend on the focus of the Commonwealth's framework. Should the focus be more narrowly on housing supply and affordability, metrics that capture this directly would be preferred. This would lead to a framework based on measurement of housing completions, ideally by price-point, and similar housing supply measures – which could be useful in encouraging flexibility in planning systems and design requirements to deliver affordable housing. Broader targets with more of a 'city' focus could expand the range of metrics to focus on those that may capture liveability or labour market outcomes. This could include metrics such as average commute times or proximity to infrastructure and community services.

A number of considerations should be taken into account when deciding which metrics could be most suitable for measuring success on improving housing affordability and land supply. This includes the type of metrics to use with respect to whether they should be based on inputs or outputs, and the extent to which metrics should differ depending on different locations or types of housing. These considerations are discussed below.

5.1 Output and input metrics

If the goal of reform is to increase housing affordability, supply or rates of home ownership then the first best approach is to measure these directly and base payments on the contribution of newly implemented policies that address these outcomes directly. The difficulty in any outcomes-based approach is that it is typically difficult to tie policy decisions (which are inputs to the final market outcome) to final outcomes.

This is particularly the case in housing markets where market outcomes are a function of macroeconomic policy settings and exogenous economic forces (such as the international economy), underlying geography of a city, income growth rates, or changing consumer preferences for quality, amenity and lifestyle, none of which can be controlled by the States. This may mean in particular that metrics directly targeting housing affordability (that is, based on the direct measurement of prices relative to incomes and repayment costs) may be poor proxies for the links between government policy and housing outcomes, even where affordability is the end goal.

Governments can impact housing affordability through housing policy and the planning system. However, the links between housing supply, planning and affordability can be complex and the direct impact of housing policy and planning on affordability is often difficult to discern. For example, an improved planning system is likely to result in an increase in the level and suitability of housing supply and this will have positive impacts on housing access and affordability in the long run. While in the short term, the impact on house prices could be difficult to observe, over time this will lead to a planning system that facilitates the supply of more and better located housing and with lower transaction costs, thereby improving affordability compared to a system without the benefit of planning reform.

One particular benefit associated with planning reform is that it can improve the ability of the planning system to respond to market forces. Reducing unnecessary frictions, processes or bottlenecks can create a system that responds faster and more efficiently to changes in supply and demand in the housing market. This increased responsiveness can help to smooth out the peaks associated with house prices that are caused by demand and supply pressures in the market, which is likely to be beneficial for housing affordability more broadly.

Given the complicated interactions between housing supply, planning reform and affordability outcomes, this section only considers output and input metrics which present more realistic and workable targets for the States. Broadly, there are two notions of efficiency against which the planning system can be evaluated, with input and output metrics appealing more directly to one than the other:

- Process efficiency – a planning system will lead to a more efficient outcome when it results in faster planning decisions, but not change in the decisions made. That is, with no change in the actual planning outcomes, but lower cost in reaching these outcomes, the planning system will result in a more efficient use of resources;
- Land use efficiency – where a planning system leads to an improved use of land from the perspective of the community, however measured, relative to the status quo.

Input metrics that focus on approval times or the use of codification are more appropriate measures of the former. They seek to reduce the regulatory burden of the planning system without jeopardising its effective working. Output metrics target land use efficiency, assessing whether land use achieves stated goals, which may relate to effective responsiveness to population trends, city design or affordability concerns.

5.1.1 Output metrics

Measures that are based on outputs examine the results of policy activity. They are typically measures of housing supply activity that are both readily measurable, and indeed commonly reported within the industry; house prices, dwelling completions and the like. While not as general as outcomes metrics, they continue to measure market outcomes rather than the policy inputs to these outcomes.

More general metrics could also be developed as part of an outputs approach. For example the development and implementation of a metropolitan plan incorporating land use, infrastructure, and other supply measures could itself form a high-level output against which payments could be based. This was one recommendation from Professor Brian Howe's report *Australian Cities in Transition – Governance challenges for investing in better places* (2011), discussed in more detail below in reference to governance issues.

Because outputs measure actual housing outcomes, they can be influenced by a range of factors not directly controlled through government policy. This raises the prospect of payments being made to jurisdictions in the absence of any actual reform to the land supply system, or alternatively jurisdictions that have implemented significant reforms could be under-paid if external market conditions turn against them. This means that any output metrics that are used to assess incentive payments need to be able to be directly linked to jurisdictions' policy actions.

Some examples of possible output metrics relating to land supply and housing affordability are listed below in Table 5.1.

Table 5.1: Examples of output metrics

Output metric	What is being measured
Development of metro plan incorporating land use, infrastructure, transport etc.	The existence, implementation and quality of the plan, as well as the availability of local planning instruments that have sufficient housing supply capacity within them
Median house price	The cost of the average housing unit
Median house price to median income ratio	The proportion of earnings applied to housing acquisition
Median house price by locality	The distribution profile of average housing units
Number of serviceable land lots	The stock of released land with service capacity for subdivision
Dwellings approved for construction	The number of dwellings approved for construction, including the number of new dwellings deemed to be 'affordable'
Dwellings under construction	The number of dwellings under construction

Output metric	What is being measured
Ratio of in globo land costs to pre-sale cost	The costs of development beyond raw land, including development charges and levies

5.1.2 Input metrics

Measures that are based on inputs look to apply metrics to a given intermediate process that, prima facie, would contribute to an improved outcome. In the case of land supply, housing affordability and the associated development processes, the extended pipeline of activity required to bring a house to market allows for the creation of input metrics that unpack key milestones in the pipeline.

For example, to assess the efficiency of the land supply system, input measures such as the time elapsed from rezoning to subdivision or between lodgement of subdivision to approval may be used. Alternatively, more specific input measures such as the extent to which applications are considered under codes or through independent assessment may be applied.

The advantage of input metrics is that incentive payments can be directly attributed to the improvements in the process measured. These measures can also be easily collected and reported by the jurisdictions. The disadvantage of such an approach is that the incentive payments may target processes or activities that are marginal to the broader goals of improving land supply and housing affordability, or that the focus on performing to the measure itself may distract from any broader goal to improve the planning system overall.

Some examples of possible input metrics relating to land supply and housing affordability are listed below in Table 5.2.

Table 5.2: Examples of input metrics

Input metric	What is being measured
Time elapsed from land release to serviceable lot production	The time taken to supply land from initial rezoning to first lot in production
Time elapsed from subdivision development application to subdivision development approval	The time taken for a subdivision application to be assessed and determined for approval
Development applications considered under codes	The number of development applications considered under codes
Development applications considered under independent hearing and assessment	The number of applications determined under independent assessment
Days to approval exceeding any statutory “stop clock”	The number of days to approval exceeding statutory minimum or under “stop clock” regulations
Development applications lodged online	The number of development applications lodged using online platforms
Ratio of raw land costs to pre-sale cost	The costs of development beyond raw land

5.2 Using different metrics for different areas

Once the types of metrics have been decided on, another issue when implementing an incentives framework for addressing housing affordability and land supply is considering whether different performance targets under the chosen metrics should be used for different areas. This could be based on location or on the type of land and housing that is being built.

In particular, greenfield releases and infill developments have significantly different characteristics and could therefore require different sets of performance targets when jurisdictions are being assessed on either input or output metrics. Differing regulatory, institutional and cost settings exist for each of these types of developments, and measures that are satisfactory in one circumstance may therefore not be appropriate in the other.

For example, the time taken to rezone land for residential use or the time elapsed from zoning approval to the actual lot sale would vary in greenfield areas where local community constraints are modest, compared to established infill areas where environmental and transport constraints may add friction and costs. Similarly, the time taken to assess an application in a greenfield zone is typically less than for infill developments, as longstanding community interests are generally less developed than those in built up areas where the protection of individual property rights and entitlements may become introduced into planning decisions.

If a greater proportion of Australia’s future housing developments are infill, it will be imperative that the regulation of these more complex and higher-cost processes is streamlined if housing is to be more affordable.

Additionally, consideration needs to be given to whether allowances need to be introduced to allow for national priorities, or to ensure that reforms that have already been planned for in particular areas are not disturbed by the introduction of a new incentives framework. In the case of the former, concerns over housing affordability and land supply may be more acute in particular regions and localities within each state, suggesting that targeting conditions in these areas would generate the greatest return. A national framework would therefore need to consider whether it is appropriate to maintain the same performance targets in jurisdictions dealing with less acute affordability issues.

Metrics could also be state-specific under an incentives framework, recognising that planning solutions may differ by state. While some metrics, such as overall dwelling shortages (such as formally reported by the NHSC) are likely to be a useful metric for all states, other indicators relating to, for example, public transport usage or dwelling price-points may be state-specific and interact with existing state policies.

Overall ‘dashboards’ of metrics could be agreed between the Commonwealth and the States, reflecting both national and state-specific metrics. Data measurement, collection and reporting would form part of any agreement, as would the framework for tying payments to the specific metrics chosen.

5.3 Available data and a way forward

Measurement of planning outcomes, particularly against a wider range of appropriate metrics, is a data-intensive exercise. Like a growing range of public sector agencies, Local Governments are currently required to report on various performance metrics including process and service related efficiency metrics. This includes measures such as approval times, number of applications assessed and number of applications assessed by councillors.

However, beyond these relatively narrow input metrics there are limited existing data sources on which to base metrics for an incentives framework. Housing affordability statistics are readily available, however, as discussed above these tend not to be the best metrics for assessing the impact of government policy. Data more closely related to the housing market, such as approvals and completions, are also readily available. However, more tailored data on completions by pricing point or forecast and existing supply shortages is not available.

Indeed, in reviewing the current state of data for measuring planning performance, AHURI (2012) concluded that '*the evidentiary framework for measuring planning performance across a range of objectives and goals, including those relating to housing, remains limited*'. It further states that:

> *"Our preliminary efforts indicate that existing sources of information are not sufficient to undertake even simple quantitative analyses of planning performance and or relationships between particular planning approaches and housing market outcomes in NSW. Our review of Australian data sources and panel deliberations suggest similar limitations exist across the Australian jurisdictions"*[39]

Given the increasing focus on planning and the broader agenda around cities and the built environment, improved data reporting of key performance metrics would have use far beyond an incentives framework and should be a priority across jurisdictions. This shift in emphasis towards broader planning objectives should also facilitate the collection of an equally broad suite of metrics that incorporate information on housing, productivity and liveability outcomes, each of which may form part of an incentives framework.

A broader collection of data is possible. For example, the UK earlier this decade collected data from local governments for a three year period under the National Indicator Set. This included planning related measures such as net increment to the housing stock, the gross number of affordable homes and the supply of ready to develop housing sites. Some of these indicators were continued in the 'Single Data List' which local governments were required to report on.

In Australia a similar, and expanded, list of metrics could be developed based on data from the three levels of government and reported at fixed time intervals through a central agency. This agency may be the same tasked with administering the incentives framework outlined in this report, but its remit may include informing housing policy more broadly.

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[39] *Australian Housing and Urban Research Institute. (2012). Quantifying planning system performance and Australia's housing reform agenda: an Investigative Panel*, page 1.

The basis of determining the metrics against which incentive payments could be awarded should involve consultation between Commonwealth and State Governments. Agreement across the different levels of government is necessary to ensure that all jurisdictions are on-board with the design of performance targets within the incentives framework, and that the selected metrics are consistent with the priorities of the governments involved with respect to planning reform and housing policy. As the individual performance metrics to be used in an incentives framework will depend on the nature of these priorities, it is difficult to be prescriptive in recommending the exact metrics to be used prior to this Commonwealth-State consultation process.

Notwithstanding this, it is clear that the selected metrics must incentivise reform and policy change that facilitates a more efficient delivery of housing supply within each jurisdiction, in a way that enables governments to be held accountable towards the nominated targets. In this context, we suggest four key areas that can be used as starting points for discussion as Commonwealth and State Governments work towards establishing the appropriate performance targets:

- Strategic state plans that includes housing targets;
- The translation of these strategic objectives into statutory planning frameworks, with more streamlined planning systems that provide state and local agencies with the tools required to deliver on housing targets in a timely and efficient manner, so that housing can be delivered at lower cost;
- The nature of the housing targets themselves, including the type, number, location and the relative affordability of the housing supply; and
- Other important features of housing, such as density and access to infrastructure and services.

No single metric will adequately capture the complexity and scope of ‘good’ planning outcomes, even when more narrowly defined to reflect housing supply and affordability. Instead, a range of metrics across these four areas – including both output and input metrics – will be required to sufficiently ‘triangulate’ the effects of government policy on housing market outcomes, separating the macroeconomic noise that is inevitable in output metrics while providing the focus that is not achievable from input metrics alone.

Using multiple metrics for performance monitoring naturally presents its own difficulties. Metrics will, either explicitly or implicitly, need to be weighed against each other to derive an overall performance. This is not a problem unique to an incentives framework, with policies and agencies frequently being evaluated against multiple criteria. For instance, the Property Council’s *Development Assessment Report Card* is one example of a framework that scores the States against ten ‘leading practice principles’.

A similar scorecard could be developed for each State at the commencement of the framework, potentially with weighting of the metrics determined in collaboration with each State to reflect the focus of reforms and current perceived problems. An annual scorecard comparing the States across consistent metrics could be created to provide comparability and establish best practice outcomes.

6 An incentives model for housing supply

In coordinating government policy action to address land supply and housing affordability issues across Australia, an incentives model that draws on elements of the National Competition Policy framework could provide a useful impetus. This would see a role for the Commonwealth Government in providing incentives for state and local jurisdictions to improve on land supply and housing affordability processes and outcomes.

There are several reasons as to why this type of Commonwealth involvement could be necessary in improving land supply and housing affordability across Australia, despite most of the policy levers and data on progress being held at the State and Local Government level.

First, housing supply directly relates to a number of issues relevant at the Commonwealth level, such as migration, population growth, infrastructure and economic growth.

Second, the efficiency of the planning systems in Australia is a national economic issue. Many housing developments are delivered by businesses that operate across jurisdictional boundaries, so reducing complexity becomes important.

Third, the benefits associated with improved housing affordability with respect to increased GDP growth and tax revenue collections are likely to be primarily realised at the federal rather than the state or local level. In contrast, many of the changes to be implemented and the costs to be incurred will fall on State and Local Governments. As such, an incentives framework represents a means to rebalance the flow of benefits.

And finally, the Federation is rarely negotiated, with major reforms over recent years only in 2001 (upon the release of the GST) and 2008 (with the Intergovernmental Agreement on Federal Financial Relations). As the political agenda continues to evolve in 2016, this could provide a good opportunity to coordinate intergovernmental policy action to improve land supply and housing affordability in Australia.

The focus on urban policy and a cities agenda at the Commonwealth level will also open up the discussion on some of the fundamental political challenges associated with the issues of housing supply and investing in urban place, including governance issues and the complex division of powers in Australia's federal system.[40]

COAG has previously identified housing affordability as a pressing issue in Australia, recognising the importance of improving affordability and access to safe and sustainable housing. There is already a National Partnership agreement on Social Housing, as well as a National Affordable Housing Agreement administered by COAG. While housing affordability

[40] Howe, B. (2011). *Australian cities in transition - governance challenges for investing in better places*. [online] Published in The Smith Institute, *Investing in better places: international perspectives*. Available at: http://suma.org/img/uploads/documents/Investing%20in%20Better%20Places%20.pdf.

has been on the COAG agenda for some time, housing market outcomes have not seen significant improvement over this period. In this context, a more complete framework represents an opportunity to take coordinated policy action in a way that could have a more material effect on housing affordability outcomes, as well as elevating the subjects of housing affordability and land supply and raising the issues in the public debate.

In this context, the NCP is a useful model to consider in implementing an incentives framework for addressing housing supply and affordability. Several key features of the NCP can be applied to the creation of an incentive payments model relating to housing supply and planning reform, including the need for Commonwealth-State government cooperation, the potential for measuring performance, and the idea of sharing the revenue dividend from higher economic growth through financial incentive payments.

However, it will be important that these relevant elements of the NCP model are adapted to fit a housing purpose and to consider the features of planning reform, which are areas that are more about regulatory reform than simply enhancing competitive pressures, that require ongoing monitoring, and that involve complex interactions with other social and economic objectives.

This section discusses some of the key principles and issues that can be drawn from the NCP and other intergovernmental agreements in providing new impetus for reform on housing supply and affordability, and proposes a suitable governance framework for an incentives model to address housing supply.

6.1 Principles underpinning an incentives framework

An incentives model for intergovernmental coordination on land supply and housing affordability requires a clear framework that connects progress on a well-defined set of metrics to any incentives that are paid to each jurisdiction. A clear set of principles underpinning the framework is required to ensure that both the jurisdictions and the wider community understand how progress is measured and how payments are allocated, and that all parties are on board with the implementation of the framework.

In creating a set of principles appropriate for an intergovernmental framework that seeks to coordinate policy action on land supply and housing affordability issues, it is useful to reflect on the six core principles underlying the Intergovernmental Agreement (IGA) on Federal Financial Relations, which aimed to support reforms in a broad range of areas across Australia. These six core principles were:

- Governance that supports collaborative federalism;
- Rigorous focus on the achievement of mutually agreed outcomes;
- Clearly defined roles and responsibilities;
- Fair and sustainable financial arrangements;
- Stronger use of financial incentives; and
- Performance reporting which enhances accountability.

Importantly, the IGA principles were applicable not only in areas of economic importance, but also in relation to social policy and outcomes. For example, the use of financial incentives being tied to performance targets and reporting in the areas of health and education was one feature of the IGA framework.

In the context of addressing land supply and housing affordability issues, these broad principles could be tailored to focus more on relevant issues such as state strategic plans, land zoning and development processes. Nonetheless, the themes of accountability, performance, reporting and transparency should be the key foundations on which the set of principles should be based. The implementation of an incentives framework, subsequent policy action by each jurisdiction and the distribution of incentives following reform progress should all adhere to these principles.

The importance of maintaining an accountable and transparent framework with a strong set of underlying principles can be seen in Australia's experience with the IGA. An assessment of the reform progress achieved through the IGA framework, conducted by Deloitte Access Economics (2013), found that while there was general support for the framework and its principles, implementation of the reform agenda moved away from the IGA philosophy over time.[41] The substantial departures from the IGA framework and principles meant that it played a limited role in driving reform forward.

One of the key principles for ensuring that any intergovernmental framework is focused on delivering results – in this case, in improving land supply and housing affordability – is the rigorous focus on the achievement of mutually agreed outcomes. However, as discussed in previous sections, in a system with incentives payments based on a set of performance metrics it can be difficult to determine the extent to which policy changes have contributed to addressing or improving these final outcomes directly – particularly in the case of the housing market, where market outcomes are influenced by a variety of different economic and social factors.

As such, the most suitable performance metrics in an incentives framework are likely to be a combination of metrics that relate to inputs and outputs that can be directly linked to policy activity while also measuring housing market outcomes. Consistent with the principles, these metrics should be mutually agreed on between the Commonwealth and States and Territories, and then be a focus for achieving in the future. The use of these metrics should also be tied to the underlying principles of performance reporting to enhance accountability and a strong use of financial incentives. That is, jurisdictions should report on their progress in relation to these metrics at a regular frequency, and financial incentives should be provided on the basis of this progress.

6.2 Designing an incentives model

6.2.1 Measuring the flow of benefits

As a start in justifying the development of an incentives framework and grounding the payments it entails, the Productivity Commission or other central economics agency could be charged with modelling the effect that improved land supply and housing affordability

[41] Deloitte Access Economics. (2013), *Assessment of progress under the COAG Reform Agenda*.

could have on productivity and GDP in the Australian economy, and the extent to which this would impact upon tax revenue collections at each level of government. In addition to providing a quantitative foundation on which to base the structure of an incentives framework, this could also assist in elevating the discussion on the broader benefits to economic growth associated with improving housing affordability.

Identifying how benefits and costs flow to different tiers of government is also an important component of designing an incentives model. This is because the costs and benefits of reform can be shared disproportionately across different levels of government, and incentive payments are intended to encourage reform by aligning these costs and benefits across jurisdictions.

The table below provides an example list of the broader benefits and costs associated with improving land supply and housing affordability in Australia, as well as matching these benefits and costs to the tiers of government where they may fall. Consideration of these factors will be important in determining a framework on how to best distribute incentive payments to encourage reform.

Table 6.1: Example benefits and costs accruing to different tiers of government

	Federal	State	Local
Benefits			
GDP growth and income tax revenue	✓✓		
GST revenue uplift		✓	
Other property taxes		✓	✓
Planning efficiency		✓	✓
Labour force participation and supply	✓	✓	
Liveability	✓	✓	✓
Costs			
Infrastructure	✓	✓	✓
Political risk in implementing planning reform (e.g. for high density)		✓	✓

While the many revenue benefits of productivity and GDP growth accrue to the Federal Government level through income taxes, State and Local Governments also deliver on their own objectives from improving planning processes, land supply and housing affordability. State and Local Governments also receive revenue benefits from other taxes and charges such as stamp duty, GST and council rates, improved efficiency in the planning system, and the direct economic contribution to the state and local economy associated with increased construction activity.

For example, in South Australia, the State Government is working towards improving the state’s framework for long-term planning, with the *Planning, Development and Infrastructure Bill 2015* including a new State Planning Commission and joint planning arrangements to allow for regional cooperation between councils, state government and communities. The regulatory impact statement conducted on this package of planning reforms estimates that the net economic benefit to the South Australian economy over 20 years will be $2.3 billion, with benefits accruing to a number of stakeholders including businesses, councils and individual applicants for development approval.

Given that State and Local Governments do benefit in their own right from planning reform and improving housing supply and affordability, the relative benefits and costs across the different tiers of government should be quantified as part of the process for agreeing upon the incentives payment framework. The determination of incentive payments from the Commonwealth to State and Local Governments should take into consideration these intrinsic benefits associated with reform and policy action. This will ensure that payments are appropriately sized, to the extent that Commonwealth-provided financial incentives might be required to provide additional motivation for reform or to address timing issues in the realisation of benefits.

6.2.2 Considerations for setting incentives

6.2.2.1 Should incentives be financial?

Different tiers of government can achieve coordinated policy action in response to various types of incentives, including financial and political incentives. While a variety of different incentives are possible, previous experience and liaison with key stakeholders at the workshop suggests that financial incentives provided to jurisdictions by the Commonwealth are likely to be the most effective type of incentive for motivating reform on land supply and housing affordability across the different tiers of government.

This is consistent with the Australian experience from the National Competition Policy, with the Productivity Commission (2005) finding that '*the provision of financial incentives to the States and Territories, allowing them to share directly in the fiscal dividend from meeting their agreed reform commitments, has also played a critical role in keeping the reform progress on track*'.[42] It was found that even small reductions in incentive payments for non-compliance with NCP commitments were sufficient to encourage reform. In that sense, payments were not wholly based on estimates of economic benefits, and were instead used to stimulate action rather than recompense benefits. Also, as discussed above, the use of financial incentives was one of the six core principles of the 2008 IGA on Federal Financial Relations.

Financial incentives have also been used to motivate broader reforms surrounding planning and urban development in other countries around the world. For example, in the United Kingdom, the City Deals model was initiated in 2012, providing a new approach to infrastructure priority-setting, funding and financing.

The UK City Deals model allows partner cities who pledge to boost productivity, employment and economic growth to receive "earn-back", a share of the growth dividend associated with the faster economic development (e.g. through the additional tax revenue generated from this growth), based on metrics such as employment, housing construction and emissions reductions targets. These "earn-back" financial incentives are analogous to the competition payments made under the NCP model, and can be used by cities to finance

[42] Productivity Commission. (2005). *Review of National Competition Policy Arrangements*. [online] Available at: http://www.pc.gov.au/inquiries/completed/national-competition-policy/report.

new priority infrastructure projects or to amortise existing debt obligations faster.[43] The Australian Assistant Minister for Cities recently announced that the City Deals model could be adapted for use in Australia, as a central part of the Prime Minister's cities agenda.[44]

In addition to using financial incentives, infrastructure provision can also provide an incentive to drive coordinated policy action on land supply and housing affordability in Australia. For example, tying federal government infrastructure expenditure or service provision within a particular jurisdiction to that jurisdiction's reform progress could also be an effective mechanism for motivating policy action. This could also assist governments in coordinating investment in urban infrastructure and social development, which is crucial to improving liveability and economic growth but historically has been difficult to achieve.[45] In addition, investment in infrastructure as part of an incentive framework can be used as a catalyst for unlocking housing developments that otherwise would not have occurred, realising additional benefits.

It would also be possible to use the National Affordable Housing Agreement (NAHA) as a vehicle for facilitating the provision of incentives across different tiers of government. The NAHA is an existing COAG agreement that aims to take a whole-of-government approach to tackling housing affordability issues in Australia. Under an incentives framework, this option could see the housing assistance payments made to each State and Territory under the NAHA contingent upon progress made within the jurisdictions on housing and planning reform.

It is important that Local Governments are a part of any intergovernmental incentives framework for addressing land supply and housing affordability in Australia. The framework for coordination could see the Commonwealth providing States and Territories with financial and/or infrastructure-related incentives based on a set of performance metrics, with state governments then holding councils accountable for implementing changes relevant at the Local Government level. This could involve States and Territories creating a local government fund to, for example, provide funding for infrastructure expenditure and services provision in council areas that perform highly.

The inclusion of Local Government in the incentives framework is important in improving land supply. Addressing housing affordability requires a holistic reform process, and Local Governments play a significant role in the implementation and execution of planning policy. As discussed previously, there are mechanisms that can enable the Commonwealth Government to provide financial payments to Local Governments. This includes federal funding provided through the Financial Assistance Grant programme, in which grants are paid in quarterly instalments to State and Territory Governments for distribution to Local Governments through the Local Government Grant Commission established in each State. The provision of financial incentives to Local Government in the context of addressing

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[43] Property Council of Australia and KPMG. (2014). *Introducing UK City Deals: A smart approach to supercharging economic growth and productivity*.

[44] Dole, N. (2016). *UK city model to be adapted for Australia under Turnbull's plan*. [online] ABC News. Available at: http://www.abc.net.au/news/2016-03-25/uk-city-model-to-be-adapted-for-australia/7276252.

[45] Howe, B. (2011). *Australian cities in transition - governance challenges for investing in better places*. [online] Published in The Smith Institute, *Investing in better places: international perspectives*. Available at: http://suma.org/img/uploads/documents/Investing%20in%20Better%20Places%20.pdf.

housing supply and affordability could operate through a similar mechanism, with the payment of grants tied to progress in implementing changes.

The size and ongoing nature of payments directed to Local Governments would depend on the obligations placed on them under the framework. In particular, where specific and ongoing process outcomes are placed upon councils this could be the trigger for ongoing payments, potentially differentiated by Local Government depending on their relative performance. These payments would reflect in part the additional resources that may be needed for performance targets to be met. Imposing targets which Local Governments are responsible for, in the absence of payments, may jeopardise the implementation of the framework. However, it is also important to recognise that Local Governments are also likely to receive direct benefits from reform, including increased rates revenue, investment and economic activity.

Reforms that simplify the planning system, for example through clarifying strategic plans would reduce the burden on local governments. While small initial payments directed to Local Governments may still be beneficial overall, sizeable ongoing payments would be less justified.

6.2.2.2 Timing of incentives payments

The timeframes that could be required for implementing genuine reforms relating to housing affordability and land supply could be relatively long term across both State and Local Governments. This is particularly the case if incentives are paid on the basis of the outputs or outcomes resulting from policy action within a particular jurisdiction, as it could take some time for any changes to have an impact.

As such, consideration needs to be given to the timing of incentives payments to be made under the framework. This is because the impact of financial incentives or incentives relating to infrastructure provision in motivating policy action is likely to weaken if they are not expected to be paid to jurisdictions until some years into the future. Timing is a particularly relevant issue in relation to infrastructure investment (either direct delivery or financial assistance), as significant infrastructure backlogs exist in many Australian cities, particularly in growth areas. An initial 'sign-on' payment to jurisdictions who agree to abide by the framework and implement reforms to improve housing affordability and land supply could assist in providing governments with an upfront incentive to participate in the coordinated drive for reform.

This initial payment could, for example, be conditional on governments submitting a plan of action on the reforms they intend to implement to address the issues of housing affordability and land supply; how they intend to work with Local Governments within their jurisdictions; self-defined performance targets and weightings; and other relevant components of a holistic strategic plan.

Subsequent financial or other incentives could then be paid based on each jurisdiction's performance relative to the plan, which could also be updated as progress is made over time. As the performance targets described within each state or territory's plan need not be identical across jurisdictions, such a framework also allows for some flexibility for different jurisdictions to set performance metrics that more directly target location-specific issues.

These upfront payments could also provide the Federal Government with a way to address issues around first-mover disadvantage where existing progress on land supply and housing affordability limit the ability for future rewards to be received.

In this context, one component of the payment could, for example, be provided to States and Territories on the basis of existing performance such as reforms that have already been undertaken that have delivered upon agreed outcomes, should the jurisdiction also agree to sign up to implementing further reforms in a forward-looking strategic plan for addressing housing supply and affordability. The size and nature of these payments would need to be assessed by an independent body to ensure that they accurately reflect current progress while also encouraging jurisdictions to continue to work towards planning reform – the establishment of such an authority is discussed in further detail in the following section.

6.3 Governance structure

As set out, there are two core functions that will need to be performed centrally in administering the framework:

- Overseeing the development of the financial incentives framework and determining eligibility for payments; and
- The detail of establishing performance targets and collection of data allowing benchmarking and monitoring against the framework and state plans.

These two functions are conceptually quite different, both in the skillsets required, the interaction required with the States and the size of the task. As a result, there is no necessary reason for them to be undertaken by the one institution.

The measurement and collection of data could be undertaken by a relatively small section within an existing agency, as was formerly the case with the NHSC within Treasury. This section could be tasked with a broader reporting agenda than that narrowly required for the incentives framework, with the broader cities agenda currently underway and subsequent policy associated with this agenda, also likely to be data-dependent.

There is currently little in the way of useful and centrally collected data to inform housing and planning policy. Providing this data is one key way in which the Commonwealth can contribute to planning and housing policy. Along these lines a recent study by the AHURI (2015) reported that:

> *'There is no steady stream of information [on housing trends and outcomes] across local entities, much less state entities. There's a lack of detail. There is a lack of transparency.'*[46]

Data on land supply and housing affordability processes and outcomes need to be accurate, reliable, adequate in coverage and provided on a consistent basis in order to review the progress of and inform decision making on different jurisdictions. The availability of such

[46] Australian Housing and Urban Research Institute. (2015). *Housing markets, economic productivity, and risk: international evidence and policy implications for Australia*. [online] Available at: http://www.ahuri.edu.au/research/final-reports/254.

data would allow the independent authority to benchmark each jurisdiction's performance against best practice and assess progress over time with respect to particular metrics. In determining the data requirements necessary for making decisions relating to incentives payments, the independent authority could look to broader indicators of data quality such as the ABS's Data Quality Framework in order to guide jurisdictions on the necessary characteristics of any data to be provided.[47]

The ABS Data Quality Framework (DQF)

The ABS DQF provides standards for assessing and reporting on the quality of data and statistical information. Seven dimensions of quality are included as part of the ABS's Data Quality Framework:

- Institutional environment
- Relevance
- Timeliness
- Accuracy
- Coherence
- Interpretability
- Accessibility

The ABS DQF is designed for use by data users and providers in different settings, including government agencies and independent research agencies. For example, it was used to assess the quality of performance indicator data linked to a number of National Agreements in key policy areas signed by COAG in 2008.

The function of agreeing and establishing performance targets with the States is a separate exercise and one that is best placed within existing frameworks that will facilitate this collaboration. The body coordinating these functions would also be responsible for reporting on progress against goals and determining the eligibility of states for receiving payments (as well as determining the size of these payments). Such an independent arbitrator would play a similar role as the National Competition Council, which was the body that assessed the distribution of costs and benefits across levels of government and recommended competition payments from the Commonwealth to the States and Territories under the original NCP framework.

Whichever institution, or institutions, are tasked with these functions, a **clear and transparent** governance structure is particularly important to ensure that the correct stakeholder is held accountable for progress against the framework. Intergovernmental policy coordination can lead to a blurring of the traditional lines of government roles and responsibilities at the various tiers of government, particularly given the complicated division of powers in Australia's federal system. A strong governance framework can help to ensure that the roles and responsibilities of each party are clear at the outset.

[47] Australian Bureau of Statistics. (2016). *1520.0 - ABS Data Quality Framework, May 2009*.

The importance of governance in addressing the issues of housing affordability, urban policy and the liveability of cities through the Australian political system was highlighted in Professor Brian Howe's report *Australian Cities in Transition – Governance challenges for investing in better places* (2011). In particular, the report noted that:

> *"Making strategic choices, as well as implementing changes that might often need to be sustained over decades, [are] essentially a matter of governance… Australia's system of government is not especially conducive to providing the kind of leadership that will deal successfully with resolving so vexed a problem as our future city development."*[48]

These responsibilities of setting performance metrics and overseeing the eligibility of states for receiving payments could be part of the remit of the proposed Australian Council for Competition Policy (ACCP). In 2015, the Competition Policy Review recommended that a new national competition body – the ACCP – should be established with the mandate to drive the implementation of the government's competition policy agenda (Recommendation 43). It was also recommended that this independent body could be tasked with reporting on the progress of State and Territory Governments in assessing planning and zoning rules against the public interest test, such that these rules should not restrict competition unless the benefits to the community as a whole in doing so outweigh the costs (Recommendation 9).

In its response to the Review, the Government stated that it "*supports the need for a body to oversee progress on competition reform and will discuss its design, role and mandate with the States and Territories*". It was also supportive of encouraging States and Territories to consider competition principles in the objectives of planning and zoning rules.

It is therefore possible that a remit for monitoring states' progress and coordinating incentives payments as part of addressing housing affordability and supply issues could sit within the responsibilities of the ACCP, if or when such a new national competition authority should be established. The mandate for this body in forwarding a competition policy and reform agenda through a structure where all jurisdictions are represented and where incentive payments could be a key operating lever, and the already nominated inclusion of planning and zoning issues, make this a possible vehicle for administering the incentives framework for housing supply.

While the ACCP will oversee a range of different areas in addition to housing and planning, reform in this area could represent a particular work program within the organisation's responsibilities. Specific housing sector expertise would be provided by the data-gathering body discussed above passing its findings and advice directly to the ACCP, which would inform the ability of the ACCP to monitor state progress and make incentives payments. In addition, including housing affordability, planning reform and land supply within the remit of the ACCP could allow for political coordination in a multilateral or cross-departmental context, where linkages between housing policy and other areas might exist.

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[48] Howe, B. (2011). *Australian cities in transition - governance challenges for investing in better places*. [online] Published in The Smith Institute, *Investing in better places: international perspectives*. Available at: http://suma.org/img/uploads/documents/Investing%20in%20Better%20Places%20.pdf.

6.4 An outline of a framework

A Commonwealth incentives framework model for housing supply provides a meaningful approach to stimulating action on housing supply reform by State and Local Governments. Similar frameworks, such as that used in implementing the National Competition Policy reforms, have been shown to be successful in generating policy action from the States in previous cases of reform. Nonetheless, incentive payments themselves do not provide policy solutions, and planning reform has proved difficult in the past.

This report has outlined a number of key steps that should be undertaken on the path to implementing an incentives model for coordinating policy action on housing supply and affordability. This includes the necessity for setting performance targets as a basis upon which incentives payments can be made; the establishment of an institution to collect accurate and consistent data on housing metrics, to be provided to the proposed ACCP as an input to determining payments; the modelling of economic benefits associated with reform and where these benefits accrue; the use of upfront payments based on state metro plans to ensure initial buy-in of state policymakers; and the involvement of Local Government given their important role in the planning system.

Should the Commonwealth proceed with an incentives framework, the following page identifies five key features for its design based on the analysis above.

Five steps to implementing a financial incentives framework:

1. **Set targets.** Identify and agree on performance metrics with the States. States already collect data relating to their planning systems and these could be standardised and reported to a dedicated housing policy body (see 2 below). The metrics chosen will depend on the reform initiatives agreed, but could consist of housing targets by relative affordability, and the development of metro plans with specified targets and measures of the system's efficiency. Targets and metrics need not be identical across States. Some States will face location-specific issues and should be given sufficient flexibility to choose targets and metrics appropriate to their situation. However, this should not be open-ended.

2. **Make someone responsible.** This report suggests establishing a housing institution which could sit within a Commonwealth agency, with a broader role than the National Housing Supply Council, to collate consistent data on housing. Data collection processes and reporting should be transparent, with annual reports on each state's performance against relevant metrics, allowing for an assessment of state progress and improvements in planning systems. The proposed Australian Council for Competition Policy, with responsibility for incentive payments, could receive recommendations and input from this institution, and ultimately decide on issuing payments.

3. **Model the benefits.** Economic modelling that estimates the size of linkages between state housing outcomes and Commonwealth revenues will be needed to inform the size of benefits achievable through reform, and where these benefits accrue.

4. **Link payments to action – upfront and ongoing.** Metro plans could form the basis of up-front payments at the commencement of the incentives framework. Ongoing payments should be based on realised performance against metrics. The creation of plans alone should not be sufficient grounds for receiving payments, and should instead only be used to commence the payments process.

5. **State Governments to lead, but involve Local Governments.** While policy reform will ultimately need to be driven by the States, Local Governments will be a key part of the process and they should receive some incentive payments for participation and achievement of objectives.

Appendix A – Modelling Approach

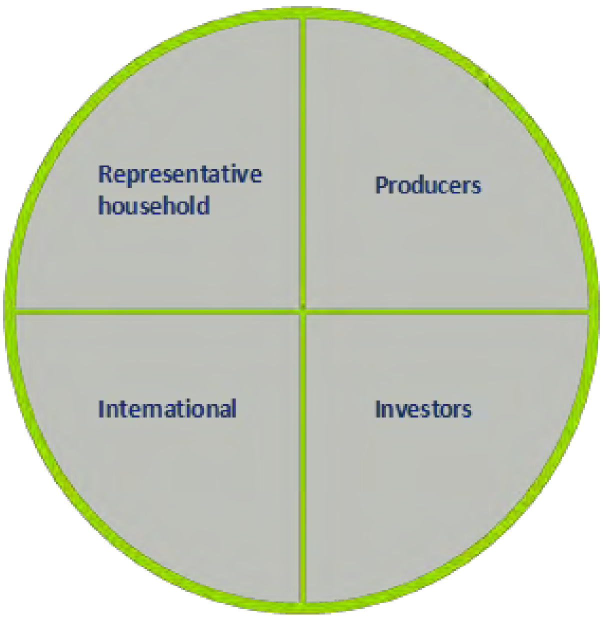
The economic modelling in this report is based on Deloitte Access Economics' in-house computable general equilibrium (CGE) model. CGE models are whole-of-economy models that are ideally suited to measuring the impact of productivity shocks to whole industries or factors of production such as labour.

The Deloitte Access Economics – Regional General Equilibrium Model (DAE-RGEM) is a large scale, dynamic, multi-region, multi-commodity computable general equilibrium model of the world economy. The model allows policy analysis in a single, robust, integrated economic framework. This model projects changes in macroeconomic aggregates such as GDP, employment, export volumes, investment and private consumption. At the sectoral level, detailed results such as output, exports, imports and employment are also produced.

The model is based upon a set of key underlying relationships between the various components of the model, each which represent a different group of agents in the economy. These relationships are solved simultaneously, and so there is no logical start or end point for describing how the model actually works.

Figure A.1 shows the key components of the model for an individual region. The components include a representative household, producers, investors and international (or linkages with the other regions in the model, including other Australian states and foreign regions). Below is a description of each component of the model and key linkages between components. Some additional, somewhat technical, detail is also provided.

Figure A.1: Key components of DAE-RGEM



DAE-RGEM is based on a substantial body of accepted microeconomic theory. Key assumptions underpinning the model are:

- The model contains a 'regional consumer' that receives all income from factor payments (labour, capital, land and natural resources), taxes and net foreign income from borrowing (lending).
- Income is allocated across household consumption, government consumption and savings so as to maximise a Cobb-Douglas (C-D) utility function.
- Household consumption for composite goods is determined by minimising expenditure via a CDE (Constant Differences of Elasticities) expenditure function. For most regions, households can source consumption goods only from domestic and imported sources. In the Australian regions, households can also source goods from interstate. In all cases, the choice of commodities by source is determined by a CRESH (Constant Ratios of Elasticities Substitution, Homothetic) utility function.
- Government consumption for composite goods, and goods from different sources (domestic, imported and interstate), is determined by maximising utility via a C-D utility function.
- All savings generated in each region are used to purchase bonds whose price movements reflect movements in the price of creating capital.
- Producers supply goods by combining aggregate intermediate inputs and primary factors in fixed proportions (the Leontief assumption). Composite intermediate inputs are also combined in fixed proportions, whereas individual primary factors are combined using a CES production function.
- Producers are cost minimisers, and in doing so, choose between domestic, imported and interstate intermediate inputs via a CRESH production function.
- The supply of labour is positively influenced by movements in the real wage rate governed by an elasticity of supply.
- Investment takes place in a global market and allows for different regions to have different rates of return that reflect different risk profiles and policy impediments to investment. A global investor ranks countries as investment destinations based on two factors: global investment and rates of return in a given region compared with global rates of return. Once the aggregate investment has been determined for Australia, aggregate investment in each Australian sub-region is determined by an Australian investor based on: Australian investment and rates of return in a given sub-region compared with the national rate of return.
- Once aggregate investment is determined in each region, the regional investor constructs capital goods by combining composite investment goods in fixed proportions, and minimises costs by choosing between domestic, imported and interstate sources for these goods via a CRESH production function.
- Prices are determined via market-clearing conditions that require sectoral output (supply) to equal the amount sold (demand) to final users (households and government), intermediate users (firms and investors), foreigners (international exports), and other Australian regions (interstate exports).
- For internationally-traded goods (imports and exports), the Armington assumption is applied whereby the same goods produced in different countries are treated as imperfect substitutes. But, in relative terms, imported goods from different regions are treated as closer substitutes than domestically-produced goods and imported composites. Goods traded interstate within the Australian regions are assumed to be closer substitutes again.

- The model accounts for greenhouse gas emissions from fossil fuel combustion. Taxes can be applied to emissions, which are converted to good-specific sales taxes that impact on demand. Emission quotas can be set by region and these can be traded, at a value equal to the carbon tax avoided, where a region's emissions fall below or exceed their quota.

Households

Each region in the model has a so-called representative household that receives and spends all income. The representative household allocates income across three different expenditure areas: private household consumption; government consumption; and savings.

Going clockwise around Figure A.1, the representative household interacts with producers in two ways. First, in allocating expenditure across household and government consumption, this sustains demand for production. Second, the representative household owns and receives all income from factor payments (labour, capital, land and natural resources) as well as net taxes. Factors of production are used by producers as inputs into production along with intermediate inputs. The level of production, as well as supply of factors, determines the amount of income generated in each region.

The representative household's relationship with investors is through the supply of investable funds – savings. The relationship between the representative household and the international sector is twofold. First, importers compete with domestic producers in consumption markets. Second, other regions in the model can lend (borrow) money from each other.

- The representative household allocates income across three different expenditure areas – private household consumption; government consumption; and savings – to maximise a Cobb-Douglas utility function.
- Private household consumption on composite goods is determined by minimising a CDE (Constant Differences of Elasticities) expenditure function. Private household consumption on composite goods from different sources is determined is determined by a CRESH (Constant Ratios of Elasticities Substitution, Homothetic) utility function.
- Government consumption on composite goods, and composite goods from different sources, is determined by maximising a Cobb-Douglas utility function.
- All savings generated in each region is used to purchase bonds whose price movements reflect movements in the price of generating capital.

Producers

Apart from selling goods and services to households and government, producers sell products to each other (intermediate usage) and to investors. Intermediate usage is where one producer supplies inputs to another's production. For example, coal producers supply inputs to the electricity sector.

Capital is an input into production. Investors react to the conditions facing producers in a region to determine the amount of investment. Generally, increases in production are accompanied by increased investment. In addition, the production of machinery, construction of buildings and the like that forms the basis of a region's capital stock, is undertaken by producers. In other words, investment demand adds to household and government expenditure from the representative household, to determine the demand for goods and services in a region.

Producers interact with international markets in two main ways. First, they compete with producers in overseas regions for export markets, as well as in their own region. Second, they use inputs from overseas in their production.

- Sectoral output equals the amount demanded by consumers (households and government) and intermediate users (firms and investors) as well as exports.
- Intermediate inputs are assumed to be combined in fixed proportions at the composite level. As mentioned above, the exception to this is the electricity sector that is able to substitute different technologies (brown coal, black coal, oil, gas, hydropower and other renewables) using the 'technology bundle' approach developed by ABARE (1996).
- To minimise costs, producers substitute between domestic and imported intermediate inputs is governed by the Armington assumption as well as between primary factors of production (through a CES aggregator). Substitution between skilled and unskilled labour is also allowed (again via a CES function).
- The supply of labour is positively influenced by movements in the wage rate governed by an elasticity of supply (assumed to be 0.2). This implies that changes influencing the demand for labour, positively or negatively, will impact both the level of employment and the wage rate. This is a typical labour market specification for a dynamic model such as DAE-RGEM. There are other labour market 'settings' that can be used. First, the labour market could take on long-run characteristics with aggregate employment being fixed and any changes to labour demand changes being absorbed through movements in the wage rate. Second, the labour market could take on short-run characteristics with fixed wages and flexible employment levels.

Investors

Investment takes place in a global market and allows for different regions to have different rates of return that reflect different risk profiles and policy impediments to investment. The global investor ranks countries as investment destination based on two factors: current economic growth and rates of return in a given region compared with global rates of return.

- Once aggregate investment is determined in each region, the regional investor constructs capital goods by combining composite investment goods in fixed proportions, and minimises costs by choosing between domestic, imported and interstate sources for these goods via a CRESH production function.

International

Each of the components outlined above operate, simultaneously, in each region of the model. That is, for any simulation the model forecasts changes to trade and investment flows within, and between, regions subject to optimising behaviour by producers, consumers and investors. Of course, this implies some global conditions that must be met, such as global exports and global imports, are the same and that global debt repayment equals global debt receipts each year.

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NAHA
NATIONAL AFFORDABLE HOUSING ALLIANCE

INCREASING THE SUPPLY OF SOCIAL AND AFFORDABLE HOUSING AT SCALE AND IN PERPETUITY:

POLICY OPTIONS

Introduction

ABOUT NAHA

The National Affordable Housing Alliance comprises Australia's peak property, building, community housing, social services, union and industry superannuation groups who have come together with a focus on increasing the provision of social and affordable housing across Australia.

The Alliance's core members include:

- Australian Council of Trade Unions
- Australian Council of Social Service
- Community Housing Industry Association
- Industry Super Australia
- Homelessness Australia
- Housing Industry Association
- Master Builders Australia
- National Shelter
- Property Council of Australia.

The formation of this Alliance signals a unifying, cross-sectoral determination to fundamentally alter how we tackle homelessness and supply social and affordable housing in Australia.

Despite significant efforts by governments, the public, community, and private sectors over the past thirty-plus years, Australia's social and affordable housing and homelessness crisis has continued to worsen.

Access to housing that is affordable to the occupants is the first and fundamental precondition for social and economic security.

Setting up a systemic, self-sustaining framework that adds consistently to the net additional supply of social and affordable housing at scale, and most effectively leverages taxpayer support, is required to avoid a widespread social and economic crisis, ensure essential workers can continue to live in feasible proximity to their place of employment and support community needs.

WHAT NAHA AIMS TO ACHIEVE

The purpose of this paper is to put forward a targeted number of effective, apolitical policy options that could be adopted individually, or preferably together, to create a pipeline of new affordable and social housing at scale by leveraging non-government sources of capital.

New approaches, backed by new alliances, supporters and sources of capital, are needed to halt this deterioration and put supply on a sustainable trajectory into the future.

NAHA acknowledges that there are no silver bullets when it comes to resolving the ongoing shortage of affordable and social housing in Australia. All the models presented in this paper will have an impact in the short term and provide critical long-term and ongoing solutions.

The Alliance's primary objective is to develop a suite of policy options that facilitate a substantial increase in the supply of affordable and social housing in sufficient volumes to enable those in need to find secure, safe and affordable housing.

Following an initial implementation period and the ramp up of each policy, collectively, they aim to add between 11,150 to 14,950 homes per annum in addition to the new supply already being created by state and territory governments.

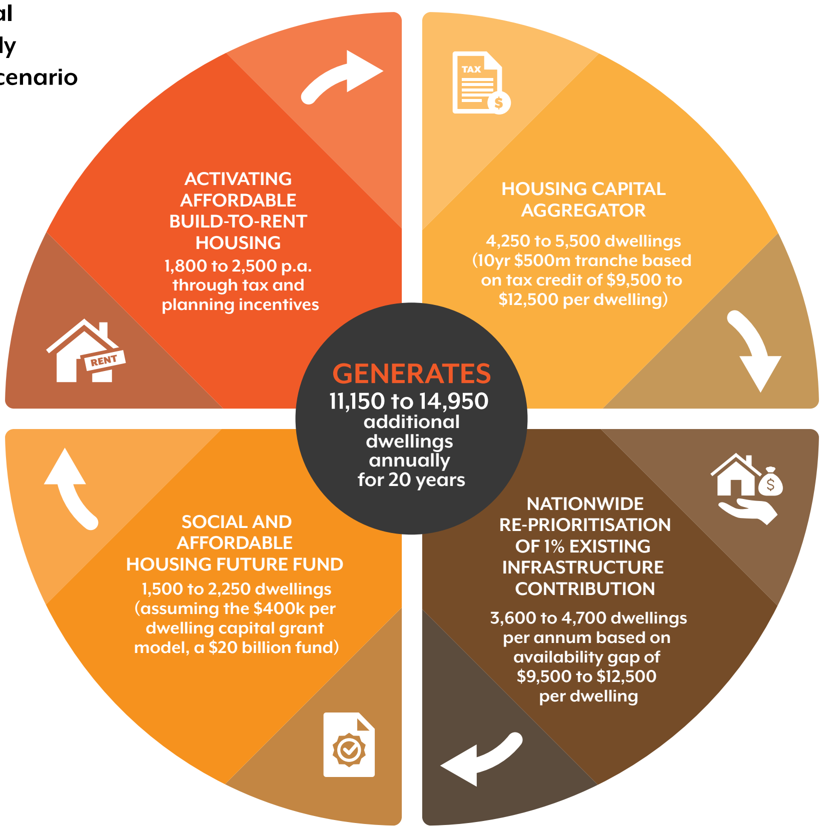
NAHA's view is that of the total net new additional supply created by the application of this policy suite, a minimum of 25% should be dedicated to addressing the needs of the most vulnerable households as social housing with rents capped below 30% of household income.

The policies NAHA is proposing all embed flexibility as a core element, they can be adapted to suit local conditions and scaled up as required. The examples offered in this paper are recommended baseline parameters, a proposed minimum starting point.

The goal is to develop an ongoing viable capability and create a framework that will attract investors and new sources of capital, at the same time as enhancing capability in the community housing sector and allowing the construction industry to forward-plan delivery.

Federal, state, territory and local governments play a critical role in delivering integrated support services and providing some limited capital contributions to housing stock for those in need.

Figure 1: Illustration of net additional federal contribution to supply potential: baseline scenario



NAHA acknowledges the role of all governments in supporting social and affordable housing and the goodwill to address this critical housing need.

The Australian Government's establishment of the National Housing Finance and Investment Corporation (NHFIC) in 2018 is particularly noteworthy and recognised as "a "singularly significant and successful intervention by the Commonwealth"[1] in the recently released independent review of its operations by Chris Leptos AM.

NHFIC's success demonstrates the potential of large-scale government-backed policy approaches that can operate perpetually to effectively leverage government and private sector contributions. The Alliance argues there is scope to build on this success and extend NHFIC's mandate to dramatically increase supply.

As the NHFIC review also noted, Australia's future social and affordable housing needs are immense with an estimated 819,000 new social and affordable dwellings required over the next 20 years to reduce current shortfalls and keep pace with a growing population.

Recognising the immutable requirement that "additional investment from the private sector is crucial to substantially increase social and affordable housing stock" the review recommends "that NHFIC be given an explicit mandate to 'crowd in' other financiers to support the delivery of social and affordable housing at greater scale."

The review further states that in doing so, NHFIC "has to be supported by other arms of government at the local, state and territory, and Commonwealth level."

The policy suite NAHA is proposing suggests how this could be implemented.

The Alliance seeks to broaden the sources of capital contribution to harness the superannuation and urban development industries aided by an enhanced Community Housing sector capable of providing distributed tenant management (TM), asset management (AM) and development management (DM) services across Australia.

1 https://treasury.gov.au/publication/p2021-217760.

The Aspire Consortium's proposed redevelopment of the Ivanhoe Estate at Macquarie Park.

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Executive **summary**

The establishment of this Alliance recognises the need to fundamentally change the conversation around – and the approach to – delivering social and affordable housing in Australia.

Relying solely on direct government funding is not sustainable on current policy settings. Neither is failing to address the growing problem.

The NHFIC review estimates that "an investment of around $290 billion will be required over the next two decades to meet the shortfall in social and affordable housing dwellings."

As the review further notes "the scale of investment required inevitably means that all levels of government, the private sector and not-for-profit organisations will all need to be part of the solution."

The task for policy makers must be to leverage other sources of capital – with government support – to address this need.

Creating an affordable and social housing system that is self-sustaining and adds substantially to additional supply, drawing on multiple capital sources is urgently needed.

To put the current circumstances in context, house prices have risen by more than 20 per cent in the last 12 months and have grown at the fastest annual rate in more than three decades.

The percentage of Australians renting is also at its highest point in the past 30 years.

Interest rates are at record lows while homelessness is at record highs, and the shortage of social and affordable housing has never been more acute.

The magnitude of the challenge is extraordinary. The affordable and social housing supply pipeline needs to dramatically increase and accelerate, from current net negative new supply levels.[2]

Downer Residential Precinct construction, ACT - developed by CHC

The NHFIC review estimated that an additional 30,000 social housing dwellings and an additional 15,000 affordable housing dwellings will be needed per annum over the next 20 years to prevent a further deterioration in the percentage of total social and affordable dwellings.

The longer the challenge goes without solutions that match the scale of the problem, the more acute it will become with profound social and economic implications.

NAHA brings together a range of groups representing different perspectives of the housing spectrum. Together, the Alliance has looked for ways to leverage new sources of capital, supported by government, to solve a pressing need. Our focus has been on areas of policy consensus. Our hope is that the policy options proposed can receive multi-partisan support. We stand willing to work with governments on the development and refinement of these solutions.

The essence of NAHA's proposed policies is to create a systemic approach to building a supply chain that delivers appropriate social and affordable housing in the right locations for targeted cohorts. This draws on existing residential development capabilities which are among the most efficient housing delivery capabilities in the world.

2 https://www.pc.gov.au/research/ongoing/report-on-government-services/2021/housing-and-homelessness/housing.

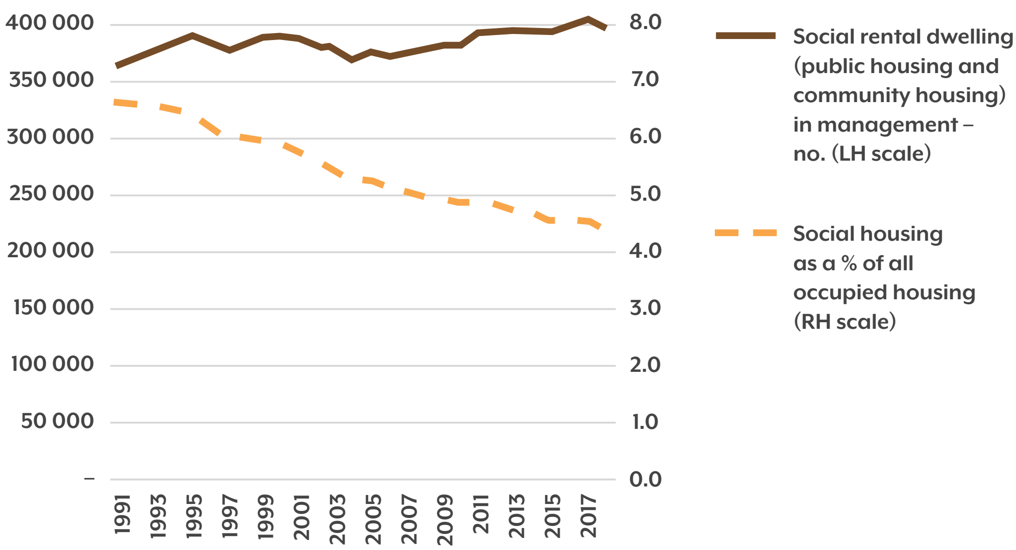
NAHA is advocating the adoption of a package of policy solutions that encompasses:

- **The Housing Capital Aggregator** model developed for a consortium led by the Constellation Project and including CHIA, Industry Super Australia and National Shelter proposes a transparent and competitive process aimed at scaling up further private investment in projects that deliver social and affordable housing by efficiently using public funds to deliver $4.80 of social and affordable housing assets over a 20-year period for every $1 of public funding deployed over a ten-year period. In turn, this creates an opportunity for other forms of housing assistance to be better targeted and to accumulate social and affordable housing assets for ongoing reinvestement in social and affordable housing options options.
- **The Social and Affordable Housing Future Fund** policy, developed by the Grattan Institute and leveraging the sovereign wealth fund concept first introduced by the Howard Government. The dividends from this fund would be invested as capital grants (or availability payments) to increase social and affordable housing supply annually.
- **Activating Affordable Build-to-Rent** housing as a vehicle to deliver additional affordable housing by incentivising social and affordable product components within these projects managed by accredited CHPs.
- **Re-prioritising a small proportion of existing residential development contributions** for social and affordable housing delivery. These already-levied contributions can then be used to assist in bridging the funding gap that precludes the development of social and affordable housing projects at scale.

Implemented together, these policies can leverage off each other and increase total output. NAHA proposes that these policies be implemented as a package with minimum investment parameters that set a floor that collectively delivers a minimum of 11,150 to 14,950 additional net new social and affordable dwellings consistently every year over a 20-year horizon and beyond.

To support this and ensure an evidence-based approach, the Alliance is also seeking to establish reliable sources of data to measure the extent to which new supply meets the needs of agreed priority groups, generally and in specific location.

Figure 2: Social housing supply



Sources: AIHW Australia's welfare 1997: services and assistance; Productivity Commission Report on Government Services (Housing) – various years; ABS Household and Family Projections, Australia, 2016 to 2041 (2019).
Note: 'Social housing' excludes Indigenous-specific housing.

Housing needs

DEFINING THE AFFORDABILITY CRISIS

Australia faces twin, but distinctly separate, affordability crises with on the one hand a long-term deterioration in housing affordability and on the other a growing shortage of affordable housing.

Housing affordability is defined as the relationship between expenditure on housing (including prices, mortgage payments or rents and associated costs) and household incomes.

Affordable housing, meanwhile, refers to subsidised or supported housing for low-income households, generally where the rent is discounted by a percentage below market rent ('affordable housing') or is set at or below 30 per cent of gross household income ('social housing').

The policies in this paper focus on addressing the supply of affordable housing, as distinct from measures aimed at ameliorating housing affordability. The correlation between the two however, cannot be overlooked. Declining affordability often increases demand for affordable housing, exacerbating existing shortfalls and constraining opportunities for low-income households to move along the housing continuum towards housing independence.


Downer Residential Precinct construction, ACT - developed by CHC

Australia's housing affordability has suffered significant declines over the past four decades.

Contrary to the expectations of many economic forecasters, the COVID-19 pandemic accelerated rather than slowed house price growth. In the 12 months to Q2 2021, house price growth in Australia was the 7th fastest in the world.[3]

At the same time, the percentage of Australians renting, and renting in the private market especially, has steadily increased. According to the latest available ABS data, almost one third (32 per cent) of Australian households rented their home in 2017–18[4] up from 26 per cent in 1994–95. This is expected to rise further when new census data is released.

Correspondingly home ownership has declined and is expected to continue to decline.

Meanwhile, median rents have continued to climb. CoreLogic's Rental Review for the June 2021 quarter showed national rental rates were 6.6 per cent higher over the year; the highest annual growth in dwelling rents in more than a decade.[5] These rent rises are primarily due to increases in capital values; yields fall unless rents are adjusted by private landlords. This can lead to increased rental costs and/or tenants being displaced.

COVID exposed the fragile nature of our rental markets which governments responded to by establishing a moratorium on evictions and other protections for people who rent including financial support. However, it also revealed how little we know about the level of eviction in our rental markets prior to and during COVID. While there has been some recent research into evictions[6] there is no comprehensive data set on the rate or level of evictions in Australia's housing markets.

3 https://stats.oecd.org/Index.aspx?DataSetCode=HOUSE_PRICES#.
4 Source: Knight Frank Global House Price Index Q2 2021.
5 https://www.abs.gov.au/statistics/people/housing/housing-occupancy-and-costs/latest-release.
6 https://journals.sagepub.com/doi/abs/10.1177/1037969X21990940.

BY THE NUMBERS: MEASURING, QUANTIFYING AND UNDERSTANDING THE NEED

For the purposes of the policies discussed in this paper, we use a broad definition of social and affordable housing that includes any type of discounted or subsidised housing that assists low to moderate income households mitigate housing stress. This includes housing provided by both public housing authorities and community housing organisations, and a small number of for-profit landlords.

There were 436,300 social housing dwellings in Australia in June 2020, two-thirds (68%) of which were in major cities. The housing mix was 300,400 (69%) public housing dwellings, 103,900 (24%) community housing dwellings, 14,600 (3%) state-owned and managed Indigenous housing (SOMIH), and 17,400 (4%) Indigenous community housing.

According to AIHW data, as of 30 June 2020, there were 155,100 households on a waiting list for public housing (up from 154,600 at 30 June 2014) and 10,900 households on a waiting list for SOMIH dwellings (up from 8,000 at 30 June 2014). There were more than 62,900 new greatest need households added across both waiting lists.

If current trends continue, researchers forecast that the cumulative national shortage will increase to nearly 1,024,000 dwellings by 2036. Such numbers, if they were to be realised, translate to annual supply requirements of 48,000 (social) and 19,000 (affordable) dwellings.[7]

The number of households occupying public housing has decreased over the last decade (324,908 in 2011 to 289,613 in 2020), and there has been an increase in the number of households in community housing, from 55,159 to 95,932 reflecting in part a transfer of stock from state and territory governments to community housing providers.[8] Over the same period, Australia's population has grown by 3.35 million (2011–2020).[9]

The NHFIC review estimates that "an investment of around $290 billion will be required over the next two decades to meet the shortfall in social and affordable housing dwellings. Meeting this shortfall will require active private sector participation and high levels of collaboration across all levels of government. Despite its considerable early success, NHFIC is only one important part of the overall solution".[10]

But it is not just quantum and collaborations that count. Historically, Australia has followed a model of concentrated public housing which research by AHURI and others shows is more likely to reproduce and sustain disadvantage. Disaggregating disadvantage, through smaller scale, distributed social (public and community) and affordable housing provision, enables a more diverse social mix. In turn, this adds more localised community support to the suite of supports available to vulnerable households. This dispersal effect is also constructive in helping people gain housing independence by progressing through the housing continuum.

Housing is a critical enabler for full social and economic participation.

THE NEED FOR BETTER DATA

In creating the Centre for Population and assigning a research function to NHFIC (in addition to existing support for AHURI), the Australian Government has demonstrated its appreciation of the need for better data.

NAHA seeks a commitment to enhance research and data gathering functions through existing institutions co-ordinated by NHFIC, the ABS and Centre for Population.

The AIHW is leading a data improvement program as part of the current NHHA. Clear targets and timeframes should be part of the 2023 NHHA.

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7 https://cityfutures.ada.unsw.edu.au//research/projects/filling-the-gap/.
8 https://www.pc.gov.au/research/ongoing/report-on-government-services/2021/housing-and-homelessness/housing (table 18A.2).
9 https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/mar-2021.
10 https://treasury.gov.au/publication/p2021-217760.

Governments, policymakers and the private sector are hampered in their efforts to better address Australia's affordable and social housing and homelessness crisis by the paucity of consistent, transparent and detailed data.

Accurate information on both the supply of social and affordable housing and associated demand is severely lacking and highly fragmented. The Census, ROGS, social housing waiting lists and state and territory housing strategies either provide a snapshot or partial information. What is missing is a far more granular analysis based on high integrity, consistent and long-term data to better inform decision-making; prioritise public spending; and attract private capital investment.

Datasets that accurately reflect the demand pipeline not just in terms of gross need but by more detailed measures such as dwelling type (public, social, affordable), cohort (families, individuals, accessibility or other requirements) and geographic location (below an LGA level) will help ensure the supply response is better targeted and fit-for-purpose.

Developers, practitioners and policymakers all need access to accurate, transparent data sources that enable them to continuously track the evolving demand and supply responses as well as match tenant management and support services.

FROM PROBLEM TO SOLUTIONS

Any effective, and enduring, response to Australia's increasingly critical shortfall of social and affordable housing must introduce mechanisms and frameworks that bring new sources of capital to the sizeable investment task at hand.

When governments get the policy settings right – as demonstrated both overseas and in the Australian domestic context - institutional investors will consider social and affordable housing an attractive asset class. The consistent oversubscription, by a multiple of three or four each time, of NHFIC's bond offerings through the AHBA is just one example of this investment appetite when the framework is well-designed and implemented.

NAHA has focused on policies that will both enable and encourage greater capital investment by institutions, including superannuation funds.

NAHA argues that housing's true status, as critical infrastructure, needs to be recognised in legislative and policy frameworks across all levels of government.

Treating social and affordable housing as critical infrastructure not only enhances its importance in planning, but it will also help create a supply chain and asset class capable of delivering annual volumes of appropriate housing by using available capital more efficiently. It turns this housing into an investable product which capital markets can respond to and scale up. This is not dissimilar to how a market was developed for financing more traditional infrastructure projects in the 1990s. It is also consistent with approaches adopted for decades in the United States, United Kingdom and Canada, and more recently canvassed in the 2021 Infrastructure Plan developed by Infrastructure Australia.[11]

Infrastructure Australia has already taken the first step on this path by including social and affordable housing in its Australian Infrastructure Plan for the first time in 2019 which it subsequently expanded in 2021. The states have also signalled their intentions to integrate social and affordable housing into their planning and development approval frameworks through amendments to legislation in Victoria, New South Wales and South Australia.

Finally, meeting Australia's challenge to provide social and affordable housing is also an opportunity to invest in significant local job creation in construction and support for local manufacturing and other suppliers.

11 https://www.infrastructureaustralia.gov.au/publications/2021-australian-infrastructure-plan.

Reform **considerations**

In developing the proposed policy options outlined below, NAHA members have applied the following key tests that any measure, or package of measures, must meet to be successful.

These tests give due consideration to government and budgetary constraints and related concerns.

- **Scale:** Large-scale solutions are needed for a large-scale problem. Measures must be able to generate substantial quantities of additional new affordable and social housing supply annually, targeted to need and priority groups.
- **Support:** Precedence is given to models which maximise investment from private capital sources and non-budget sources of funding, while making cost-effective use of public subsidies.
- **Recurrence:** Current supply chains and broader market conditions are ill-equipped to cope with a 'sugar hit' of new supply. The policies proposed by NAHA all – after an initial ramp up period – are designed to consistently add new supply every year to Australia's stock of social and affordable housing.
- **Resilience:** Pilot, temporary 'boutique' policy options have not been included. The nature of the challenge demands solutions that will be systemic, responsive to local housing needs and sustainable – adding annually to supply in a self-sustaining manner in perpetuity though housing, economic and political cycles.
- **Certainty:** Reducing sovereign risk and offering clear and transparent frameworks that allow housing providers, investors and developers to collaborate around solutions.
- **Additionality:** The objective is to increase overall investment, not displace existing public funding sources or re-shuffle the funding mix of current developments.
- **Efficiency:** Proposals are designed to maximise the effectiveness of public expenditure and how existing development levies, fees and charges are disbursed.
- **Flexibility:** Policies can adapt easily to local circumstances, including state, territory and local government housing policies, and be readily scaled up.
- **Value:** Solutions that support ongoing new opportunities for employment in both construction and local supply chains, with housing construction funded under these proposals directly supporting apprentices and local suppliers that engage in fair, equitable, ethical and sustainable practices.

Summary of proposed policy options

CROWDING IN (HOUSING CAPITAL AGGREGATOR)

Providing low-interest, long tenor debt financing through NHFIC's Affordable Housing Bond Aggregator (AHBA) was an important first step in addressing the funding gap that currently acts as a handbrake on the development of new social and affordable housing at scale.

But on its own, it is insufficient to meet the substantial needs that currently exist, needs that will only grow. As the NHFIC review recognised, "*NHFIC's operations must be supported by other forms of government subsidy, whether at the Commonwealth, State or Territory or local government level, as well as renewed interest and innovation from the private sector.*"

A complementary aggregator mechanism is needed to provide the upfront capital projects required to fully close the funding gap and scale-up supply.

Such an aggregator mechanism would operate in two parts.

Part 1: Refundable Affordable Housing Tax Offset (AHTO)

The Commonwealth would first support a market for institutional capital investment in new construction by introducing a refundable Affordable Housing Tax Offset (AHTO), a ten-year term annual refundable tax offset.

A yearly allocation of AHTOs would be provided via the ATO, with the volume determined annually in the Federal Budget in accordance with need and the overall fiscal position. Proponents of eligible projects would then bid for available AHTOs through a competitive tender process to cover the funding gap and achieve an agreed annual investment return in the form of additional tax credits for their projects that bridges the viability gap.

This approach channels institutional capital to fund construction and management of the housing product dedicated for use as social or affordable housing managed by registered Community Housing Providers.

This approach also offers flexibility in response to shorter-term policy objectives, such as making supplementary AHTO allocations in response to broader economic conditions, for example to stimulate economic activity.

Supply responses can be tailored to specific regional and urban locations across Australian.

Such approaches require a widespread reach, not just in greenfield locations.

AHTOs would be awarded based on value for money, that is to projects which create well-designed homes meeting local needs at competitive costs. The bidding process incentivises project proponents to "crowd in" additional funding sources. This may include own equity, philanthropy, public or not-for-profit land, planning and land/development related levies, taxes and rate concessions. The approach also encourages competitive federalism among the states and territories in their support for projects to amplify the impact.

This enables Commonwealth support to be targeted on an as-needs basis that varies from project to project and year-to-year all while minimising the overall budget impost.

The capital aggregator model better leverages and effectively reduces the proportional contribution of taxpayer funds by:

- Accessing private capital to design, build and deliver assets with ownership remaining off balance sheet along with management and maintenance obligations.
- Enabling capital appreciation over time.
- Building a long-term asset base while selling 15–25% of stock to re-pay debt.
- Competitive tendering to access payments or refundable tax offsets.
- Debt placement at scale resulting in a more efficient cost of capital.
- Flexibility to increase or decrease the allocation of support capital bot spatially based on need and in the context of economic conditions.

Part 2: Capital Aggregator

The Commonwealth would also establish a Capital Aggregator (preferably through an existing entity such as NHFIC) that operates as an interface between institutional investors and project proponents, assisting crowding in of private sector capital for new social and affordable housing supply in exchange for allocated AHTOs.

Project proponents use the Aggregator to sell the cumulative value of their 10-year refundable AHTO flow to institutional investors for funding. This gives project proponents the upfront capital they need to commence construction. It gives investors a predictable, ten-year return on their investment while also meeting ESG parameters.

Refundable AHTOs are dollar-for-dollar credits on tax liability. A negative tax liability would result in an ATO refund.

By operating a pooled funding model, the Aggregator can support projects of varying size while also offering institutions a wide range of investment scales. This addresses an identified current gap in the market where large superannuation funds, for example, struggle to identify suitably sized social and affordable housing projects in which to invest, while at the same time enabling diversity in the size, mission and tenant profiles of affordable housing providers. Annual AHTO allocations will enable institutional investors to keep re-investing (part of their principal for instance is repaid each year) in social and affordable housing, potentially developing 30 to 40-year investment strategies. This would emulate similar long-term investment patterns observed in the USA.

CONTRIBUTION TO NEW SUPPLY – AN EXAMPLE

The AHTO support for individual housing developments is time-limited to a ten-year duration. In return, developments must be designated "social or affordable housing" for 20 years.

Modelling shows that after 20 years a Community Housing Provider would be able to retain at least 75% of the dwellings constructed as social and affordable housing (50:50) in perpetuity. Housing stock sold down will add to mainstream housing supply while the sales proceeds are used to pay down debt rendering the portfolio debt free over a 20-year period.

Assuming low NHFIC interest rates (2.79%), real property price increases of 2.5% per annum, an average annual AHTO payment of $12,500 per dwelling, and retention of 85% of the stock as social and affordable housing in Year 20 of the program, the federal government can create an ongoing social and affordable asset value of $3.3bn (4,250 properties) for 21% of the AHTO invested. Or $4.80 attracted for every $1 of support.

Assuming an average annual boost payment of $9,500 per dwelling (all else as above) then government can create an asset value of $3.0bn for 16% of the invested capital In both cases crowding in of land and some development charges is assumed.

SOCIAL AND AFFORDABLE HOUSING FUTURE FUND

The Future Fund was first established by the Howard Government as a sovereign wealth fund to strengthen the Australian Government's long-term financial position.

Under subsequent governments, a series of special purpose public asset funds have been established including the Medical Research Future Fund and, most recently, the Emergency Response Fund.

It has proven to be a hugely effective model with $247.8 billion worth of funds now under management, up from an original Future Fund investment of $18 billion in 2006.

With this demonstrably successful track record, affordable housing is an attractive candidate to add to the existing suite of funds.

Annual dividends from a Social and Affordable Housing Future Fund could be administered by NHFIC and used to bridge the social and affordable housing funding gaps in two ways, either individually or a combination of, providing:

1. upfront capital grants for new projects
2. ongoing annual availability payments on eligible dwellings

The Fund could also be used to increase state and territory governments' social housing investment. For example, NHFIC could allocate funds via a reverse auction thereby encouraging competitive federalism.

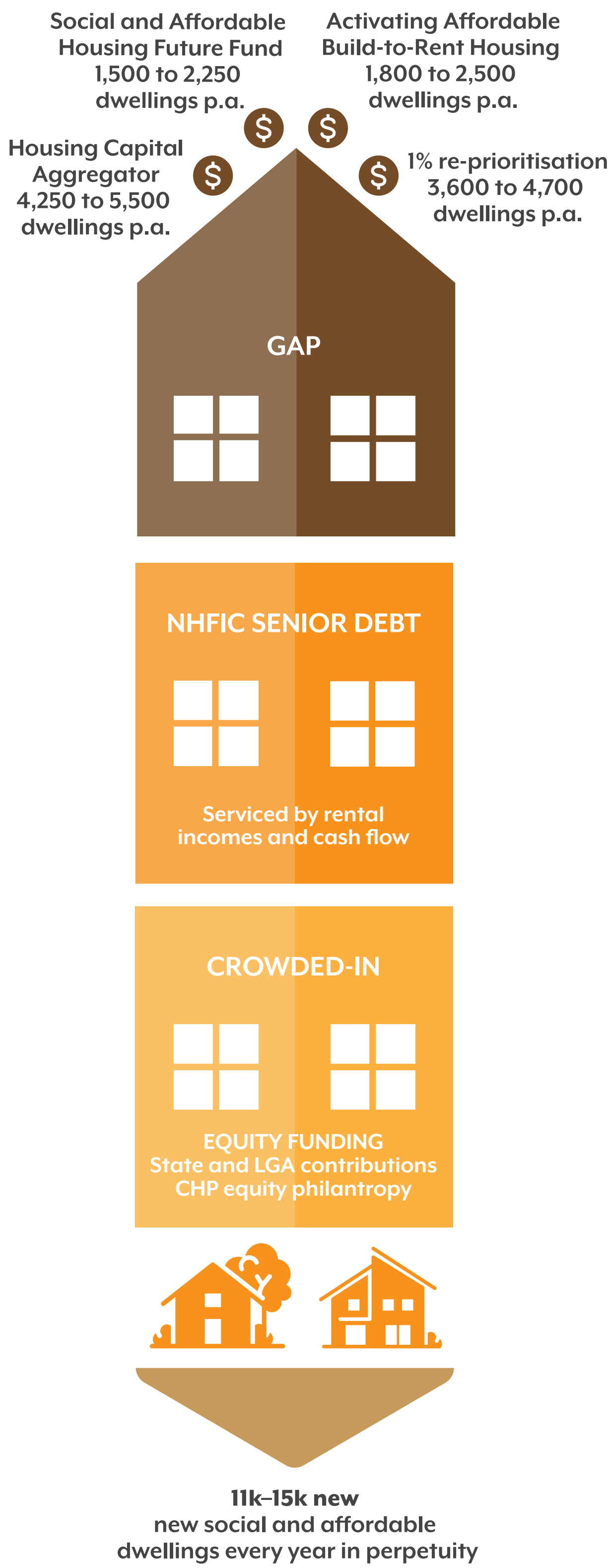
Capital grants have the advantage of significantly increasing the total stock over time, delivering a more enduring and resilient benefit.

Annual "availability payments" are more limited. Once exhausted it would take ~15 years to reset and return to a position of disbursement again.

Crucially, the Fund would also enhance the Commonwealth's capacity to further leverage private sector capital for social and affordable housing supply.

The ongoing payment option could take the place of the refundable tax offset in the Housing Capital Aggregator model outlined in the preceding section. The combination of these two policy initiatives could attract significant institutional capital at a scale approaching the requirements identified by the NHFIC Review.

Figure 3: How the NAHA policies complement each other



The increase in affordable housing supply a Future Fund could deliver would relieve rental stress and open up housing pathways for people on low incomes. It opens the door to other forms of support such as shared equity; rent to buy schemes; which in addition to existing government supports, especially for the first homebuyer cohort, aid the transition to housing independence and homeownership.

It is proposed that the initial endowment to establish the Social and Affordable Housing Future Fund be financed by additional government borrowing given the historically low cost to government of borrowing money at the current time.

The interest costs on the debt could be serviced through the Fund's annual dividend payment.

From a fiscal standpoint, appropriations for the Future Fund may not impact the budget's underlying cash balance.

The increase in gross debt to provide the initial Social and Affordable Housing Future Fund deposit would be offset by the assets purchased.

NAHA thanks and acknowledges the detailed and extensive work of Brendan Coates and the Grattan Institute in developing and modelling this policy option.

ACTIVATING AFFORDABLE BUILD-TO-RENT AS A SOURCE OF AFFORDABLE HOUSING

The emergence of Build-to-Rent housing in Australia provides a significant opportunity for governments to incentivise the provision of essential worker affordable housing as part of these projects.

Its potential to add sustainably and systematically to the supply of social and affordable housing has been well-established in overseas markets, especially in the United States and United Kingdom. In those jurisdictions, this housing (known as multi-family housing in the US) is a primary source of social and affordable housing incentivised through a combination of federal, state and municipal tax incentives.

For the purpose of this policy proposal, we distinguish between mainstream Build-to-Rent projects providing purely at-market rental housing and those which include new affordable rental units within these projects in return for more favourable tax or planning treatments.

CONTRIBUTION TO NEW SUPPLY – AN EXAMPLE

As with the Housing Capital Aggregator, the quantum would depend on various factors including the size of the fund (and therefore the returns available), the net rate of return, how the dividends were invested (i.e., capital grants, availability payments or a combination of both; and servicing debt costs from the dividend instead of the federal budget), dwelling type (public, social or affordable) and how the investments were leveraged (e.g., state contributions).

A $20 billion fund with a 3% net return assuming a $400k capital grant per dwelling would be sufficient to build 1,500 social housing units each year in perpetuity.

The availability payments model based on ~$15k pa availability payment per dwelling would fund the construction of ~20,000 social housing units over 3–5 years.

The Commonwealth choosing to absorb debt interest costs on-budget would also increase the quantum of dividend available for investment. Under the capital grant scenario above, this would raise the number of units delivered per annum in perpetuity to 2,250.

Government incentives for the provision of affordable housing as part of new projects also means that lower income essential workers would benefit from the associated advantages that flow from this type of housing including longer-term leases, professional management and flexibility of living.

In Australia, the emergence of market-based Built-to-Rent housing is still in its infancy. There are several federal, state and territory tax and planning settings which are yet to provide a policy level-playing field for this asset class and we encourage governments to address these.

This paper focuses on the incentives required to generate new affordable rental housing as part of new Built-to-Rent projects. The right incentives could deliver a significant supply of new high-quality affordable rental housing created by the private sector (particularly if other changes were made to level the policy playing field for this new form of housing).

In Australia there are currently 18,000 Build-to-Rent apartments either in operation, under construction or in advanced planning, which is triple the amount of four years ago.[12] If we were to assume that the size of this market was to double (noting that it is likely to become significantly larger than this[13]) and if 10% of apartments were incentivised to be provided as affordable rental units, then some 1,800 to 2,500 affordable units could be provided annually under this policy.

CHPs would need to manage the application of tenancy eligibility criteria for occupation of these new units and ensure that targeted cohorts meet affordability tests as defined, but with some flexibility to ensure essential workers are a core component.

The Federal Government has already inserted a definition of affordable rental housing within Australia's Managed Investment Trust (MIT) framework, recognising that a lower tax setting will be needed to incentivise investment into affordable housing.

To encourage investment to flow into affordable rental housing (which by definition will generate below market investment returns) a more attractive tax rate will be required. To incentivise investment, a withholding tax rate of 10% should be applied to the affordable housing components of Build-to-Rent projects held within an MIT. This will facilitate the inclusion of affordable dwellings as part of these new projects.

At the state and territory level, land tax concessions are also needed to ensure affordable rental housing does not pay commercial property levels of land tax (which would result in returns being insufficient to warrant investment). This would ensure these costs are not passed through to tenants and do not attract surcharges if delivered by foreign-owned entities.

This nascent sector has the potential to deliver affordable rental accommodation at scale, in high amenity locations and within apartment complexes that provide superior community services.

Providing affordable build-to-rent housing with the incentives outlined above would enable these additional dwellings to be delivered fully by the private sector and provide a high quality, stable option for people moving out of supported housing or experiencing private market rental stress.

RE-PRIORITISING EXISTING RESIDENTIAL DEVELOPMENT CONTRIBUTIONS FOR SOCIAL AND AFFORDABLE HOUSING DELIVERY

Re-prioritising the allocation of 1% of new infrastructure and development contributions made by the private sector towards social and affordable housing initiatives could channel an annual additional capital contribution of $53 million to match state, territory and federal government contributions without impacting existing private housing supply or adding to house cost escalation.

Totalling more than $9 trillion, residential real estate is Australia's largest asset class, by a considerable margin.[14] It is also a significant contributor to economic activity.

- Australia's residential development and construction industry annually adds a net 170,000 – 210,000 (1.5–2% per annum)[15] of new housing to Australia's established housing stock of 10.6m dwellings as at March 2021.[16]
- This level of activity represents annual capital investment and construction activity averaging $157 billion over the last 10 years.[17]
- NSW, Victoria and Queensland combined account for 79% of all residential construction activity in Australia with 72% of that activity occurring in Sydney, Melbourne and Brisbane.[18]

12 Urbis Built-to-Rent pipeline report, December 2021.
13 Note that in the UK, where build-to-rent emerged 12 years ago, the pipeline is more than ten times this number (Who lives in Build-to-Rent?, British Property Federation, Dataloft, London First & UK Apartment Association, November 2021).
14 https://www.corelogic.com.au/news/australian-housing-market-surpasses-9-trillion-valuation.
15 https://www.abs.gov.au/statistics/industry/building-and-construction/building-activity-australia/latest-release.
16 https://stat.data.abs.gov.au/Index.aspx?DataSetCode=RES_DWEL_ST.
17 ibid.
18 ibid.

- Development contributions (both cash and in-kind), taxes and development charges represent ~15% of total annual capital investment by the residential development sector or an average of ~$5 billion per annum nationwide.[19]

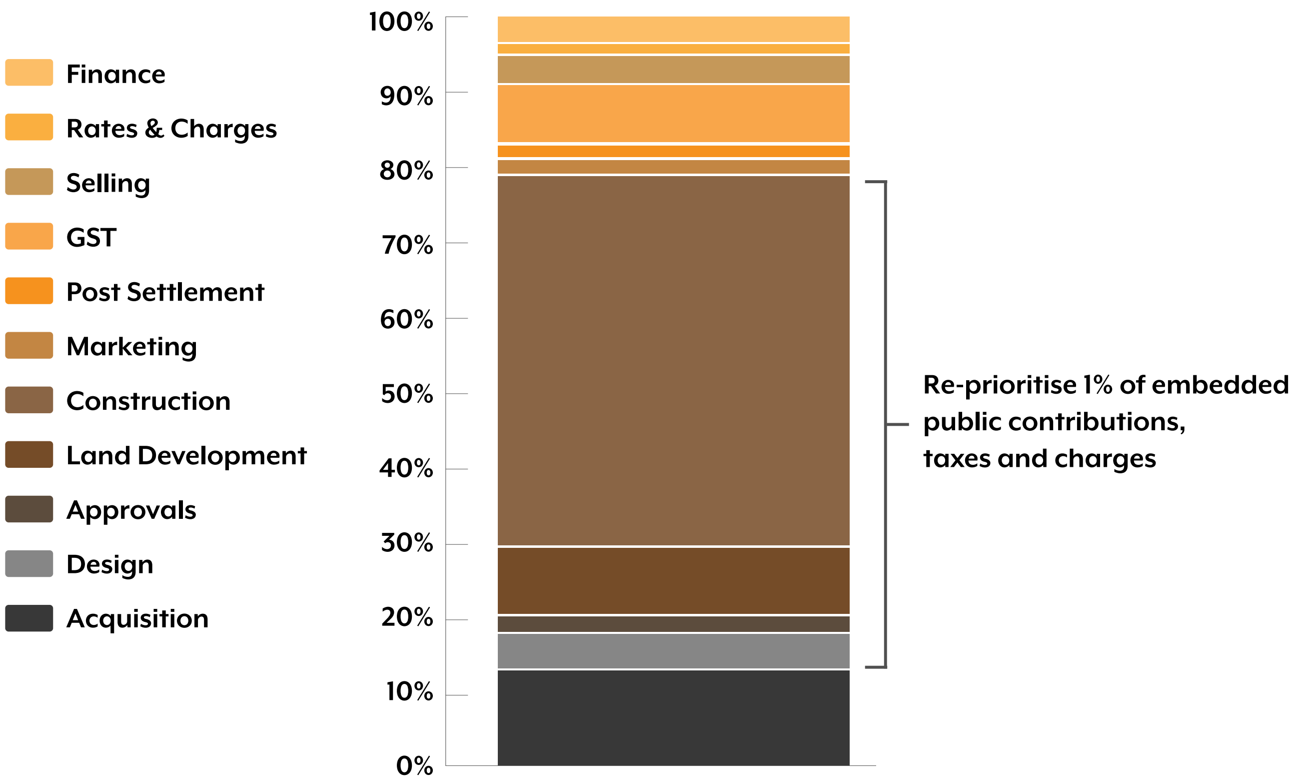
Recognising the significance of this contribution, NAHA calls on state, territory and local governments to prioritise the allocation of existing infrastructure contributions generated from the planning and development approval process and associated taxes and charges, for commitment to the provision of social and affordable housing. This investment is not in addition to existing contributions, but a re-prioritisation of existing contributions.

This approach requires state, territory and local governments to prioritise 1% of existing contributions for the provision of social and affordable housing over other potential applications of development contributions. Such an approach is consistent with all state and territory housing strategies. Re-prioritisation is critical to avoid additional costs being passed on to homebuyers and to reducing the funding gap involved in the delivery of social and affordable housing.

If 1% of this existing investment were re-prioritised and directed as suggested, an annual capital contribution of $53 million could be generated across Australia. Less (ie.$31 million) if the approach were limited only to the major capital cities of Sydney, Melbourne and Brisbane.

If these funds were directed through the Housing Capital Aggregator an annual supply of 3,600–4,700 dwellings per annum could be delivered (i.e., using the same assumptions as per the HCA outlined above and adopting either $12,500 or $9,500 per dwelling subsidy).[20] These dwellings would be supplied in addition to any federal or state contributions.

Figure 4: Residential Development Costs



19 Refer calculations based on ABS data at Appendix A.
20 Refer calculations based on ABS data at Appendix B.

Ironbark Apartments in Harold Park Sydney, developed by City West Housing

The key principles that need to be established if this approach were to be effective include:

- Phasing in prioritisation of social and affordable housing as an inclusion in the existing infrastructure contribution framework and development levy requirements.
- Establishing a cap on infrastructure contributions required by state, territory and local governments to limit additional costs being imposed on the housing production process so that costs are not passed through to homebuyers but passed back as a cost of land conversion to new housing.
- Application of the prioritisation approach to all new residential development, not just greenfield or large-scale developments within existing contribution requirements.
- Establish transparency processes on the capture of contributions and their application in accordance with state and territory housing strategies.
- Matching data to the funds/products delivered to better inform supply forecasts of both social and affordable housing products as part of ongoing data gathering system.
- Development of incentives that stimulate agglomeration around existing infrastructure to increase productivity as a matter of good planning policy.

Industry wants to see more transparency and a much clearer nexus between developer contributions and development impacts. Holding state, territory and local governments to account for the application of funds invested is key.

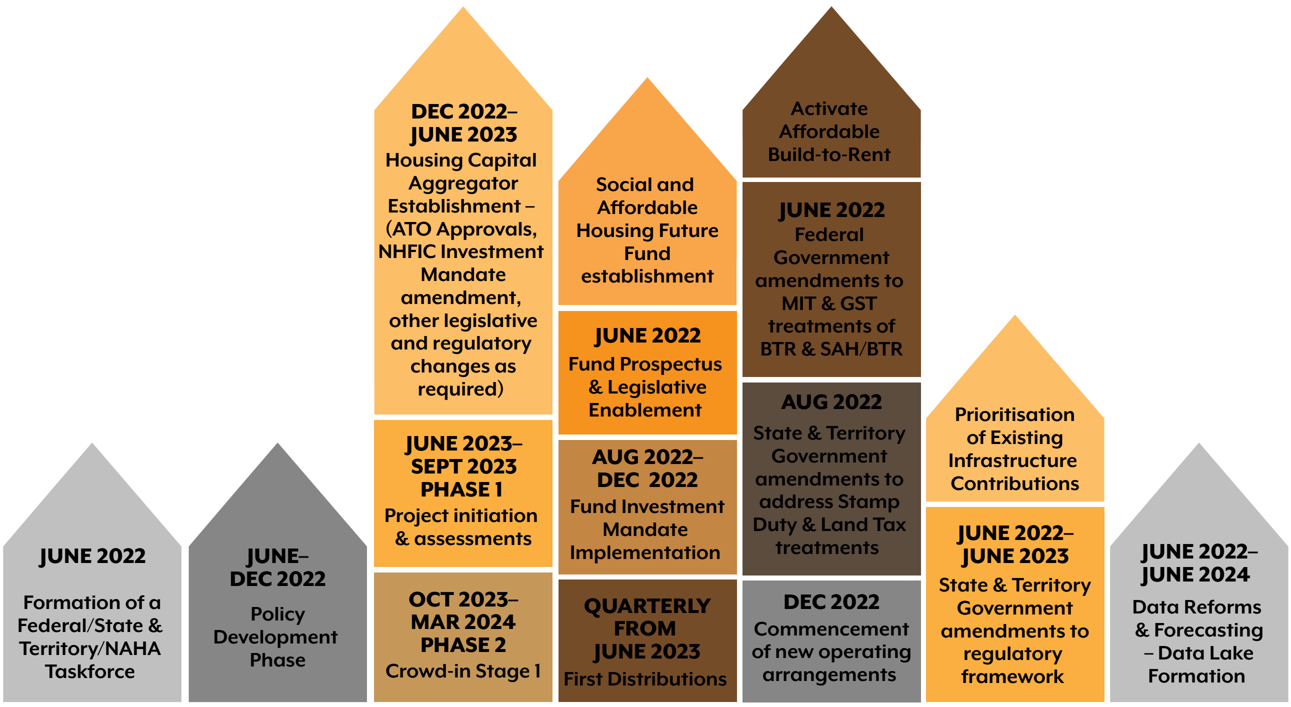
If governments are to be taken at their word when they talk about prioritising social and affordable housing provision, then it is time to see these claims backed by prioritising the investment already being made by the development sector's sizeable existing contributions and deploying it to address imbalances that have emerged in the Australian housing market.

Recommendations

1. Establish a joint federal, state and territory government taskforce in partnership with NAHA to develop and implement the recommended policy suite.
2. Implement a Housing Capital Aggregator supported by refundable Affordable Housing Tax Offsets.
3. Establish a Social and Affordable Housing Future Fund with an initial $20 billion in funds under management.
4. Activate Affordable Build-to-Rent housing as a vehicle to deliver additional social and affordable housing.
5. Enhance state and territory-based planning and development contributions legislation to prioritise up to 1% of infrastructure contributions and levies to be aggregated and channelled to social and affordable housing contributions consistent with state and territory housing policies across Australia.
6. Dedicate a minimum of 25% of the total net new additional supply created by the application of the above policies to addressing the needs of the most vulnerable households with rents capped below 30% of household income.
7. Provide more robust, consistent, transparent and detailed data on Australia's social and affordable housing demand and supply including data on eviction and displacement by integrating existing data sources into a data lake that integrates data on social and affordable housing as a single source.

NAHA seeks the implementation of the above policies working in concert to deliver at least a net additional 10,000 social and affordable homes each year for the next 20 years on top of existing supply, initiatives and investment. NAHA is seeking engagement at a national level with direct involvement of state, territory and federal governments to develop an integrated national affordable housing framework using these policy propositions as a foundation.

Figure 5: Indicative implementation timeframe



Glossary

ABS Australian Bureau of Statistics

AHBA Affordable Housing Bond Aggregator

AHURI Australian Housing and Urban Research Institute

AIHW Australian Institute of Health and Welfare

Affordable housing is defined more broadly and can include a range of housing types and supports aimed at alleviating housing stress (defined as spending more than 30 per cent of household income on housing costs if in the bottom 40% of incomes[21]).

This includes private market (including ownership by institutional investors) rental housing provided at below market rent to qualifying tenants (usually between 70 and 80 per cent of market rent), typically where the rental income stream is subsidised in some way by government. Such subsidies include the National Rental Affordability Scheme (NRAS) and Commonwealth Rent Assistance (CRA). More recently, some CHPs have incorporated an element of affordable (sub-market) rental in new mixed-use developments alongside social housing stock. A broad definition would also capture schemes that support pathways to home ownership.

CHP Community Housing Provider. CHPs are not for profit housing developers and managers of social and affordable rental housing. They manage homes on behalf of state and territory governments and the private sector. They are required to be registered in at least one of the three regulatory regimes i.e. the National Regulation System for Community Housing, or those operating in Victoria and Western Australia. They provide social, affordable and SDA rental homes.

Environmental, social, and governance (ESG) parameters refer to the standards that socially conscious investors use to screen potential investments. Environmental considerations cover areas such sustainability features, while social can encompass anything from measures to combat modern slavery to supporting social and affordable housing.

Low to middle income households are defined by the ABS as those containing the 38% of people with equivalised disposable household income in the third and lowest equivalised disposable household income quintile, adjusted to exclude the first and second percentiles.[22]

A **Managed Investment Trust** (MIT) is a collective investment vehicle which allows investment in passive income generating activities (e.g., holding property primarily for rental income). This means superannuation, pension, sovereign funds and retail investors pool their capital and invest into investment grade assets which provide steady income flows. They are a long-standing, well-established and well-regulated part of Australia's existing tax and investment framework.

NAHA National Affordable Housing Alliance

NHFIC National Housing Finance and Investment Corporation

NHHA National Housing and Homelessness Agreement

Public housing is generally accepted to mean rental housing that state and territory governments provide and manage rented at a proportion of a household income generally 25%. This is almost exclusively dwellings that are owned by the relevant government housing authority.

Social housing encompasses housing owned and/or managed by registered Community Housing Providers and by state and territory governments. It includes housing provided for specific tenant cohorts such as First Nations peoples and rough sleepers. Social housing tenants are typically charged rents set at between 20 and 30 per cent of total household income and must not be charged more than 30% of a household's income.

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21 Australian Institute of Health and Welfare (AIHW), Housing affordability, AIHW website, accessed 20 April 2020. https://www.aihw.gov.au/reports/australias-welfare/housing-affordability.

22 https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6523.0~2015-16~Main%20Features~Characteristics%20of%20Low,%20Middle%20and%20High%20Income%20Households~8.

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Appendices

APPENDIX A

Calculation of the contribution Re-prioritisation of Existing Taxes, Charges & Infrastructure Contributions could make to boosting annualised supply of Social & Affordable Housing (SAH).

Macro Settings Data Used to Model Potential Contribution by Private Sector

- Using ABS Data Set – Building Approvals by Greater Capital City Statistical Area (GCCSA) July 2016 – June 2021 - enables total building approvals to be calculated, nationally & by State – results in:
  - National average (5 Years) Total Housing commencements – 221,802 pa.
  - NSW/VIC & QLD represents 79.3% of national activity (175,819 dwellings pa)
  - Syd/Bris/Melb represents 71.9% of total state Activity (126,460 dwellings pa)
- Based on this data output and ABS Cat 87502 that quantifies total value of residential construction activity (June 2011 – June 2021) average value per annum is calculated and broken down from national, by State and by Capital City.
  - Australian annualised average activity - $156.8 Billion
  - NSW/VIC/QLD represents 81% of that total activity or $127.4 Billion1
  - Capital Cities dominate total activity - $91.6 Billion (71.9% of State based activity in NSW/VIC & QLD)
  - Infrastructure Levies, Taxes & Charges levied as part of total construction activity by State & Local Government averages 22.5% of total residential construction and development activity.
  - Of this total and estimated ~15% is directly attributable to cash contributions levied through Voluntary Planning Agreements, State Infrastructure levies, various value capture charges etc.
  - By re-prioritising 1% of the 15% of charges imposed directly on residential development to fund Social & Affordable Housing, an annualised contribution of:
    - @ 1%
      - $53 million per annum Nationally, or
      - $43 million per annum NSW/VIC/QLD, or
      - $31 million per annum SYDNEY/MELBOURNE/BRISBANE

Leveraging these Annual Contributions to deliver targeted SAH designated Investment

Assuming a nationwide approach were adopted (ie $53 million pa), and adopting the same methodology as used in the formulation of the Capital Aggregation model net additional social and affordable housing can be generated annually without recourse to additional Federal, State or Local Government contributions.

Two options are considered operating at different scales of application using the Capital Aggregation Model:

1. Direct Annual Funds derived from Nationwide prioritisation flowing from developments approved by State & Local Government to be deployed by NHFIC as an availability contribution to fund:
   a. $53 million/$12,500 pa for 10 years = 4,250 dwellings less 15% sold to pay down residual debt = net additional 3,600 dwellings.
   b. At a lower availability payment of $9,500 for 10 years = 5,500 dwellings less 15% sold to pay down residual debt = net additional 4,700 dwellings.
   c. Higher proportion reflects higher average construction costs in NSW/VIC & QLD relative to rest of Australia.
2. Direct Annual Funds derived only from Sydney/Melbourne/Brisbane prioritisation flowing from developments approved by State & Local Government in those cities to be deployed by NHFIC as an availability contribution to fund:
   a. $31 million/$12,500 pa for 10 years = 2,480 dwellings less 15% sold to pay down residual debt = net additional 2,100 dwellings.
   b. At a lower availability payment of $9,500 for 10 years = 3,260 dwellings less 15% sold to pay down residual debt = net additional 2,700 dwelli

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