



Property Council of Australia

Priority Issues for Queensland

Property Leadership

The Property Council of Australia is the national representative of the property industry.

Our members are the owners, developers, investors and managers in the broad property sector, controlling over \$320 billion worth of assets nationally.

They help shape, build and finance our cities and have a long term interest in the future of our urban and regional centres.

More than nine million Australians have a direct stake in our industry through their superannuation, life insurance and managed funds.

Queensland's Economic Powerhouse

The Queensland property industry is by far the largest contributor to powering the Queensland economy.

It directly contributes over \$25 billion or 13 percent of Gross State Product - 1.3 times that contributed by the next largest industry, manufacturing at \$19 billion or 9% and mining at \$16 billion, or 8%.

The property industry employs 312 000 people or 14% of Queensland's full time employees.

The property industry also makes the most significant contribution of all sectors to Queensland Government revenue, providing 43 per cent of total taxation revenue.

Property Industry Priorities

The property industry is the cornerstone of Queensland's economic might. To sustain its role in powering Queensland into the future, the property industry needs:

- 1. Lower property taxes and a consistent valuation system**
- 2. Improved planning and land supply**
- 3. Faster development assessment**
- 4. Sustainability and climate change assistance**
- 5. Increased and rapid infrastructure provision**

1. Property Taxation and Valuation

Queensland's taxation and valuation systems require urgent and significant reform:

- the property industry pays an unfair share of the State's taxes - 43%, up from 32% less than a decade ago;
- the land valuation process is uncertain and subjective, and as a result is the subject of repeated and costly legal challenges; and
- property owners are suffering damaging drops in capital values as a direct result of fluctuating valuations, and consequent increases in land tax and other related costs.

Transfer Duty

Despite all states and territories formally committing to its abolition in the 1999 Intergovernmental Agreement, and even in the face of a significant growth in GST revenues, this regressive tax is still in place.

The definitions and provisions applying transfer duty are different in each state. The lack of consistency creates unnecessary complexity for property owners who invest across multiple states or from overseas.

Transfer duty on new residential developments is punitive, causing a marked drop in housing affordability and a disproportionate tax-take from properties already subject to GST.

Housing development is a high economic multiplier, which is being undermined by the excessive taxes being levied upon it.

Land Tax

Land tax impedes business growth and investment opportunities.

Rethinking the approach to land tax will ensure the Government could:

- stimulate investment and economic activity;
- decrease business costs and improve certainty; and
- improve housing affordability by encouraging investment in residential property and decreasing rents.

Nuisance Taxes

Ambulance and fire services levies are two of the 'nuisance taxes' affecting the property sector.

These are an additional impost on homebuyers.

We consider that any community benefit should be paid for by the whole community, and not disproportionately placed on new purchasers or responsible property owners.

Costs for services or community facilities should be shared equitably by funding them out of consolidated revenue, rather than merely targeting the property sector.

This would help to avoid the risk of double taxation.

Recommendations

1.0 The Queensland Government should:

- 1.1. Eliminate commercial stamp duty in line with the growth in GST revenues no later than 2013;**
- 1.2. Eliminate stamp duty on all new residential developments;**
- 1.3. In the interim, work nationally to harmonise corporate reconstruction exemptions and stamp duty provisions;**
- 1.4. Phase out land tax over the next decade;**
- 1.5. In the interim, abolish the policy of aggregation, and deliver a single, low, flat tax rate to replace the current land tax regime, and;**
- 1.6. Abolish nuisance property taxes, such as ambulance and fire services levies, and pay for community facilities and emergency services out of consolidated revenue.**

2. Planning and Land Supply

The South-East Queensland Regional Plan has seriously underestimated the availability of land for use in housing, industrial, commercial, and retail activities.

Restricted land release, when combined with the State's complex planning regime, has seen a lack of certainty for the property industry, and an affordability crisis across all sectors of the property industry.

The state's planning system is overly complex, lacks flexibility, is outdated, and is unable to respond to the demands of rapid population growth in a timely and responsive way.

Monitoring of land supply and faster land release

Failure to release land in line with demand has seen a direct and deleterious affect on housing affordability.

This has resulted in the cost of servicing a home loan in Queensland increasing from three to four time's median household income in 2001, to six times by 2006.

Insufficient provision of land for industrial, commercial or retail development has hampered the expansion of local communities and job creation, causing the region's workforce to spend more time commuting and less time with their families.

Industry engagement

The Property Council and its members are in perhaps the strongest position of all participants in the current process to highlight the problems with the present system.

As the enactment of a 'new IPA' is still some time away and the Government will continue to benefit with industry input into its review.

A complete rethink of the Queensland system and appropriate funding to implement effective reform initiatives are vital to resolving problems with the IPA.

Revamped infill and greenfield residential targets

The original South-East Queensland Regional Plan predicted one million extra people in region in the 20 years from 2006, with half living in new housing in existing developed suburbs.

This would require the construction of 2,083 additional high-rise towers, or 104 each year for the next 20 years.

These targets are not being met because of delays in approvals and targets that do not reflect the home ownership aspirations of Queenslanders.

Planning system review to deliver real outcomes

The state's current planning regime is preventing clearly viable and economically desirable development opportunities from proceeding through rigid adherence to out-of-date, overly-prescriptive regional and local plans.

A revamped, simplified planning system - geared to building community capacity, growing the local economy, and providing local employment opportunities - will directly and positively improve property affordability.

Recommendations

2.0 The Queensland Government should:

2.1. Establish an independent land monitoring authority or panel that:

- 2.1.1. reports directly to Parliament;**
- 2.1.2. collects accurate data on land availability; and**
- 2.1.3. makes recommendations on systemic reform to ensure the pace of land release meets demand.**

2.2. Continue to fully engage with the Property Council as a key advisor to Government during the consultation phase and redrafting of the Integrated Planning Act (IPA), to ensure property industry concerns are properly considered;

2.3. Align infill and greenfield targets in the South-East Queensland Regional Plan to reflect the expectations of home buyers;

2.4. Ensure the current review identifies and addresses all the failures of the current planning system.

3. Development Assessment

The State's development assessment system is in chaos.

Projects - held up and stalled - are unable to get to market to satisfy demand.

The system is overly prescriptive, and vulnerable to political interference.

Inefficient government processes, a process laden with unnecessary referrals, endemic delays, and a rise in holding costs are all having a direct and unambiguous impact on end-user affordability.

At a local level, inadequate staffing further frustrates and delays consideration of development applications.

A lack of consistency in Development Assessment decision-making means a lack of certainty for experienced proponents who talk of putting forward similar applications, but seeing vastly different outcomes in terms of decision-making.

The Integrated Planning Act (IPA) - once heralded as an uber-efficient 'one-stop shop' - is now anything but.

The DAF Leading Practice Model

The time has come for the Queensland Government to fully implement the Development Assessment Forum's (DAF's) Leading Practice Model for Development Assessment.

The DAF model recommends:

1. **effective policy development** - by elected representatives;
2. **objective rules and tests** - clearly linked to stated policy intentions;
3. **built-in improvement mechanisms** - i.e. regular review by jurisdictions;
4. **track-based assessment** - six tracks - *exempt, prohibited, self-assess, code assess, merit assess, impact assess*;
5. **a single point of assessment** - with referrals limited to only those agencies with a statutory role relevant to the application;
6. **notification** - where assessment involves competing policy objectives opportunities for third-party involvement to be provided;
7. **private sector involvement** - for pre-lodgment certification, providing expert advice to applicants and decision-makers, certifying compliance, and making decisions under delegation;
8. **professional determination for most applications** - where professional local government staff unable to make a decision an expert panel to be convened with elected officials making up no more than 50% of its membership. Ministers would retain call-in powers;

9. **applicant appeals** - capacity for applicants to seek a review of a discretionary decision; and
10. **no third-party appeals** - no opportunity, except where decision has clearly departed from planning policy.

Adoption of these principles will ensure -

- a depoliticisation of development assessment
- a reduction in development delays
- an increase in certainty
- a reduction in costs and waste
- an increase in affordability in the residential, industrial, retail, and commercial sectors

Stopping the Delays

Under the current system, State Agencies and Councils lack any incentive to meet statutory timeframes.

Simple approvals are still taking inordinate amounts of time to process, and average holding costs are escalating as approval timeframes stretch out.

Failure to assess applications within a reasonable timeframe is having a direct and deleterious impact on housing affordability and commercial development costs.

The development assessment system is proving completely inadequate in meeting burgeoning demand.

Recommendations

3.0 The Queensland and Local Governments should:

- 3.1. Adopt the Development Assessment Forum (DAF) Leading Practice Model for Development Assessment;**
- 3.2. Be made accountable for development assessment timeframes prescribed in legislation - delayed applications should automatically be deemed approved;**
- 3.3. Provide increased funding for:**
 - 3.3.1. the successful implementation of the Integrated Planning Act (IPA) review;**
 - 3.3.2. the state-wide roll-out and implementation of Smart eDA and RiskSmart.**

4. Sustainability and Climate Change

Governments claim to support the adoption of greener building practices.

Unfortunately, the rhetoric and the policy tend to be in conflict.

An overwhelming quantity of complex and conflicting regulation means that the march to sustainable buildings is often two steps forward, one back.

Split Incentives and Improving Capacity

Current government approaches to sustainability focus on the overall benefits, but fail to recognise the split incentives that may be involved.

Thus, projects may be seen by the bureaucracy as being cost-effective, but these require owners to pay for initiatives that deliver savings to their tenants, at the owner's expense.

Lease law does not allow property owners to claim back capital costs from their tenants.

So, while retrofitting older stock has been shown to deliver efficiency gains and reductions in greenhouse gas emissions, it represents a significant cost with long payback periods for owners.

Tools and incentives are needed to help owners improve their buildings and to make these projects financially viable.

Green Tape Reduction

The present regulatory environment does not encourage developers to adopt green practices.

Government focus at present is on regulation and reporting, resulting in property owners and managers spending large amounts of time on compliance.

If sustainable practices are to be encouraged, the large reels of green tape must be slashed, to allow the sector to focus on innovation.

Co-generation

The property sector is increasingly turning to alternative approaches to energy supply, particularly through renewable sources and co-generation.

Distributed low emissions energy production is much more efficient and has a significantly lower emissions footprint than energy drawn from coal-fired power stations.

With the ability to feed power back into the grid, it will also take the pressure off energy suppliers during peak periods.

Improving Skills

To deliver green buildings, there will need to be a steady supply of appropriately skilled professionals.

This may require financial and administrative support for training programs, to ensure there are enough people with the relevant experience to help owners and managers get the best from their buildings.

Recommendations

4.0 The Queensland and Local Governments should:

- 4.1. deliver an incentives and toolkit program to encourage greater sustainability in the built environment, through:**
 - 4.1.1. support for accelerated depreciation of buildings that meet agreed benchmarks;**
 - 4.1.2. a nationally consistent energy efficiency certificate scheme, as being introduced in other states;**
 - 4.1.3. a green building tune-up and retrofit program, to help improve existing buildings;**
 - 4.1.4. planning bonuses (e.g. densities, GFA);**
 - 4.1.5. reduced infrastructure charges;**
 - 4.1.6. rate and land tax reductions for sustainability criteria delivery;**
 - 4.1.7. loans and funding programs to encourage innovation in retrofitting existing buildings; and**
 - 4.1.8. a green door - faster and simpler approvals for sustainable developments;**
- 4.2. reduce the regulatory and compliance burden that limits the capacity of industry to provide greener stock, including current reporting regimes;**
- 4.3. support the use of gas fired co- and tri-generation plants within buildings or districts by:**
 - 4.3.1. supporting distributed energy generation for buildings under current planning schemes; and**
 - 4.3.2. extending feed-in tariffs to all types of energy generation and for all classifications of property; and**
- 4.4. fund a skills, training, and resources program to give property professionals greater capacity to deliver new and retrofitted green buildings.**

5. Infrastructure

Infrastructure Shortfalls

Local governments and the State are struggling to address an infrastructure shortfall after years of chronic under-investment.

Infrastructure shortfalls are limiting property values and hampering the State's economic potential.

The Government needs to have a clear set of priorities to ensure that the infrastructure projects it funds are those most urgently needed by the people of Queensland.

Infrastructure Charges vs Debt

Though widely used, infrastructure charges are one of the most inefficient funding mechanisms available to governments to fund infrastructure.

They continue to be politically popular as they are erroneously seen to be 'developer' levies.

Yet, repeated research shows that developer levies - which push up the cost of development and impede growth - are inferior to debt utilisation in funding infrastructure.

While debt is shown to improve economic growth and increase jobs, infrastructure charges merely increase the price of new housing, forcing first homeowners to subsidise those already living within a community.

Public Private Partnerships (PPPs)

After debt, PPPs are an effective method of funding infrastructure.

However, the State Government's current approach to PPPs tends to favour a disproportionate allocation of risk and ensnare companies in an ineffective and costly tendering process.

Ultimately:

- if risk isn't shared equitably, companies will be unwilling to tender, which will drive up project costs; and
- if current project timeframes provided in the South East Queensland Infrastructure Plan continue to be listed in 3 - 5 year bands, companies will have little indication of the likely delivery date.

This means that projects will be less appealing for many companies, because they will be unable to plan ahead efficiently for developments and will have to take on an unacceptable level of risk in order to deliver them.

Thus, the company's best placed to provide optimal results will be least likely to tender for the jobs.

Tax Increment Financing - a new way forward

Tax Increment Financing (TIF) is an alternative infrastructure funding mechanism to traditional approaches currently used by Australian governments.

Used in 49 states in the United States, TIF provides an instrument to government to capture increases in tax revenues attributable to an increase in property values within a prescribed development area (TIF district) and use those revenues for neighbourhood renewal projects for a defined period of time.

TIF allows a government jurisdiction (usually local government) to hypothecate tax revenues derived from increases in property values within a prescribed growth area (the TIF district) and use this to fund the infrastructure and renewal projects which led to this property appreciation.

Recommendations

5.0 The Queensland Government should:

- 5.1. give a genuine commitment to develop a workable, reliable priority list of state infrastructure projects**
- 5.2. increase its use of public debt and examine the use of tax increment financing for the funding of infrastructure delivery;**
- 5.3. rethink its approach to Public Private Partnerships (PPPs) to deliver key projects:**
 - 5.3.1. reform current State Government PPP infrastructure delivery models to encourage private sector involvement;**
 - 5.3.2. reduce the 'hurdles of participation' in tendering for State infrastructure projects, by simplifying the tendering process and adopting a fairer allocation of risk between government and industry.**