

## Planning (Inclusionary Zoning Strategy) Amendment Bill 2023

**Submission No:** 7  
**Submitted by:** Housing Industry Association  
**Publication:** Making the submission and your name public  
**Attachments:** See attachment  
**Submitter Comments:**



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14 June 2023

Committee Secretary  
State Development and Regional Industries Committee  
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## **Consultation on Planning (Inclusionary Zoning Strategy) Amendment Bill 2023**

The Housing Industry Association (HIA) welcomes the opportunity to provide feedback in relation to the Planning (Inclusionary Zoning Strategy) Amendment Bill 2023 (the "Bill").

HIA has significant concerns regarding the Bill as it fails to acknowledge the current commercial difficulties surrounding the delivery of new homes and if legislated the Bill would create severe consequences for Queensland's housing market which remains in a volatile state. Ultimately, the Bill will reduce investment in new housing, limit housing supply by crashing financial feasibility of projects and increasing the overall cost of housing for new home buyers.

The Bill requires twenty-five per cent (25%) of new residential development consisting of 10 or more dwellings or lots to be gifted to the state of Queensland for public housing. HIA does not support the Bill, or any mandatory requirements for inclusionary zoning which simply amount to a flawed and inequitable tax on new housing, the cost of which would be borne entirely by new home buyers.

### **Background**

Queensland continues to suffer from a severe housing crisis with historically low rental vacancy rates and limited affordable housing options across the region. While the housing crisis has been attributed to many factors, an evident fact is that the current demand for new homes greatly outweighs supply. The need to increase housing supply is acknowledged by the recent National Housing Accord with a commitment from 2024 to deliver a total of one million new well-located homes over five (5) years.

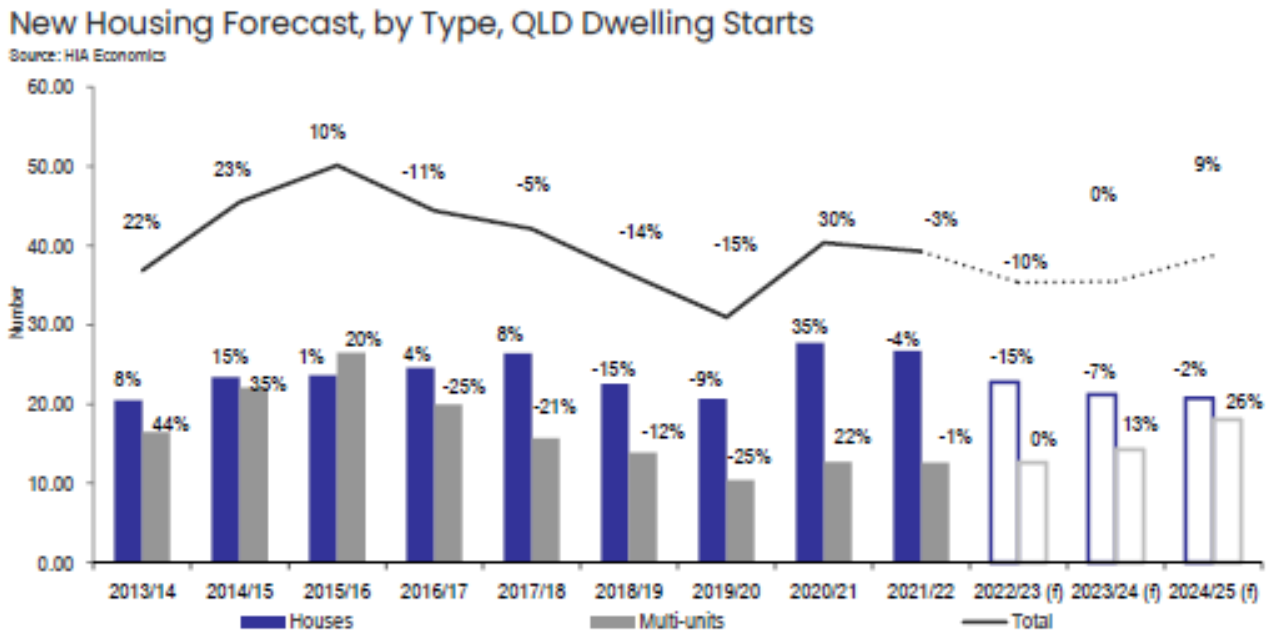
A key challenge for HIA remains educating decision-makers and the broader public that the purchasing and renting housing markets are interdependent. In most instances, a first-home buyer represents an individual or couple that will cease competing in the rental market for life. This alleviates pressure on the rental housing market, resulting in less competition for those in dire need of rental accommodation. In turn this also eases demand on social housing supply by those pushed out of the private rental market.

**Negative impact on housing supply**

The Bill fails to acknowledge the commercial reality of the home building industry. From a financial perspective, the capacity of the industry to deliver affordable homes is already severely hindered due to increasing construction and labour costs, lengthy planning assessment timeframes and increasing regulatory burden, including the advent and imposition of ‘more than minimum’ building standards in recent times. HIA is concerned that the legislation proposed would add to the growing number of impediments to constructing new homes at the rate required to meet current high demand.

The proposed requirement to gift twenty-five per cent (25%) of certain new residential development to the Government would act as a significant impediment on housing supply as fewer residential projects will be commercially viable. Someone must bear the construction costs. The great risk is that builders and developers will shift their focus to forms of construction with greater returns available other than the construction and sale of new homes.

On average the Queensland detached home building industry consistently delivers just over 20,000 houses per year. Construction data indicates that a significant contributor to the current housing shortage is the decline in the delivery of multi-unit projects since 2018. Whilst there are a number of contributing factors to the decline, the end result is that the construction of multi-unit projects has become less and less profitable and as such the industry has shifted its focus elsewhere. Imposing the additional tax proposed in the Bill does not improve the profitability of projects. Until such time as the number of multi-unit dwellings constructed returns to higher levels demand for housing will continue to outstrip supply.



**Figure 1: Housing Forecast Queensland**

### **Increasing costs for new home buyers**

The Bill fails to recognise that regulatory costs and taxes imposed on developers as part of the development process are almost without exception passed on to new home buyers. The proposed amendments of the *Planning Act 2016* would undeniably function as a further tax on new housing. It is noted that housing in Queensland is already highly taxed. In Brisbane, approximately thirty-two per cent (32%) of the total cost of a house and land package was found to be derived from statutory taxes and charges in 2019<sup>(1)</sup>. It is likely that this percentage has further increased in recent years. HIA contends that the passing of the draft Bill would further increase effective tax levels, and therefore increase the cost of new housing.

While HIA strongly opposes any mandatory requirement for inclusionary zoning, we acknowledge the need for industry, the community housing sector and the Government to work in partnership to deliver affordable housing solutions. HIA supports a range of measures which will ensure the delivery of new affordable housing options as detailed in HIA's policy statement – *Subsidised Affordable Housing* (refer to Appendix 1 for details).

If any assistance or further information is required in relation to this response, please do not hesitate to contact me.

Yours sincerely



Michael Roberts  
Executive Director  
HOUSING INDUSTRY ASSOCIATION LIMITED

#### Attachments

1. HIA's Policy on Subsidised Affordable Housing

(1) The Centre for International Economics. (2019). *Taxation on the Housing Sector*



## Subsidised Affordable Housing

### HIA's Position Statement

1. HIA supports Governments working in partnership with the housing industry and the community housing sector to identify feasible and effective actions that support the delivery of long term solutions for public housing and affordable housing needs.
2. Mandated affordable housing levies and quotas are not an appropriate mechanism to manage the delivery of public housing, subsidised affordable rental housing or other affordable housing needs.
3. As a priority, governments should continually focus on addressing the factors that result in house prices increasing over time creating increased demands on both public (social) housing and subsidised affordable housing. This should include addressing increasing regulatory requirements, constrained land supply, taxes and charges on land and housing and cumbersome zoning and development approval processes.
4. HIA supports the following range of options to increase the delivery of subsidised affordable housing stock.

**a. *Increasing land supply for affordable housing***

All governments should proactively increase land supply for affordable housing by auditing surplus government land and releasing that land for the purposes of industry delivering the desired quota of affordable housing. Authorities should also ensure an adequate supply of land is available for the purposes of building and supplying affordable housing.

**b. *Voluntary supply of affordable housing in exchange for negotiated development bonuses***

It is industry's experience that many current development bonuses offered do not allow for a product that can be reasonably offered to a target market in a given area. Any development bonuses granted to assist with the supply of affordable housing must be nominated by, and agreed to by, the developer. Incentives for developers could include bonuses on heights, plot ratio and density requirements, car parking, a faster planning process or other planning scheme concessions, all of which should be guaranteed through relevant project specific planning provisions after a developer agrees to undertake a project, to ensure the project is financial.

**c. *Innovative funding mechanisms***

Government agencies should offer innovative funding mechanisms, such as low interest, low docs home loans and shared equity ownership options, for low income earners. Deferral on the payment on the full market value at the time of purchase assists with making the product more affordable.

**d. *Increasing the opportunity for 'joint venture' partnerships***

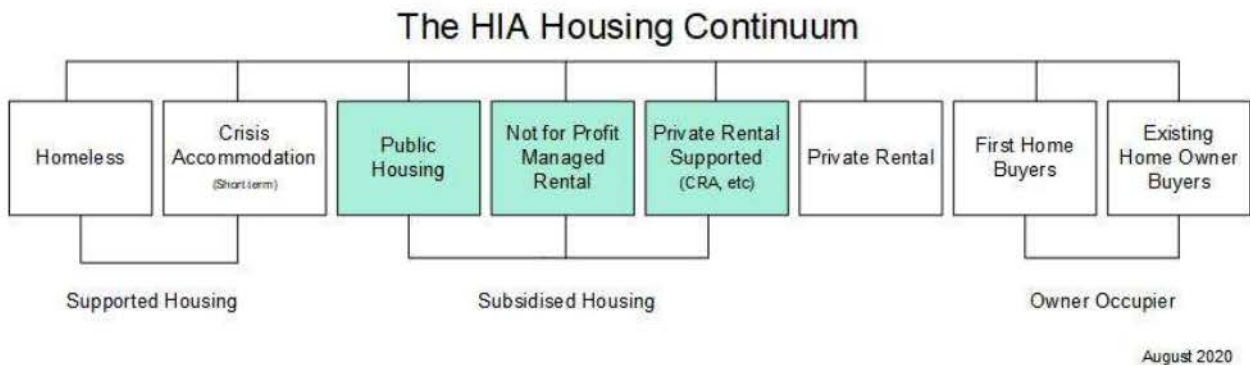
Governments can partner with a willing developer to build and manage a project where there is a component of affordable housing that must be made available with strict arrangements around the management of homes into the future to avoid profiteering.

**e. Provision of tax concessions for developers**

Tax concessions should be offered to developers willing to agree and provide an affordable housing component to their development. Relevant tax concessions could be provided in the form of stamp duty or other concessions such as sale price on the land or an exemption from state based infrastructure contributions and other relevant property taxes.

**Background**

- HIA’s efforts to promote housing affordability are founded in that every Australian should have access to a home and an acknowledgment that throughout an individual’s life their housing requirements will change which can affect the type of housing an individual seeks.
- HIA’s ‘Housing Continuum’ describes the variety of housing that make up the housing supply chain in Australia and sets out these housing types by tenure and delivery mechanisms (i.e. government, not for profit, private).



- Housing affordability is improved as a consequence of an adequate housing supply at an appropriate price for each cohort of the housing continuum.
- Many builders and developers contribute to ensuring sustained levels of housing affordability by offering diversity in product, including housing for the low and moderate income end of the market. Yet overall housing supply in each segment of the continuum has fallen short of underlying demand for many years.
- Commonwealth and State Government funding of public and not for profit managed rental housing has not kept up with community needs for many decades.
- Governments are increasingly shifting the burden of funding new subsidised affordable housing to the private sector rather than funding public housing from general rates and taxes.
- State and local governments are increasingly looking towards affordable housing quotas on new developments to solve their own targets for public housing.
- Housing quotas (whether for levies or constructed dwellings) are a tool used in some Australian planning systems as a means of subsidising public housing units or not for profit managed rental housing units.
- The provision of public (social) housing is the responsibility of government and should be adequately funded by using general revenue, not by placing a cost burden solely on new home buyers.
- The provision of affordable subsidised rental housing takes some pressure of public housing demand and provides much needed support for households requiring financial assistance.

- Affordable housing levies or quotas require the provision of housing in exchange for the granting of rezoning or development consent.
- The requirement is usually met by either payment of a monetary contribution to the consent authority, providing a defined 'quota' of subsidised affordable housing within a project or negotiating additional floor space or other development entitlements to offset for the provision of subsidised affordable housing.
- Housing is largely a private sector activity and, as such, is driven by market forces. Many developments and builders already contribute towards providing affordable housing, based on their price positioning at the lower end of the market.
- Inclusionary zoning policies and affordable housing quotas add costs to an already over-taxed and over-regulated housing product.
- These policies are flawed and inequitable as any costs incurred by new housing to subsidise a particular form of housing must invariably be borne by the new home buyers, who are often least able to afford this impost. This approach perversely further exacerbates housing affordability problems along the whole housing continuum, rather than relieving pressure on supply.
- One off, limited responses to the supply of subsidised affordable housing provide minimal relief to what is a much larger housing supply issue that requires a whole of community solution.