

# Building A Better Australia

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National Policy  
Priorities for 2020



URBAN DEVELOPMENT INSTITUTE  
OF AUSTRALIA (UDIA) NATIONAL

## ABOUT UDIA NATIONAL

**UDIA is the development industry's most broadly representative industry association with more than 2,500 member companies – spanning top tier global enterprises and consultants to local governments and small-scale developers.**

**We have a long history of engaging positively with the Federal Government and its agencies on issues critical to the property industry – spanning tax, population, infrastructure, land use planning and beyond.**

**UDIA National's advocacy is defined by our state-representative National Council – and informed by a diverse membership base, extensive network of state councils and committees, and businesses on the frontline of housing development around the country.**

**Our voice is backed by real experience and quality research designed to support good policy making and dialogue with governments, oppositions and the bureaucracy.**

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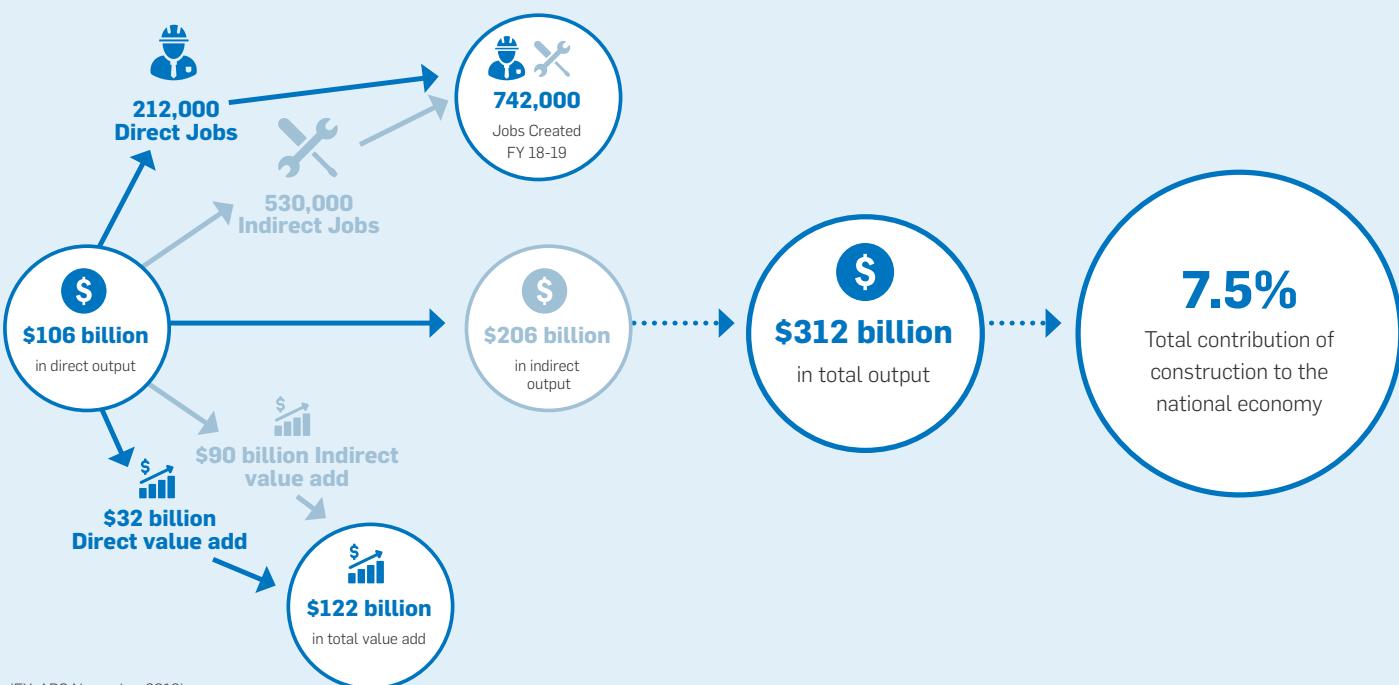
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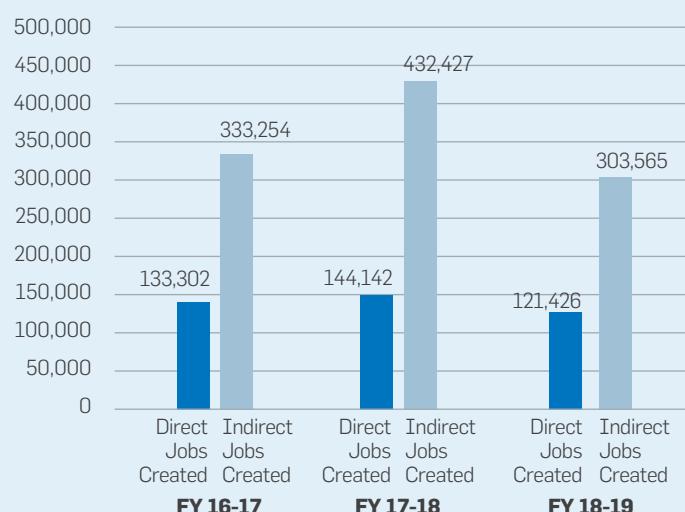
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# HOUSING DRIVES ECONOMIC GROWTH

The critical role that new housing and construction plays in fuelling economic activity is evident in new independent research undertaken by EY on behalf of UDIA National. The research illustrates that 7.5 percent of national economic activity is generated by construction – along with 750,000 direct and indirect jobs. The multiplier effect for demand and services generated across the supply chain is crucial for new jobs creation and more importantly domestic consumption. In total, the direct and indirect output generated is a staggering \$312 billion making the industry one of the most vital to Australia's economic success.



## TOTAL JOB CREATION – NEW RESIDENTIAL DEVELOPMENT



## TOTAL JOB CREATION - NEW NON-RESIDENTIAL DEVELOPMENT



## OVERVIEW

**The origins of Australia's housing affordability woes can be traced back to the supply deficiency that accumulated in the lead-up to, and throughout the Global Financial Crisis (GFC). The gap between supply and demand was estimated to have reached almost 160,000 by 2010.<sup>1</sup>**

As Australia emerged from the financial crisis, credit was easier to access, population and net migration increased, and housing demand kicked back to life. However, the mismatch between supply and demand never closed and this 'supply gap' fuelled rapid price growth.

Even at the peak of the construction cycle that followed, housing approvals and construction barely touched the underlying level of demand. A generation of homebuyers suffered. Housing markets are once again at a critical juncture. Housing approvals are slowing, and

*"If the trends continue, the collision between increased demand, increasing pricing and stalled supply will fuel another cycle of diminishing affordability."*

development and construction pipelines are thinning – representing a medium-term risk to supply.

Yet tentative signs of demand are re-emerging. Prices have stabilised and hint at an upswing, at least in established markets. Credit flows for home lending have eased but still not to the levels of pre-Royal Commission times.

Against a backdrop of recovering demand and more ready access to housing credit, both new dwelling approvals and commencements have fallen by around 20 percent since their peak. Further, Australian Bureau of Statistics (ABS) data from July and August 2019 indicates that dwelling approval numbers are continuing to contract and are now at their lowest monthly levels in seven years - with commencements likely to follow suit.

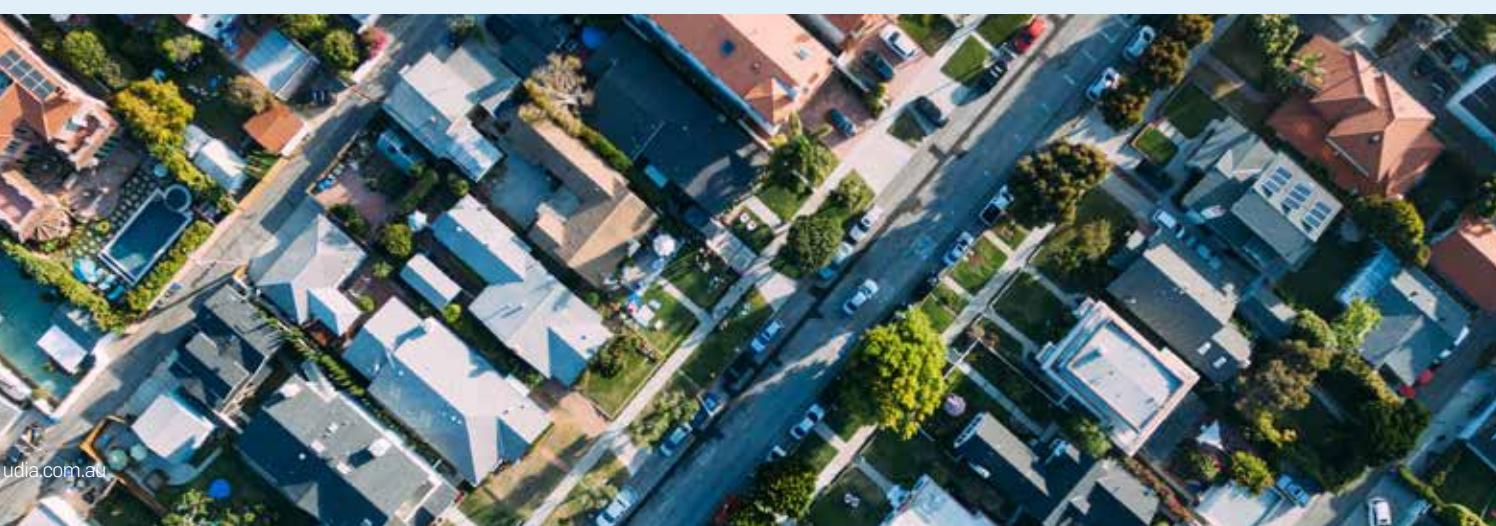
### ANNUAL DWELLING APPROVALS & COMMENCEMENTS (ALL STATES)



(EY: ABS November 2019)

1. National Housing Supply Council – State of Supply Report 2011

*Dwellings approvals and commencements continue to trend towards their lowest levels in the last seven years. As housing demand continues to recover and housing credit begins to once again flow more freely, urgent actions are necessary to reverse the significant decline in new housing supply.*



# UDIA RECOMMENDS THE FOLLOWING KEY PRIORITIES

UDIA National applauds the Federal Government's endeavours to boost confidence in housing markets. Comfort around the policy settings for negative gearing and capital gains tax, a new initiative to help close the deposit gap for first homebuyers, and the commencement of efforts to ease access to housing credit are positive steps. However, we do view the opportunity for further momentum as both urgent and attainable. Initiatives that cement and extend existing policy goals are promoted in this document.

## Recommendations:

**1****Streamline red and green tape**

Using the review of the Environment Protection and Biodiversity Conservation Act to streamline approvals and curb excessive red tape

**2****Support housing supply**

Giving a clear mandate to the National Housing Finance and Investment Corporation (NHFIC) to identify and remove the barriers to efficient housing delivery

**3****Fix planning systems**

Offering incentives to the states and territories to streamline and modernise their planning, approvals and zoning systems

**4****Diversify housing stock**

Securing better returns on investment in infrastructure by creating more diverse housing stock

**5****Integrate policy reform**

Integrating a suite of initiatives on infrastructure, population, cities and housing developments underway across government to yield the strongest dividend.

These goals are within reach and will help ensure Australia stays ahead of the curve on fixing housing affordability, and ultimately, build a better Australia.



# 1. STREAMLINING ENVIRONMENTAL PLANNING PRACTICES

## STATE OF PLAY

UDIA National welcomes the Commonwealth's independent review into the Environment Protection and Biodiversity Conservation (EPBC) Act. It fits squarely within the Government's red tape busting agenda.

There is clear value in a well-designed legislative and regulatory framework to give effect to the preservation of nationally significant flora and fauna and honour Australia's international treaty commitments.

This goal is compatible with UDIA's objective of having environmental assessment conducted as early as possible in the development cycle to provide certainty to all stakeholders.

Currently, the EPBC Act is inconsistent, complex and often acts as a substantial barrier to residential land release and housing development, as well as delivering sub-optimal conservation outcomes.

In particular, the promise of a single, streamlined environmental assessment for major initiatives and projects has not been fully realised. The additional compliance burden and substantial delay to projects is ultimately baked into the cost of new housing.

## RECOMMENDED ACTIONS

The review should be seized upon as **an opportunity to achieve** the Act's stated objective – **a singular point of strategic assessment** that accounts for national and state factors in one round. This should be reinforced by a requirement for the Act **to balance environment, economic and social factors**.

A feature of the review should be to **clearly benchmark costs** for complying with existing processes and identify step-by-step opportunities **to reduce or eliminate them**.

### UDIA NATIONAL RECOMMENDS THE SIX FOLLOWING PRIORITIES FOR THE REVIEW:

- 1. Ensuring proposed listings of matters of national environmental significance are underpinned by** clear evidence and science – and accompanied by **a Regulatory Impact Statement detailing potential economic impacts**.
- 2. Progressing towards the 'one-stop shop' premise** that underpins the EPBC Act and absorbs lessons from existing processes which work well.
- 3. Completing bilateral agreements** and strategic assessments (as well as updating existing bilateral agreements) within a fixed timeline **to strip out duplication and eliminate opportunities** for different tiers of government **to revisit earlier assessment outcomes**.
- 4. Developing and applying statutory timeframes** for responding **to applicants, and introduce the concept of 'deemed consent'** when they are not met.
- 5. Providing a simpler and more effective regime for offsets.**
- 6. Lifting the quality, consistency and transparency of guidance** – particularly throughout the referral process.

**Giving emphasis to these priorities will align with the Government's broader focus on delivering additional supply, improving housing affordability as well as the reduction of needless red tape.**



## 2. BUSTING THE BARRIERS TO HOUSING SUPPLY

### STATE OF PLAY

Housing supply pipelines remain "out of sync" with long-term forecasts for population growth and demand, and the mix of housing is not meeting changing demographic and lifestyle demands.

It is a function of a host of factors, including constraints imposed by restrictive land release and zoning practices, inefficient planning systems and excessive taxes and charges on new housing development.

That's why the Commonwealth Government's decision to broaden the mandate of NHFIC to better scrutinise housing markets is wise.

It has the potential to provide rich and robust analysis of the underlying dynamics that inform housing – the rate and source of demand, an accurate account of real supply and the drivers of affordability. A precedent for NHFIC's revised mandate lies in the now disbanded National Housing Supply Council, which previously provided comprehensive data and forecasting on housing markets – but there is an opportunity to go further.

### RECOMMENDED ACTIONS

A revised mandate for NHFIC has the potential to actively target the barriers to housing delivery and affordability.

#### UDIA RECOMMENDS THE MANDATE SHOULD INCLUDE THE FOLLOWING EIGHT ACTIONS:

- 1. Welcoming industry leadership and dialogue** to the table, with the appointment of private sector leaders to an advisory group **to help inform NHFIC's new research priorities** and outcomes.
- 2. Aligning population data** from the pending Intergenerational Report and the new Centre for Population with the **analysis that informs NHFIC's supply and demand estimates**.
- 3. Introducing financial incentives that prompt** state and local governments to collaborate and pursue **genuine planning and approvals reforms and meet greater housing supply targets**.
- 4. Identifying and recommending the removal of inefficient red and green tape**, as well as statutory charges, that act as both a handbrake and a cost impost on the delivery of new housing.
- 5. Mapping the current mix of taxes, charges and levies which are a cost impost on new housing** – and establishing a league table to benchmark the states and territories.
- 6. Assessing** the relative **efficiency** (or inefficiency) **and equity** (or inequity) **of taxes, charges or levies – and charting** a short, medium and long-term path for eliminating taxes that are **better** captured through **more equitable and broad-based revenue measures**.
- 7. Refining the income thresholds** attached to the **First Home Loan Deposit Scheme** to ensure they are tailored **to reflect the intersection of house prices and incomes** in different cities.
- 8. Aligning house price caps** under the Scheme **with state-based first homebuyer stamp duty concession thresholds**.



## 3. REDUCING THE RED TAPE ON HOUSING

### STATE OF PLAY

Whilst a mix of factors have reduced housing approvals in recent years, the constant factor over several cycles in producing a sustained gap between supply and demand is the planning system.

Poor strategic planning, inefficient land release and cumbersome planning approval systems continue to act as a drag on the efficient delivery of housing.

This is a needless barrier to affordability when Australia has the land, redevelopment opportunities, expertise, capacity and capital to create one of the world's most effective housing markets. Flaws in planning and approval systems remain primarily the responsibility of state and local governments; however, the Commonwealth has the capacity to leverage its authority and spending power to agitate for change.

For example, in the recent deal struck to waive Tasmania's housing-related loan debt, the Commonwealth received a commitment that the state will reform its planning and zoning systems. This provides a template for further action across the full suite of jurisdictions.

### RECOMMENDED ACTIONS

The Commonwealth Government should unveil a new productivity agenda to spur housing supply by designing a framework for using incentives to boost housing supply, land release and planning systems.

#### UDIA NATIONAL RECOMMENDS THE AGENDA INCLUDE THE FOLLOWING THREE ACTIONS:

1. Analysing the best method for **utilising the Commonwealth's balance sheet strength to encourage state and local governments to act**.
2. **Testing** the capacity for the National Affordable Housing Agreement (NAHA), City Deals and Commonwealth investment in infrastructure to serve as **the best vehicles for driving change**.
3. **Establishing** a series of **benchmarks that state and territory governments will need to meet** to access incentive payments, including:
  - The **capacity of strategic plans and land release programs to meet population projections and housing demand**;
  - **Improvements** to major project assessment regimes **to lift the efficiency of land release and housing development**;
  - Ongoing progress on **increasing supply targets for greenfield and brownfield housing**;
  - **Red tape reduction targets** that seek **to reduce** both the quantum of **regulatory costs imposed on new housing**, and individual priority areas (such as depoliticised development assessment);
  - **Measures to** demonstrably **reduce** the **time taken to progress developments** throughout each phase of the approval process (ie: subdivision to development approval).

**The Commonwealth will also need** to continue to spur the states into collaborative action on **building standards reform to restore consumer confidence** and secure greater harmonisation of regulatory frameworks.



## 4. LEVERAGING INFRASTRUCTURE TO DIVERSIFY HOUSING STOCK

### STATE OF PLAY

Infrastructure – large and small – underpins the liveability and economic fortunes of our cities.

Good infrastructure helps connect markets, move people to and from work more efficiently, enables essential services and improves urban amenity. There is a direct link between the timely and efficient delivery of precinct-scale infrastructure and supply and quality of new housing. Infrastructure Australia (IA) has also made it consistently clear in its suite of reports and audits that the densification of our cities will continue to accelerate. Sydney and Melbourne will become akin to New York and London in scale, and Perth and Brisbane will at least double in population over the forthcoming decades.

Likewise, IA's audit has identified the changes shifting demographics and economic trends will steer consumer demand towards a different typology and profile of housing stock.

Harnessing infrastructure investment pipelines to deliver more contemporary housing stock will better position the nation to respond to shifting demand and needs.

### RECOMMENDED ACTIONS

The Commonwealth Government should be seeking a better return on its substantial outlay on infrastructure via project partners across the states, territories and local government.

#### UDIA NATIONAL RECOMMENDS SIX OPPORTUNITIES THAT INCLUDE:

- 1. Identifying and securing long-term growth corridors** – for both infrastructure and housing – to ensure they are aligned to population forecasts and strategic plans.
- 2. Auditing all current infrastructure projects** – as well as proposals from states and territories – to interrogate whether land use opportunities are being maximised.
- 3. Linking infrastructure investments to local regions** prepared to accept their fair share of population growth and synchronised increases in housing supply.
- 4. Increasing the focus on local-scale infrastructure which can generate significant improvements** based on a small spend and in turn kickstart new housing.
- 5. Charting and removing the barriers to the delivery of more diversified housing stock**, particularly Build-to-Rent and mixed tenure affordable housing.
- 6. Planning for the ageing population by ensuring the diversity and facilitation of housing choices** for seniors is accommodated.



## 5. REALIGNING THE AGENDA

### STATE OF PLAY

The value of good public policy that adds to the productivity, sustainability and liveability of our cities and regions is compelling.

Initiatives that have a high degree of consensus – better population policy and planning, more robust and cohesive infrastructure investment, stronger collaboration with states and territories – are well underway. The new Centre for Population and the National Population Plan, for example, will give all governments a more accurate forecast of population projections, settlement patterns and future planning requirements.

Likewise, the emergence of a pipeline of City Deals – and the prospect of more to follow – is a bipartisan concept that can better bind federal, state and local governments on objectives that support growth which will future proof Australia. In addition, the continuing support for Infrastructure Australia's independent work can help overcome the inconsistency of planning, funding and delivery of crucial economic and social infrastructure to ensure more integrated infrastructure delivery.

The challenge then is to coalesce the myriad initiatives across government towards a common purpose and ensure they are aligned and cohesive in their planning, delivery and endeavours.

### RECOMMENDED ACTIONS

Building national prosperity, fostering stronger cities, and delivering more housing that meets the needs of today and tomorrow's populations requires good and efficient government.

#### IN THE INTERESTS OF ALIGNING THE WORK ACROSS GOVERNMENT IN SUPPORT OF THESE GOALS, UDIA NATIONAL RECOMMENDS THE FOLLOWING FIVE ACTIONS:

- 1. Using the refresh of the Intergenerational Report in 2020 to establish a common baseline of data and assumptions** that feed into all policy making.
- 2. Consistently applying the new population projections to underpin the work of government agencies and initiatives**, starting with:
  - The National Housing Finance and Investment Corporation
  - Infrastructure Australia
  - The Centre for Population and National Population Plan, and
  - The National Cities Performance Framework
- 3. Ensuring states and territories collaboratively devise strategic land use and cohesive infrastructure plans** based on these common population projections.
- 4. Crafting an Infrastructure Accord** that seeks to immunise the identification, funding and delivery of major **infrastructure projects from partisan politics**.
- 5. Establishing a rolling pipeline of City Deals** to strategically invest in and plan growth 'hot spots' across our cities and regions – **and benchmark the performance of ones already underway**.



## THE FIVE NEXT STEPS

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- 1** Use the review of the Environment Protection and Biodiversity Conservation Act to streamline approvals and curb excessive red tape
- 2** Give a clear mandate to the National Housing Finance and Investment Corporation (NHFIC) to identify and remove the barriers to efficient housing delivery
- 3** Offer incentives to the states and territories to streamline and modernise their planning, approvals and zoning systems
- 4** Secure better returns on investment in infrastructure by creating more diverse housing stock
- 5** Integrate a suite of initiatives on infrastructure, population, cities and housing developments underway across government to yield the strongest dividend

These five actions and twenty-eight recommendations will help ensure Australia stays ahead of the curve and will help fix housing affordability, and ultimately, build a better Australia.





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