

Planning (Inclusionary Zoning Strategy) Amendment Bill 2023

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Introduction

On 19 April 2023, Dr Amy MacMahon, Member for South Brisbane, introduced the Planning (Inclusionary Zoning Strategy) Amendment Bill 2023 (the Bill) into the Queensland Parliament. The Bill was referred to the State Development and Regional Industries Committee for detailed consideration.

The Queensland Parliament website states that:

*The purposes of the Bill are to a) build housing via requiring developers to do so and b) integrate public housing with other residential areas in order to maximise social inclusion. The Bill proposes to achieve these objectives by enacting an inclusionary zoning strategy under which developers will be required to dedicate 25% of new residential dwellings, including apartment buildings and housing estates, as public housing. The Bill requires the Queensland Government to introduce the strategy into Queensland Parliament within 2 months of the Bill's date of assent.*¹

The Urban Development Institute of Australia Queensland (the Institute) does not support the Bill for the following reasons:

1. the proposal **does not** increase the number of new houses being delivered in Queensland, so as a result does not help in solving the fundamental root cause of the current Queensland housing crisis, being a shortage of homes
2. the proposal is extremely costly, introducing significant cost increases for new home buyers:
 - a. which, under current circumstances, they are unable to bear, and
 - b. which flow-on to add to the overall average house price, worsening affordability for the majority of the community
3. the proposal introduces complexity and uncertainty in planning schemes which slows the pace at which the development industry can deliver new homes
4. consultation on the Bill has been inadequate:

¹ [Committee Details | Queensland Parliament](#)

- a. the development industry was not consulted on the impact of the proposal on its capacity to continue to supply new dwellings where 25% of the product were donated to the government
 - b. the community has not been consulted on its views on the location of inclusionary zoning buildings of greater height and density in their suburb
- 5. the Queensland Department of Housing is not currently equipped to receive or manage a large influx of additional properties.

About the Institute

The Institute is the leading property development peak body in Queensland. Established over 50 years ago, the Institute has a regional branch structure of twelve local branches comprising a membership spanning developers, town planners, engineers, architects, valuers, surveyors, builders, and a wide array of other trades and professionals engaged in delivering new homes to Queenslanders. The Institute is also backed by its Research Foundation conducting both quantitative and qualitative research on key industry issues such as community engagement and the property life cycle as well as key market trends and metrics.

This means the Institute's advice is both evidence-based and speaks with the voice of both regional and metropolitan Queensland.

The Current Queensland Housing Crisis and the need for more supply

Essentially, the fundamental housing problem in Queensland is that there is not enough supply of new housing – of all types – and urgent efforts are needed to boost the raw number of new homes being delivered in across the state. More houses, delivered in large volumes is the measure which is needed to deal with the root causes of the Queensland Housing Crisis rather than its symptoms.

By contrast, the fundamental failure of the measures described in the Bill, is that they do not add to new housing supply and in doing so fail to demonstrate potential to materially improve housing conditions in Queensland overall. Instead, if implemented they would slow the pace of supply and worsen housing affordability for the majority of the new home buying community.

The Queensland Property Development and Housing Construction industry and the impacts of the proposed Bill in Queensland

In Queensland, 97% of all new housing in Queensland is delivered by the private sector (around 36,000 dwellings per year), comprehensively overshadowing the quantum of new homes delivered by the government and community housing sector. Yet despite the industry's enormous size – employing 235,000 people and contributing \$50 billion to the state's economy in 2021-22 – its sustainability is challenged by high rates of insolvency² and high vulnerability to international supply and trade shortages. For these reasons, certainty and consistency are the key to ensuring the industry stays on track and delivers much needed housing at the scale needed to make inroads into the crisis.

The property development industry was not consulted on the proposed Bill. As a result, the Bill inadequately accounts for the very substantial negative impact the proposed measures would

² [ASIC data shows construction insolvencies march towards a decade high \(afr.com\)](#) and [Insolvency statistics \(current\) | ASIC](#)

have on the industry's capacity to continue current operations delivering the above number of new dwellings per year were the Bill to be implemented.

In practice, adoption and implementation of the Bill would have an enormous impact and would certainly reduce the number of new dwellings industry could deliver each year. The key impacts reasonably able to be forecast, were 25% of any Queensland development project to be gifted to the Queensland Government, is simply that projects would not pass feasibility and commercial viability testing. This would mean that local development companies would not be approved for loans from banks and other financial institutions to finance housing development projects, and larger, national development companies would not be able to attract investment funding to Queensland. Both of these outcomes would mean fewer houses could be built in Queensland if the Bill were adopted.

Even if a project could theoretically be funded, projects would be delayed, particularly in the period of initial implementation, as the industry would struggle to adapt to a more complex regulatory and legislative framework necessitated by the proposal.

Inclusionary zoning packages in the Queensland context

The Bill proposes the introduction of inclusionary zoning packages into Queensland by requiring developers to “dedicate 25% of new residential dwellings, including apartment buildings and housing estates, as public housing.” During her evidence to the Public Briefing – inquiry into the Planning (Inclusionary Zoning Strategy) Amendment Bill on Monday, 22 May 2023 in Brisbane, Dr MacMahon indicated that research she relied on in drafting the Bill included numerous examples where incentives including density and/or planning fast track incentives were a common component of inclusionary zoning approaches.

While there are many versions of the concept of inclusionary zoning packages, the theory is essentially that developers gift the government (and in the case of this Bill the Queensland Housing Department) a certain percentage of new homes each time a new development is delivered and embed the costs into the sale price of the other new homes being delivered in the development.³ While it sounds simple, it is no easy fix, and in the overseas examples, projects delivering extra social or affordable housing are part of a complex mix of incentives and payments from government, such as:

- land contributions from government
- density/height bonuses
- planning concessions (i.e. car parking)
- direct capital funding, subsidies, and/or tax/charges relief
- other measures and incentives.

The core issues associated with consideration of the introduction of inclusionary zoning approaches in Queensland are:

- In the current climate of soaring house prices and interest rate rises, the new home buyer segment could not cope with the additional cost arising from embedding the cost of gifting 25% of new dwellings in their development/complex to the government

³ [Transcript - 22 May 2023 - SDC - Briefing - Planning \(Inclusionary Zoning Strategy\) Amendment Bill 2023 \(parliament.qld.gov.au\)](https://www.parliament.qld.gov.au/Transcript-22-May-2023-SDC-Briefing-Planning-Inclusionary-Zoning-Strategy-Amendment-Bill-2023)

- Inclusionary zoning approaches are complex and uncertain, introducing a high level of risk into an industry which is already experiencing challenging operating conditions⁴
- While the development industry supports taller buildings, larger buildings and fewer car parks *when located in the right place and demonstrating exceptional site-responsive design*, some in the society fear change in their suburb. There is little understanding within the community about the term 'inclusionary zoning', nor the implications for their suburb. Any efforts to introduce inclusionary zoning, should be preceded by an extensive community engagement process to understand the community's views on the concept and willingness to accept within their suburb. There are examples of projects within some Priority Development Areas, which are required to provide a quantum of social and/or affordable housing that have been strongly rejected, based on a lack of community understanding
- The approach denies the government and Community Housing sector the capacity to design and deliver housing typologies suited to the needs of their tenants. Rather, it delivers only what the market is delivering with no deliberation on location, nearby services, the level and suitability of finishes for the intended tenant, necessary access and design features, the cost of maintaining the dwelling or access to wrap-around services aimed at sustaining tenancies. Community Housing Providers specifically design buildings and select fittings and finishes with a view to the needs and means of tenants. For example, Community Housing Providers install more ceiling fans and reduce reliance on air-conditioning for heating and cooling. Community Housing Providers also avoid the installation of gyms and pools to avoid excessive body corporate fees and instead would look to install more downstairs barbecue areas to provide low or no cost entertaining opportunities. The proposed model and broad application of inclusionary zoning also provides challenges for Community Housing Providers due to the highly dispersed nature of the housing, which would place further strain on their delivery model and financial sustainability
- Even if they worked, **inclusionary zoning approaches do not deliver any additional new homes into the system**. It merely changes the ownership model of a set percentage of dwellings. It does not - and this is the critical point - do anything to solve the fundamental problem which is that we build too few houses in Queensland and have done so for quite some time.

Another unavoidable issue in analysis of this Bill is that currently, the Queensland Department of Housing is not equipped to cope with a significant increase in the number of houses in its portfolio. A detailed Auditor General's report released in August 2022⁵ found that the State Government is failing to build enough houses, keep an accurate waiting list or manage its existing stock. Around 15% of the portfolio's 74,133 houses are under occupied and one in five housing applicants examined by the Auditor General had not had their needs correctly recorded by the Department. Overall, the report reveals a picture of a Department that will need a considerable amount of time to implement the Auditor General's eight recommendations and is in no condition to accept,

⁴ [ASIC data shows construction insolvencies march towards a decade high \(afr.com\)](#) and [Insolvency statistics \(current\) | ASIC](#)

⁵ [Delivering social housing services \(Report 1: 2022-23\) \(qao.qld.gov.au\)](#)

manage or allocate a potential influx of dwellings were, as per the proposed Bill, approximately 25% of all new dwellings in Queensland gifted to the Queensland Department of Housing.

In summary, the Queensland property development industry does not support inclusionary zoning packages, and therefore does not support this Bill because:

- inclusionary planning is expected to increase housing delivery and purchase costs, including increasing sale prices and rental prices
- it is also expected that the complexity of planning requirements will increase the overall cost of housing to the market
- the Queensland Department of Housing is not in a fit state to accept and manage a very large number of new properties at the current time
- inclusionary planning is just one possible option in a complex housing system.

A broader view of Inclusionary Zoning Packages

The Australian Productivity Commission⁶ is of the view that inclusionary zoning is not a good solution to rental affordability issues in particular, for three key reasons. In the Commission's opinion:

- Mandatory inclusionary zoning can add extra costs to developments, potentially worsening overall affordability
- Voluntary inclusionary zoning can add complexity and inconsistency to the planning system
- Subsidised affordable housing is not as fair or effective as other forms of housing assistance.

By way of summary, the Commission concludes that “inclusionary zoning is unlikely to significantly improve affordability ... Governments should focus on addressing the barriers to housing supply and providing assistance directly to renters, rather than fiddling at the margins with inclusionary zoning.”

More supply overall is a better solution

The Institute's strongly held view is that the answer to the Queensland Housing Crisis lies in its genesis: housing supply. The Queensland Government must act urgently to take the steps that boost housing supply at scale so there are enough homes to go around. To achieve this, the Queensland Government needs to directly hone in on those measures which have capacity to deliver new housing in volumes sufficient to relieve the pressure on every segment of the housing ladder so that each segment itself can operate effectively, meeting the needs of its participants rather than putting the squeeze on neighbouring segments.

To achieve these high-volume changes, the Queensland Government needs to look to support the work of the Queensland property development and housing construction industries which deliver 97% of all housing. This includes:

- placing a moratorium on a raft of mooted regulatory and legislative changes, including the Inclusionary Zoning Bill, that are creating uncertainty, unravelling project feasibility thus

⁶ [In need of repair: The National Housing and Homelessness Agreement \(pc.gov.au\)](https://www.pc.gov.au/research/other/in-need-of-repair)

limiting access to construction finance and ultimately cutting the number of houses delivered on the ground

- ensure that planning system reforms are progressed which help, not hinder, the supply of more diverse and affordable housing typologies
- invest in critical infrastructure to unlock the housing development potential in locations where people want to live.

Conclusion

Overall, set against those big picture/big impact reform recommendations with potential for delivering large volumes of new supply described above, the use of inclusionary zoning packages – described by the Productivity Commission as “fiddling at the margins” – is not viewed by industry as having benefits that would in any way outweigh the disadvantages of raising house prices and slowing the delivery of new homes. For this reason, the Institute does not support the Bill.

However, if the use of inclusionary zoning packages was contemplated as just one, albeit small, part of an integrated housing crisis response, its use would need to be limited to circumstances where:

- Government is selling or using its own land for housing development, where it creates no cost impact to the broader housing market and the constraints of inclusionary zoning demands are known well in advance and in detail
- Agencies incentivise social and affordable housing by provision of inclusionary planning height, density, onsite car parking, or other incentives
- Any move to the use of inclusionary zoning is preceded by significant Queensland Government funding of those agencies and services delivering critical support services (wrap-around services) to new tenants to assist them in sustaining their tenancy and reaping the benefits of stable, affordable accommodation
- An extensive community education and engagement campaign was held to inform the community of the need for and benefits of the provision of public housing in well serviced locations.