



2 June 2023

State Development and Regional Industries Committee
Via email: sdric@parliament.qld.gov.au

Dear State Development and Regional Industries Committee,

Please see below responses to questions taken on notice regarding the Planning (Inclusionary Zoning Strategy) Amendment Bill 2023.

Do you know of any other legislation that requires the government to write other legislation?

The *Financial Accountability Act 2009* requires the Treasurer to introduce annual appropriations bills.

How would this scheme interact with the functioning of the HIF?

There is a distinction in that this inclusionary zoning policy would result in the construction of public housing, whereas the HIF is largely focused on community housing providers. The government could use the HIF for targeted investment in areas of the state where property development is slow or limited.

It should be noted that housing experts like Professor Nico Calavita advise against using public money and tax incentives to fund developers' inclusionary housing contributions. This is because the added cost to developers is primarily transmitted to lower land values, with developer profits less affected i.e. rather than not building, developers pay less for land so that they can maintain profitability and thus the cost of public dwellings is borne by land bankers. To the extent that developers' profit margins may be affected, this could be offset, and the profit motive for the private sector maintained, by coupling the requirement to build inclusionary housing with the benefits to developers from government upzoning.¹

¹Calavita, Mallach. 2009. Inclusionary Housing, Incentives, and Land Value Recapture.
https://commongroundorwa.org/Inclus%20H%20&%20ValCap_Calavita.pdf

If a developer builds a luxury block, and are required to build the public homes to the same standard, have you factored in ongoing cost of maintenance?

The cost of maintenance is the smallest component of housing costs — less than rates, mortgage repayments, and landlords' profits. Publicly owned dwellings could be leased at far less than market rate to inner-city workers who would normally be pushed out to the suburbs away from their occupation, such as nurses and public servants, and still more than cover the cost of maintenance.

In Vienna, more than half of all dwellings are owned by cities or cooperatives offering more than 60% of its 1.8 million residents subsidised housing, without sacrificing quality.

How many public homes would you expect to be built each year, so the Department of Housing can plan appropriately?

We've estimated that an inclusionary zoning policy of 25% would result in the construction of around 2,500 new public homes each year.

The number of properties that could be expected to be built would depend on:

- The amount of DAs being approved in different LGAs
- The size of these developments
- Planning and zoning decisions being made by both state and local governments

If we take a broad assumption that developments of 4 or more storeys will be captured within the inclusionary zoning policy, there were 834 dwellings units approved in apartments of four or more storeys in Queensland in February 2023.²

A 25% IZ policy would see 208 of these allocated as public housing. This would equate to around 2,400 homes approved per year. This doesn't include housing in subdivisions. In addition, there will be a lag time between the IZ policy being introduced, this applying to new development approvals, and construction.

The Constellation Project - a joint policy development project between Australian Red Cross, Centre for Social Impact, Mission Australia and PwC Australia - has estimated that 4,000 to 20,000 affordable homes could be generated in Brisbane by 2036³, working on a 10% IZ policy - around 1,500 homes per year. By this same metric, a 25% IZ policy could generate 3,800 homes per year.

² 8731.0 Building Approvals Australia, Table 24:

<https://www.abs.gov.au/statistics/industry/building-and-construction/building-approvals-australia/feb-2023/87310>

³

https://theconstellationproject.com.au/wp-content/uploads/2020/07/2020-05-15-MIZ_Brochure_20200318_v6.pdf

On implementation of the Bill, the government would be able to work closely with local governments, who would be able to advise as new developments are being approved. The government also has some discretion over zoning and development approval decisions and responsibility for the eventual implementation of the Inclusionary Zoning strategy, in order to appropriate plan for new public houses.

Are there any examples of inclusionary zoning that require properties to be gifted/acquired by government?

In Sydney, the City West Affordable Housing scheme, and the Green Square Affordable Housing Scheme, mandates that developers either transfer, free of cost, dwellings to City West Housing, a not for profit business specifically set up by the State Government. Alternatively, developers pay a cash contribution. In this scheme, “Affordable housing contributions form a condition of development consent”.⁴

In these cases, the City of Sydney recognised that upzoning would not only increase development potential, but also land values - essentially gifting developers free money, but also putting upward pressure on housing costs. Inclusionary zoning was seen as a tool to mitigate this.

The Green Square policy⁵ reads:

“In order to mitigate these effects of renewal, it was determined that a scheme should be developed to provide affordable housing stock in the area using contributions collected through individual developments. This mechanism is called ‘inclusionary zoning’ and works on the principle that all sites in Green Square have benefited from the area’s rezoning and renewal and should contribute to the achieving affordable housing objectives”.

The Constellation Project suggests an approach whereby properties are transferred to community housing providers in perpetuity, or cash payments where IZ obligations create a fraction of a dwelling.

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<https://www.cityofsydney.nsw.gov.au/affordable-housing-contributions/city-west-affordable-housing-program>

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<https://www.cityofsydney.nsw.gov.au/affordable-housing-contributions/green-square-affordable-housing-program>

Impact on land values

With regards to questions from the committee regarding the economics of inclusionary zoning, including the impact on the profits of property developers, the Constellation Project⁶ argue that:

“All property developers prepare a financial budget or ‘feasibility’ prior to commencing a project. This estimates project cost, sales revenue, developer profit, and – factoring in these elements – resulting land value. MIZ obligations will be reflected by a lower land valuation. However in Sydney, as an example, average annual increase in land values over the last 30 years have significantly exceeded CPI. It is economically rational and reasonable that property developers, who take risks, make a profit. MIZ does not put a rational property developer’s profit at risk”.

Kind regards,



Amy MacMahon
Member for South Brisbane