Improve Housing Delivery

This chapter urges the Federal Government to:

- ensure availability of funding for development;
- secure a future for multi-unit residential housing;
- increase the supply of zoned/serviced land;
- commit to a balanced response to environmental initiatives;
- continue the public stimulus for housing and the growth of the community housing sector; and
- support the establishment of finance mechanism to get Australians on the homeownership ladder.

Fiscal implications – 2010 Federal Budget

Secure a future for multi-unit residential housing –

*Increase supply of zoned/serviced land* - $250 000 for development of a harmonised land supply data collection system.

Continue the public stimulus for housing – continued commitment to the $6.4 billion stimulus package for social and public housing
1 Ensure availability of funding for development

Funds for housing construction have dramatically declined in response to the global economic climate over the last eighteen months.

The industry now faces a situation where it is unable to meet continued and increasing demand for housing without access to further finance.

The lack of available finance cannot be linked solely to the drying up of international funds.

Banks that are willing to lend find that they are unable to do so, due to regulatory constraints on the finance sector.

Undoubtedly, the fiscal conservatism of the Australian Prudential and Regulatory Authority (APRA) has played a strong role in ensuring the banking sector in Australia maintained its strength in the wake of the GFC.

However, policy decisions by the regulator over the last year have restrained financial institutions from exposing themselves to property sector risk.

Development occurring today comes at a significant increase in cost, especially with the loss of second tier players in the marketplace to provide finance.

The impacts of APRA’s policy have been strongly felt and substantially altered bank lending practices, which had already become inherently conservative in the wake of the GFC.

This will continue to impact on the delivery of housing supply to the market in the medium term, and will be result in decreases in housing choice and availability.

Industry has had to postpone projects or significantly delay starting dates as banks require developers to achieve higher pre-sale targets to secure funds.

Effectively, the ability to deliver supply to market has been significantly hampered.

At a time when Australia already has a housing supply issue, further undersupply is now a certainty.

Projects postponed, cancelled or abandoned all represent housing not being delivered to meet demand. This can only further exacerbate the housing affordability issues we currently face, with house prices and rents set to escalate.

Choice in housing will continue to be limited, as multi-unit residential housing is seen as too risky by banks and developers alike.

With a high level of competition for funds resulting in the market, only the ‘sure things’ with the lowest risk profile and the highest profit margins will be brought to market.

At a time when housing has become a central focus, it is imperative that the Government examine ways of ensuring finance is available to facilitate the diversity of housing supply and choice in the marketplace.
Recommendations

The Federal Government should:

1.1 explore the potential for a government guarantee to ensure supply can continue to be brought to market;

1.2 examine the risk profile of residential housing as distinct from other sectors and develop policy appropriate to it;

1.3 engage with the banking and development sectors to understand the key roadblocks in current financing and possible government responses; and

1.4 create a more transparent environment regarding APRA decision-making, including publishing the minutes of APRA meetings publicly.

2 Secure a future for multi-unit residential housing

Across the country, every jurisdiction is pursuing policies of greater consolidation and increased urban density.

The widely held view is that if you increase the density target of any metropolitan strategy, then infill development will follow.

This is simply not the case.

Metropolitan strategies in capital cities around Australia consistently fail to achieve their targets.

This is for two reasons.

Firstly, setting an arbitrary target is not enough. Metropolitan strategies and their density targets must underpin every policy and government decision.

These decisions, made across jurisdictions by both state and local governments, must ensure that these strategies are not just committed to, but are upheld and facilitated.

Too often, well developed and well consulted strategies have held a vision for cities that have never been properly engaged with at the coalface.

This has resulted in cities across the country coming up short in relation to density targets.

The second reason, one not widely understood, is that the delivery of multi-unit residential housing is difficult, expensive, time intensive and high risk.

While jurisdictions across the country have strong proponents for cities to “grow up, not out”, that is rarely what is supported when applications are lodged to develop.

On average, it costs three to four times the amount per square metre to deliver a higher density product. This is due to higher costs of construction, safety regulations, and requirements for parking garages and elevators and retro-fitting of essential service piping.
This is in addition to the significant difficulty and cost in securing and amalgamating sites and the long and arduous road to overcoming council and community objections to the planning application.

With the tightening of finance, multi-unit developments have become a risk not worth taking for many in the industry.

This is not an issue reserved for the inner city.

Middle-ring suburbs offer significantly less density due to the lack of targets and commitment to density across the metropolitan region.

If the Federal government is indeed committed to a “Big Australia” policy, then the issues of urban consolidation and the facilitation of infill development must be addressed.

**Recommendations**

The Federal Government should, through COAG, work with its state and territory counterparts to:

2.1 recognise that current metropolitan strategies are not being achieved and commit to strategies for growth which have measurable, annual targets for the delivery of housing supply;

2.2 develop a streamlined process for multi-unit residential development assessment to fast-track the delivery of housing;

2.3 support a harmonised approach to development assessment and adopt a national template for applications to ensure that the approvals process is not unduly delayed by questions of sufficient detail; and

2.4 engage with key stakeholders to identify ways to better educate the community about sustainable urban growth.

**3 Increase the supply of zoned / serviced land**

The National Housing Supply Council has identified land supply as a key component in ensuring the delivery of affordable housing to Australians.

This is not a silver bullet, but it is a key aspect of improving the delivery of supply to market.

Land supply is a long term issue. It must be:

- part of a long-term planning strategy;
- linked to future plans for the delivery of infrastructure; and
- balanced against realistic delivery of infill development.

It is not something that can be looked at in isolation.

State governments across the country have varied ways of identifying the level of available land supply. However, information is poor, scarce, and inconsistent.
This failure was conceded by the Federal Government’s own Supply Council in its first land supply report.

Even in jurisdictions where there is some robustness to the data, it is clear that planning overlays and other policies are often not taken into account.

Once overlays for environmental commitments, land use commitments (such as peri-urban or agricultural), and future infrastructure are applied to land supply maps, much of the supply is no longer able to be applied against forward projections.

It is essential that land supply become a key focus of any Government response to housing.

The only way affordable, sustainable housing linked to infrastructure can occur is when there is a long term plan for delivery of both housing and services.

**Recommendations**

The Federal Government should:

3.1 continue to support the National Housing Supply Council and its work into identifying the key issues needed to improve affordability and delivery of supply;

3.2 facilitate the development of a harmonised system of data collection by the states on land supply and ensure that an independent review of the data is undertaken;

3.3 support the orderly release of land, synchronised with the provision of infrastructure, to facilitate urban consolidation and reduce the cost of land development;

3.4 set national, regional and local targets for housing supply which facilitate growth and are tied to demographic indicators;

3.5 target the coordination of land release with a focus on areas of higher demand growth;

3.6 recognise the inherent balancing act that must take place in the delivery of housing between greenfield and brownfield sites;

3.7 require that states provide 25 year plans that identify both serviced land and future land supply, to accommodate growth projections; and

3.8 commit to the release of Commonwealth Government crown land and ensure that it is competitively available for the market.

4  **Commit to a balanced response to environmental initiatives**

The residential industry has long been a leader in the development of sustainable homes and communities.

As such, there is an ongoing commitment to continuing to improve the built form to ensure the minimum impact on our environment.
However, environmental sustainability comes at a cost and most be balanced against social and economic drivers to ensure the best outcomes.

The industry is fully in support of policies that ensure these three key features in decision-making.

It is imperative that government regulation in this area:

- is flexible enough to allow for innovation;
- does not add unreasonable cost to the development of new homes; and
- captures established housing (which encompasses the majority of housing within Australia).

**Recommendations**

The Federal Government should, through COAG, work with its state and territory counterparts to:

4.1 ensure early engagement with the industry in the development of regulation and policy that will impact the housing industry;

4.2 review the timeline for six star development for apartment buildings and reconsider a phase-in period for this segment of the market;

4.3 consider strongly the adoption of recommendations in the EPBC Act Review that provide for early engagement by the Federal government and allow for joint assessments with state governments;

4.4 commit to engage with the industry to ensure a streamlined and efficient system for mandatory disclosure in residential properties; and

4.5 develop a strategy for improving the energy of efficiency of established homes.

**5 Continue the public stimulus for housing and the growth of the community housing sector**

Public and social housing have long been underfunded.

The stimulus package provided for the much needed replenishment and expansion of public housing stock which has long been undersupplied.

The $6.4 billion of the $42 billion stimulus package committed to public and community housing is essential to the future of housing for Australians in need.

It demonstrates the government’s commitment to tackling the chronic shortage of housing supply – in particular public and community housing – that exists in Australia.

This stimulus money will put over 19,000 homes on the ground by the end of 2011.

As an industry, we are in strong support of this stimulus to continue in its current form without further alteration to the level of funding.
In addition to the public stimulus, the Federal Government should continue to build the capacity of the sector and commit to ongoing funding to the sector.

Recommendations
The Federal Government should, through COAG, work with its state and territory counterparts to:

5.1 recommit to the public stimulus package for social and public housing at its current level;
5.2 continue to increase the supply of affordable housing; and
5.3 implement sector capacity reform, which will ensure greater national consistency of the social housing sector’s regulatory environment, to allow developers to partner with the community sector to deliver better outcomes.

6 Support the establishment of a finance mechanism to get Australians on the homeownership ladder

Housing has long been viewed as the cornerstone to social health and wellbeing.

As housing continues to increase in price, more Australians are being locked out of the marketplace.

The Government has been committed to delivering innovative housing solutions to address the current housing demand, including the introduction of programs such as the National Rental Affordability Scheme.

As such, it is recommended that further innovative programs be considered and supported to ensure that are battlers are able to access housing.

Recommendations
The Federal Government should through COAG, work with its state and territory counterparts to:

6.1 investigate whether state programs such as Key Start in Western Australia are an appropriate way of supporting home ownership and review whether they have a national application;
6.2 consider the provision of a financial guarantee for states that establish such programs; and
6.3 coordinate a review of the benefits of shared equity schemes and the role of governments in their establishment.
7 Sources

*Australia on the Move*, Residential Development Council (August, 2009)

*Beyond Reach: Defining the New Aussie Battler*, Residential Development Council (January 2009)


*Infrastructure Charges: Comparative Study on the cost of developing new homes*, Residential Development Council (February, 2010)

*State of Supply Report*, National Housing Supply Council (March, 2009)