HOUSING SUPPLY AND AFFORDABILITY REFORM

Executive Summary

On 19-20 April 2010, the Council of Australian Governments (COAG) asked the Housing Supply and Affordability Reform (HSAR) Working Party to report back on an examination of the housing supply pipeline and government policies that may act as barriers to supply or that stimulate demand for housing.

The majority of the issues that COAG directed the HSAR Working Party to examine relate to housing supply rather than affordability. The HSAR Working Party particularly focused on land supply, infrastructure cost recovery, and land-use planning and approval processes.

Recognising differences in the design of state and territory planning and zoning regimes, the HSAR Working Party's examination of data suggests that the supply-side of the housing market in some jurisdictions has not responded as effectively or efficiently as it could to demand.

Allocating land to highest value use

The HSAR Working Party examined whether land and existing housing stock could be utilised more efficiently. It identified a number of regulatory impediments that may prevent land from being allocated to its highest value use. That is the use that offers the greatest combination of economic, social and environmental benefit to the community.

Amongst other things, the HSAR Working Party found that in supporting diversity in lot size and dwelling mix, governments should focus on ensuring planning policy settings do not unduly constrain the market's capacity to provide the type of dwellings that people want to live in at the locations where they want to live. The HSAR Working Party also identified that some jurisdictions should consider reforming their strata titling arrangements to ensure they do not unduly prevent redevelopment of dwellings that have come to the end of their physical or economic lives.

The HSAR Working Party also examined land holdings by the Commonwealth, State and Territory Governments. The HSAR Working Party developed principles for assessing land holdings to identify government land that may be available for housing or other public purposes.

Certainty, timeliness and cost of regulatory processes

A major focus of the HSAR agenda was on the regulatory arrangements that determine the allocation of land for development purposes. The Working Party's examination of the housing supply chain identified multiple instances where developers and builders faced significant delay, uncertain time frames and unpredictable regulatory frameworks in bringing new land and dwellings to market. Such delay and uncertainty increased the cost of housing by increasing developers' holding costs and by adding to the risk that businesses face in the development process.

The Working Party also examined the cost that developers and builders face through seeking development approval for new land and dwellings. This includes direct costs such as local councils' assessment fees as well as the in-house and consultancy costs they incur in seeking land rezoning and development approval.

Many of these costs that developers and builders incur typically lower the overall supply and delivery of housing to the market, thereby reducing housing affordability.

The HSAR Working Party recommends that jurisdictions should continue to work to improve the efficiency of (including the time frames involved in) referrals, development assessment and rezoning processes. Among other changes, this could include greater use of code-based assessments and electronic development assessment, as well as more sharing of information about how jurisdictions' target regimes are applied in relation to housing supply and land release.

Costs and charges imposed on developers and home buyers

The HSAR Working Party examined charges imposed on developers and homeowners. For example, some state and local governments were imposing infrastructure charges on developers (or purchasers in some instances) in a manner that lacked consistency, transparency, and predictability. The HSAR Working Party therefore recommends that infrastructure charges should be efficient, transparent and accountable, predictable, and equitable.

The HSAR Working Party also identified instances where regulatory requirements were increasing the cost of building new dwellings. For example, some local councils have introduced planning and development requirements that are in addition to, or exceed, state planning and development requirements, such as a minimum number of car parking spaces per new dwelling. Given the impact such regulations can have on house prices, the HSAR Working Party recommends that States and Territories should ensure state-level consideration of each regulation's overall costs and benefits and only approve those that enhance the overall wellbeing of the broader jurisdiction.

Focus of government programs

Finally, the HSAR Working Party examined how government housing programs were affecting housing supply and affordability. It found that the focus of a major objective of government housing programs should be on improving affordability for low income households as well as improving the effectiveness and equity of assistance to people with high levels of housing need. The HSAR Working Party therefore recommends that jurisdictions should consider reforming such programs to better target them at meeting clearly defined government objectives.

Impact on housing affordability

All things being equal, more efficient supply should put downward pressure on house prices. However, addressing supply-side impediments may not cause house prices to fall or rents to ease significantly. It is possible for high house prices to exist even in a relatively efficient market. This is because other structural and cyclical factors — such as population growth and interest and unemployment rates — also play a major role in determining the level and growth of house prices and rents.

As such, reducing the supply-side constraints will not necessarily be sufficient to address the housing affordability problems faced by lower-income households. The issue of (un)affordable home ownership may be largely confined to a lack of means for some segments of the population to purchase or rent a dwelling, rather than a physical lack of supply of dwellings.

That said, reforms that remove impediments to housing supply will remove unwarranted pressure on house prices and ensure that the quantity, location and type of housing stock meets the community's needs over time. Improving the responsiveness of the housing supply chain can also enhance other factors that contribute to community wellbeing, such as by increasing labour mobility.

This report encapsulates the body of analytical work prepared by the HSAR Working Party. As such the HSAR Working Party recommends that COAG agree to refer the HSAR Working Party's recommendations and findings to the appropriate COAG sub-group/s, and that the HSAR Working Party should be disbanded as it has completed its task.

The Housing Supply and Affordability Reform Agenda

On 7 December 2009, COAG agreed to the development of a HSAR agenda. A HSAR Working Party was formed with representatives from each jurisdiction's First Minister's and Treasury departments.

At its April 2010 meeting, COAG endorsed a HSAR agenda and timeline and requested that the HSAR Working Party provide a staggered report back to COAG through the Ministerial Council for Federal Financial Relations (MCFFR) from the first half of 2010, with a final report in mid-2011. The report back was to look at the housing supply pipeline and government policies that may act as barriers to supply or that stimulate demand, comprising an examination of:

- the potential to reform land aggregation, zoning and planning processes and governance, including assessing and leveraging the work of Housing and Planning Ministers and the Business Regulation and Competition Working Group;
- 2. nationally consistent principles for housing development infrastructure charges;
- 3. the merits of measures to ensure greater consistency across jurisdictions, including local governments' planning approval processes, in the application of building regulations;
- 4. the impacts of titling systems (such as residential strata title arrangements) on the housing supply market;
- 5. the efficiency and effectiveness of housing supply/land release targets;
- 6. whether strategic planning requirements for cities should be extended to other high growth/large population regions across the country;
- 7. extending the land audit work to examine 'underutilised' land and to examine private holdings of large parcels of land;
- 8. the impact of First Home Owners Scheme (the FHOS);
- 9. Commonwealth policies that impact the housing market;
- 10. the impact of both Commonwealth and State energy efficiency and environmental regulations, including the *Environmental Protection and Biodiversity Conservation Act 1999*, on house prices;
- 11. the impact of both supply and demand-side affordable housing initiatives (such as inclusionary zoning, dwelling mix and distribution of lot sizes) on the housing market; and
- 12. relevant Commonwealth and State taxation settings (with timeline to be dependent on the Commonwealth Government's response to Australia's Future Tax System AFTS).

On 13 February 2011, COAG asked the HSAR Working Party to consider the merits of the remaining Seamless National Economy Development Assessment reforms as they relate to enhancing housing supply and affordability and report back to COAG, through MCFFR by mid-2011, with recommendations on the best way of ensuring a cohesive national approach to further development assessment reform.

On 19 August 2011, COAG agreed that the Standing Council on Federal Financial Relations will report back to COAG, including recommendations, out-of-session by the end of September 2011, and that this report will be informed by the body of analytical work prepared by the HSAR Working Party. The HSAR Working Party has prepared this report to meet this decision.

Introduction to the housing market

Australia's housing market plays an integral role in providing a source of shelter and a base for people to participate in communities and the workforce. It is the largest store of the nation's wealth, a major source of retirement savings for homeowners, and a market for investors. As such, the housing market makes an important contribution to broader economic efficiency, productivity growth, and the liveability of our cities.

In a well-functioning market, the quantity supplied should be responsive to increased demand. However, the performance of Australia's housing market has been mixed with some sub-markets — in terms of tenure type, location, and quality — performing less well than others.

Recognising differences in the design of state and territory planning and zoning regimes, a examination of data suggests overall that the supply-side of the housing market in some jurisdictions has not responded as effectively or efficiently as it could to demand.

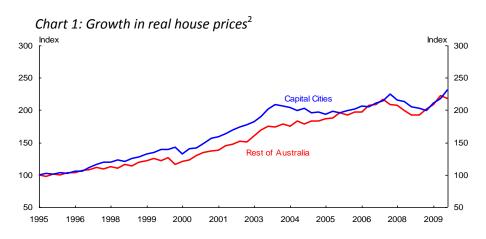
All things being equal, more efficient supply should put downward pressure on house prices. However, addressing supply-side impediments may not cause house prices to fall or rents to ease much and it is possible for high house prices to exist even in a relatively efficient market. This is because other structural factors, such as population growth, as well as a range of cyclical factors — including interest and unemployment rates — also play a major role in determining the level and growth of house prices and rents. Demand-side factors, especially increased access to cheap credit combined with population and economic growth, also explain a significant proportion of house price growth over the past decade.

As such, reducing the supply-side constraints will not necessarily be sufficient to address the housing affordability problems faced by lower income households. Even if reducing supply-side constraints caused house prices to ease, it may be the case that affordability issues are more generally associated with income relativities or complex housing needs.

That said, reforms that remove impediments to housing supply to enable more or cheaper housing production may be welfare-enhancing in their own right. For example, a more responsive housing supply chain supports labour mobility. It would also ensure that land is more efficiently allocated to the use that best enhances community wellbeing. There appears to be scope to deliver such reforms.

House prices

Australia has had strong house price growth over the past decade. The growth in house prices largely reflects increases in the prices of established houses and land rather than construction. Data indicate that all dwellings (including units) and locations (including the 40 per cent of Australian houses that are outside the capital cities) display similar rates of price growth. However, the profile of the national home price data, as opposed to that for the capital cities, suggests that growth in regional areas occurred later in the decade (see Chart 1).



AFTS. (2010) p 415. It should be noted that increasing construction costs are responsible for a higher proportion of the increase in house prices in some regional sub-markets, particularly in resource towns.

This chart presents analysis by the Commonwealth Treasury is 2010. It is based on data from the Australian Bureau of Statistics (ABS), Australian Property Monitors and the Reserve Bank of Australia (RBA) that has been deflated by the consumer price index.

Recent house price trends

Data suggest that the house price falls that accompanied the Global Financial Crisis (GFC) were temporary. ABS data shows that capital city house prices grew by 20 per cent over the 12 months to March 2010.

There are tentative signs of a market correction with transaction volumes trending down and dwelling prices easing. Auction clearance rates in Sydney and Melbourne have declined and, nationally, house prices eased in the March quarter of 2011. There was a high stock of dwellings listed for sale in the first half of 2011, reflecting a reduced rate of stock clearance rather than additional stock coming onto the market. A number of factors are causing the housing market to soften despite a relatively stable macroeconomic environment characterised by income and population growth and low unemployment. These factors include:

- consumer caution, as evident from the strong rebound in the savings rate;
- affordability issues; and
- fewer investors, linked to weak rental returns and less optimism about future capital gains.

In due course, house prices will likely come under renewed upward pressure as housing market demand recovers. Measures taken to address barriers to housing supply growth as well as demand-side issues could lessen the future impact of such pressure on house prices and reduce volatility risks.

Factors influencing price

The National Housing Supply Council (NHSC), in its first State of Supply Report, diagrammatically represented the factors that influence the price of housing, demand and supply (see the diagram at <u>Appendix A</u>).

The major drivers of the increased housing demand appear to be financial and economic, with growing per capita incomes and high levels of aggregate employment across the economy. Increased access to cheap credit and macroeconomic stability have also increased the ability of Australian households to maintain high levels of household debt, used in part to fund housing consumption and investment.

In addition, population and demographic changes as well as taxation settings have added to the demand for housing.

Income, interest rates and unemployment

Since the early 1990s, real average household incomes in Australia have increased steadily, growing by almost 50 per cent over this period. To provide some context, in nominal terms, the average weekly ordinary time earnings increased to \$968.10 in 2010, from \$545.10 at the beginning of 1995.³

Along with rising household incomes, unemployment has been steadily declining, reaching a low of 4 per cent nationally in 2008. Some States and Territories achieved unemployment rates below 4 per cent (for example, Western Australia's unemployment rate reached a low of 2.3 per cent in October 2008). This increased capacity to pay and thus demand for housing.

In addition to strong economic and employment growth, financial deregulation and product innovation in financial markets has greatly increased the capacity of the household sector to borrow for housing. This has meant that a larger number of households are able to access credit for housing consumption and investment, while lower inflation across a broad range of countries has created an environment for lower interest rates.

ABS. Average Weekly Earnings – 6302.0. (Comparison of 1995 and 2010)

Mortgage rates in Australia have been on a downward trend until recently — from a high of 17 per cent in 1989 to a low of 5.75 per cent in 2009.⁴ This has contributed to an increase in the ratio of household debt to disposable income over a similar period and a corresponding increase in the proportion of household income devoted to servicing housing debt.

This effect is significant. Some commentators have observed that a drop in inflation and interest rates similar to that experienced in Australia in the 1990s could increase individual homebuyers' capacity to pay by as much as 60 per cent. This combination of growing incomes, growing employment, and growing access to credit on more favourable terms greatly increased the demand for housing in the past. These factors have contributed to median house prices increasing from nearly three times average household earnings to five times since the early 1990s.

Population and demographics

From around 2004, strong population growth increased housing demand. The majority of this growth occurred in Victoria, Queensland and New South Wales which together have absorbed an average of 80 per cent of the total national population increase over the past 10 years.⁸

In addition to population growth, another factor that has added to demand for housing is the average number of people per household. From the early 1960s until around 2006, the number of persons per household declined.⁹

Housing as an investment

The residential property market is not only a market for those wishing to become home owners. It is also a market for investors. The residential property market is an atypical market for investors because it is dominated by home owners who are driven by a range of personal, social, and economic factors rather than by purely commercial factors.

A range of factors have contributed to increased investor demand for housing. Some commentators have expressed concern that the rising proportion of house buyers being investors has contributed to a fall in housing affordability. The proportion of housing finance going to investors doubled from around 15 per cent in 1990 to 30 per cent at the end of 2010. Australian Tax Office data shows 608,000 taxpayers were earning rental income in 1988-89 compared to 1.7 million in 2007-08.

Housing supply

Australia's macroeconomic and demographic environment has provided a strong platform for growth in demand for housing. However, over the last decade in particular, the supply of housing has not responded commensurately to this growing demand.

⁷ AFTS. (2010) p. 412.

Using Variable Standard Housing Loans as documented in RBA. *Statistical Table F5 Indicator Lending Rates*. (Comparison of 1989 and 2009)

⁵ Ellis, L. *Housing and Housing Finance: The View from Australia and Beyond*. (2006) RBA Research Discussion Paper. p 6.

⁶ Ibid.

⁸ ABS. Population by age and sex, Australian States and Territories – 3201.0. (2010)

⁹ ABS. Year Book of Australia 2009-10 – 1301.0. (2010) p 216.

Street, A. "A house or a home? Finding value in Australian residential property." (2011) Speech delivered at the Institute of Actuaries of Australia Biennial Convention, 10-13 April 2011, Sydney.

Recognising differences in the performance of state and territory planning and zoning regimes, problems on the supply-side of the housing market are evident from:

- growth in dwelling completions not keeping up with growth in population at a national level;¹¹
- real construction costs not driving the escalating housing prices, suggesting the cost of land and land development are the major supply-side drivers of increasing house prices; 12 and
- a relatively inelastic housing supply market (more inelastic than other comparable countries) that does not respond adequately to higher demand. ¹³

Affordability issues

The performance of Australia's housing market has been mixed with some sub-markets — in terms of tenure type, location, and quality — performing less well than others. However, it appears that an increasing number of lower-income households will have difficulty meeting their housing costs or meeting the full cost of becoming home owners.

Affordability concerns are more likely to be concentrated among low income earners.¹⁴ 70 per cent of lower-income first home buyers in 2007-08 with a mortgage spent more than 30 per cent of their gross income on housing costs.¹⁵ However, overall as a proportion of gross household income, housing costs for lower-income owners with a mortgage declined from 27 per cent in 1994-95 to 24 per cent in 1999-2000 before rising back to 27 per cent in 2007-08.¹⁶

It is likely that the combination of divergent wage growth and rising house prices is creating a situation where an increasing percentage of lower income earners are unable to meet the full cost of becoming home owners. Therefore, the issue of (un)affordable home ownership may be largely confined to a lack of means for some segments of the population (low income earners, including households relying on a pension) to purchase or rent a dwelling, rather than a physical lack of supply of dwellings. However, improvements to the supply chain should help reduce price pressures on house purchases and rentals.

Government policies and programs

Government policies and programs — at the local, State and Territory and Commonwealth level — have an impact on the demand for and the supply of housing, on housing affordability and on the attractiveness of housing as an investment asset. The Commonwealth, States, and Territories all provide incentives to either help increase housing supply or to assist first home buyers to enter the housing market.

Government policies and activities impact on both the demand and supply-side of the housing market. In some cases these impacts are inconsistent with each other and with policy objectives.

¹² AFTS. (2010) p 415.

¹¹ Ibid.

Andrews, D. Real House Prices in OECD Countries: The Role of Demand Shocks and Structural and Policy Factors. (2010) OECD Economics Department Working Paper No. 831. p 7.

Lower income households are those containing the 30% of people with equivalised disposable household income between the 10th and 40th percentiles.

¹⁵ ABS. Housing Occupancy and Costs, 2007-08 – 4130. (2009) p 24.

¹⁶ *Ibid*. p 9.

The schema below describes the current responsibilities and activities of the three tiers of government.

Current responsibilities and activities of the three tiers of government

	Commonwealth	States and Territories	Local Government
Macroeconomic stability: a stable housing market is important for macroeconomic stability. The residential property market is three times the size of Australia's annual GDP	Policies relating to taxation, population, investment, the financial sector, as well as a range of housing programs		
Competitive markets: a well-functioning housing market — including the removal of distortions — is welfareenhancing	Policies relating to taxation and investment, as well as a range of housing programs	Taxation policies and infrastructure levies	
Housing supply: a flexible supply response — access to appropriate, affordable dwellings located close to employment — should reduce cost pressures and improve productivity	Competitive building and development markets Commonwealth housing programs	Policies relating to planning, zoning, the regulatory environment and taxation, infrastructure levies, as well as the administration and delivery of housing services.	Policies relating to building regulations and approvals, urban planning, infrastructure charges, and development assessment processes.
Housing affordability: Australians' wellbeing is enhanced if all individuals can afford access to appropriate and secure shelter	Policies that impact directly or indirectly on the demand or supply-side of the housing market, including those that influence the costs of dwelling construction or purchase Commonwealth housing programs	Policies that impact directly or indirectly on the demand or supply-side of the housing market, including those that influence the costs of dwelling construction or purchase	Policies that impact directly or indirectly on the demand or supply-side of the housing market, including those that influence the costs of dwelling construction or purchase
		Administration and delivery of housing services as well as the provision of financial assistance to some renters and home buyers	

Agenda item 1 - planning and zoning

Recommendations

The HSAR Working Party recommends that COAG agree that:

- 1. jurisdictions will continue to work to improve the efficiency of (including the time frames involved in) referrals, development assessment and rezoning processes;
- 2. States and Territories will continue to work towards greater use of code-based frameworks for assessing residential development applications as appropriate; and
- 3. States and Territories will maintain or establish (as applicable) an internal process to ensure state-level consideration of the costs and benefits before local councils introduce planning and development requirements that are in addition to or exceed state planning and development requirements. Any proposed changes to existing arrangements in a State or Territory would be subject to the Regulation Impact Statement (RIS) requirements applying in that jurisdiction.

Findings

The HSAR Working Party found that housing supply is being enhanced within one or more jurisdictions by:

- 1. using government land organisations (GLOs) to help facilitate the roll-out of infrastructure and urban renewal in specific locations;
- 2. enhancing developer certainty and land supply through increased public reporting on land availability and land release timing, including specific information about where and when land will be available, as part of annual State of Supply Reports by the NHSC;
- 3. instituting statutory time frames for amending planning schemes (rezoning);
- 4. making greater use of code-based frameworks for dual occupancy and multi-unit dwellings where such developments are appropriate under strategic plans;
- 5. deeming that state government referral agencies have approved development applications if they do not respond within mandated time frames;
- 6. deeming that planning authorities have approved a development assessment if they do not respond within mandated times;
- 7. deeply and broadly engaging the community earlier on in the planning process, particularly in the development of strategic plans, rather than during individual development assessments; and
- 8. ensuring that the right to appeal against the granting of development approval is commensurate to the nature and scale of the development.

The HSAR Working Party also found that:

- 1. state-level priorities such as a need for more housing for a growing population will be better served if appropriate land uses are determined early on through the development of strategic plans that should inform and drive development assessment processes;
- 2. the initial phases of a multi-phase development can be unnecessarily delayed if rezoning decision makers make the necessary rezoning conditional upon the provision of infrastructure that is not essential for the initial phases;
- 3. States and Territories were enhancing housing supply by making greater use of multi-use zoning; and
- 4. the application of reserve call-in powers can be critical to the delivery of state significant projects and that it is important that these powers be applied transparently and consistently.

The HSAR Working Party has sought to understand the housing supply pipeline with regard to the potential to reform land aggregation, zoning and planning processes, and governance. Specifically, zoning, planning and governance processes have been considered as comprising the following four key elements or stages:

- 1. Identification and release of land and sites for development (both greenfield and infill).
- 2. Rezoning predicated on infrastructure provision.
- 3. Development assessment and approval processes.
- 4. Local government development regulation.

1. Identifying and releasing land and sites for greenfield and infill development

Greenfield land supply in each jurisdiction is currently producing volumes of land available for residential development that are consistent with metropolitan and regional planning strategies. Greenfield development authorities or focused governance arrangements within existing agencies have played an important role in supporting the development of greenfield land and reducing the potential for delays in making land available for development.

The HSAR Working Party found that some jurisdictions are enhancing housing supply using GLOs to help facilitate urban renewal and the roll-out of infrastructure in specific locations. The Productivity Commission (PC) identified how GLOs can engage in projects or activities that may be considered too risky or unprofitable by the private sector. They might 'de-risk' a site by consolidating land for infill development and obtaining the necessary approvals before passing the site to private developers.

The HSAR Working Party also found that increased public reporting on the availability of land and the timing of land release, including specific information about where and when land will be available, was enhancing developer certainty in some jurisdictions.

The HSAR Working Party found that some jurisdictions were enhancing supply by instituting statutory time frames for amending planning schemes (rezoning). This is consistent with recommendations made by the PC in its recent performance benchmarking of planning, zoning, and development assessment processes.

Councils or development authorities often pursue single use zones (i.e. residential or commercial zones) instead of more flexible multi-use zoning arrangements. Single use zones are sometimes imposed to protect 'core commercial areas' to accommodate future growth. However, if these expected commercial activities do not eventuate, then sites may not be developed at all. The HSAR Working Party therefore found that States and Territories were enhancing housing supply by making greater use of multi-use zoning. The HSAR Working Party also found that housing supply could be further enhanced in some jurisdictions through even greater use of multi-use zoning.

In established or infill areas the release of sites initially involves the designation of areas for future residential development or redevelopment through Metropolitan Plans or other planning policies and statements, followed by statutory rezoning to accommodate requirements outlined in strategic plans. The importance of infill development in achieving housing outcomes across all jurisdictions means infill 'projections' established in strategic plans require reference to social and market drivers. Further research may be required on demand by location, market preferences, and commercial viability as a necessary input into the development of infill projections.

The HSAR Working Party found that state-level priorities – such as a need for more housing for a growing population – are best served where appropriate land uses are determined early on through the development of strategic plans that should inform and drive development assessment processes.

2. Rezoning predicated on infrastructure provision

The HSAR Working Party notes that while there is a need for zoning and infrastructure provision to be coordinated at a strategic level, there can be unintended consequences associated with overly prescriptive formal linkages between specific non-essential infrastructure and planning approvals. In particular, formal linkages can constrain the supply of land for new residential development in some instances. Examples include:

- where consent authorities require a commitment to a specific piece of major infrastructure before giving consideration to a rezoning proposal (e.g. a new railway station); and
- where referral bodies will not give concurrence to a development in the absence of the construction of infrastructure by a developer or council (e.g. traffic lights).

Further consideration to the formal linkages between specific approvals and non-essential infrastructure provision being removed is appropriate, provided that there are mechanisms in place for infrastructure coordination at a strategic level. The HSAR Working Party therefore found that the initial phases of a multi-phase development can be unnecessarily delayed if rezoning decision makers make the necessary rezoning conditional upon the provision of infrastructure that is not essential for the initial phases.

3. Development assessment and approval processes

The PC's benchmarking of development assessment processes made observations on current development assessment processes and found that while development assessment time frames vary significantly between States and Territories, data cannot be easily compared across jurisdictions given that different States and Territories have differing proportions of 'complying' development applications. Further, the number of departments and/or agencies to which referrals are made also varies greatly across jurisdictions.

Recording data and analysing trends on the time required for the approval of development applications and the proportion of development applications judged to be complying may encourage more robust planning processes (e.g. the NSW Local Development Monitor). The PC found that development approval time frames have been minimised in the Australian Capital Territory as a result of adopting a tracked-based assessment system that streams applications into four categories based on complexity – exempt, code, merit, and impact.

The HSAR Working Party recommends that jurisdictions should continue to work to improve the efficiency of (including the time frames involved in) referrals, development assessment and rezoning processes.

Under code-based schemes, a development proposal that is the right type and in the right location, and which meets the measurable requirements (i.e. it 'ticks the boxes') will be considered to be a complying development. The individual aspects of such a development will not be assessed through a detailed merit assessment process. Code-based assessments are typically exempt from public notification requirements and third-party appeal rights. The HSAR Working Party recommends that States and Territories should work towards greater use of code-based frameworks for assessing residential development applications as appropriate. The HSAR Working Party found that making greater use of code-based frameworks for dual occupancy and multi-unit dwellings where such developments are appropriate under strategic plans was helping reduce development costs and was enhancing housing supply in some jurisdictions.

The HSAR Working Party found that one or more jurisdictions were enhancing housing supply by deeming that state government referral agencies and/or planning authorities have approved development applications if they do not respond within mandated time frames. As noted by the PC, such disciplines are not designed to place undue pressure on the system but rather to encourage planners to meet reasonable deadlines.

The HSAR Working Party found that by deeply and broadly engaging the community earlier on in the planning process, particularly in the development of strategic plans rather than during individual development assessments, some jurisdictions were helping to reduce uncertainty and delays in the development process.

The PC outlined the example of where Queensland is striving to refocus planning and consultation at the state and regional levels. Community engagement on a regional plan is supposed to focus on the location and broad nature of activities proposed. At the local level, the issue for community consultation (where it is undertaken) is not whether those activities are desirable in those locations (as this has been determined by the regional plan) but, rather, what particular form those activities might take.

The HSAR Working Party found that housing supply is being enhanced within one or more jurisdictions by ensuring that the right to appeal against the granting of development approval is commensurate to the nature and scale of the development. For example, many jurisdictions do not allow third party appeals against developments that are smaller in scale and impact. They are instead assessed on objective criteria without public consultation.

States should also maintain a reserve call-in power for state significant developments or consider alternative assessment mechanisms for different classes of development (such as Joint Regional Planning Panels). However, as suggested by the PC, these activities should be undertaken with reference to specific and transparent criteria to improve certainty and confidence in the planning system. The HSAR Working Party found that the application of reserve call-in powers can be critical to the delivery of state significant projects and that it is important that these powers be applied transparently and consistently.

4. Local government development regulation

There is evidence that some local councils and other planning authorities impose zoning restrictions, exclusionary zoning provisions, and have introduced restrictive development regulations that impact on the commercial viability of constructing new housing developments, with implications for house prices. Meeting these regulations is often required as part of a local council's consent conditions.

An example includes minimum and maximum car parking regulations in new developments, particularly multi-unit developments. There are examples of restrictions on parking to one spot for every two or three apartments or alternatively requirements for multiple spots for each apartment. A lack of parking may not encourage potential residents to sell their car, but instead look for an apartment elsewhere, while additional parking may add excessively to costs.

While the objective of these regulations may be to improve environmental outcomes or local amenity, in some instances there are unintended consequences, including undermining the commercial viability of a site's development. Local consent authorities may be responding to local concerns but may not have sufficient incentives to recognise the broader public interest in facilitating housing supply.

Local councils' planning and development requirements could be examined to determine the extent and nature of these restrictions in the planning system and consider any policy implications. One possible option would be that a local council's additional development regulations should require an analysis of the costs and benefits and/or state government or ministerial consideration of high impact regulations before being processed. That is, local councils would have discretion to introduce additional regulations provided that they met cost-benefit principles.

The HSAR Working Party recommends that the States and Territories should maintain or establish (as applicable) a process to ensure state-level consideration of the costs and benefits before local councils introduce planning and development requirements that are in addition to or exceed state planning and development requirements.

Agenda item 2 - infrastructure charges on residential developments

Recommendation

The HSAR Working Party recommends that COAG agree to the HSAR Working Party's four principles (covering efficiency, transparency and accountability, predictability, and equity) on infrastructure charges and to note the associated best practice guidelines.

Findings

The HSAR Working Party found that the transparency and certainty of infrastructure charging regimes can be increased through:

- 1. local councils publishing information on publicly accessible websites about infrastructure charging frameworks and arrangements in practice; and
- 2. States and Territories making readily available information on how infrastructure charging frameworks and arrangements operate in practice through a state/territory-based process.

Infrastructure charges are fees levied on developers (or purchasers in some instances) by local government as well as some state governments to fund basic (or nexus) infrastructure (such as local roads and water mains) necessary for land development. In some instances, infrastructure charges are also levied for major infrastructure (arterial roads and pumping stations) and social infrastructure (parks and libraries). Local councils are generally empowered through planning and development legislation to collect contributions from developers for infrastructure.

There are two main types of infrastructure: 'social' and 'economic'. Economic infrastructure can be further categorised as 'basic' or 'major/trunk' infrastructure. Who pays for the infrastructure, and how, should be determined by the type of infrastructure and whether the costs can be accurately apportioned to those who benefit from the infrastructure.

The HSAR Working Party found that not all jurisdictions use infrastructure charges. However, where infrastructure charges are applied, there can be a lack of consistency, transparency, and predictability. This in turn could discourage investment in housing and lower the overall supply and delivery of housing to the market, thereby reducing housing affordability.

Funding responsibility for infrastructure

The HSAR Working Party identified the following factors that should be considered with regard to the allocation of infrastructure costs. These are similar to those identified by the PC.¹⁷

- Where infrastructure services a particular development, financing of basic and social infrastructure should occur through charges imposed on developers.
- Where infrastructure services a number of developments, financing of major (trunk/shared) and social infrastructure should occur through general revenue sources (such as rates or taxes or regular utility charges) in situations:
 - in which it is extremely difficult or not possible to accurately apportion the costs because the benefits of the infrastructure are widely distributed; and/or
 - in which direct user charges can be applied.

PC. First Home Ownership Inquiry Report. (2004) and PC. *Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments*. (2011)

 Where infrastructure services a number of developments, financing of major (trunk/shared) and social infrastructure should occur through charges imposed on developers in situations in which the costs can easily be apportioned by the demand that each development places on the infrastructure.

The HSAR Working Party also noted that if new residents subsidise infrastructure (by paying infrastructure charges) for the benefit of the wider community (beyond what is required for the development to occur), the result could be inequitable if existing or future residents benefit from this infrastructure (without paying for it).

Infrastructure charges principles

The HSAR Working Party recommends that COAG agree to the following four over-arching principles for infrastructure charges.

Infrastructure charges, if and when they are used (based on the above guidelines), should, at least, be:

- efficient charges should be for infrastructure required for the proposed development or for servicing a major development;
- transparent and accountable charging regimes should be supported by publicly available information on the infrastructure subject to charges, the methodology used to determine charges and the expenditure of funds;
- predictable charges should be in line with published methodologies and charging schedules (with clarity around the circumstances in which charges can be modified after agreement); and
- equitable where the benefits of infrastructure provision are shared between developers (land owners), the infrastructure charges levied on the developer should be no higher than the proportional demand that their development will place on that infrastructure.

The HSAR Working Party found that the transparency and certainty of infrastructure charging regimes could be increased through:

- local councils publishing information on publicly accessible websites about infrastructure charging frameworks and arrangements in practice; and
- 2. States and Territories making readily available information through a state/territory-based process on how infrastructure charging frameworks and arrangements operate in practice.

The HSAR Working Party has developed best practice guidelines to guide application of the infrastructure charging principles. This is attached at <u>Appendix B.</u>

Even where jurisdictions implement best practice infrastructure charging regimes, the infrastructure needed to support housing development may not be provided in a timely way. Coordination between the mix of infrastructure providers, between strategic land use planning and infrastructure provision, and between strategic land use planning and the associated budget is essential. The Working Party has therefore also developed best practice guidelines to guide infrastructure planning and delivery. These are also attached at Appendix B.

The HSAR Working Party recommends that COAG should note the best practice guidelines for infrastructure charging regimes.

Agenda item 3 – consistent building regulations

Findings

The HSAR Working Party found that:

- 1. finalising the 2011 Australian Building Codes Board (ABCB) Intergovernmental Agreement (IGA) will enhance the consistency of local councils' application of building regulations; and
- 2. as and where States and Territories implement a 'gateway' model as proposed under the ABCB IGA, they should maintain or establish (as applicable) a process to ensure state-level consideration of the costs and benefits before local councils introduce planning and development requirements that are in addition to or exceed the National Construction Code (NCC).

Problem for housing supply

The primary way in which inconsistency in building regulations affects housing supply is through local councils introducing additional requirements under their local planning schemes. Rather than only having to satisfy state-wide building regulations to get a building certificate, some local councils require home builders to meet additional building requirements as part of their planning approval processes. A number of stakeholders have confirmed this and suggested that complexity and cost is added to housing by:

- local councils applying higher standards than mandated under the Building Code of Australia (BCA); and
- outside of issues covered by the BCA, local councils requiring additional conditions to be met as part of approving a new development (such as specifying size and orientation of lots or setting the extent of landscaping) that is often expanded from council to council in a process of 'regulatory creep'.

Where applied, this practice can increase the cost of housing by adding uncertainty and complexity, particularly for those developers and builders that work across local councils and increasing the regulatory burden and overall compliance costs faced by builders and developers. The ABCB's 2008 *Impacts on Housing Affordability* study found that such additional regulatory interventions could increase construction costs by up to 14 per cent.

It is important to recognise that some States, such as Tasmania and Queensland, prevent their local councils from introducing additional building requirements as part of their planning approval processes. Housing supply in these States is therefore unaffected by the lack of consistency in building regulations experienced in other jurisdictions.

Commonwealth-State agreements to enhance consistency

The Commonwealth, States and Territories are close to finalising an ABCB IGA that will help ensure more consistent building and plumbing regulations across the jurisdictions. The ABCB IGA is likely to include a commitment that jurisdictions will implement a 'gateway' model which prevents local governments from setting prescriptive standards for buildings that override performance requirements in the NCC. .

The HSAR Working Party found that finalising the ABCB IGA will enhance the consistency of local councils' application of building regulations. Further, the HSAR Working Party found that as and where States and Territories implement a 'gateway' model as proposed under the ABCB IGA, they should do so through maintaining or establishing (as applicable) a process to ensure state-level consideration of the costs and benefits before local councils introduce planning and development requirements that are in addition to or exceed the NCC.

Under such an approach, jurisdictions could allow local councils to apply a higher or different standard through a local planning ordinance, but they would first be required to gain state-level approval. Before seeking authority to introduce additional requirements local councils would be required to first evaluate the costs and benefits to businesses and the community. An appropriate state-level authority (possibly including the relevant Minister) would be responsible for ensuring that additional building regulations are only approved when they enhance the overall wellbeing of the broader jurisdiction.

Agenda item 4 – titling arrangements

Recommendation

The HSAR Working Party recommends that COAG agree that jurisdictions in which evidence suggests that strata titling arrangements are currently significantly impeding redevelopment will consider policy reforms (this may include modifying the requirement that there be unanimous agreement to proposed changes to strata schemes) to ensure urban renewal opportunities are not negatively impacted by strata titling schemes, having regard to the physical and economic life of dwellings. Any proposed changes to existing arrangements in a State or Territory would be subject to the RIS requirements applying in that jurisdiction.

Findings

The HSAR Working Party found that:

- 1. titling arrangements strata title arrangements in particular are not currently a significant constraint on housing development or the re-development of land in the majority of jurisdictions; and
- 2. jurisdictions should monitor strata titled dwellings as this stock ages to better understand the extent to which titling arrangements could impact on urban renewal in the future.

Titling systems define ownership and interests in land, and establish rights and obligations with respect to these interests. These systems influence the ease with which land can be redeveloped or used for alternate purposes. Strata title arrangements can present a barrier to redevelopment of buildings that are reaching the end of their physical life or economic life (in the sense that they do not promote the highest and best value use of limited land supply). This limits opportunities for infill development.

One barrier that may arise is due to legislative requirements that there be agreement by all lot holders to the administrative termination of a strata arrangement. While this requirement supports the 'property right' of title holders opposed to re-development, it diminishes the interests of the other title holders. This requirement is generally in place in all jurisdictions. It is important to note that where unanimous agreement cannot be achieved, proponents can apply to a court or tribunal for an order terminating the strata arrangement. For example, in a number of jurisdictions dissolution or change of titling arrangements is dealt with through the Supreme Court, while in Victoria the Victorian Civil and Administrative Tribunal comes into play.

Even with the capacity to seek a judicial termination of a strata arrangement, these requirements are still a potential emerging issue. According to the property development industry, this is particularly the case in New South Wales where a large proportion of buildings are reaching the end of their economic lives exacerbated by increasing pressure for urban redevelopment. Such requirements also have the potential to become a problem in other jurisdictions as their housing stock ages and future development increasingly relies on the redevelopment of the existing building stock.

The HSAR Working Party found that titling arrangements – strata title arrangements in particular – are not currently a significant constraint on housing development or the re-development of land in the majority of jurisdictions. However, as these buildings reach the end of their economic life (around 50 years), titling arrangements can reduce the amenity and liveability of the surrounding area and limit its economic

In the Northern Territory, the *Unit Title Schemes Act 2009* provides that strata title schemes may be terminated with 100 per cent agreement of the owners. However, schemes may be terminated with 90 per cent agreement of the owners if a clause allowing this is contained in the title at the time that it is registered. This power can only be exercised after the scheme has existed for 20 years.

potential, particularly where unanimous agreement cannot be reached by the owners corporation to redevelop buildings that are reaching, or have reached, the end of their lives.

The HSAR Working Party therefore recommends that jurisdictions in which evidence suggests that strata titling arrangements are currently significantly impeding redevelopment should consider policy reforms (including modifying the requirement that there be unanimous agreement to proposed changes to strata schemes) to ensure urban renewal opportunities are not negatively impacted by strata titling schemes, having regard to the physical and economic life of dwellings.

The HSAR Working Party also found that jurisdictions should monitor strata titled dwellings as the stock ages to better understand the extent to which titling arrangements could impact on future urban renewal.

Any policy reforms to strata title arrangements, including an examination of whether, and how, to lower the 100 per cent agreement threshold and what threshold to lower it to, would need to take into consideration the practical circumstances where titling arrangements operate as barriers to (re)development and options to address them. This may include:

- the appropriate arrangements to deal with dissenters' concerns and any relative detriment to be suffered by either party if the application is rejected or accepted;
- how to protect the needs and rights of more vulnerable owners (such as non-English speakers);
- whether certain categories of strata titling holders (such as long term owner-occupiers) should retain veto power if the threshold is lowered; and
- how to deal with the relocation of residents.

As identified above, the Northern Territory provides a practical example of how strata title schemes could be terminated with less than 100 per cent agreement of the owners in certain circumstances. In addition, a number of overseas jurisdictions, including Singapore and New Zealand, provide practical examples of how to transition to strata titling schemes requiring less than 100 per cent approval for termination.

Key features of these countries' transition experience include:

- a public consultation process to examine changes to strata title legislation;
- development of land use plans (for example, Singapore's Master Plan as well as its Development Guide Plans which increased the storey height typography and enhanced plot ratios);
- acceptance by Parliament of revisions to the strata title legislation, namely removal of the unanimity requirement for termination of a strata scheme in favour of a majority consent requirement;
- a transition period for some of the new provisions to allow bodies corporate time to prepare for new legislation; and
- development of a more cost effective and timely dispute resolution process and enforcement regime for unit title matters (for example, in New Zealand, the Tenancy Tribunal's jurisdiction has been extended).

Nonetheless, the issue of titling arrangements cannot be considered in isolation. Reforms to titling arrangements need to be considered as part of the process of ensuring wider integrated planning outcomes, including subdivision, minimum lot size, density and urban controls, and government objectives.

Agenda item 5 – efficiency and effectiveness of housing supply and land release targets

Recommendation

The HSAR Working Party recommends that COAG agree that States and Territories will continue to share information about how their target regimes, particularly dynamic land targets, are currently being applied in relation to housing supply and land release.

Most jurisdictions have broadly similar target regimes in place for their capital cities and/or major population centres. These are generally articulated in jurisdictions' strategic planning documents. Targets are set across three levels of the housing market: land release targets, aggregate market dwelling targets, and sub-regional dwelling targets.

Most jurisdictions employ a dynamic, demand-driven land-release target to make a number of years of land supply continually available to major markets. Most jurisdictions employ aggregate market dwelling targets to aim to deliver a specific number of dwellings over a set period of time. Many jurisdictions also further break down their aggregate market dwelling targets to a sub-regional level. To encourage greater density in urban development, jurisdictions typically set a target ratio for new infill development as a percentage of their new dwelling targets. The methodologies that are used to set and review housing supply and land release targets are broadly similar across jurisdictions.

A number of factors will influence the ultimate efficiency and effectiveness of these targets, benchmarks, and other systems that guide state and territory housing supply and land release objectives. These include:

- broad economic, social, and demographic factors that influence the housing market;
- the translation of targets to the local government level and their implementation on the ground; and
- other government planning policies and programs, as well as the general State and Commonwealth regulatory environment and taxation settings.

As jurisdictions' target regimes are relatively new, it is too early to conclusively assess their performance. However some broad observations can be drawn.

Target regimes provide a number of signaling benefits. First, target regimes can place beneficial pressure on governments to articulate and deliver their stated planning policy objectives and provide a level of accountability for such articulation and delivery. Secondly, dwelling and land projections can be useful high-level tools to assist governments and agencies in planning for a city or a region's growth, including infrastructure planning. Thirdly, the public articulation of targets indicates to private industry the longer term planning policy and land release intentions of government, allowing developers to plan future projects with more certainty and confidence.

However, many factors beyond the direct control of governments affect both the demand and supply-side of the housing market. The capacity of any target regime to influence housing supply and affordability is therefore subject to broader economic, social, and demographic factors.

Targets set in sections of the housing market which governments have greater control over (such as greenfield land release) are more likely to operate with a greater degree of effectiveness than targets set in sections of the housing market where government influence is limited (such as the construction of dwellings).

The analysis found that dynamic land release targets are examples of best practice. The main advantage of dynamic targets is that they are responsive to changes in market demand. Due to their linkage to years of supply (as opposed to a fixed number of lots), they are able to take into account fluctuations in market demand for land, and adjust accordingly. To the extent that they can mimic markets, their use will lead to changes in land supply that are in line with changes in market demand. Accordingly, they help drive desirable outcomes and are likely to be reasonably efficient and effective policy tools.

In contrast, when static dwelling targets are used, robust target monitoring arrangements will be vital. The monitoring regimes introduced by jurisdictions to periodically review and assess their targets will be crucial to maximising their long run usefulness and will be essential to mitigate the risk of oversupply or undersupply of housing in regions, or loss of relevance resulting from the government's lack of perfect foresight as to the future demand for housing.

In contrast, fixed targets are likely to operate with only a limited degree of effectiveness over the long run. Jurisdictions' fixed dwelling supply targets, if not subject to appropriate reviews, are likely to lose relevance as the economic and social factors that their forecasts are based upon change over time.

Given the common challenges faced by jurisdictions and the broadly similar approaches taken to setting targets in strategic planning documents, the HSAR Working Party recommends that States and Territories should continue to share information about how their target regimes, particularly dynamic land targets, are currently being applied in relation to housing supply and land release. All jurisdictions should also keep a close watch on each others' evaluations of their housing supply and land release systems and strategic planning documents as they occur over the next few years.

Agenda item 6 – strategic planning of regional cities

Statement of fact

The HSAR Working Party notes that the question of extending strategic planning requirements to other high growth/large population regions will be considered following the completion of the COAG Reform Council's (the CRC's) review of Capital City Strategic Planning Systems (CCSPS) in the context of the Commonwealth's National Urban Policy (the NUP).

In December 2009, COAG agreed to a national objective and nine criteria to ensure Australian cities are globally competitive, productive, sustainable, liveable, and socially inclusive and are well placed to meet future challenges and growth.

COAG agreed that by 1 January 2012, all States and Territories will have in place plans that meet the criteria and noted that the Commonwealth will link future infrastructure funding decisions to meeting these criteria. As part of these reforms, the CRC's review of CCSPS, due in December 2011, will report on the performance of States' and Territories' capital city strategic planning and development systems against the nationally agreed criteria.

The HSAR Working Party notes that, following the completion of the CRC's review of CCSPS and clarification of how the nationally agreed criteria will be used the Commonwealth will work with the States, Territories and local government, through COAG, to consider the option of expanding the use of the national criteria for CCSPS to the planning of regional major cities. This will occur in the context of the NUP.

Agenda item 7a - underutilised government land

Recommendation

The HSAR Working Party recommends that COAG agree to the HSAR Working Party's principles for assessing land holdings to identify government land available for housing and other public needs, and that those jurisdictions that determine that they are not already in effect applying these principles will trial their use with discretion to take other factors into consideration in response to local conditions.

Finding

The HSAR Working Party found that the HSAR Working Party's principles for assessing land holdings could be built upon through the development of detailed criteria that help assess particular areas and sites to determine the utilisation which offers the greatest social, economic, or environmental benefit.

Work in developing a definition of underutilised land arose from an audit of surplus government land undertaken in 2010 by jurisdictions as part of the COAG Housing Reform Agenda agreed by COAG on 26 March 2008.

The audit resulted in the identification of an estimated 1,150 hectares of land, across 38 sites, as suitable for housing and community development over the subsequent one to three years. Of these 1,150 hectares identified, over 1,000 hectares were Commonwealth land. However, stakeholders suggested that the definition of 'surplus land' likely resulted in less land being identified than what in reality could be made available. It was also suggested that conducting an audit on the basis of 'underutilised land' (as distinct from 'surplus land') could have been more effective.

The HSAR Working Party considered the emphasis should be first and foremost on identifying whether land has the potential to offer greater social, economic, or environmental benefit. There is merit in establishing processes that regularly assess whether government-owned land is being put to the highest value use.

The HSAR Working Party concluded that a set of principles or guidelines would help to define underutilised sites with redevelopment or divestment potential. The HSAR Working Party recommends that COAG agree to the HSAR Working Party's principles for assessing land holdings to identify government land available for housing and other public needs, and that those jurisdictions that determine that they are not already in effect applying these principles will trial their use with discretion to take other factors into consideration in response to local conditions.

Principles for assessing land holdings

The HSAR Working Party developed the principles for assessing land holdings to enable land holding agencies — at all levels of government — to periodically assess whether a site was underutilised, i.e. whether it could accommodate an alternative use(s) which offers greater social, economic or environmental benefit. It is up to jurisdictions/agencies to determine whether it is feasible or desirable for large land holdings (or particular precincts) to be included in any assessment.

The holding of the site should accord with the factors for consideration set out below and the guidance provided in the 'Evaluating land holdings: guidance for decision making' document at <u>Appendix C</u>. If the site does not accord with the principles, then the agency should take additional steps — where necessary in consultation with other stakeholders — to assess whether all or part of its holdings are underutilised.

Factors for consideration

- 1. The holding of the site is consistent with the agency's long term strategic plan for its land holdings.
- 2. The site is currently utilised and meets the needs of the agency's current or expected future use.
- 3. Meeting the agency's core functions requires all of the site area.
- 4. No portion of the site is available for development. Factors to consider might include:
 - whether any portion of the site is closed or not being used; and
 - whether any closed or unused portion of the site is free of constraints on development (e.g. Native Title, easements, flooding, slope, environmental considerations).
- 5. Subject to the first three factors, the site's current use, or intended use, offers greater social, economic or environmental benefit than any alternative use.
 - Alternative use(s) might include residential, recreational, employment, aged, care and health care.
- 6. The current site best meets the agency's objectives. If considering alternative sites, factors to consider might include:
 - whether the costs associated with relocation/reconfiguration are in excess of the current or future land use values; and
 - whether the agency could make better use of its landholdings by carrying out a function in an alternate location where synergies, a hub, or co-location could be achieved.
- 7. The holding of the site by the agency considers the State's or Territory's long term policies, plans and priorities for the area within which the land is located.
 - Where an agency's holding of a site, or its current or proposed utilisation, is inconsistent with a jurisdiction's preferred utilisation then the agency should consult with the State or Territory's planning agency on their preferred use(s). The agreed principles above should aid this consultation, with agencies seeking as far as possible to use their land in accordance with the State's or Territory's long term policies, plans, and priorities for the area.

The HSAR Working Party found that the principles for assessing land holdings could be built upon through the development of detailed criteria that help assess particular areas and sites to determine the utilisation which offers the greatest social, economic, or environmental benefit.

Agenda item 7b - private land banking

Findings

The HSAR Working Party found that:

- 1. evidence on speculative and distortive land banking practices by private developers is insufficient to determine if this is a nationally significant problem;
- 2. to the extent that land banking is reducing land supply, States' and Territories' efforts to improve the efficiency of land supply such as increased public reporting on land availability and land release timing and to maintain competition in land development, will reduce private developers' capacity to land bank; and
- 3. the States and Territories may reduce the incentive to hold land for speculative purposes (which may include land banking) by applying the HSAR Working Party's infrastructure charging principles and through impositions that have consequences for holding costs.

The HSAR Working Party examined the issue of conscious and voluntary decisions by land owners not to progress with development of a site when development is possible (sometimes referred to as land banking). While land banking can be necessary for developers to make a fair return on an investment, inappropriate (speculative or distortive) land banking may also deliberately distort the market by limiting supply. In the context of residential housing, there may be capacity for land banking to adversely affect housing outcomes, particularly if it contributes to lower supply and/or higher house prices.

The HSAR Working Party found that the evidence on speculative and distortive land banking practices by private developers is insufficient to determine if this is a nationally significant problem. Available studies seem to point towards the conclusion that, where land is held for periods of time by developers, it generally occurs for reasons other than speculation or distorting the market such as delays in development while regulatory requirements are met.

Governance processes, such as planning and zoning arrangements, have an impact on how long developers take in releasing individual lots for sale. Simplifying and strengthening land development processes is likely to be the most effective means of ensuring that land banking is not distorting the property market, reducing housing supply and affordability. This should also help to identify any speculative land banking.

The HSAR Working Party found that States' and Territories' efforts to improve the efficiency of land supply – such as public reporting on land availability and land release timing – and to maintain competition in land development, reduce private developers' capacity to land bank in a speculative and distortive manner.

The HSAR Working Party also found that the States and Territories could reduce the incentive to hold land for speculative purposes (which may include land banking) by applying the HSAR Working Party's infrastructure charging principles and through impositions that have consequences for holding costs.

Reforms to zoning, planning and development approval processes, and the infrastructure charges system were considered under other items of the HSAR agenda.

Agenda item 8 - impact of the First Home Owners scheme

Recommendation

The HSAR Working Party recommends that COAG agree that as jurisdictions consider the future of the FHOS, they take account of the HSAR Working Party's analysis together with other relevant assessments.

Finding

The HSAR Working Party found that the available evidence suggests that in its current form and in a supply-constrained environment, the First Home Owner Grant (the FHOG) may not be the most cost-effective way of improving housing supply and affordability in the longer term.

The FHOS was introduced on 1 July 2000 to provide assistance to first home buyers to offset the average impact of the Goods and Services Tax (GST) on home prices. The FHOS provides \$7,000 to first home buyers who purchased either a new home or an established home.

The HSAR Working Party investigated the impact of the FHOG on the Western Australian and Tasmanian housing markets using econometric modelling. The modelling outcomes indicate that the state funded and administered FHOG and the time-limited First Home Owners Boost (the FHOB – introduced by the Commonwealth during 2001 and 2008) tend to increase house prices in both the short and long term. This price increase is more marked in the short term when supply is constrained.

Specifically, the findings from these case studies include the following:

- The FHOG and FHOB have encouraged first home buyers into the market (pull forward in demand), but the impact has been more marked for purchases of new homes than established homes.
 - For example, in Western Australia the FHOB from October 2008 resulted in a 29.1 per cent increase in the growth of applications for new homes, while the half boost effective from October 2009 to December 2009, resulted in a 56.3 per cent increase in growth of applications for new homes.
- In the short term, where supply of housing is constrained, the FHOG can increase house prices.
 - However, even in a supply-constrained environment, the HSAR Working Party's modelling indicates that while the grants increase home prices, such increases are not as large as the grants themselves. To that extent, the FHOG does provide some help to potential first homebuyers in competing against existing homeowners, who have typically benefitted from capital gains from previous property price growth.
- The original FHOG had a lower impact on real house prices over time, largely because supply becomes more elastic over a longer time period.

In contrast to the FHOG, the FHOB was primarily designed to provide a short-term stimulus to activity in the residential construction sector as part of the Commonwealth's \$10.4 billion Economic Security Strategy. It played a crucial stimulatory role in responding to the acute economic downturn experienced during the GFC by boosting the turnover of property and supporting activity and jobs in the residential construction industry.

The extent to which the FHOG is achieving its intended purpose of offsetting the impact of the GST on housing has declined. These findings, together with the potential risks of housing stress resulting from the FHOG for

some first home buyers when market conditions change, suggest that the scope of the FHOG could be reviewed and consideration given to better targeting the grant or even phasing out the grant completely.

In summary, the HSAR Working Party found that the available evidence suggests that, in its current form and in a supply-constrained environment, the FHOG may not be the most cost-effective way of improving housing supply and affordability in the longer term. The HSAR Working Party therefore recommends that as jurisdictions consider the future of the FHOS, they should take account of the HSAR Working Party's analysis together with other relevant assessments.

It is important to note that any major changes to the FHOG must be agreed by all States and Territories and the Commonwealth.

Agenda item 9 – Commonwealth Housing Programs

Recommendation

The HSAR Working Party recommends that COAG agree that the Commonwealth could consider reforming its own housing programs to improve their efficiency and effectiveness as a part of a broader housing reform strategy that is informed by more clearly defined government objectives and the roles and responsibilities of each tier of government.

Finding

The HSAR Working Party found that the focus of a major objective of government housing programs should be on improving affordability for low income households as well as improving the effectiveness and equity of assistance to people with high levels of housing need.

The HSAR Working Party reviewed:

- the Social Housing Initiative;
- Commonwealth Rent Assistance;
- the First Home Saver Account;
- the Housing Affordability Fund (HAF);
- the National Affordable Housing Agreement and the National Affordable Housing Specific Purpose Payment;
- the Social Housing National Partnership;
- the National Rental Affordability Scheme (NRAS); and
- the FHOS (a State and Territory program).

The Commonwealth is making significant investment in increasing the supply of affordable housing in Australia. However, housing affordability for low income households has declined. Median house prices have risen from nearly three times average household earnings to five times since the early 1990s. Vacancy rates are low in all capital cities and rents are projected to increase relative to income growth.

Further, home ownership levels are declining and many low-income households are finding it difficult to afford and/or access rental accommodation appropriate to their needs because:

- the supply of affordable housing is not keeping up with demand; and
- rental assistance is of decreasing value and assistance to households, with around 42 per cent of CRA recipients paying more than 30 per cent of their income in rent.

Significant inequities exist between the effective subsidies provided to lower-income earners in public housing and similar circumstances in the private rental market. Demand for social housing exceeds supply and the waiting list for access is getting longer. In 2010, over 60,000 households on state waiting lists were 'in greatest need'. These households (e.g. homeless, at risk of homelessness, where life is at risk, current dwellings are not appropriate for health reasons) can wait up to two years to get a public house placement.

The final AFTS report recommended that housing assistance be more integrated into the income support system, as this could better direct assistance to recipients based on their needs and means, and encourage the provision of social housing that is of value to tenants. It also recommended increasing CRA and developing

mechanisms to extend CRA to public housing tenants, coupled with the introduction of special housing payments for those with high or special needs or who are unlikely to be well-served in the private market.

The HSAR Working Party found that the focus of a major objective of government housing programs should be on improving affordability for low income households as well as improving the effectiveness and equity of assistance to people with high levels of housing need. The HSAR Working Party therefore recommends that the Commonwealth should consider reforming its own housing programs to improve their efficiency and effectiveness as a part of a broader housing reform strategy that is informed by more clearly defined government objectives and the roles and responsibilities of each tier of government.

In undertaking such reform, consultation with the States and Territories will be critical.

Agenda item 10 – energy efficiency regulations and the EPBC Act

Findings

The HSAR Working Party found that further increases to minimum energy efficiency requirements for residential dwellings will be less likely to unduly impact on house prices if future national regulatory impact analyses for such increases:

- 1. are based on findings from an ex post evaluation of the actual costs and benefits of previous increases to energy efficiency requirements under the BCA;
- 2. include an examination of the costs and benefits of increasing minimum energy efficiency standards with alternative means of addressing relevant market failures, including non-regulatory options;
- 3. take into account the building sector's capacity to learn and adapt, in terms of both improving the energy efficiency of house designs and in using energy efficient construction techniques and products;
- 4. are based on the Office of Best Practice Regulation's (OBPR's) preferred market-based discount rate (currently 7 per cent) to appropriately reflect the opportunity cost of capital; and
- 5. take into account the heterogeneity in individuals' behaviour and preferences, and the different climate conditions experienced across the country.

The HSAR Working Party also found that implementing a national reform agenda for environmental regulation will provide opportunities to reduce the impact that current processes have on house prices by addressing many of the duplications and inconsistencies between Commonwealth, State, and Territory environmental protection regimes.

Energy efficiency regulation impact on house prices

There are various energy efficiency policies that apply to the building sector. A major policy is the National Strategy on Energy Efficiency (NSEE), which is a joint initiative of governments aimed at delivering, among other things, 'substantial growth' in the number of highly energy-efficient buildings. The NSEE was agreed to by COAG in July 2009 as part of its National Partnership Agreement on Energy Efficiency. The primary measure proposed in the NSEE with respect to achieving more energy-efficient buildings is to significantly increase, over time, the stringency of energy efficiency provisions contained in the BCA as they relate to the construction of all new commercial buildings and new residential buildings.

In relation to residential buildings, the mandatory minimum standards for energy efficiency in the BCA were increased from five to six stars (or equivalent) in the 2010 BCA, in addition to the inclusion of new requirements for lighting and hot water systems. States and Territories are responsible for implementing the BCA through their own building regulations, and implementation of the new requirements has been uneven. The NSEE states that the BCA's energy efficiency requirements will be periodically reviewed by governments with a view to increasing the stringency of standards.

The evidence on how much energy efficiency requirements have cost and their impact on final house prices is inconclusive. However, the available studies suggest that these requirements do impose additional construction costs, which vary depending on the location, building type and construction. Such costs are borne either by purchasers through higher house prices or builders and/or developers.

As with any policy, it is important, therefore, that the overall benefits from reduced energy use exceed the costs of compliance. For example, while energy efficiency requirements may increase upfront housing costs, they may reduce the cost of building and living in a dwelling over the dwelling's life. This may include reducing the cost of essential services such as electricity, gas and water over the dwelling's life.

Opportunities to minimise energy efficiency regulation impacts on house prices

Greater certainty that further increases to energy efficiency requirements will enhance overall community wellbeing could be generated by undertaking robust analysis of the costs and benefits of such increases. This can be achieved by continuing to ensure compliance with COAG's Principles of Best Practice Regulation and the COAG Principles for Jurisdictions to Review and Streamline their Existing Climate Change Mitigation Measures.

The HSAR Working Party found that further increases to minimum energy efficiency requirements for residential dwellings will be less likely to unduly impact on house prices if future national regulatory impact analyses for such increases:

- are based on findings from an ex post evaluation of the actual costs and benefits of previous increases to energy efficiency requirements under the BCA;
- include an examination of the costs and benefits of increasing minimum energy efficiency standards with alternative means of addressing relevant market failures, including non-regulatory options;
- take into account the building sector's capacity to learn and adapt, in terms of both improving the energy efficiency of house designs and in using energy efficient construction techniques and products;
- are based on OBPR's preferred market-based discount rate (currently 7 per cent) to appropriately reflect the opportunity cost of capital; and
- take into account the heterogeneity in individuals' behaviour and preferences, and the different climate conditions experienced across the country.

EPBC Act's impact on house prices

The Environment Protection and Biodiversity Conservation Act 1999 (the EPBC Act) is the Commonwealth's central piece of environmental legislation. It provides a legal framework for the Commonwealth to protect and manage nationally and internationally important flora, fauna, ecological communities and heritage places — defined in the EPBC Act as matters of national environmental significance (matters of NES). The States and Territories continue to be responsible for matters of state and local significance. New residential developments that are likely to have a significant impact on any matter of NES must be assessed and approved by the Commonwealth before they can proceed. This is in addition to any State or Territory requirements for assessment and approval.

The HSAR Working Party was unable to identify any analysis that quantifies the impact that the EPBC Act has on house prices. However, complying with the EPBC Act can involve costs for builders and developers.

Direct costs of complying with the EPBC Act can include:

- in-house costs associated with identifying whether a residential project has a significant impact on a matter of NES;
- preparing a referral under the EPBC Act;
- assessment fees;
- costs in preparing necessary consultancy studies; and
- holding costs associated with waiting for a decision.

Indirect costs can include uncertain time frames and unpredictable regulatory frameworks that add to the risk that businesses face in the development process.

Some of these costs were identified in more detail in the PC's recent performance benchmarking of planning, zoning and development assessment processes. For example, through surveying greenfield

developers, the PC identified the view of developers that the cost of environment studies and flora and fauna assessments necessary for an EPBC Act referral can range from \$30,000 to \$100,000 per study.

The Commonwealth Department of Sustainability, Environment, Water, Population and Communities advised the HSAR Working Party that more than 73 per cent of referrals were concluded within the 20 business days allowed under the EPBC Act.

Nonetheless, a number of industry organisations have expressed their view that the EPBC Act is causing delay, adding uncertainty and complexity, and increasing the regulatory burden and overall compliance costs faced by builders and developers. Some concerns may arise through developers being unaware of their obligations under the EPBC Act rather than administrative delays within the Commonwealth assessment process.

While the EPBC Act may have an indirect impact on house prices, it is important to remember the benefits it provides to the Australian community through the protection of environmental and heritage values. The HSAR Working Party has not attempted to weigh up the relative merit of environmental protection against lower house prices. Instead, its analysis has focused on identifying opportunities to reduce the impact that the EPBC Act has on house prices.

Opportunities to minimise EPBC Act's impacts on house prices

COAG agreed on 19 August 2011 to the need for major reform of environmental regulation across all levels of government to reduce regulatory burden and duplication for business and to deliver better environmental outcomes. Such reforms should include greater use of regional planning and strategic assessments.

To this end, a cross-jurisdictional working group of senior officials is to develop options and implementation arrangements for this reform agenda. This cross-jurisdictional working group will report to COAG with a package of options for regulatory reform by the end of 2011 and with a completed reform agenda and detailed implementation arrangements for COAG approval at its first meeting in 2012. This reform will be part of the next tranche of the Seamless National Economy agenda.

The HSAR Working Party found that implementing a national reform agenda for environmental regulation will provide opportunities to reduce the impact that current processes have on house prices by addressing much of the duplication and inconsistencies between Commonwealth, State, and Territory environmental protection regimes.

The Commonwealth has also announced significant reforms to Australia's national environmental law to better protect our environment while keeping pace with economic growth. The reforms outline a consistent national approach to environmental impact assessments that removes duplication, cuts red tape and provides better upfront guidance on legislation requirements, with more long-term certainty and transparency.

Agenda item 11 - supply and demand-side affordable housing initiatives

Recommendation

The HSAR Working Party recommends that COAG agree that governments' roles in supporting diversity in lot size and dwelling mix should focus on ensuring planning policy settings do not constrain the operation of the housing market, noting that targeted interventions may sometimes be required to support equity outcomes and address market failures, such as supporting and promoting innovative housing design options.

Finding

The HSAR Working Party found that there was no evidence to support the development of a single national approach to inclusionary zoning.

Affordable housing initiatives

There are a range of initiatives employed by governments seeking to support the development of affordable housing. These include strategies focusing on housing supply, including housing supply targets, inclusionary zoning, programs such as NRAS and the HAF, and policies to influence dwelling mix and lot sizes. Governments also employ strategies targeted at housing demand, including shared equity arrangements, grants and tax exemptions.

These types of arrangements seek to influence a market that is inherently slow to adjust. Long lead times in seeking planning and development approvals, the time taken to construct new dwellings, and the long term durability of housing products means that there are inevitably lags between adjustments in consumer preferences due to price signals or changing social and cultural norms, and the housing products which are available to the market.

Recent trends towards smaller lot sizes and larger houses suggest that the market is adjusting to changing consumer tastes, higher land costs and also a potential change in preferences for greater indoor, as compared to outdoor, spaces. ¹⁹ As a number of supply and demand side initiatives are explored in other chapters, the HSAR Working Party focused on inclusionary zoning, lot size, and dwelling mix.

Inclusionary zoning

Concerns around social mix and the affordability of housing have led governments overseas and in Australia to pursue changes through the planning system to influence housing outcomes. Inclusionary zoning is one planning system intervention that can be used to support housing and community diversity and the provision of affordable dwellings for low-to-middle income households.

However, there are many costs associated with inclusionary approaches which can vary according to their design and implementation. These can include higher prices charged for other dwellings in developments to offset developers' losses for the affordable housing component, or lower prices paid to landholders. Independent quantitative research from the United States of America shows that housing prices in cities that adopted inclusionary zoning increased 2 to 3 per cent faster than in cities that did not adopt these practices.

Australian Housing and Urban Research Institute. *Planning and the Characteristics of Housing Supply in Melbourne*. (2010) p 39.

Whether these costs are incurred by developers or passed on to consumers depends on the state of the housing market. Ultimately, the most appropriate approach for governments seeking to pursue inclusionary zoning policies will be determined by aims of the intervention, the broader housing policy and planning settings in the jurisdiction, and the state of the market in question. There could be value in sharing information and evidence-based analysis of different jurisdictions' experiences in this area. The HSAR Working Party found that there was no evidence to support the development of a single national approach to inclusionary zoning.

Lot size and dwelling mix

Across Australian cities, average lot sizes have decreased as average land prices have increased.²⁰ However, these trends have not been matched by a similar decrease in dwelling sizes – dwellings have actually increased in size over time.²¹

Governments can support the operation of the housing market by ensuring that planning regimes do not constrain the capacity of the market to respond to changes in demand for land and dwelling types and by supporting innovative design in new developments, while ensuring that consumer rights are protected and individuals are not being forced into sub-standard housing options.

There is potentially a role for government to support and promote innovative housing design that includes smaller affordable housing options for small and single households, with the potential for life cycle adaptability, including ageing in place. In particular, industry bodies advised the Working Party that some jurisdictions unnecessarily constrain the market's capacity to provide more affordable and higher density housing in areas where land costs are lower (such as some greenfield areas).

The HSAR Working Party recommends that governments' roles in supporting diversity in lot size and dwelling mix should focus on ensuring planning policy settings do not constrain the operation of the housing market, noting that targeted interventions may sometimes be required to support equity outcomes and address market failures, such as supporting and promoting innovative housing design options.

Dwelling mix policies could also cover not only dwelling size, but a broader range of variables including different tenure types. Governments' role in this area is to ensure that consumers are appropriately informed about their rights and responsibilities under different arrangements.

Australian Housing and Urban Research Institute. Op.Cit. p 5.

²⁰ Urban Development Institute of Australia. The 2011 UDIA State of the Land Report. (2011). p 3.

Agenda item 12 – impact of State and Commonwealth taxes in housing supply and affordability

Findings

The HSAR Working Party found that:

- 1. some of the housing-related recommendations from the AFTS Review are worthy of further consideration; and
- 2. States and Territories should robustly participate in the Tax Forum to inform consideration of the impact of Commonwealth, State, and Territory taxation settings on housing supply and affordability.

The AFTS Review examined a number of issues relating to housing supply and affordability, including:

- the impact that tax settings such as negative gearing and capital gains tax have on housing demand (noting that such concessions also have implications for the distribution of wealth and income);
- the impact that land tax versus stamp duties on property conveyances can have on housing supply; and
- housing subsidies and concessions, such as CRA and support for public housing.

The HSAR Working Party found that some of the housing-related recommendations from the AFTS Review are worthy of further consideration. The HSAR Working Party also found that the States and Territories should robustly participate in the Tax Forum to inform consideration of the impact of Commonwealth, State, and Territory taxation settings on housing supply and affordability.

Agenda item 13 – seamless national economy development assessment reforms

Recommendation

The HSAR Working Party recommends that COAG agree that the National e-DA Steering Committee should transition into the National ePlanning Steering Committee and report to COAG – through the relevant COAG sub-group – on a National ePlanning Investment Plan by mid-2012.

Finding

The HSAR Working Party found that by mid-2013, COAG will need to determine which jurisdiction/s should be tasked with preparing a National Report on Development Assessment Performance for each year from 2014 onwards.

On 13 February 2011, COAG asked the HSAR Working Party to report back on the merits of uncompleted development assessment reforms that had been agreed to as part of the National Partnership Agreement to Deliver a Seamless National Economy. These reforms included:

- 1. further electronic Development Assessment (eDA) reform, including delivery of a 10-year National ePlanning Capability Development and Investment Plan;
- 2. continued improvements to the monitoring and reporting of development assessment performance, including delivery of an annual report on development assessment performance; and
- 3. further reforms to code-based assessment in relation to dual occupancy and multi-unit residential developments.

Electronic development assessment

The first uncompleted reform involved further eDA reform, including delivery of a 10-year National ePlanning Capability Development and Investment Plan.

COAG work originally focused on a national roll-out of eDA, which involves using internet-based technologies to deliver planning services to applicants/customers in relation to planning and sub-division related applications. This work evolved to include consideration of how information and communications technology can enhance land use planning at a broader level. This is commonly referred to as ePlanning.

In practice, ePlanning encompasses a broad range of activities such as business process improvement, online service delivery, organisational capacity building, systems integration and communication facilitated by the appropriate application of technology. As ePlanning systems develop they will support progress on other HSAR recommendations, including the increased public reporting of land availability and timing of land release. ePlanning could also support community engagement in planning at the strategic level.

Recognising the need to focus on ePlanning more broadly than just its eDA component, the National eDA Steering Committee is currently proposing to transition into the National ePlanning Steering Committee.

Planning officials are currently developing a National ePlanning Roadmap, which will set out a vision and way forward for improving the uptake of ePlanning. There is a risk that progress will stall if jurisdictions do not continue to provide sufficient resources.

The HSAR Working Party recommends that the National e-DA Steering Committee should transition into the National ePlanning Steering Committee and report to COAG – through the relevant COAG sub-group – on a National ePlanning Investment Plan by mid-2012.

Development assessment performance monitoring

The second uncompleted reform involved the development of a common set of National Performance Measures that would assess the 'health' of each jurisdiction's development assessment system. Each jurisdiction's performance against these measures in 2008-09 was also to be reported, including information about the number, type and length of assessment of DAs.

Nine National Performance Measures were agreed in February 2010. The *First National Report* on *Development Assessment Performance*, which measured each jurisdiction's performance against these nine measures for the 2008-09 financial year, was publicly released in February 2011.

Western Australia has already prepared the Second National Report on Development Assessment Performance for 2009-10. This is awaiting endorsement by Planning Ministers via the Local Government and Planning Ministers' Council (LGPMC) Secretariat and the Planning Officials Group. Western Australia is currently working with other States and Territories to improve data consistency across jurisdictions and to develop further measures to be incorporated in future reports and has agreed to prepare an annual report again in 2011, 2012 and 2013. The HSAR Working Party found that by mid-2013, COAG will need to determine which jurisdiction/s should be tasked with preparing a National Report on Development Assessment Performance for each year from 2014 onwards.

Given that Western Australia has agreed to prepare annual performance monitoring reports up until 2013, the HSAR Working Party considers that this work is satisfactorily underway and that no further tasks need to be allocated until 2014.

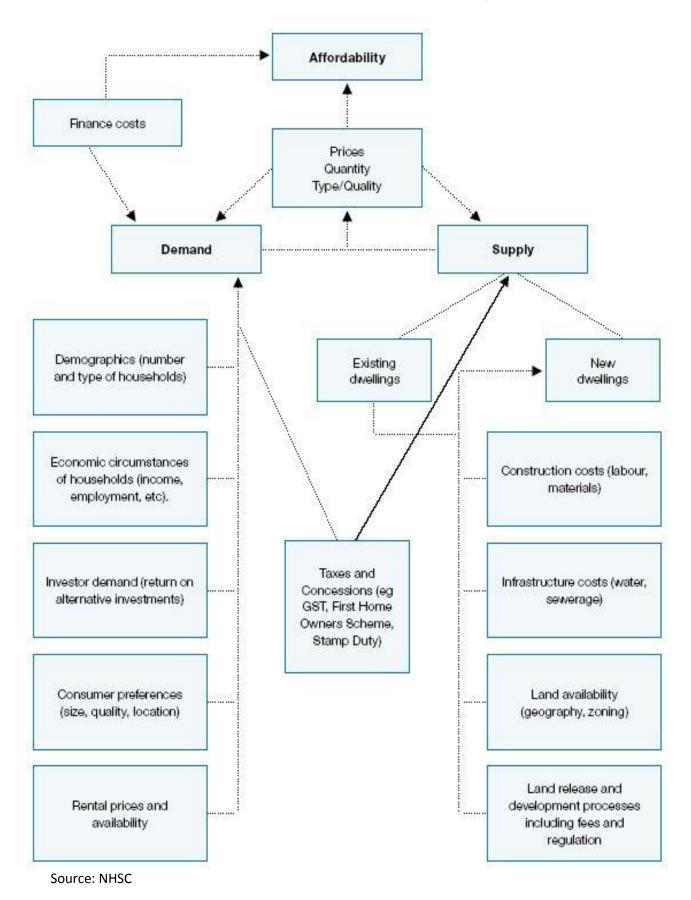
Code-based assessment

The final uncompleted reform involved further reforms to increase the use of code-based assessment in relation to dual occupancy and multi-unit residential developments.

A report on *Proposed National Standards for Complying Development* for LGPMC outlined a range of preconditions that should be satisfied before a dual occupancy and multi-unit residential development is considered as appropriate for code-based assessment. It also found that extending code-based assessment to multi-unit residential developments would increase housing supply and could result in savings in development assessment compliance costs by an estimated \$180 million per year.

LGPMC was unable to reach agreement on extending code-based assessment to dual occupancy and multi-unit residential developments. Some LGPMC members were concerned that there may be local circumstances which would preclude these types of development being considered as complying development.

Factors that influence the housing market



Best practice guidelines for applying the infrastructure charging principles

Improving efficiency

- Infrastructure plans help to coordinate infrastructure in an efficient manner, to achieve productive efficiency.
- Infrastructure plans help to demonstrate that the new development will create a need for the infrastructure due to the development's impact on existing infrastructure or creation of demand for new infrastructure.
- The charging schedule may be set by area and by type of infrastructure. This may include taking the infrastructure plan and segregating it into smaller areas, then quantifying the amount of development that is needed in each area (such as calculating the number of dwellings to service), establishing the main catchment area for each infrastructure type, and then establishing 'charge areas' for each infrastructure type.

Improving transparency and accountability

- Transparent reporting of infrastructure charging frameworks and arrangements in place would justify
 the infrastructure that is to be subject to charges, document the methodology used to determine the
 charges and the parameters around which the charges can change, and account for the expenditure
 of funds on the infrastructure for which they have been levied. This information would be made
 readily available for public consumption and could include any Ministerial directions and practice
 notes, where relevant.
- There are many different ways that this information could be made publicly accessible. For example, information on infrastructure charges could be:
 - published in an annual report or an Infrastructure Agreements register or via legislation; or uploaded on individual State/Territory and local government websites; or
 - centralised through a state/territory-based process (such as through a database, or a 'one stop shop' website with links to the infrastructure charges web pages of local councils); or
 - incorporated into a wider reporting framework, such as with the reporting arrangements in the operation of planning systems.
- Information on infrastructure charging regimes could also be made available at a national level, subject to consensus by jurisdictions.
 - For example, the NHSC could provide associated analysis of individual jurisdictions. However, care should be taken in making comparisons between jurisdictions, as charging regimes vary among jurisdictions and can be site-specific.

Improving predictability

• Where applicable, a 'cap' or flat rate charge²² could also make infrastructure charges more predictable as it provides some certainty around the cost of infrastructure for a development. For example, a cap could apply to standard infrastructure charges for residential development and be differentiated by development type (e.g. house or unit), while a flat rate charge could contribute to the cost of providing State infrastructure and services in growth areas.

Subject to meeting the four infrastructure charges principles.

Improving equity

- Infrastructure charges based on a sound methodology for fair apportionment of the costs of the infrastructure which is to be funded improve equity.
- Specifying the proportion of the total estimated cost of State or local infrastructure which is to be funded by the infrastructure charge helps to improve equity.
- The infrastructure which the funds are able to be expended on should also be clearly specified.

Best practice guidelines for infrastructure planning and delivery

- Strategic land use planning should be undertaken and supplemented by infrastructure-specific planning.
- Infrastructure plans should contain long term indicative infrastructure delivery time frames for 'committed projects', to provide clarity around the timing of the delivery of infrastructure.
- The plans should also be aligned with the relevant state/territory/local government budget given that the efficient delivery of planned infrastructure is largely dependent upon the extent of committed funding.
- An infrastructure coordination body could be appointed to assist in the coordination of infrastructure in specific development areas. The body could be involved in the planning process and oversee infrastructure providers' delivery of necessary infrastructure in specific development areas within agreed time frames, in line with the strategic and infrastructure-specific plans.

Evaluating land holdings: Guidance for decision making* * This guidance is designed to Is the holding of the site consistent with the agency's long-term strategic plan for its land holdings? assist agencies to determine if a landholding is underutilised it is not a set of mandated YĖS NO requirements. Has the agency considered whether their holding of the site is consistent with the surrounding jurisdiction's long term plan? It is noted that jurisdictions have different legislation YES governing the conduct and scope of their audits – in some cases this may negate YES NO NO particular guidance and/or principles The preferred use of the site to be considered via consultation between the agency and relevant jurisdiction (see guidance and principles). Does meeting the agency's core functions require all of the NO YES -Is the site open? Is the site capable of Is there any alternative site that could meet the objectives of the which offer greater social, YES YES economic or environmental benefits than its current use? Initial Assessment NO YES Is any portion of the site available for Hold - no immediate potential for development NO YES Do residential, aged-care requirements, employment or other policy priorities support the development of the site for alternative use(s)? Do residential, aged-care requirements, employment or other policy priorities support the development of the site? YES NO YĖS Detailed site assessment (generally undertaken by new/proposed owners) Constraint analysis Social impacts of relocation Best Practice for Detailed Assessment Servicing Development yield Costs Development feasibility Town Planning Cost benefit assessment (CBA) -Positive--Negative-Development relocation Are there any broader social/ strategy and rezoning/ disposal strategy community benefits that would justify relocation Implementation

APPENDIX C