

Planning (Inclusionary Zoning Strategy) Amendment Bill 2023

Submission No: 18
Submitted by: Property Council of Australia
Publication:
Attachments:
Submitter Comments:



Property Council of Australia ABN 13 00847 4422
A Level 6, 300 Queen Street, Brisbane Qld 4000
T +61 7 3225 3000
E qld@propertycouncil.com.au
W propertycouncil.com.au
T [@propertycouncil](https://twitter.com/propertycouncil)

22 June 2023

Committee Secretary
State Development and Regional Industries Committee
Parliament House
George Street
BRISBANE QLD 4000

Email SDRIC@parliament.qld.gov.au

Dear Secretary

Planning (Inclusionary Zoning Strategy) Amendment Bill 2023

Thank you for the opportunity to provide a submission on the *Planning (Inclusionary Zoning Strategy) Amendment Bill 2023* (the Bill). The Property Council strongly supports initiatives that can deliver an increase in housing supply in Queensland. As this Bill will do the opposite, rendering -projects unfeasible and thereby drastically reducing housing supply, the Property Council does not support this Bill.

As this letter outlines later, there are far superior ways to deliver affordable housing at the scale required, without making homes in the same projects more expensive for families who are looking to buy.

The Property Council is the leading advocate for Australia's property industry. Here in Queensland, over 400 companies are members of the Property Council of Australia, including several Community Housing Providers (CHPs). Our members represent a cross-section of the property sector and are spread across all asset classes, including residential, retirement living, purpose-built student accommodation, build-to-rent and more.

Our members invest in, design, build and manage places that matter to Australians. They have a long-term interest in the future of our places and spaces, and are committed to creating great cities, strong economies and sustainable communities.

The Property Council supports smarter planning, better infrastructure, sustainability and globally competitive investment and tax settings, which underpin the contribution our members make to the economic prosperity and well-being of Australians.

For many years, the Property Council has advocated for action to address the undersupply of housing in Queensland. This advocacy was amplified in 2022, with the launch of *A Home for Every Queenslanders*, which, amongst other welcome initiatives from government, led to the convening of the Queensland Housing Summit in October. This was also the catalyst for acknowledging that housing in Queensland is in a state of crisis.

The Summit delivered an Outcomes Report that clearly articulates the State Government's existing activities, key actions, and areas for further work in relation to both *Housing support* and *Housing supply*. One of the existing activities under *Housing supply* is to 'Investigate and consult extensively on introducing inclusionary requirements into the planning framework to increase the supply of social and affordable housing'.

It is the Property Council's understanding that this action is being progressed by Government, with the aim of undertaking the comprehensive consultation and economic impact analysis such a significant policy proposal deserves, before committing to further action.

In the absence of this consultation and expert analysis, it is premature to consider implementation of the drastic policy position put forward in the Bill, that singularly focuses on social housing e through a cross-subsidy mechanism that would immediately pump up the price of at-market housing at a time when homebuyers can least afford it.

As seen in other countries around the world, where less extreme versions of mandatory inclusionary zoning have been introduced, implementation of the Bill would have distortionary impacts on the supply and affordability of housing across the entire housing spectrum. Just last year, the National Productivity Commission recommended State and Territory Governments focus on setting housing targets and boosting supply, instead of 'consideration of inclusionary zoning...'

In place of mandatory provisions that render projects unviable, the Property Council supports the introduction of voluntary initiatives or incentives that would reward or compensate the private sector for the provision of below market housing (key worker and affordable housing), which is delivering broader societal benefit.

Positive examples of this can be seen in the Queensland Government's recent announcement of tax incentives for build-to-rent projects that deliver a proportion of affordable housing, or in the NSW Government's announcement of last week, that will allow a 30 per cent uplift in Gross Floor Area (GFA) for residential projects that deliver 15 per cent for more GFA of affordable housing.

It is widely recognised that the property sector is facing challenging times, with fewer and fewer projects being financially viable for the private sector to deliver.

A combination of factors, including material costs, labour shortages, wage increases, inflation, interest rates and business and consumer sentiment, are leading to more and more projects being 'shelved'. With an existing undersupply of housing and population growth projected to continue, this is a major concern for Queensland.

The Bill fails to recognise these fundamental realities of the construction market in Queensland and its capacity to deliver any new housing, let alone with project feasibility reduced by 25 per cent.

In the last 18 months, there have been more than \$1.5 billion in liquidations in the property and construction industry in Australia. ABS data released for April this year shows dwelling approvals falling to the lowest level since April 2012.

There is agreement amongst all stakeholders involved in the planning and delivery of housing in Queensland that clear and concerted focus is required on increasing the *supply* of housing- across all typologies and tenures. Social housing is one of many forms of housing in Queensland that are undersupplied.

The private sector in Queensland is responsible for ~97 per cent of housing stock. To boost supply and put downward pressure on house price and rent escalation, it is vital that barriers to the delivery of housing are removed, and a thriving private sector is encouraged.

The reality is that Queensland is competing locally, nationally and globally for investment that will facilitate the delivery of housing. Barriers to the delivery of at-market housing only serve to send investment elsewhere, thereby negatively impacting the level of supply overall and driving up costs through unmet demand.

Along with the many financial arguments against the implementation of the Bill, there are also a range of practical considerations that have not been addressed, including:

- how the policy will work in locations outside of major metropolitan areas, particularly remote communities
- ongoing management of housing, particularly given body corporate, capital expenditure and maintenance considerations
- capacity of the Department of Housing to take on any new dwellings of varying size, location and quality
- capacity of the Department of Housing to deliver built-form on land that is 'gifted' through a subdivision
- the role of Community Housing Providers in the provision and ongoing management of social housing in Queensland
- the needs of those on the social housing waitlist and how that aligns with the typology of housing that is being delivered
- proximity of housing to services required by tenants
- relevance and implementation of the policy in times of market downturn, or in areas where supply needs have been met
- how other forms of below-market housing, such as affordable and key worker, are to be delivered
- support that will be required for homebuyers and those in the private market, whose housing costs will increase by 25 per cent to cross-subsidise the provision of social housing
- engagement and consultation with the community on the Bill's provisions
- any other policy changes that will be progressed as part of a broader approach to facilitating supply across the entire housing continuum.

While the private sector can play in the delivery of affordable or key worker housing (where incentivised to do so), the delivery of social housing is one of the fundamental roles of government. The Property Council does not support mandatory inclusionary zoning for private development, and as such, does not support the Bill.

Thank you once again for the opportunity to provide a submission on this important topic. Should the Committee wish to discuss this submission further, please do not hesitate to contact me on

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Yours sincerely,

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Jen Williams
Queensland Executive Director