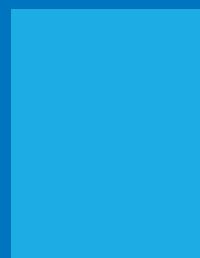




National Policy Priorities For The New Government

“Building a
Better Australia”



URBAN DEVELOPMENT INSTITUTE
OF AUSTRALIA (UDIA) NATIONAL

JUNE 2019

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 on issues critical to the property industry – spanning tax, population, infrastructure, land use planning and beyond.

UDIA National's advocacy is defined by our National Council – but informed by a diverse membership base, extensive network of State Councils and Committees and businesses on the frontline of housing development.

Our voice is backed by real experience and quality research designed to support good policy making and dialogue with Governments, Oppositions and Departments.

THE PROSPECTS FOR AUSTRALIA'S CITIES ARE BRIGHT.

A trifecta of events has converged to provide a platform for good policy, more prosperity, better cities and more functional housing markets:

- A Federal Government re-elected through the prism of a pro-growth and aspirational agenda for Australia;
- More liquid housing finance markets courtesy of reforms to loan servicing requirements and the potential for sustained low interest rates; and
- A positive collection of policy initiatives across population, cities, housing and infrastructure.

These policies are all geared towards a more robust economy, better long-term planning for our cities and regions, recognising the crucial role housing plays in a vibrant society and building prosperity.

These policies signal an optimism about the possibilities of good policy making.

We need to seize the moment, giving rapid effect to initiatives unveiled during the recent Federal election, and recognising the case for re-tooling some existing institutional and policy settings.

The Urban Development Institute of Australia (UDIA) is promoting six policy priorities at the national level to cement the benefits of reform:

- Entrench the emerging new policy framework to **get population settings right**
- Create a Bi-Partisan **Infrastructure Accord** to deliver long term certainty in planning and delivery
- **Audit the current infrastructure pipeline** to assess opportunities for unlocking land use
- Properly design and fund the new mandate on **housing supply, demand and affordability**
- Identify short, medium and long-term steps to **reform and strip back taxes on new housing**
- Commence a review of **environmental planning practices.**

These are drawn from UDIA's 2019 National Policy Priorities - Building a Better Australia - which serves as a blueprint for the mix of policy frameworks and initiatives designed to create more liveable and productive cities.

We look forward to working with the Commonwealth Government to usher in good ideas that can benefit the nation.



AN ECONOMIC PERSPECTIVE

EMPLOYMENT

The property sector directly employed

1.43 million

full time equivalent (FTE) employees in 2015-16 (13.8% of Australian total) and supported 1.62 million FTE jobs through flow-on activity

29.4%

of Australia's total employment

These jobs provided approximately

\$214.6 billion

in incomes (wages and salaries)

TAX

The property sector contributed about

\$87.9 billion

in combined Australian and state government tax revenues and local government rates, fees, and charges

This equates to

18.2%

of total Australian and State/Territory taxes and local government rates, fees, and charges

GDP

The property sector directly contributed

\$202.9 billion

to GDP in 2015-16 or 13.0% of the total contribution to GDP by all industries in Australia

It is estimated to have contributed a further

\$254.0 billion

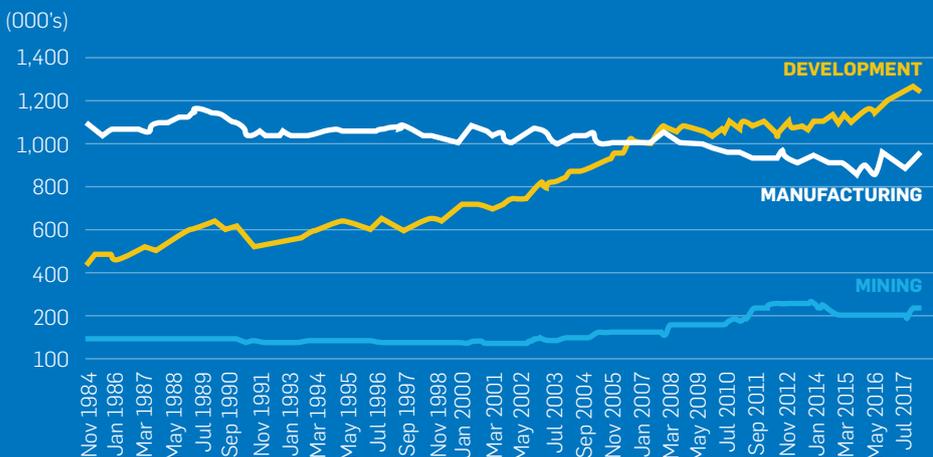
to Australian GDP through flow-on demand for goods and services

A total of

\$456.9 billion

in direct and indirect contributions to the Australian economy

EMPLOYMENT BY INDUSTRY



ABS 6291.0.55.003 Labour Force, Australia, Detailed, Quarterly, May 2018, Table 06. Employed persons by Industry sub-division of main job

6X the employment of the mining industry and nearly

1.5X the employment of manufacturing in Australia

ALIGNING OUR AGENDAS

UDIA National's Policy Priorities 2019 – Building A Better Australia – championed a suite of policy recommendations that aimed to foster better cities, a stronger economy and more housing. We welcome the fact that a series of initiatives have already been embraced or actioned by the Commonwealth Government. These include:

- 1** Easing the loan servicing requirements established by APRA in recognition of the evolving housing cycle, and barriers to entry for homebuyers
- 2** Appointment of a Minister for Population, Cities and Urban Infrastructure to the Inner Cabinet to provide leadership and coordination across policy making
- 3** A commitment to a new Centre for Population to drive new analysis and insights on the challenges and consequences of population growth and settlement patterns
- 4** Reviving the focus on housing supply, demand and affordability through comprehensive and detailed research
- 5** Helping homebuyers to close the deposit gap via the First Home Loan Deposit Scheme.

They represented a sound baseline to be fortified through good design and implementation – and reinforced by other ideas that create a cumulative benefit.

1. GET POPULATION SETTINGS RIGHT

STATE OF PLAY

Immigration has been an essential and valued element of the modern Australian story, adding to the collective prosperity of the nation. Migrants have helped drive our population growth, bringing with them skills, enhanced workforce capability, wages, tax revenue, diversity and improvements to productivity.

There will always be a dialogue at the margins around the precise level of immigration, but Australia's standing as a net importer of capital – financial and human – will remain constant.

The debate around immigration levels and settlement patterns needs to be part of a larger assessment of Australia's population policy, trajectory and geographic spread.

Population policy has rarely been explored in depth; it has often been confined to an element of work that informed larger pieces such as the Intergenerational Reports, or Infrastructure Australia's agenda.

There are positive signs of change with the Commonwealth's Planning for Australia's Future Population having, as a centrepiece, the creation of a dedicated home for this important issue - the Centre for Population.

RECOMMENDED ACTIONS

The Centre for Population will serve as a central, consistent and expert hub for perspective on Australia's population growth – informing policy choices, as well as educating the community on the trajectory and consequences of change.

The Centre's work should be tied to development of a National Strategic Population Plan and have a mandate that includes:

- Establishing one, three and five-year population forecasts that are updated on a rolling annual basis and embedded in a National Strategic Population Plan
- Better mapping the interaction between the Government's visa program, settlement patterns and workforce requirements
- Collaborating with the States and Territories to ensure the geographic spread of population is devised in partnership
- Using the population forecasts to better inform strategic land use and infrastructure plans – National, State and Local
- Clearly charting the base level of services expected for key elements of liveability, including housing, transport, social infrastructure and the environment documented in the National Strategic Population Plan
- Opening a dialogue with the community on the economic and social benefits of population growth

THE UPSIDE

Population policy, analysis and data is core to the integrity and robustness of subsequent choices on infrastructure, land use, development patterns and funding priorities.

2. INTRODUCE AN INFRASTRUCTURE ACCORD

STATE OF PLAY

Infrastructure is the backbone of our economic success and essential to the creation of liveable and productive cities.

The provision of key urban infrastructure has failed to keep pace with the strong population growth of our major cities, and in doing so, added to congestion, squeezed economic productivity and undermined good land use and housing delivery.

However, too often infrastructure priorities are subject to political cycles, or antagonism between the priorities of the Commonwealth and State Governments. The funding of fine grain infrastructure that knits together local communities and precincts is also contested by Local Governments.

There have been attempts to overcome the inconsistency of infrastructure planning, funding and delivery – with the creation of Infrastructure Australia and implementation of City Deals among the positives.

We need to go further in lifting infrastructure above the political fray and ensure the durability of decisions around priorities and funding are entrenched in a way that gives comfort to investors – both in projects, but also the land use and housing supply that follows.

RECOMMENDED ACTIONS

UDIA National recommends development of an "Infrastructure Accord" to remove partisan politics and deliver long-term certainty in planning and delivery.

An "Infrastructure Accord" would see both major parties commit to:

- Permanently insulating the identification, funding and delivery of significant infrastructure projects from partisan politics
- Using the Priority List established by Infrastructure Australia as the baseline for decisions on prioritisation
- Allowing additions to the pipeline of projects, but only when they had been subject to full business case analysis by Infrastructure Australia
- Ensuring the business case for all projects subject to the Accord include analysis of associated land use and housing opportunities to maximise the benefits of investment
- Assessing the trunk infrastructure that is required to unlock housing opportunities identified off the back of major transport projects
- A minimum pipeline of nominated City Deals – backed by real funding that ties Federal, State and Local Governments to agreed performance outcomes.

THE UPSIDE

We remove politics from the planning and delivery of infrastructure – and remove the risk of unsettling strategic land use plans and housing investment based on shifting priorities.

3. DELIVER URBAN INFRASTRUCTURE

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 also a direct link between the timely & efficient delivery of precinct-level infrastructure and the supply and quality of new housing.

The policy consensus that has emerged on the value of a collaborative relationship between the Commonwealth, States and Territories is a clear plus. This includes leveraging the balance sheet of the Federal Government to unlock important projects.

Game-changing investments – such as projects to be triggered under the \$10 billion National Rail Program for capital cities – through to smaller, targeted initiatives all add to the impetus.

However, we need to continue to remove the disconnect between strategic, long-term land use and infrastructure planning to maximise the benefits and get a better return on taxpayer investments.

RECOMMENDED ACTIONS

Infrastructure Australia will soon commence its next Australian Infrastructure Audit – last undertaken in 2015. The recommendations of the last Audit should point us in the direction of priorities that improve outcomes including:

- Investing in quality urban infrastructure by aligning investment to future growth corridors needed to meet stated housing targets
- Identifying and securing long-term infrastructure corridors informed by strategic land use plans that incorporate more robust population planning
- Auditing all current infrastructure projects – and future projects being proposed by the States and Territories – to test whether land use opportunities are being unlocked, particularly mixed use
- Providing financial incentives to the States to fund key infrastructure, including via asset recycling and broadening the tax base, that can unlock housing supply
- Increase focus on local-scale infrastructure which can also create significant improvements at a fraction of the cost of the large-scale transport model
- Link infrastructure investment to local regions prepared to accept their fair share of population growth matching future employment opportunities.



THE UPSIDE

We can lift the economic productivity, liveability and sustainability of our cities and regions by better aligning the delivery of land release and infrastructure – and in doing so, curb community concerns over congestion.

4. BOOST HOUSING SUPPLY AND DIVERSITY

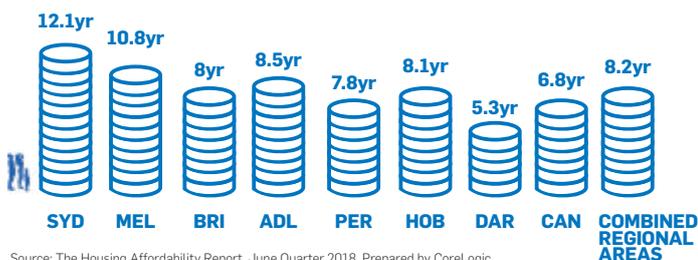
STATE OF PLAY

Housing supply pipelines remain out of sync with long-term forecasts for population growth and demand, and the mix of housing is falling short of changing demographic and lifestyle demands.

Even during the rise in construction activity in recent years, supply forecasts only briefly touched anticipated demand levels before quickly falling away again. Housing supply is heavily constrained by restrictive land release and zoning practices, inefficient planning systems, excessive taxation and the constrained availability of finance to fund new projects.

It has created a self-fulfilling cycle that has seen the cost of land explode, established house prices follow and a widening cohort of Australians excluded from the market due to the gap between incomes and house prices. We risk freezing a generation of young Australians out of the housing market – when in fact Australia has the land, redevelopment opportunities, expertise, capital and capacity to create one of the world's most efficient and equitable housing markets.

Commonwealth, State and Local Governments need to re-orient housing policies to create a diverse mix of housing choices for people – including platforms for renters and seniors.



Source: The Housing Affordability Report, June Quarter 2018, Prepared by CoreLogic

RECOMMENDED ACTIONS

A revised mandate for the National Housing Finance and Investment Corporation – alongside the newly created First Home Loan Deposit Scheme – has the potential to serve as a circuit breaker.

The brief to bring new research and analytical rigour to understanding housing supply, demand and affordability is welcomed. Priorities should include:

- Welcoming industry leadership and dialogue to the table, given the prior and well-regarded National Housing Supply Council benefitted from private sector leaders being appointed
- Aligning the population data created at the new Centre for Population with binding quotas on the States for new housing and land releases
- Introducing financial incentives that link to State and Local performance on planning reform and meeting housing supply targets
- Identifying and recommending 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
- Facilitating the development of Build to Rent, mixed housing and right-sizing options for seniors
- Refining the income thresholds attached to the First Home Loan Deposit Scheme to ensure they are appropriate for entry-level house prices in different cities and regions.

THE UPSIDE

Overhauling planning systems to eliminate barriers to housing supply and diversifying housing options to meet changing demographic demands means the market can address imbalances between demand and supply.

5. REFORM TAXES IMPOSED ON NEW HOUSING

STATE OF PLAY

Taxes and charges account for approximately 20 percent of the cost of new housing. Stamp duty, infrastructure charges and levies, “value capture” mechanisms and a range of other taxes and charges collectively raise the barrier to entry for new home buyers.

UDIA National understands the need for funding the infrastructure and services on which communities depend – but the balance is now askew and continues to fall most heavily on people who can least afford it.

We also appreciate the current dependence that Government balance sheets have on property taxes and that any shift in the mix will be gradual, requiring a leading role from the Commonwealth but collaboration with State and Local Government.

However, there is a compelling case to map the glide path to reform and to begin taking steps now that can ease the burden of costs being “baked in” to new housing prices.

Urban Development Costs



Source: The Capital City Cost review: *Greenfield Urban Development*. Prepared by SMEC for UDIA 2018

RECOMMENDED ACTIONS

The National Housing Finance and Investment Corporation has been granted \$25 million to conduct research into housing supply, demand and affordability.

A specific element of NHIFC's expanded mandate should include:

- Mapping the current mix of taxes, charges and levies which are imposed on new housing
- Assessing the relative efficiency (or inefficiency) and equity (or inequity) of each tax, charge and levy with a particular focus on stamp duties
- Establishing a league table of taxes, charges and levies on new housing in each State and Territory, down to individual Local Government level
- Identifying 'nuisance' taxes which should be prioritised for immediate removal
- Charting short, medium and long-term paths for eliminating taxes which are better captured through more equitable and broad-based revenue measures.

THE UPSIDE

Cutting the cost of new housing will open the market to more entry-level first homebuyers.

6. STREAMLINE ENVIRONMENTAL PLANNING PRACTICES

STATE OF PLAY

All industries require clarity and the development industry is no exception.

Environmental protections are an inevitable part of land development and assessments are best undertaken at a strategic level.

Unfortunately, the current intersection of Federal, State and Local environmental assessments is complex, inefficient and often contradictory.

The double handling of assessments adds needlessly to the time and cost of assessment, and leaves capital sitting idle. It can also lead communities to contest the outcomes.

Environmental assessments are best undertaken by Federal and State Governments in collaboration at a strategic, landscape scale.

Developers actively work with Local Government to design good neighbourhoods, and provide a mix of local conservation, active and passive open space and respect local environmental values.

But too often, the process is used by Local Governments to challenge the outcomes of higher-order strategic assessments. This capacity should be stripped from the assessment process.

RECOMMENDED ACTIONS

The Environment Protection & Biodiversity Conservation Act 1999 is now due for its 10-yearly review – presenting an opportunity to fulfil its promise of streamlined, single assessment and approvals processes.

UDIA is keen to engage directly with the process to ensure its efficient operation and application in a way that benefits both the environment and development industry.

We would recommend that the review:

- Has a clear mandate that Part 10 of the Act be refined to ensure Strategic Assessments undertaken between State and Territory Governments and the Commonwealth are legally robust, well-structured and provide an appropriate balance of certainty and flexibility
- Results in completion of all bilateral assessment and approval agreements between the Commonwealth and State and Territory Governments to strip out duplication
- Explores other opportunities to reduce the cost of compliance and regulatory costs associated with the EPBC Act.



THE UPSIDE

Adopting a one-stop shop approach to strategic assessments can reduce the time and cost of land development – and in doing so, ultimately reduce the cost of new housing.

