The Property Council of Australia, established in 1969 and with offices in each State and Territory, represents the State’s major investors, developers, owners and managers of office buildings, shopping centres, industrial parks, tourist accommodation and residential apartments and communities. The various professionals that work within the property sector including planners, lawyers, architects, property economists, valuers, environmental consultants and building professionals also form a crucial part of our membership.
Key issues

State of the market

The property sector is currently facing an extraordinarily difficult environment. In the last 18 months, there has been major credit rationing, declining asset valuations and a slowing economy.

The Property Council of Australia applauds the Government’s initiatives such as the Premier’s Jobs Summit, planning reform implementation and working with the Commonwealth to deliver their $42 billion nation building package.

The Government has some big decisions to make in the Budget on 16 June.

To bolster employment and economic activity in NSW, the Property Council recommends that the Government:

a. Commit to no new taxes and no increase in property taxes; and
b. Adopt a bold fiscal stimulus measure in the Budget to create jobs and stimulate economic activity.

1. KICK START NSW: Abolish stamp duty on newly constructed dwellings below $1 million in value for the 2009/10 financial year as an economic stimulus measure.

- The level of dwelling construction in NSW is currently at its lowest level in over 50 years. Stamp duty represents a substantial cost element for purchase of a new dwelling.
- The Property Council commissioned BIS Shrapnel to analyse the economic impact of temporary removal of stamp duty on new dwellings in NSW.
- Benefits include:
  - 8,000 new dwellings and a $1.77 billion (or 11.4%) boost in construction activity;
  - Supports 16,000 direct jobs in the construction sector;
  - Eases pressure on rents by adding to the supply of rental accommodation;
  - Relieves pressure on future home prices by reducing the growing housing shortfall;
  - Extends benefits beyond the first home buyer market;
  - Focuses economic stimulus on a sector expected to lead economic recovery in NSW; and
  - Is an affordable stimulus – cost to budget is only $54 million.
- This is an extremely affordable fiscal stimulus measure to generate $1.77 billion in economic activity and support 16,000 jobs.

N.B. Refer to stamp duty briefing note and BIS Shrapnel report attached for further information.

2. Roll back land tax increases to secure jobs.

Problem:

- The Government increased the land tax rate from 1.6% to 2% for property investors with land holdings valued at more than $2.25 million in the 2008 mini-budget. This has resulted in a 25% increase in land tax bills.
- 2008 land valuations show increases in land values across the board:
  - Residential +2.7%
  - Business +4.2%
  - Sydney CBD +12.2%
  - Industrial +4.5%
• Over 50,000 businesses are experiencing the double whammy of significant valuation increases and tax hikes. These increases are borne by both tenants and property owners. With business revenues and real values falling, this is leading to jobs losses in NSW.

• A Property Council member who owns a Western Sydney industrial property recently experienced land valuation increases of 223%. This combined with the land tax rate increase of 25% represented a 100% increase on their land tax bill for 2009 compared with 2008.

• Outgoings on this property are now greater than the income generated and they are forced to either sell or refinance, leading to real job losses.

Solution:

• Save jobs in businesses affected by the mini-budget’s 25% increase in the land tax rate by abolishing this increase and reverting to the previous status quo.

• Base land tax on the three year average or the actual land value assessment, whichever is the lower similar to the existing arrangements in Queensland. The current NSW system will see tax bills go up even when valuations fall next year, as is likely.

• Allow land tax to be paid in quarterly instalments as per council rates.

3. Ensure the Government delivers on the $20,000 cap per dwelling promise

• We strongly welcome the Premier’s announcement of a $20,000 per dwelling cap on section 94 levies in December 2008.

• Yet six months later, no cap is in place. Over 90 plans from councils have been received. The review has also been delayed.

• Some councils are requesting levies increases of up to $60,000 per dwelling. These costs would simply be passed onto the home buyer and make development unviable, further worsening the housing supply crisis.

• The cap of $20,000 / dwellings should be enforced as a maximum amount levied by councils.

4. Force expenditure of section 94 funds to build local infrastructure and create jobs

• The Property Council recently conducted an audit of unspent s.94 funds. We found that there were over $880 million in unspent monies in Sydney, the Illawarra and Hunter regions. This was an increase of $21.54 million or 2.5% from the previous year.

• We recommend Government force the expenditure of unspent section 94 funds through a ‘use it or lose it’ policy where unspent monies which exceed a set benchmark are seized by the Local Government Grants Commission for reallocation as it sees fit. We raised this issue at the Premier’s Jobs Summit in February this year.

• This money should be allocated to local infrastructure to support jobs in the construction sector.

• The Property Council have suggested alternative financing methods to levies including Tax Increment Financing.

5. Develop an Integrated Transport Plan for Sydney

• An integrated transport plan for Sydney does not currently exist.

• The Property Council has made a submission on the CBD metro calling for an integrated transport plan to be developed before engaging in major contracts for the project.
• Benefits of the plan:
  o Enables modification of CBD Metro prior to commencement of major construction.
  o Informs 2010/11 Budget capital program and State Infrastructure Strategy update.
  o Informs further rounds of Infrastructure Australia funding.
  o Enables Government to shape the five year review of its Metropolitan Strategy.

• Government should commence a public process to develop a credible, comprehensive, integrated transport plan for Sydney and launch that plan within eight months.

• This process should involve:
  i. Establishment of a whole of Government taskforce consisting of the Department of Premier and Cabinet, Ministry of Transport, Department of Planning, Treasury, the RTA, and Sydney Metro Authority;
  ii. Appointment of an independent chair to oversee this taskforce and a peer review panel made up of experts to critique the taskforce work;
  iii. Release a Directions Paper setting out the Government's preferred policy directions and specific proposals for comment;
  iv. A public consultation period, targeted stakeholder forums and concurrent peer review of the Directions Paper;
  v. A final plan to Cabinet for their endorsement; and

N.B. Refer to Integrated Transport Plan for Sydney briefing note and CBD Metro Rail submission for more information.
Contact

We would be pleased to discuss any part of this submission with you.
Please contact the following on any aspect of this submission:

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Attachments

KICK START NSW – Housing, economic and jobs stimulus briefing note

Kickstart NSW: Economic Impact of Temporary Removal of Stamp Duty on New Dwellings in New South Wales (BIS Shrapnel)

An Integrated Transport Plan for Sydney briefing note

CBD Metro – the case for an integrated transport plan for Sydney