

Housing Affordability

The Property Council and its residential arm, the Residential Development Council, congratulate the Government on the housing affordability initiatives included in the 2008-2009 Budget.

These initiatives include the:

- National Rental Affordability Scheme;
- Housing Affordability Fund;
- First Home Savers Account; and
- National Housing Supply Council.

We also strongly support the interim budgetary package which increased the First Home Owners Grants from \$7,000 to \$14,000 for existing dwellings and \$21,000 for new dwellings.

This measure represents an important stimulus for the market, especially housing development, at a time of record low construction.

The global financial crisis has hurt the Australian economy, which is at risk of a slump.

The Property Council believes that the residential development industry can provide a bulwark against the global downturn.

By investing in the housing sector, the government can achieve two major objectives – **bolstering the economy and improving affordability**.

The Property Council also supports the recently negotiated National Affordable Housing Agreement (NAHA) and its associated national partnership payments, which will provide financial support for programs for housing initiatives from across the spectrum from homelessness to home ownership.

There is no doubt that improving Australia's housing affordability is a complex task, but the work undertaken by the Federal Government and through COAG provide a strong starting public policy platform.

The primary factors impacting housing affordability today are:

- lack of available land supply both in urban centres and regional areas;
- metropolitan and regional planning strategies that are not linked to data and KPIs;

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- ever increasing taxes and infrastructure charges on development;
- archaic development assessment processes; and
- insufficient incentives for closer collaboration between the Government, NGOs and the private sector.

Policy Platform to Improve Affordability

The Property Council supports the Australian Government's housing affordability proposals.

We believe continued private sector involvement will be critical to the government's success in this area.

Consequently, we submit the following housing affordability action plan:

- **Increase land supply**
 - Restore the orderly release of land, synchronised with the provision of infrastructure, to facilitate urban consolidation and reduce the cost of land development;
 - set national, regional and local targets for housing supply which facilitate growth and are tied to demographic indicators;
 - target the coordination of land release with a focus on areas of higher demand growth; and
 - increase available housing stock from 150,000 dwellings per annum to 180,000, which will require both more green fields and infill development sites.
- **Invest in strategic planning**
 - Support national strategic planning based on demographic and forecast data supplied by the National Housing Supply Council;
 - synchronise infrastructure delivery to future housing needs by releasing a 25 year infrastructure delivery program for every major urban community in Australia; and
 - implement metropolitan plans which link the delivery of housing, jobs and infrastructure to key performance indicators.
- **Lower taxes**
 - Fund future infrastructure through strategic government borrowing, not through taxes and charges that further erode the affordability of homes;
 - reduce the reliance of governments on property taxes;
 - abolish stamp duty on all new housing; and

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- maintain the continued use of taxation mechanisms such as capital gains tax discounts and negative gearing regimes to ensure the supply of affordable rental accommodation.

- **Increase the role of the community housing sector and private enterprise**

- Invest in up-skilling the community housing sector and consider structural changes to provide the capacity to deliver more affordable housing solutions;
- introduce incentives including exemptions for land taxes and a reduction in the development levies for affordable housing projects; and
- establish residential investment as an institutional grade asset class by supporting changes to the tax system which will facilitate the recognition and operation of this new residential asset class.

- **Harmonise planning regimes across the country**

- encourage the implementation of the Development Assessment Forum (DAF) model by state and territory governments through the provision of financial incentives;
- negotiate a COAG agreement on the timeframe for adoption of the harmonised model; and
- continue support for the development and implementation of the Electronic Development Assessment (eDA) model across the states and territories.

- **Continue the First Home Owners Grant**

- extend the initiative to kick-start the residential market through the additional First Home Owners Grants through the 2009-10 Budget – early evidence has indicated that the supplement has had a positive impact on housing markets and that the increase would continue to benefit the housing sector in the short-term.

Key Performance Indicators (KPIs) for Housing Affordability

The Property Council proposes the following KPIs to be achieved within two years:

Mainstream Housing

- Increase housing stock – 180,000 new homes per annum.
- Lower development charges – developer costs that flow to householders reduced by at least 50%.
- Cut red tape – development assessment approvals of by 50%.

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- Synchronise infrastructure delivery to future housing needs – a 25 year infrastructure delivery program developed for every major urban community in Australia.
- Reform development assessment - a COAG agreement and timetable developed for the implementation of the DAF model across all state and territory planning systems.

Social Housing

- Increase supply of affordable housing with the involvement of the private sector – 16,000 extra public housing dwellings developed per annum (160,000 extra dwellings over a 10-year period).
- 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.
- Implement tax reforms which will support the development of residential property as an investment grade asset class.

Reporting

- Establish reporting benchmarks – annual public reporting on the performance of all federal, state and territory governments on housing affordability in the key areas of:
 - homelessness;
 - indigenous housing;
 - affordable rental;
 - affordable home purchase; and,
 - the efficiency and responsiveness of the housing market.

Housing Affordability - Recommendations:

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| First: | Establish short and medium term KPIs relevant to housing affordability and social housing similar to those listed above. |
| Second: | Negotiate a COAG agreement and timeline for the implementation of the DAF Model in each state and territory. |
| Third: | Synchronise infrastructure delivery to future housing needs by releasing a 25 year infrastructure delivery program for every major urban community in Australia. |
| Fourth: | Increase the Commonwealth government’s investment in social and public housing. |

Fifth: Continue the First Home Owners Grant for the construction or purchase of new homes until at least 31 December, 2009.

Sources:

Housing Affordability Fund, Residential Development Council submission to the Department of Families, Housing, Community Services and Indigenous Affairs (July, 2008)

National Rental Affordability Scheme (NRAS), Residential Development Council submission to the Department of Families, Housing, Community Services and Indigenous Affairs (May, 2008)

Housing Affordability, Residential Development Council submission to the Senate Select Committee on Housing Affordability in Australia (April, 2008)

First Home Saver Accounts, Residential Development Council submission to the Treasury (March, 2008)