Unlocking Affordable Housing Tasmania

Assessment of Delivery Mechanisms

March, 2024

Final Report (R2)

The APP Group

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Contents

Acknowledgement of Country

The APP Group respectfully acknowledges the Traditional Custodians of the lands where we work and learn.

We pay our respect to Elders, past, present and emerging.

Artwork by Leticia Quince, Wiradjuri Artist, Branding & Graphic Designer at Leticia Anne Designs. Commissioned by The APP Group.

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Report Acronyms

Acronym	Definition
ABS	Australian Bureau of Statistics
APP	APP Group
BTR	Build-to-Rent
BTS	Build-to-Sell
CHP	Community Housing Provider
FAR	Floor Area Ratio
FHB	First Home Buyer
IRR	Internal Rate of Return
ISFS	Institutional Superannuation Fund Sector
LGA	Local Government Area
NFP	Not-for-Profit
NHFIC	National Housing Finance and Investment Corporation
NHIF	National Housing Infrastructure Facility

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1. Executive Summary

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Executive Summary

Introduction

In parallel to the national housing market, the Tasmanian housing market has faced growing pressure related to development feasibility, buyer budgets and a growing gap between what low- and moderate-income earners can afford and the price of 'at market' residential product.

The Tasmanian Housing Strategy recognises the problems in the broader housing market by attempting to deliver 10,000 additional social and affordable housing dwellings by 2032 in an effort to take pressure off the current social housing portfolio.

In parallel to the directions in the Housing Strategy, the Property Council of Australia (Tasmanian Division) has commissioned this research to assess measures that are likely to unlock a secure housing supply for low- and moderate-income earners. This paper presents an assessment of alternative mechanisms that Government can consider in supporting the delivery of new affordable rental accommodation – particularly over the short to medium term – to take pressure off the broader housing market.

Approach

The paper examines how the Tasmanian Government can work with the private investor market to accelerate the supply of affordable rental accommodation.

A feasibility model has been established for two alternative project types to illustrate the challenges in the delivery of private market housing and whether support mechanisms would assist a process whereby a proportion of a development project could be on-sold to a Community Housing Provider at a discount. This would therefore enable a pipeline of affordable accommodation via rent or shared equity arrangements. Mechanisms assessed include:

- cost reductions – including capital grants to reduce costs, finance costs co-funded by Government, delays in the timing of authority charges and reductions in stamp duty;
- revenue measures – including density bonuses
- other measures – including the provision of Government land via discounted ground lease, accelerated planning frameworks and incentives such as a developer bonus system.

The feasibility assessment with and without support mechanisms undertakes a performance assessment of a medium density project in an infill location in Hobart as well as an assessment of a sub-division around 10km from the CBD of Hobart.

Prevailing land and development costs assumptions are outlined in the report. The model is agnostic to investor types and capital sources which may include a listed developer, institutional super fund, or a broader mixed tenure model.

In addition to a base case development an affordable housing model assumes that at the completion of the project 10% of stock (i.e., units or lots) are sold to a Community Housing Provider or other asset owner at a 50% discount to market. The units and or lots have a restriction on title and are provided to eligible tenants as affordable rental accommodation.

Key Findings

To allow for consideration of support mechanisms, project scenarios were assessed with and without the inclusion of a 10% affordable housing obligation to inform feasibility. These are referred to as the base case and market case, respectively. Project return targets are assumed at 20% to attract capital.

Medium Density (Infill) project

The base case infill development project in Hobart assumes the delivery of 60 apartments in a low-rise building on an approximate 2,500 sqm lot in Hobart's inner ring.

Feasibility metrics for this project are highly constrained both with and without the inclusion of a 10% affordable housing obligation.

Affordable housing stock is sold direct to low-income earners or to a third-party asset owner such as a CHP.

The IRR and NPV were as follows:

- Market Case:
  7.90% and $0.29 M
- Base Case with affordable:
  - 2.89% and - $3.03 M

Greenfield Subdivision project

The base case Greenfields sub-division is assumed to equate to a 70 lot sub-division located within 10-15 km of Hobart with two release stages of approximately 35 lots each.

Affordable housing stock are sold as micro lots with a lot size of 300sqm or less to the CHP or asset owner in one line.

In contrast to the base case infill project, the greenfield subdivision provides an adequate return to the developer under the model assumptions.

The IRR and NPV were as follows:

- Market Case:
  15.03% and $1.39 M
- Base Case with affordable:
  6.78% and - $0.04 M

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Executive Summary

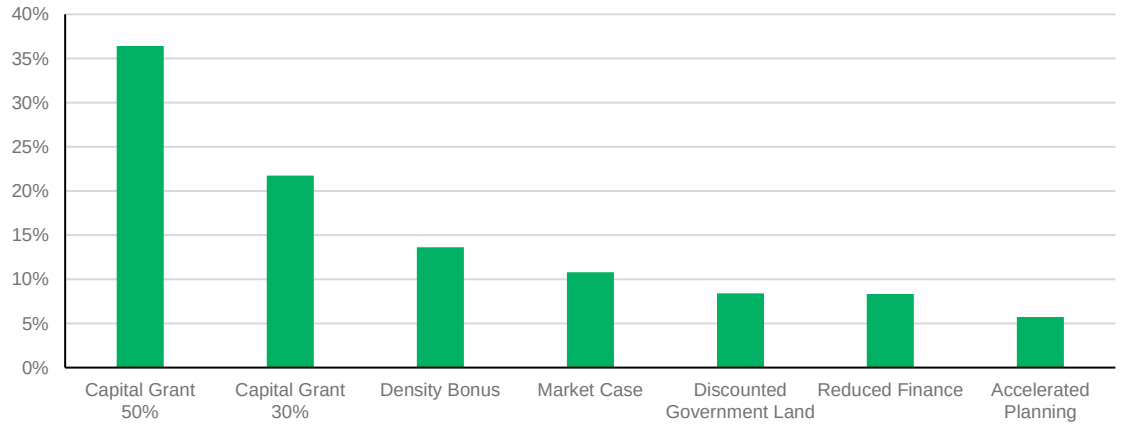
Feasibility Impact – Medium Density (Infill) Project

Given the significant feasibility constraints medium density projects are experiencing at present in the Tasmanian Market, substantial Government support would be required to elevate returns to a position where private investment into projects that include a proportion of affordable housing become viable.

Examining the impact of support mechanisms on feasibility measures, the following key insights are unveiled.

- The Capital Grants and Density Bonus were the only mechanisms to improve feasibility measures beyond the market case.
- With the exception of a 50% Capital Grant, no mechanism was able to independently improve feasibility measures beyond target thresholds to attract substantial private investment into the asset class.
- Combining multiple mechanisms has the potential to consistently achieve feasibility hurdles. Some possible combinations include:
    - Density Bonus + Discounted Sale of Government Land
    - Capital Grant (10%) + Density Bonus + Accelerated Planning
    - Capital Grant (25%) + Reduced Finance + Reduction in Stamp Duty

Chart 1: Project Scenario One: Percentage Point Change in IRR relative to Base Case [1]



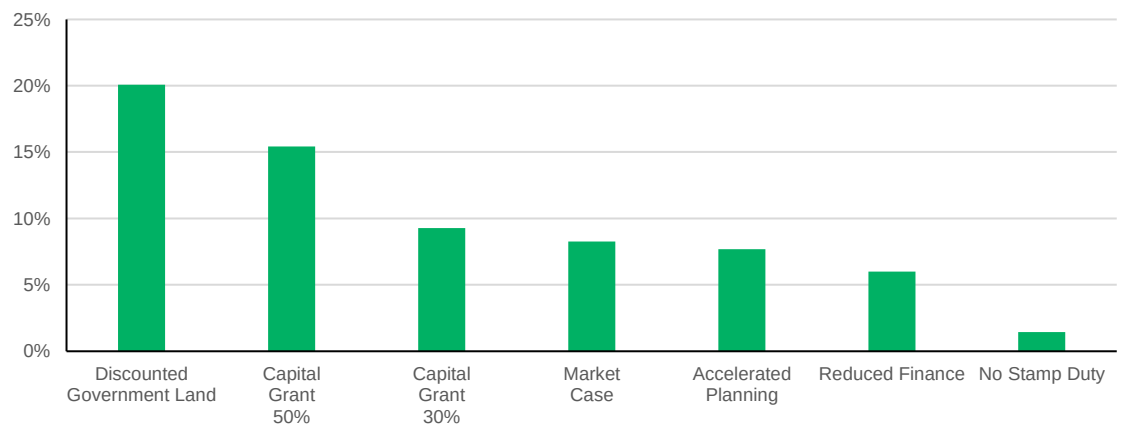
Feasibility Impact – Greenfield Subdivision Project

Assuming the demand for delivered stock is sufficient to completely absorb all delivered lots in a timely manner, multiple support measures have the capacity to improve feasibility beyond target rates despite the inclusion of a 10% affordable housing requirement in a Greenfields subdivision project.

Examining the impact of support mechanisms on feasibility measures, the following key insights are unveiled.

- The Discounted Sale of Government Land and Capital Grants were the only mechanisms to improve feasibility measures beyond the market case.
- The Discounted Sale of Government Land is notably more powerful as a support mechanism in the case of a Greenfield development due to their impact on land acquisition costs.
- The significant improvement in feasibility as a result of certain mechanisms invites questions surrounding scaled down versions of potential supports. This could include a reduced discount on the sale of Government Land or a reduced Capital Grant.
- A combination of supports is still recommended to enable scalability of measures, notably where capacity to scale is limited such as in the case of the discounted sale of Government Land.

Chart 2: Project Scenario Two: Percentage Point Change in IRR relative to Base Case [1]



[1] Certain mechanisms were omitted from the provided charts as they resulted in a minor change relative to the base case.

Executive Summary

Implementation and Timing

Given the constraints in achieving a volume of affordable accommodation in medium density projects we have recommended a staged approach in partnership with Government and the development sector.

Our recommendations in this report are based on a partnership timeframe of 10 years commencing in FY 2025-26. There are two stages of focus suggested.

- Stage 1 - Focus support on smaller lot housing in the Greenfields of Hobart across the next 5-years.
- Stage 2 – Transition to Infill support measures in 3-5 years as the feasibility of medium density development stabilises.

Immediate Greenfield Support

The short- to medium- term focus on Greenfield micro lots enables the delivery of a high volume of affordable stock in key growth areas of Tasmania. These micro lots are able to be sold to low-income Tasmanians directly or in bulk to a third-party asset owner – including a CHP or superfund – who would coordinate the delivery of villa units to be held over an extended time-horizon.

The Government can achieve this through an accelerated planning framework and delayed authority charge policy in conjunction with a reduced capital grant to jumpstart investment. Government should also consider divesting surplus sites in growth areas to enable greenfield development.

This focus on better support in the Greenfield of Hobart and other regional centres will need to be supplemented with improved access to jobs via improved public transport, road networks, and associated infrastructure.

Future Infill Support

The solutions to support housing in infill locations have merits and should form part of a plan for implementation in 3-5 years when the balance between project revenue and construction costs stablises. This will allow the Government to work with the development sector to achieve more beneficial and targeted support and could include a capital grant and/or a broader implementation of a development bonus system.

New technologies in construction are expected to emerge over the coming five to seven years which – if supported by Government with streamlined planning and industry funding – could lead to a reduction in costs for affordable rental accommodation. This would obfuscate the need for Government support.

The market is already providing solutions for affordable housing for moderate income rents through community housing providers (CHPs) partnerships and mixed tenure delivery models. These solutions, if supported with clear low risk planning instruments, can play a role in significantly increasing the pipeline of permanent rental accommodation.

Consultation and Next Steps

The Property Council and APP Group have consulted widely with members and investor representatives to inform the recommendations made in this report. These recommendations will be provided to the Tasmanian Government and stakeholders to inform ongoing housing and planning reform, but longer-term discussions about the supply of affordable housing in Tasmania.

It is important for the Government to note that no mechanism will have the capacity to reliably support supply without support from a clear and streamlined planning process that provides direction on where development is supported and at what scale. Discretionary and uncertain planning approvals with inconsistent outcomes and timeframes will not support a reliable and affordable housing supply.

Recent studies across several jurisdictions have highlighted the importance of streamlined planning approvals - supported by well resourced responsible planning authorities and referral authorities - to investor confidence. The heightened focus on planning timelines and greater project certainty is driven by improved performance of less risky investments – both domestically and internationally. The high interest rate environment means that capital can be allocated to investment vehicles with lower risk and historically strong performance including cash and bonds.

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2. Background and Context

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Project Scope

The APP Group (“APP”) has been engaged by the Property Council of Australia (Tasmanian Division) to consider solutions that will support the provision of a greater volume of affordable housing in the Tasmanian market.

This project follows previous work undertaken for the PCA (Victorian Division) whereby a series of delivery mechanisms – designed to boost affordable housing supply – were assessed in terms of their:

- Impacts on feasibility;
- Costs to Government; and
- General impact on supply.

The requirement for these assessments has followed nation-wide discussions surrounding housing supply constraints and the implications on broader housing affordability across the country.

These discussions have resulted in a variety of updated State and Federal policies, agencies, and initiatives including but not limited to:

- Expansions to The National Housing Finance and Investment Corporation (“NHFIC”)
- Density Bonus Reform (NSW)
- Victorian Housing Statement

The primary focus of this report is to conduct a high-level assessment of various policy mechanism to understand their appropriateness and effectiveness in the context of the Tasmania market.

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Affordable Housing in Tasmania

The Tasmanian Government broadly assigns the term 'Affordable Housing' to describe housing that:

"… [is] affordable to low-income households, meaning that the housing costs are low enough that the household is not in housing stress or crisis" - Department of Health and Human Services Housing Tasmania [1]

In Tasmania, low-income eligibility thresholds are determined by Commonwealth Health Care Card income limits presented in the table below:

Status	Weekly income	Annual Income	Weekly Rental Budget
Single, no children	$757	$39,364	$227.10
Couple combined, no children	$1,295	$67,340	$388.50
Single, one dependent child	$1,295	$67,340	$388.50
Couple combined, one child	$1,329	$69,108	$398.70
For each extra child, add	$34	$1,768	$10.20

Source: Services Australia

Considering these income levels, borrowing capacity and current State and Federal Housing Schemes – including the Government Housing Guarantee – APP has assumed a maximum purchasing budget of $300,000 for low-income earners. [1]

This budget is obviously well short of existing private market stock including apartment product and new established house and land packages.

The definition in Tasmania varies relative to other states and territories which consider moderate income earners in conjunctions with low-income earners when assessing eligibility for affordable housing.

APP recommends incorporating moderate-earners into the eligibility criteria for affordable housing – in addition – in accordance with national benchmarks. This supports consideration of how a range of support measures would be required subject to the cohort targeted in a policy response.

Based on the Tasmanian definition of Affordable Housing a purchasing budget of $300,000 is assumed for low-income earners. To consider support for affordable housing (including housing managed by a Community Housing Provider), APP would recommend a broader definition that includes moderate income earners and key workers.

[1] Source: *Assumed purchasing budget based on upper weekly income threshold*

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3. Delivery Mechanisms & Assessment Approach

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Feasibility Assessment Methodology

In order to assess the feasibility impacts of various alternative delivery mechanisms, APP has developed two base case development models.

These models reflect the delivery scenarios currently being delivered in Tasmania and act as a benchmark for comparison when assessing the feasibility impacts of proposed delivery mechanisms.

The two base case projects reflect:

- Medium Density Housing in Inner ring Hobart; and
- A Greenfield Subdivision 10km from Hobart

These base case models reflect the financial performance of these development projects when affordable housing is included without supporting policy.

The impact of delivery mechanisms are measured through the comparison of key financial performance indicators (“KPIs”) including:

- Internal Rate of Return (“IRR”)
- Net Present Value (“NPV”)
- Profit Margin
- Net Profit

The performance of these projects and delivery mechanisms are further contextualised through their comparison with an alternative market base case which represents each of the base case project scenarios without an affordable housing obligation.

Delivery support mechanisms are assessed against the baseline performance of two project development scenarios: Medium Density (Infill) and Greenfield Subdivision.

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Delivery Project Scenarios

The APP group has developed two project scenarios to support this study. The scenarios allow for consideration of the feasibility of a base case project at market and the impact of various support mechanisms on the feasibility of each scenario subject to a series of assumptions.

The projects including base case assumptions both include affordable dwellings and lots. A description of each project is provided below.

Project One: Medium Density Housing

- Low rise apartment development in Inner ring Hobart
- Provides a combination of apartments/ townhouses
- A small component of stock is sold at discount to a third-party Community Housing Provider with a restriction on title

Project Two: Greenfield Subdivision

- A subdivision located within 10-15 km of Hobart
- Includes two release stages of approximately 35 lots each
- A small component of stock is sold at discount to a third-party Community Housing Provider a with restriction on title
- Affordable housing stock are sold as micro lots with a lot size of 300sqm or less.

The base line projects are not assumed to be feasible and act as a point of comparison to assess the impacts of support mechanisms. Details of projects assumptions are outlined below and on subsequent slides.

Table 1: Delivery Project Scenario Assumptions

Item	Assumptions	
	Project One: Medium Density Housing	Project Two: Greenfields Subdivision
Volume of Dwellings / Lots	60	70
Dwelling / Lot Size (sqm)	100	500
Land Size	~2,500 sqm	5 hectares
Floor Area Ratio / Developable Land Area	2.4	14 lots per ha
Net Saleable Area	4,800 sqm (assuming Efficiency Ratio of 0.8)	35,000 sqm
Proportion Affordable Housing	At least 10% of dwelling delivered as Affordable Housing	At least 10% of dwelling delivered to Affordable Housing Provider

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Delivery Project Scenarios

Each project scenario base case is illustrated in the adjacent diagrams.

The base case will be used to measure the impact of delivery mechanisms on general feasibility metrics.

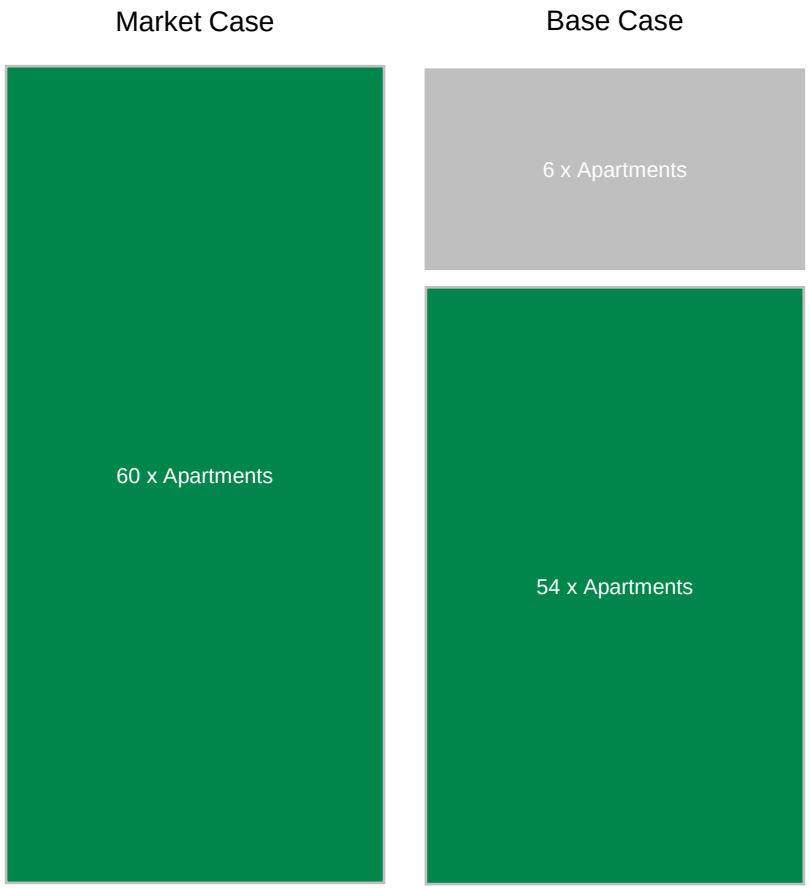
The market case will be used to measure whether delivery mechanisms improve the attractiveness of affordable housing developments over standard to market development.

Affordable housing stock within the Greenfield Subdivision project scenario are sold as micro lots due to budget constraints for low-income buyers. Micro lots provide buyers sufficient budget to afford to construct a property post acquisition.

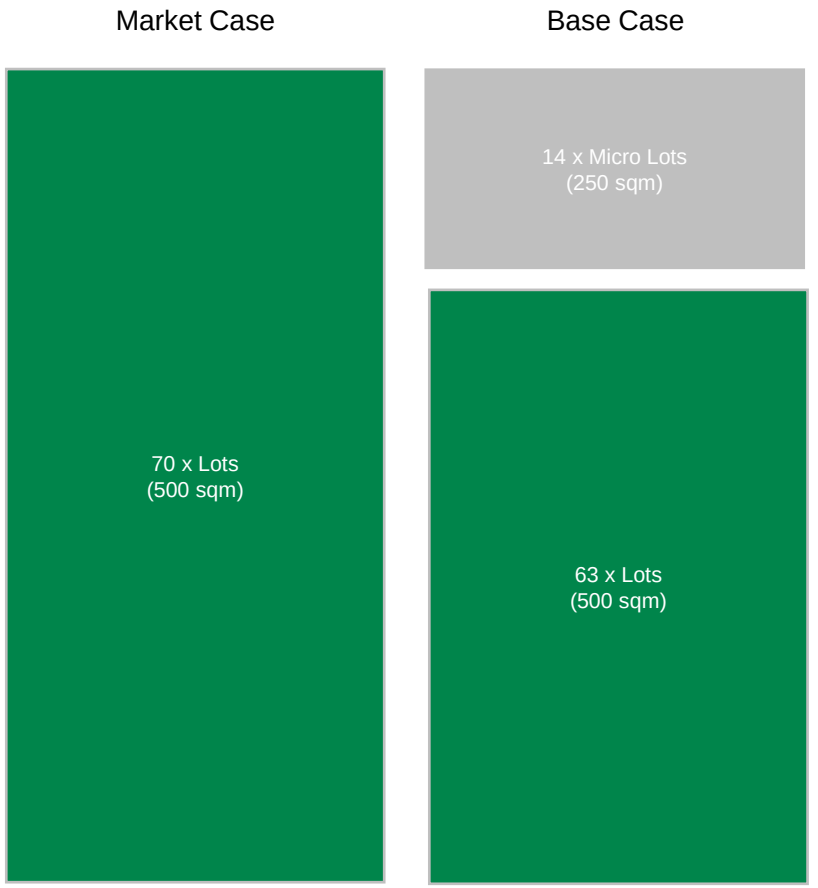
Sold at Market

Affordable Housing

Project Scenario One: Medium Density



Project Scenario Two: Greenfields Subdivision



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What Mechanisms are Considered?

The mechanisms that have been selected were based on consultation with the developer and investor sector, together with consideration of application to the Tasmanian market.

Mechanisms selected impact either:

- development costs (i.e. finance reduction);
- revenue (i.e. a capital grant); and/or
- cash flow pressure (i.e. delayed authority charges).

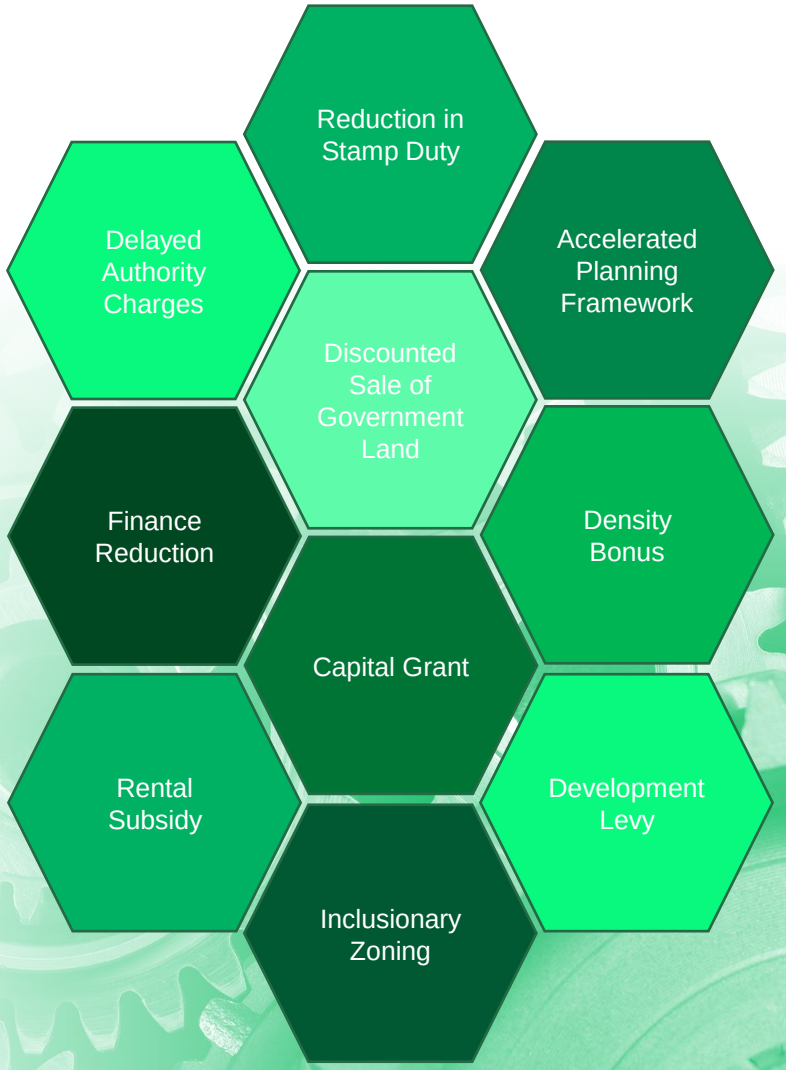
The mechanisms that were considered for assessment are presented in the adjacent diagram.

Certain mechanisms were omitted from the assessment due to their likely lack of impact or unsuitability to the Tasmanian property market.

Details of individual assumptions for each selected mechanism including alteration to the base case model are provided in the subsequent slides.

It is expected that Government would place a restriction on title for any project receiving a subsidy to enable long operation as an affordable housing asset

APP has considered several support mechanisms in the context of the Tasmanian Housing Market. Discussions on appropriate support measures occurred with stakeholders to filter a final set of support measures.



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Delivery Mechanism One: Stamp Duty Reduction

The first delivery mechanism to be considered for application in the Tasmanian housing development market is a reduction in stamp duty.

This is a cost reduction centered mechanism that seeks to reduce the cost burden borne by developers.

This mechanism can be considered independently or in conjunction with other support measures.

The definition and rationale, formula in mechanism, and impact in practice are detailed in the adjacent tables.

Definition and Rationale

This mechanism involves a reduction in a developer's stamp duty obligation.

The reduction would occur at acquisition of a site on the condition that the developer commits to delivering a proportion of to be delivered stock at the site as affordable housing.

The mechanism seeks to alleviate front end costs of the project in order to mitigate cash flow pressure whilst providing sufficient savings to enable the delivery of a portion of market stock as affordable housing.

Formula in Mechanism

This mechanism is captured into the development model through the following amendments:

General Base Case

- Stamp Duty Tax rate = 4.40%
- Application: Total Land Costs

Mechanism Scenario

- Discounted rate = 0%
- Application: Total Land Costs

Impact in Practice

This mechanism would lead to an improvement in the yield of an affordable housing development by reducing the initial tax liability on underlying land value.

However, the reduction in tax and benefit will depend on the value of the land for an individual affordable housing asset, which may be below market rates for equivalent assets.

It is expected that this mechanism independently would not lead to a feasible development model but is a measure that could be applied to a package of supports.

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Delivery Mechanism Two: Accelerated Planning

The second delivery mechanism to be considered for application in the Tasmanian housing development market is an accelerated planning framework.

This is a risk reduction centered mechanism that seeks to increase investor confidence and certainty surrounding project plans. The mechanism additionally enables revenue to be accessed quicker.

This mechanism can be considered independently or in conjunction with other support measures.

The definition and rationale, formula in mechanism, and impact in practice are detailed in the adjacent tables.

Definition and Rationale

This mechanism involves a reduction in a developer's project timeline.

The reduction would primarily occur within the planning and design phase of a development project, but also at the end when titles can be issued and would apply to projects which include affordable housing. These savings would arise from easier engagements with authorities through clear objectives and adequate resourcing of the Authorities.

The mechanism seeks to alleviate project risk and enable developers to more confidently plan and prepare for project hurdles.

The compressed project program additionally enables developers to access revenue quicker, supporting cash flow pressure and improving project returns.

Formula in Mechanism

This mechanism is captured into the development model through the following amendments:

General Base Case(s)

- Planning Period:
- Infill: 18 months
- Greenfields: 12 months
- Responsible authorities include TasWater, Local Councils and the Land Titles Office.

Mechanism Scenario

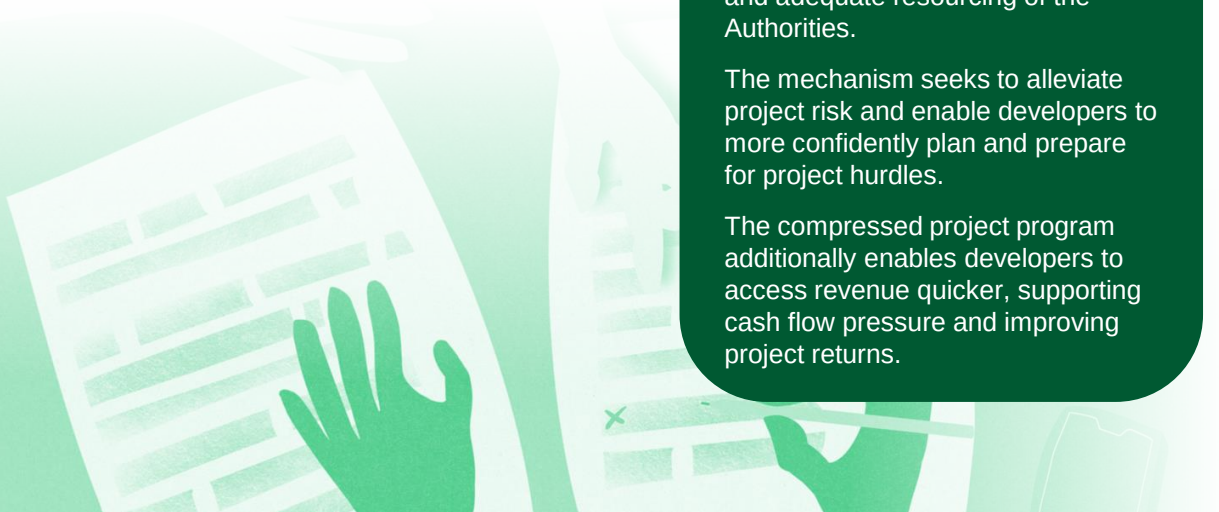
- Planning Period:
- Infill: 3 months
- Greenfields: 3 months
- Additional assumed reduction in timeline includes various expedited processes including Planning Approvals, Sealing of Plans, Title Releases, and clear permit conditions.

Impact in Practice

This mechanism would lead to an improvement in investor confidence into this asset class and improve yields by bringing revenue collection forward in the project program.

This mechanism is reliant on planning processes adhering to promised reduced timelines. Delays in this process erode investor confidence and delay revenue, nullifying the mechanism's benefit.

It is expected that this mechanism independently would not lead to a feasible development model but is a measure that could be applied to a package of supports.



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Delivery Mechanism Three: Density Bonus

The third delivery mechanism to be considered for application in the Tasmanian housing development market is a development density bonus.

This is a revenue expansion centered mechanism that seeks to improve the revenue generated by a development project.

This mechanism can be considered independently or in conjunction with other support measures.

The definition and rationale, formula in mechanism, and impact in practice are detailed in the adjacent tables.

Definition and Rationale

This mechanism involves an increase in delivered market stock from a project.

Approval to increase the market stock to be delivered by a development project is provided on the condition that the developer commits to delivering a proportion of to be delivered stock at the site as affordable housing.

The mechanism seeks to elevate project revenue for developments that deliver affordable housing. This improves feasibility whilst covering the lost revenue associated with delivering affordable housing.

This mechanism does not apply to Greenfield Subdivisions.

Formula in Mechanism

This mechanism is captured into the development model through the following amendments:

General Base Case

- 60 dwellings
- Market Stock: 54
- Affordable Housing Stock: 6

Mechanism Scenario

- 72 dwellings
- Market Stock: 65
- Affordable Housing Stock: 7

Impact in Practice

This mechanism would lead to an improvement in the yield of an affordable housing development due to an increase to the revenue associated with higher market stock sales.

However, this mechanism is reliant on developers being able to sell the additional market stock they produce.

Additionally, site conditions for specific projects may not support higher density from a practicality point of view (i.e. limited land, overshadowing etc).

This mechanism may independently support feasibility improvements but cannot be applied to all projects. It is a measure that should be applied to a package of supports.

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Delivery Mechanism Four: Capital Grant

The fourth delivery mechanism to be considered for application in the Tasmanian housing development market is a capital grant.

This is a revenue expansion centered mechanism that seeks to increase cash flows early in the project timeline to offset high-cost pressures associated with construction.

This mechanism can be considered independently or in conjunction with other support measures.

The definition and rationale, formula in mechanism, and impact in practice are detailed in the adjacent tables.

Definition and Rationale

This mechanism involves an increase in project revenue proportional to the project's construction costs

The grant would be received early in the project and would be based on an independently verified construction costs estimated by a Quantity Surveyor.

The grant can be paid in trenches as project milestones are delivered.

The mechanism seeks to alleviate front end costs pressures and improve the feasibility of development projects that deliver affordable housing.

Formula in Mechanism

This mechanism is captured into the development model through the following amendments:

General Base Case

- Capital Grant = 0.00%
- Application: Total Construction Costs

Mechanism Scenario (Option One)

- Capital Grant = 50%
- Application: Total Construction Costs

Mechanism Scenario (Option Two)

- Capital Grant = 30%
- Application: Total Construction Costs

Impact in Practice

This mechanism would lead to an improvement in the yield of an affordable housing development by increasing the revenue received early in a development project.

It additionally alleviates cash flow pressure throughout a project given that project revenue is primarily rear-loaded.

The major drawback of this mechanism is its significant cost to Government. As such, a reduced grant in conjunction with a broader package of supports can be employed.

The grant is a short-term solution, as long-term applications of this mechanism could result in continued escalations in market costs from a demand perspective.

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Delivery Mechanism Five: Discount on Government Land

The fifth delivery mechanism to be considered for application in the Tasmanian housing development market is a discount on the sale of Government land.

This is a cost reduction centered mechanism that seeks to reduce the cost burden borne by developers.

This mechanism can be considered independently or in conjunction with other support measures.

The definition and rationale, formula in mechanism, and impact in practice are detailed in the adjacent tables.

Definition and Rationale

This mechanism involves the discounted sale of Government land to a developer.

The reduction would occur at acquisition of a site on the condition that the developer commits to delivering a proportion of to be delivered stock at the site as affordable housing.

The mechanism seeks to alleviate front end costs of the project in order to mitigate cash flow pressure whilst providing sufficient savings to enable the delivering of a portion of market stock as affordable housing.

Formula in Mechanism

This mechanism is captured into the development model through the following amendments:

General Base Case

- Discount on Land Costs: 0.00%
- Application: Total Land Costs

Mechanism Scenario

- Discount on Land Costs: 50%
- Application: Total Land Costs

Impact in Practice

This mechanism would lead to an improvement in the yield of an affordable housing development by reducing the capital outlay to acquire a site for development.

Whilst this mechanism would notably improve project feasibilities and substantially reduce the cash flow strain early in a development project, the mechanism is constrained by the volume of surplus Government sites suitable for development in desirable areas.

Given the scope of application constraints, this is a measure that could be introduced for certain projects whilst other mechanisms are introduced to stimulate broader investment into the development of this asset class.

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Delivery Mechanism Six: Delayed Authority Charges

The sixth delivery mechanism to be considered for application in the Tasmanian housing development market is a delay to authority charges.

This is a cost centered mechanism that seeks to reduce the cash flow pressure experienced by developers.

This mechanism can be considered independently or in conjunction with other support measures.

The definition and rationale, formula in mechanism, and impact in practice are detailed in the adjacent tables.

Definition and Rationale

This mechanism involves a delay in the authority charges associated with a development.

The delay would move the negative cash flow associated with authority charges from the beginning of construction to project completion. This benefit would only apply to developments that deliver a proportion of stock at the site as affordable housing.

The mechanism seeks to alleviate cash flow pressure whilst simultaneously offering marginal improvements in feasibilities as a result of delayed expenses.

Formula in Mechanism

This mechanism is captured into the development model through the following amendments:

General Base Case

- Authority charges:
- Infill: $5,000 per apartment
- Greenfield: $6,500 per lot
- Applied: Year 1

Mechanism Scenario

- Authority charges:
- Infill: $5,000 per apartment
- Greenfield: $6,500 per lot
- Applied: Year 3

Impact in Practice

This mechanism would lead to a marginal improvement in the yield of an affordable housing development delaying a portion of expenses until later in the project timeline.

The mechanism is ultimately designed to support developers in smoothing out their cash flows throughout a process, thereby improving investor confidence.

It is expected that this mechanism independently would not lead to a feasible development model but is a measure that could be applied to a package of supports.

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Delivery Mechanism Seven: Finance Reduction

The final delivery mechanism to be considered for application in the Tasmanian housing development market is a reduction in finance costs.

This is a cost reduction centered mechanism that seeks to reduce the cost burden borne by developers.

This mechanism can be considered independently or in conjunction with other support measures.

The definition and rationale, formula in mechanism, and impact in practice are detailed in the adjacent tables.

Definition and Rationale

This mechanism involves a 50% reduction in a developer's financing costs.

The reduction would throughout the development lifecycle as annual payments are reduced. The discount would be applied on the condition that the developer commits to delivering a proportion of to be delivered stock at the site as affordable housing.

The mechanism seeks to alleviate costs throughout the project in order to mitigate cash flow pressure whilst providing sufficient savings to enable the delivering of a portion of market stock as affordable housing.

Formula in Mechanism

This mechanism is captured into the development model through the following amendments:

General Base Case

- Finance Rate: 8%
- Application: 50% of Project Value

Mechanism Scenario

- Finance Rate: 4%
- Application: 50% of Project Value

Impact in Practice

This mechanism would lead to an improvement in the yield of an affordable housing development by reducing finance costs of a project.

The value of a reduction in financing costs to a developer is dependent on the proportion of the project that is leveraged.

The effectiveness of this mechanism is therefore influenced on a developer's appetite for and capacity to attain debt.

It is expected that this mechanism independently would not lead to a feasible development model but is a measure that could be applied to a package of supports. It is notably powerful where a development is hindered due to access to capital.

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Assessed Mechanisms

A summary of the mechanisms appears in the below table.

Stamp Duty Reduction
Affordable housing dwellings to be exempt from stamp duty tax obligations.

Accelerated Planning Framework
Developments co-delivering affordable housing alongside market stock gain access to a 3-month expedited planning scheme.

Development Density Bonus
Developments co-delivering affordable housing alongside market stock gain access to a density increase on the project. As part of planning scheme, the affordable housing stock is sold to an affordable housing asset owner at a 50% discount to market.

Capital Grant
Government provides a grant to an affordable housing asset owner equivalent to 50% or 30% of the construction cost.

Discounted Sale of Government Land
Well-located Government land is sold to a developer at a 50% discount to market value to enable the delivery and use of affordable housing.

Delayed Authority Charges
Authority charges linked to development projects delivering affordable housing can be delayed until the end of a project.

Finance Reduction
Affordable housing providers can attain capital, via a State or Commonwealth Government entity, at a 4% p.p discount to market interest rates.

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4. Development Model & Assumptions

Development Model & Feasibility Thresholds

To assess each defined mechanism's potential to bolster private investment into the permanent affordable housing rental sector, APP has developed an assessment model designed to measure each mechanism's impact on project feasibility.

The model applies a series of assumptions to enable the development of the prementioned base cases. These key assumptions are classified within the following categories:

- Global assumptions;
- Cost assumptions;
- Revenue assumptions; and
- Support mechanism assumptions.

APP recognises that the assumptions applied within this assessment are not applicable to every project and are used to enable indicative analysis of a mechanism's feasibility impacts.

In considering the assessment of project options and the impact of support mechanisms, APP has included reference to the following thresholds:

- Project IRR (assuming a minimum hurdle rate of 15% and preferably 20%)
- Achievement of a positive NPV (considering a 7% discount rate on cash flows); and
- The achievement of Net Profit.

It is understood that alternative developers will have different considerations related to the attractiveness of a project.

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Global Assumptions

The assumptions of capital sources and funding costs, together with an assessment timeframe, reflect an example for a base case private investment.

The estimates are indicative only and will be subject to individual development circumstances. It should be noted that performance thresholds of the private investment will change over time as the market fluctuates.

Table 2: Global Assumptions

Item	Assumptions		Source / Comment
	Project One: Medium Density Housing	Project Two: Greenfields Subdivision	
Model Start Date	June 2024	June 2024	
Model Evaluation Period	48 months	48 months	Development project with no assets held
Planning Period – Base Case	18 months	12 months	Extended planning approval timeframe assumed in base case. Timeframe in Greenfields does not include structure planning process. Timeframe activities include current periods expected for Subdivision Plan Sealing and Title Release.
Design & Procurement Period	8 months	8 months	Unchanged in development bonus scenarios
Construction Period	12 months	12 Months per stage	Construction period in Greenfield Subdivision assumes two stages.
Selling Period	Market dwellings: 12 months Affordable Housing: at Completion + 2-month settlement period	24 months Affordable Housing lots: at Completion of Stage	Sales process commences in parallel to planning and construction process. 10% collected at execution of contract. Design and approvals finalised prior to starting presales
Debt / Equity Split	50/50 Debt-equity split	50/50 Debt-equity split	APP model assumption
NPV rate	7%	7%	APP assumption based on longer term average inflation costs together with yields from alternative investments. Consistent with discount rates applied to social investment projects by Government
Tax Treatment	Full GST on settlement	Full GST on settlement	The affordable housing component may be subject to alternative GST treatment

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Cost and Revenue Assumptions

Table 3: Cost and Revenue Assumptions

Item	Assumption		Source / Comment
	Project One: Middle Density Housing	Project Two: Greenfields Subdivision	
Sales Realisation	Market Stock: $10,000 per sqm Affordable Housing: 50% discount to market price	Market Stock: $280,000 per lot Affordable Housing: 50% discount to market price	Inclusive of GST (Greenfield lots have an assumed sale price of between $260-$280 per sqm)
Sales Realisation Discount on Market Stock due to inclusion of Affordable Housing	5%	n/a	The value of at market apartments in proximity to affordable/social housing are expected to sell at a discount relative to projects excluding affordable and/or social housing.
Land Purchase Cost	$2,000 per sqm	$70,000 per lot	Assumes site within 5km of Hobart CBD (Medium Density) Assumes site within 15km of Hobart CBD (Greenfields). Approved Structure Plan.
State Taxes and Charges	Applied at statutory rates	Applied at statutory rates	
Professional Fees	Professional Fees - Planning and Design : 6% Professional Fees - Construction: 2% Project Management: 1% Development Management: 1%	Professional Fees - Planning and Design : 6% Professional Fees - Construction: 2% Project Management: 1% Development Management: 1%	These fees are as percentages of Construction Costs
Construction Costs / Civil Works	$4,000 per sqm	$80,000 per lot	Includes authority charges in case of Greenfields Projects Excludes GST
Authority Charges	$5,000 per lot	$6,500 per lot	Refers to utility establishment and contribution costs. TasWater, Sewage, and other utility charges
Open Space contribution	0% of Gross Realisation Value	3% of Gross Realisation Value	Endorsed APP model assumption
Statutory Costs	Approvals 1% of Construction Costs	Approvals 1% of Construction Costs	Endorsed APP model assumption
Contingency	10%	10%	Includes Design, Construction, and broader project Contingency.
Finance Rate	8%	8%	Interest only loan
Selling Costs	2% of Gross Sales	2% of Gross Sales	Endorsed APP model assumption
Marketing Costs	1.5% of Gross Realisation Value	1.5% of Gross Realisation Value	Endorsed APP model assumption

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Support Mechanism Assumptions

The assumptions below detail how each selected mechanism is captured in the development model.

These assumptions have been informed by consultation with developer and other market stakeholders. APP acknowledges that these assumptions may evolve as they are considered for integration within Tasmanian policy.

Table 4: Support Mechanism Assumptions

Item	Assumption		Source / Comment
	Project One: Middle Density Housing	Project Two: Greenfields Subdivision	
Stamp Duty Reduction	No Stamp duty for land acquisition for projects that deliver Affordable Housing	No Stamp duty for land acquisition for projects that deliver Affordable Housing	An APP model assumption in line with the Tasmanian tax rates. It is also assumed that a stamp duty concession for buyers and investors exists however this is assumed to have no impact on project feasibility.
Accelerated Planning Framework	Planning Period reduced to 3 Months	Planning Period reduced to 3 Months	APP
Density Bonus	20% FAR increase	n/a	Endorsed APP model assumption
Capital Grant	30% & 50% of Construction Costs	30% & 50% of Value of Civil Works	Endorsed APP model assumption
Surplus Government Land Sold at a Discount	50% Discount to Acquisition Costs	50% Discount to Acquisition Costs	Endorsed APP model assumption
Delayed Authority Charges	Charged at end of Project	Charged at end of Project	Endorsed APP model assumption
Government Finance	4 pp reduction in rates	4 pp reduction in rates	Interest only loan

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5. Assessment Results

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Medium Density (Infill) Base Case

Prior to examining the performance of each alternative delivery mechanism, APP has considered the performance of medium density housing with and without affordable housing.

Key insights were as follows:

- Results from Project Scenario One highlight a significantly challenged market for medium density development. Performance metrics for the market case fall substantially short from the 20% target IRR for private investment.
- These results reflect experiences and comments provided by industry stakeholders, who have underlined the ongoing challenges in overcoming feasibility constraints.
- This challenge to feasibility expands with the introduction of a 10% affordable housing obligation. The inclusion of this requirement sees performance measures drop from an IRR of 7.9% in the market case to -2.9% in the base case. This represents a 10.79 percentage point decrease in IRR.
- Substantial support is required to unlock this asset class particularly if an affordable housing obligation exists..

The feasibility of the medium density apartment market in Hobart is constrained at present regarding affordable apartment projects. New projects are unable to achieve feasibility hurdles even without a requirement to include affordable housing. The inclusion of this obligation further deteriorates financial performance measures. Higher price point lower density apartment projects will achieve feasibility hurdles however these projects would not be suitable to support co-located affordable housing.

Table 5: Project Scenario One: Performance Measures

	Market Case (exc Affordable)	Base Case (inc Affordable)
Cash Flows		
Total Revenue	$47.68 M	$43.15 M
Total Costs	$44.46 M	$44.28 M
Net Profit	$3.22 M	($1.13 M)
Financial KPIs		
Profit Margin	6.75%	(2.61%)
NPV	$286.5k	($3.03 M)
IRR	7.90%	(2.89%)

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Mechanism Feasibility Impacts – Infill (Project 1)

APP has examined each delivery mechanism's impact on performance metrics for medium density projects in Hobart.

The following key insights are revealed:

- Each form of Capital Grant provides the greatest positive benefit to the financial performance of medium density achieving IRRs of 33.53% and 18.83% under a 50% and 30% grant respectively.
- A Capital Grant between 30% and 50% would independently generate returns for medium density projects beyond feasibility thresholds despite the inclusion of affordable housing.
- Each mechanism improved project financial outcomes relative to the base case, though few surpassed the market case.
- Improvements associated with No Stamp Duty and Delayed Authority Charges were negligible relative to the base case.
- The Density Bonus achieves an IRR of 10.74% as the next best performing delivery mechanism behind the Capital Grant. This is 5.22 percentage points greater than the next best mechanism.
- A combination of mechanisms is expected to be required in order to unlock affordable housing supply through this project form.

A capital grant equivalent to 30% of the project cost is expected to achieve feasibility with the inclusion of affordable housing. If affordable housing was targeted to low income-earners a greater Capital Grant, or a combination of measures would be required.

Table 6: Project Scenario One: Performance Measures

Mechanism	NPV	IRR [1]	Profit Margin	Total Revenue	Total Costs	Net Profit	Rank	Feasibility
Market Case (exc affordable)	$0.29 M	7.90%	6.75%	$47.68 M	$44.46 M	$3.22 M	4	
Base Case (inc affordable)	- $3.03 M	-2.89%	-2.61%	$43.15 M	$44.28 M	- $1.13 M	10	
Assessment of Mechanisms								
Stamp Duty Reduction	- $2.79 M	-2.27%	-2.02%	$43.15 M	$44.28 M	- $0.87 M	8	
Accelerated Planning Framework	- $0.93 M	2.84%	1.85%	$41.90 M	$41.12 M	$0.77 M	7	
Development Density Bonus	$1.37 M	10.74%	8.78%	$57.04 M	$52.03 M	$5.01 M	3	
Capital Grant (30%)	$3.57 M	18.83%	13.98%	$51.68 M	$44.45 M	$7.23 M	2	
Capital Grant (50%)	$7.96 M	33.53%	22.31%	$57.37 M	$44.57 M	$12.80 M	1	
Discounted Sale of Government Land	- $0.39 M	5.52%	4.36%	$43.15 M	$41.27 M	$1.88 M	5	
Delayed Authority Charges	- $2.99 M	-2.93%	-2.61%	$43.15 M	$44.28 M	- $1.13 M	9	
Finance Reduction	- $0.44 M	5.42% *	4.47%	$43.15 M	$41.23 M	$1.93 M	6	

[1] IRR deteriorates as a measuring tool for financial performance as project returns become negative or cash flow patterns fluctuate.
* Equity IRR is used to assess the finance reduction as opposed to Project IRR

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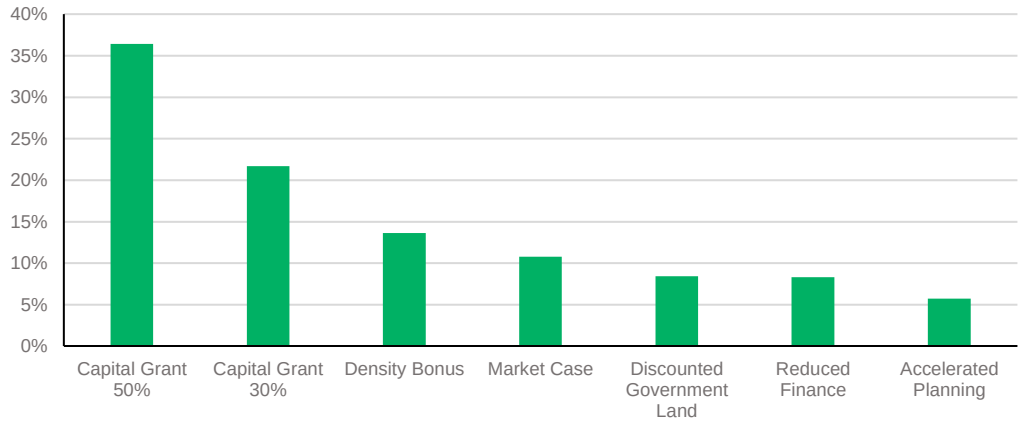
Meeting Market Thresholds – Infill (Project 1)

APP has further considered each mechanism's impact on the base case as well as its performance relative to the market case and general feasibility targets set at circa 20% for BTS projects.

The key insights were as follows:

- The Capital Grants and Density Bonus were the only mechanisms to improve feasibility measures beyond the market case.
- Whilst the Capital Grant (30%) did not quite reach the feasibility target, its proximity to the threshold indicates that its application may be sufficient to unlock a proportion of projects which include affordable housing subject to individual circumstances.
- The financial impact of a reduction in Stamp Duty or Delay in Authority costs was negligible relative to the base case, resulting in an IRR variation of less than 1 percentage point.
- Although each improve performance measures relative to the base case, Discounted Sale of Government Land, Reduced Finance, and Accelerated Planning are insufficient to independently draw investment away from traditional at market projects.
- The Density Bonus improves the base case IRR by 13.6 percentage points, surpassing the Market Case IRR by 284 basis points. This difference may not be sufficient to trigger sweeping investment into the asset class, however, may be sufficient to unlock projects on the periphery of achieving feasibility thresholds in the State.
- Combining multiple mechanisms has the potential to consistently achieve feasibility hurdles. Some possible combinations include:
  - Density Bonus + Discounted Sale of Government Land
  - Capital Grant (10%) + Density Bonus + Accelerated Planning
  - Capital Grant (25%) + Reduced Finance + Reduction in Stamp Duty

Chart 3: Project Scenario One: Percentage Point Change in IRR relative to Base Case [1]



[1] Reduction in Stamp Duty and Delayed Authority Costs were omitted from the provided chart as they resulted in a less than 1 percentage point variation relative to the base case.

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Greenfield Subdivision Base Case

Prior to examining the performance of each alternative delivery mechanism, APP has considered the performance of greenfield subdivisions with and without affordable housing.

Key insights were as follows:

- Results for Project Scenario Two are notably more favorable, though still fall short of feasibility thresholds. These financial returns (IRR 15.03%) are insufficient to encourage investment without Government support.
- The inclusion of affordable housing micro lots deteriorates the IRR from 15.03% in the Market Case to 6.78% in the Base Case. This represents an 8.25 percentage point decrease.
- The variation in financial performance between benchmark cases is primarily driven by a reduction in revenue. The base case earns $1.99 M less than the market case.
- The degree of support required to unlock this asset class within Greenfield projects is lesser than that of project scenario one.
- This analysis confirms that there is greater capacity to provide affordable housing in the form of a house and land package with Government support considering the improved feasibility of the market case project.

Greenfield Subdivision projects without an affordable housing obligation present improved financial performance metrics relative to the infill project, though this project scenario is still constrained. The degree of Government support required to unlock this asset class is less extensive than medium density projects.

Table 7: Project Scenario Two: Performance Measures

	Market Case (exc Afforable)	Base Case (inc Affordable)
Cash Flows		
Total Revenue	$19.51 M	$17.52 M
Total Costs	$16.14 M	$16.10 M
Net Profit	$3.37 M	$1.42 M
Financial KPIs		
Profit Margin	17.29%	8.13%
NPV	$1.39 M	- $0.04 M
IRR	15.03%	6.78%

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Mechanism Feasibility Impacts – Greenfield (Project 2)

APP has examined each delivery mechanism's impact on performance metrics for Greenfield Subdivision projects in Hobart's outer ring.

The following key insights are revealed:

- The Discounted Sale of Government Land proved to be the most powerful mechanism in improving financial performance of Greenfield projects, highlighting the importance of land costs to project feasibility for this project scenario.
- A Capital Grant of circa 50% could independently generate returns for Greenfield Subdivision projects beyond feasibility thresholds despite the inclusion of affordable housing.
- Accelerated Planning's strong impact to project feasibility highlights Greenfield projects vulnerability to timeline delays including implications in the form of delayed revenue and expanded land holding costs. The power of this mechanism increases as the disparity between revenue and costs widen.
- Each mechanism improved project financial outcomes relative to the base case.
- No Stamp Duty and Delayed Authority Charges produced the smallest improvement in feasibility metrics relative to the base case.
- Greenfield affordable housing projects could be unlocked by the introduction of a single or series of delivery mechanisms. A combination of mechanisms will be necessary to stimulate widespread investment into this asset class via this project scenario.

Given the improved feasibility of a Greenfields subdivision project, Government has a number of mechanisms that can support affordable housing. Of note, and at a lower-cost to Government is the accelerated planning framework.

Table 8: Project Scenario Two: Performance Measures

Mechanism	NPV	IRR	Profit Margin	Total Revenue	Total Costs	Net Profit	Rank	Feasibility
Market Case (exc affordable)	$1.39 M	15.03%	17.29%	$19.51 M	$16.14 M	$3.37 M	4	
Base Case (inc affordable)	$0.04 M	6.78%	8.13%	$17.52 M	$16.10 M	$1.42 M	9	
Assessment of Mechanisms								
Stamp Duty Reduction	$0.19 M	8.20%	8.68%	$17.52 M	$16.00 M	$1.52 M	7	
Accelerated Planning Framework	$0.76 M	14.45%	14.46%	$17.52 M	$14.99 M	$2.53 M	5	
Development Density Bonus								
Capital Grant (30%)	$1.50 M	16.04%	10.53%	$17.01 M	$15.22 M	$1.79 M	3	
Capital Grant (50%)	$2.53 M	22.20%	22.42%	$20.84 M	$16.17 M	$4.67 M	2	
Discounted Sale of Government Land	$2.54 M	26.86%	24.95%	$17.52 M	$13.15 M	$4.37 M	1	
Delayed Authority Charges	$0.05 M	7.32%	9.55%	$17.52 M	$15.85 M	$1.67 M	8	
Finance Reduction	$0.90 M	12.78% *	16.91%	$19.47 M	$16.18 M	$3.29 M	6	

* Equity IRR is used to assess the finance reduction as opposed to Project IRR

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Meeting Market Thresholds – Greenfield (Project 2)

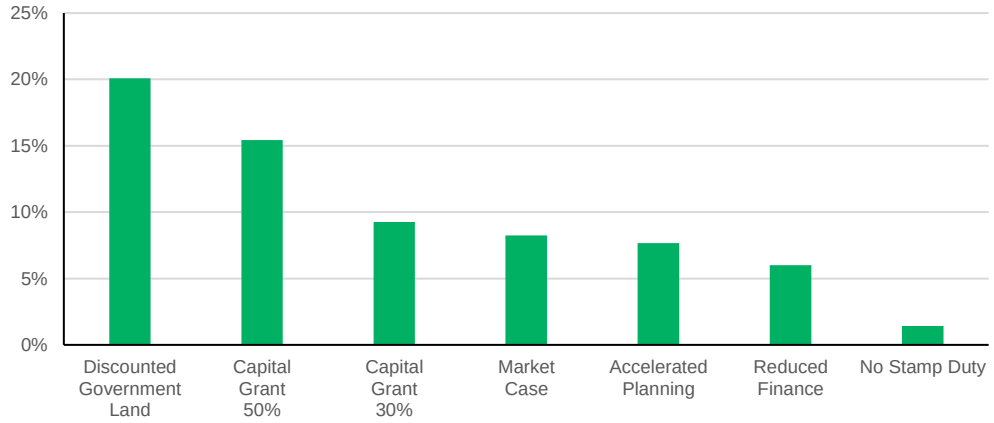
APP has further considered each mechanism's impact on the base case as well as its performance relative to the market case and general feasibility targets set at circa 17% for Greenfield BTS projects.

The key insights were as follows:

- The Discounted Sale of Government Land and Capital Grants were the only mechanisms to improve feasibility measures beyond the market case.
- Given the Capital Grant (50%) was able to surpass the feasibility target, the application of a slightly reduced grant may be sufficient to unlock a proportion of projects which include affordable housing subject to individual circumstances.
- Although each improve performance measures relative to the base case, Reduced Finance, Delayed Authority Costs, Accelerated Planning and No Stamp Duty are insufficient to independently draw investment away from traditional at market projects.
- Accelerated Planning improves the base case IRR by 7.67 percentage points. Whilst insufficient to independently bolster investment as a sole mechanism, its low implementation cost signifies high value to Government as a policy instrument, notably when combined with alternative mechanisms to achieve desired returns.
- The significant improvement in feasibility as a result of certain mechanisms invites questions surrounding combinations of scaled down versions of potential supports. This could include:
  - A Discount on the Sale of Government Land (20%) + Capital Grant (10%).
  - Capital Grant (25%) + Accelerated Planning + No Stamp Duty

Although healthier than infill developments, Greenfield projects require a package of support measures to improve feasibility metrics beyond target rates.

Chart 4: Project Scenario Two: Percentage Point Change in IRR relative to Base Case [1]



[1] Delayed Authority Charges was omitted from the provided chart as the mechanism resulted in a less than 1 percentage point variation relative to the base case.

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Cost to Government

In addition to examinations of feasibility impacts, APP has further considered each mechanism in terms of its cost to Government and general impact on supply.

These insights have been informed by previous research and consultation with national stakeholders and are summarized in the below table.

It is worth noting that some of these costs are associated with development that is not already occurring. Therefore, whilst certain mechanisms would result in reduced income to Government, incurring these costs may still denote an improved cash flow to Government due to increases in development projects.

Table 9: Mechanism Cost Impacts

Mechanism	Cost Impact	Scale of Cost Impact
Stamp Duty Reduction	The reduced revenue to Government as a result of reduced stamp duty collection ranges from $1k to $4k per dwelling depending on the project.	Low
Accelerated Planning Framework	This mechanism comes at no additional cost to Government. Whilst there are costs associated with hiring additional planners and supporting personal to process applications, these costs would still occur if any other mechanism is adopted and triggers a positive boost in construction.	Low
Density Bonus	This mechanism comes at no additional cost to Government. Whilst there are costs associated with hiring additional planners and supporting personal to process applications, these costs would still occur if any other mechanism is adopted and triggers a positive boost in construction.	Low
Capital Grant	This is the most expensive delivery mechanisms to implement. A 50% grant would cost Government circa $237k per medium density dwelling or $47k for a Greenfields subdivision lot based on aforementioned project assumptions. This is proportionally reduced in the instance of a 30% or 10% grant.	High
Surplus Government Land Sold at a Discount	The reduced revenue to Government as a result of this mechanism ranges between $35k and $45k per dwelling depending on the project. This reduced profit may be preferable in certain instances where a land parcel is underperforming and/or generating a loss for Government.	Medium
Delayed Authority Charges	The cost of this mechanism represents the lost interest on delayed payments. Applying a 7% rate of return, this mechanism would cost Government between $600 and $1,200 per dwelling.	Low
Government Finance	The reduced revenue to Government as a result of lower finance rates ranges between $15k and $60k depending on the project.	Medium

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Estimated Supply Impacts

In addition to examinations of feasibility impacts, APP has further considered each mechanism in terms of its cost to Government and general impact on supply.

These insights have been informed by previous research and consultation with national stakeholders and are summarized in the below table.

In terms of cost to Government, it is worth noting that some of these costs are associated with development that is not already occurring. Therefore, whilst certain mechanisms would result in reduced income to Government, incurring these costs may still denote an improved cash flow to Government due to increases in development projects.

Table 9: Mechanism supply Impacts

Mechanism	Supply Impact Project One: Infill	Scale of Supply Impact (Infill)	Scale of Supply Impact (Greenfields)
Stamp Duty Reduction	This mechanism will provide a small increase in investment performance and interest in the asset class. Given the limited reduction in developer costs, it is unlikely that a reduction in this tax will significantly influence investor interest.	Low	Low
Accelerated Planning Framework	Alleviations to project risk and assuredness surrounding project programs enable developers to more confidently plan and prepare for project hurdles. These improvements to investor confidence are powerful in increasing overall investment. More powerful as a mechanism for projects highly influenced by land holding costs and/or cash flow pressures.	Moderate	High
Density Bonus	A developer bonus system can provide a significant pipeline of affordable housing stock, however, requires project scale to be effective and will generate limited supply off the back of townhouse and low-density projects. The mechanism will require regulatory reform and a strong apartment market cycle.	Moderate	n/a
Capital Grant	Will provide a significant reduction in asset costs and increase in attractiveness for investment. The grant simultaneously improves project feasibility and alleviates developer cash flow challenges.	High	High
Surplus Government Land Sold at a Discount	This mechanism is ultimately constrained by the availability of surplus Government sites in suitable and well-positioned locations. Given the feasibility impacts of this mechanism on Greenfield projects, Government should prioritise offloading underperforming sites in each city's outer ring.	Low	Moderate
Delayed Authority Charges	Whilst the delayed authority charges would not significantly impact IRR, they will positively impact the need to raise capital and improve cash flow.	Low	Low
Government Finance	The impact on the private sector will depend on the leverage model. The institutional superannuation fund sector has low costs of capital, however private developers and the CHP sector will benefit from the measure.	Low to Moderate	Low

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The Importance of Greater Planning Certainty

Consultation with developers and investors has underpinned the importance of more certain project approval timelines and links with investor appetite.

Recent studies across several jurisdictions have highlighted the importance of streamlined planning approvals - supported by well resourced responsible planning authorities and referral authorities - to investor confidence. The heightened focus on planning timelines and greater project certainty is driven by improved performance of less risky investments – both domestically and internationally. The high interest rate environment means that capital can be allocated to investment vehicles with lower risk and historically strong performance including cash and bonds.

The current interest rate cycle therefore means that from a policy perspective anything Government can do to either reduce regulatory timeframes and increase certainty of outcome will be attractive. This extends to reducing processes post project completion that include sealing of subdivision plans and expedited title issuance.

These concerns are not only impacting developers but extend to construction firms as the sector continues to struggle with constrained margins and cash flow coverage.

Planning reform to reduce approval timelines as outlined in the support mechanism during predevelopment and post practical completion presents the following key benefits:

- Improved feasibility measures for investors at a low cost to Government;
- An improved risk profile for blended at market and affordable housing projects relative to alternative market investments; and
- An avenue for the construction sector to regain stability via a lower risk project pipeline.

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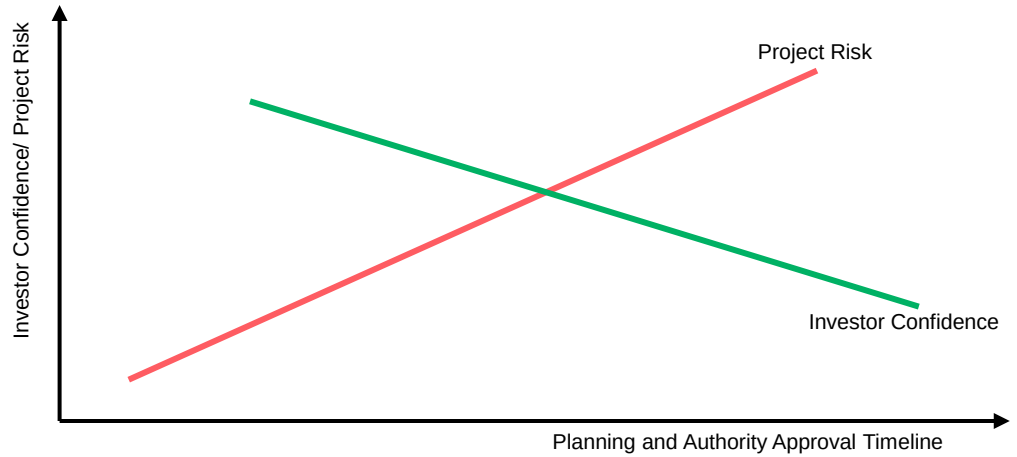
Chart 5: Relationship between Approval and Consulting Timelines to Investor Confidence and Project Risk



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Thank you.