

Chapter 7

Zoning, planning and approval processes

7.1 This chapter considers the effect of zoning, planning and approval processes on housing supply and affordability.

7.2 A number of witnesses suggested the lack of an adequate supply response to housing demand in Australia, and by extension poor housing affordability, was in large part due to inefficient zoning and planning processes. For instance, some argued that the rate of release of new land for development to the market can have a significant effect on the cost of new homes on the urban fringe. Other witnesses, however, countered that housing affordability is not necessarily improved simply through greater land release. Indeed, they argued that to the extent that new housing developments are not supported by adequate infrastructure and services, this can add hidden housing costs, which may not be reflected in traditional measures of affordability. This chapter weighs and assesses these different viewpoints.

7.3 This chapter further considers the influence of development assessment processes on the supply of housing stock, and by extension on housing affordability. Some witnesses expressed concern that the success of urban infill developments and densification projects were too often subject to the whims of a small number of existing residents (or, to use the common pejorative, 'nimbys') or narrow special interest groups. The incidence and associated costs of third party appeal and objection rights, according to these witnesses, underlined the need for development assessment reform.

7.4 These concerns, along with the broader question of the Commonwealth's role in urban planning and development, are addressed in this chapter.

Planning systems and housing affordability

7.5 The Henry Review, which recommended that COAG review institutional arrangements to ensure zoning and planning do not unnecessarily inhibit housing supply and housing affordability, outlined the occasional tension between the need for planning systems and housing affordability:

Features of the planning system intend to enhance the efficiency of land use in two ways: by managing or preventing perceived negative spillovers from development activities that may extend beyond the site of the development itself; and by facilitating positive spillovers through the provision of public goods. However, planning can also add costs, such as where the regulations are not well-targeted and lengthy development assessment processes are involved. The key question is whether the benefits outweigh the costs.¹

1 Treasury, *Australia's Future Tax System Review final report* (Canberra 2010), p. 420.

7.6 Some witnesses argued that Australian planning systems, on balance, imposed costs that were not commensurate with the benefits they provided. The HIA, for example, argued that in many instances planning systems in Australia were 'acting as a disincentive, or worse still, a barrier to growth' in housing supply. It submitted that while planning systems are the responsibility of the states and territories, the Commonwealth 'can have a significant influence in the delivery of streamlined approval processes and in encouraging greater standardisation across borders'.²

7.7 Similarly, BIS Shrapnel submitted that 'uncertainty over the planning provisions in various jurisdictions will act as a constraint on dwelling supply'.³ The REIA focused on apparent delays in the approvals process for new land release, and the effect this had on housing affordability.⁴ The UDIA raised similar concerns, suggesting that overly complex and restrictive planning regimes at the state and local government levels:

...are often a major barrier to the supply of new housing, and can contribute considerably to the affordability problem by increasing costs.

The holding costs involved in the urban development process are often very high, which means that development projects are usually very sensitive to time delays, as they blow out holding costs. Unfortunately planning, zoning and approvals processes in many cities can be extremely slow, adding considerably to the cost of new housing. The 2011 Productivity Commission Report on planning, zoning and development assessment found that across Australia's five largest cities, it can be as long as a decade from the commencement of rezoning to subdivision approval and the installation of infrastructure, indicating the need for planning system reform.

There is an urgent need for state and local governments around the country to work together to undertake major planning system reform, to increase the supply of urban land and reduce delays and uncertainty associated with zoning, planning and approvals processes.⁵

7.8 Professor Beer told the committee that it was often the case that a particular planning regulation may have once served a purpose, but has since become outdated and an impediment to the development of affordable housing. He argued that there was a need for policy flexibility in this regard, with planning legislation reviewed 'to achieve better outcomes in terms of affordability'.⁶

2 Housing Industry Association, *Submission 178*, p. 11.

3 BIS Shrapnel, *Submission 16*, p. 4.

4 Real Estate Institute of Australia, *Submission 88*, p. 11.

5 Urban Development Institute of Australia, *Submission 190*, pp. 10–11.

6 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 15.

7.9 According to Professor Beer, local councils 'at the sharp end of the planning system' were not always concerned with housing affordability. Instead, he suggested, they tended to: reflect local interests; be tactical, not strategic; be affected by nimbyism; and de-prioritise housing affordability.⁷

7.10 JELD-WEN recommended the Commonwealth provide financial incentives for state and local governments that 'embrace planning reforms that support economic growth':

In recognition of the financial constraints operating on the federal budget, it might be appropriate to consolidate existing housing funds into a renewed national competition payments system to reward States and Local Government that facilitate new housing development through the release of land and reduced development assessment and approval times.⁸

7.11 While some witnesses submitted that inefficient regulations were adding to housing costs, others reminded the committee that regulations serve a range of policy purposes that extend beyond housing affordability. In its submission, the RBA acknowledged that planning and approval processes could create delays that in turn add to housing costs. However, it also pointed out that such issues:

...are not specific to Australia and many of these regulations are intended to promote other social goals, such as ensuring buildings are constructed safely and that neighbouring residents do not have costs and inconveniences imposed upon them about which they are not consulted.⁹

7.12 Housing researchers from Swinburne University of Technology argued calls for planning deregulation sometimes had less to do with a genuine interest in affordability, and more to do with increasing profitability through lower regulatory compliance costs. They submitted:

There is some logic in the planning reform arguments but we argue that this is not about deregulation per se, it is about better performance which could require in some cases more regulation [in] parallel with deregulation.¹⁰

7.13 Mr Cameron Murray also challenged the idea that local government planning regulations were acting as a constraint on housing supply. Mr Murray—who more broadly disputed the underlying assumption that housing affordability in Australia had deteriorated in recent decades—referred to this as the 'planning constraint myth'. If constraints on development type and scale through local government planning regulations existed, Mr Murray argued, then this would show up as an increase in rents commensurate with house prices, and a reduction in the stock of approved but

7 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, pp. 18–19.

8 JELD-WEN Australia, *Submission 54*, p. 8.

9 Reserve Bank of Australia, *Submission 14*, p. 8.

10 Institute for Social Research, Swinburne University of Technology, *Submission 86*, p. 6.

undeveloped housing sites. Mr Murray presented evidence suggesting neither phenomena existed, including evidence that local councils in Queensland had, in fact, approved 'far more dwellings than can [be] absorbed into the market'.¹¹

Land release and rezoning

7.14 Some witnesses argued that the failure of governments and other parties to release land for housing development was a key reason housing supply was not keeping pace with demand. JELD-WEN expressed concerns regarding planning strategies adopted by state governments to limit greenfield development and contain urban expansion. It argued that these strategies, combined with higher infrastructure contributions from developers, 'have seen marked increases in the cost of supplying serviced land for new housing, causing purchasers to shift buyer activity towards existing dwellings'.¹²

7.15 BIS Shrapnel explained that improved land release did not only mean releasing new land on city fringes, but could also include:

...rezoning existing commercial and industrial land that may be more valuable as residential or increasing the height and density limits of sites. Implementing taxation reform to discourage 'land banking' and encourage the development of available land would also assist in increasing the supply of new dwellings. This would serve to limit future increases in the cost of land and ultimately improve the affordability of new housing.¹³

7.16 MBA, meanwhile, recommended that local governments should be required to develop individual land release plans with a ten-year horizon, 'with greater roles for market signals and the private sector'.¹⁴

7.17 In its submission, WALGA submitted that the inadequacy of land release was not simply due to inaction by state and local governments, but was also partly attributable to developers and investors withholding land from market:

In examining issues concerning housing affordability, the WA State Government's Community Development and Justice Standing Committee found that 'undeveloped land in Western Australia is relatively plentiful [and] 25,000 subdivided and undeveloped lots are being withheld from the market in the Perth region by developers.' Whilst many of these lots are being withheld from the market by large scale property developers and investors, a large number of lots are being withheld by small scale 'mum and dad' investors, speculating in increases in the value of land. These investors are attracted by the existing tax regime which offers deductions

11 Mr Cameron Murray, *Submission 17*, p. 5.

12 JELD-WEN Australia, *Submission 54*, p. 8.

13 BIS Shrapnel, *Submission 16*, p. 2.

14 Master Builders Australia, *Submission 48*, p. 13.

for expenses such as loan interest and council rates on land that is bought with the intention of constructing a rental property.¹⁵

7.18 Similarly, Professor Dalton suggested there was some evidence that developers in Victoria were preventing the release of land to the market. Noting that there are about 8 to 11 large land companies releasing land in master-planned estates on the fringes of Melbourne, Professor Dalton suggested there were:

...some hard questions to be asked of the companies that are operating in that area about the way in which they approach supply. Essentially, they are not going to be releasing lots of land into the market that interferes with their long-term projections about their profits. So there is some institutional behaviour within the land companies themselves—the people who are not doing the building but actually releasing the land on the fringe, and that is the area we are concentrating on for the moment—that I think needs a bit more questioning. We saw a policy initiative that started in the 1970s—the nationally supported land development companies run by state governments, some of which still exist in various forms—to challenge that oligopolistic behaviour on the fringes. I think that oligopoly still exists to some extent and needs investigation.¹⁶

7.19 A key focus of the HIA's submission was what it regarded as the need for a more effective, efficient and transparent land supply pipeline in Australia. To meet this need, the HIA recommended the establishment of a mandatory national reporting framework for land supply. This recommendation and the reasoning underlying it, is worth quoting at length:

The assessment, development and delivery of new land to market can take over 10 years, yet accurate and holistic information about Australia's land supply pipeline is scarce. HIA recommends the federal government establish a mandatory national reporting framework for land supply as a matter of priority.

State and territory governments collect and publish information on land supply. However, in several instances it is not timely, in some cases it is not accurate, and in all cases it is not related to the projected housing delivery commitments envisaged in capital city metropolitan strategies.

The federal government needs to play a role in the co-ordination of this information, which is critical to supporting the delivery of homes to meet Australia's growing population.

The accurate collection of data on land supply needs to capture all stages of the land supply pipeline. This should include nationally consistent definitions to describe the various stages of the land supply pipeline. Timely periodic reporting should include information on land that has

15 Western Australian Local Government Association, *Submission 37*, p. 2.

16 Professor Tony Dalton, Professor of Urban and Social Policy, RMIT University, *Proof Committee Hansard*, 9 September 2014, p. 15.

received 'works approvals' to more accurately identify any blockages in the planning process.

Much of the information needed to achieve a holistic grasp of land, infrastructure and housing supply is captured variously by local and state/territory governments. However, the scope of data collection and its interpretation lacks consistency and is rarely compiled and shared across agencies. HIA supports the establishment of a national unit within Commonwealth Treasury with a sole focus being to collect, analyse, interpret and report on both housing and land supply pipelines, with a terms of reference similar to those of the Indicative Planning Council for Housing, which undertook this important function during the 1990s.¹⁷

Land release and challenges in outer suburban areas

7.20 In contrast to some of the arguments summarised above, a number of witnesses told the committee that increased land releases were not a panacea for affordability issues. Professor Carolyn Whitzman discussed Melbourne's experience in recent decades to illustrate the point:

It has essentially been a supply-side approach for the last 20 years. The urban growth boundary of Melbourne was expanded four times under the rationale that there was a need for an increased land supply, which would create an increased housing supply and somehow that, through magic fingers, would turn into affordable housing. But affordable housing is far worse than it ever was, including in the growth areas. That is not affordable housing. In 2011 there were 70,000 properties available in greater Melbourne and three per cent of them were affordable to median income earners. Over 50 per cent of them were unaffordable to anyone but the highest quintile of earners. Affordability through supply has not worked.¹⁸

7.21 Poorly managed new land releases could, some witnesses warned, create new problems, and in some cases actually damage housing affordability. Professor Wilkins added that land supply decisions should not be made without proper reference to the need for land to be appropriately located and supported by quality infrastructure and services:

When we are talking about available supply, it is not a simple matter of more land being available for building houses on. As we all know, the price of housing is very location determined. What are the factors that are driving location-based price differentials? It is things like proximity to services, jobs and the like. Any supply response has to be thinking in terms of supply of housing that is proximate to where people want to be. It is probably pretty affordable to build a house in the middle of nowhere, notwithstanding some difficulties in getting workers to go out there and build it. What this really suggests is that you cannot divorce this from

17 Housing Industry Association, *Submission 178*, p. 10–11.

18 Professor Carolyn Whitzman, Professor of Urban Planning, University of Melbourne, *Proof Committee Hansard*, 9 September 2014, p. 15.

infrastructure development and in particular transport infrastructure, and I am speaking of both public and private infrastructure.¹⁹

7.22 Like Professor Wilkins, a number of witnesses told the committee that real affordability on the urban fringe was dependent on the adequate provision of infrastructure and services. For instance, the National Growth Areas Alliance argued that while population growth rates in outer urban areas were twice the national average, there had been no corresponding growth in infrastructure. This lack of infrastructure, it told the committee, resulted in higher costs of living, particularly in terms of transport costs. Inadequate service provision in outer urban areas, meanwhile, contributed to poorer educational and employment outcomes for residents. To some extent then, the greater availability of affordable housing options on the urban fringe was negated by these hidden costs. What might at first appear to be affordable housing, as the Chief Executive of the Alliance, Ms Ruth Spielman, explained, 'quickly becomes unaffordable living.'²⁰

7.23 Ms Spielman continued that the funding and creation of supporting infrastructure needed to be more strategic and integrated than was currently the case. Rather than the states putting their priorities to the Commonwealth and having projects assessed on a project-by-project basis, the various levels of government needed to identify region-wide infrastructure needs.²¹

7.24 Professor Dodson raised similar issues in his appearance before the committee, highlighting the problem of spatial disadvantage apparent in outer suburban areas where most 'affordable' housing was located. Inadequate infrastructure in those areas, and a lack of health, education and employment services and opportunities relative to core areas, was a dimension of housing affordability that was not, Professor Dodson suggested, 'coordinated very well within our policy architecture'.²²

7.25 Other witnesses, including Professor Pawson, expressed concern that people on low incomes were being pushed to the urban fringe in search of affordable housing. He argued that because employment opportunities were relatively poor in many of these areas, this had the effect of entrenching spatial disadvantage.²³ Similarly,

19 Associate Professor Roger Wilkins, Principal Research Fellow, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, *Proof Committee Hansard*, 9 September 2014, pp. 15–16.

20 Ms Ruth Spielman, Executive Officer, National Growth Areas Alliance, *Proof Committee Hansard*, 9 September 2014, p. 62.

21 Ms Ruth Spielman, Executive Officer, National Growth Areas Alliance, *Proof Committee Hansard*, 9 September 2014, p. 62.

22 Professor Jago Dodson, Professor of Urban Policy, RMIT University, *Proof Committee Hansard*, 9 September 2014, p. 13.

23 Professor Hal Pawson, Associate Director, City Futures Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 November 2014, p. 35.

housing researchers from Swinburne University of Technology noted that the housing affordability problem in Australia 'has an evolving and deepening spatial dimension'. Households on low to moderate incomes are forced to live in areas with poor access to employment, transport, services and facilities. Ultimately, a housing market which:

...pushes low income households generally, and families specifically, to the urban edge may create major issues of workforce opportunity and participation and social connectedness.²⁴

7.26 The Swinburne researchers added that higher rates of land release on the urban fringe would not improve affordability if it placed 'more households in areas of poor employment and social service':

This spatial polarisation issue is one reason why the simplistic arguments about releasing more land on the urban fringe as a solution to the affordability problem are in themselves problematic; the existing evidence suggests it will inevitably create highly polarised cities with social and political dysfunction and lack of liveability for many.²⁵

7.27 Professor Frank Stilwell, while suggesting that Australia's housing affordability problems were a function of the land price inflation, argued that simply releasing more land on the urban fringe was unlikely to provide an effective solution. Developments on the urban fringe, he argued, are 'quickly absorbed into the overall working of the metropolitan land and property markets'. Whereas other witnesses argued that developments in outer urban areas required better supporting infrastructure and services, Professor Stilwell argued that policymakers should instead focus on creating new cities in regional and rural Australia. These new population centres:

...would both 'take the heat off' the metropolitan areas and give a much needed boost to regional localities that currently need economic stimulus. It is essential that any such decentralization programs should also focus on policies for job-creation or job-transfer to those non-metropolitan regions: so housing development must be integrated with urban and regional economic policy.²⁶

Commonwealth land supply

7.28 Generally speaking, responsibility for the release or rezoning of land for residential development lies with state and territory governments. However, several witnesses, including the UDIA, the REIA and JELD-WEN, suggested that the Commonwealth should look to release the surplus land it owned. It was argued that the release of this land, including substantial Department of Defence land holdings

24 Institute for Social Research, Swinburne University of Technology, *Submission 86*, p. 4.

25 Institute for Social Research, Swinburne University of Technology, *Submission 86*, pp. 4, 6–7.

26 Professor Frank Stilwell, *Submission 25*, pp. 3–4.

near or within capital cities, would help improve housing supply and go some way toward improving affordability outcomes.²⁷

7.29 It is worth noting at this juncture that the Department of Finance maintains a *Register of Surplus Commonwealth Land Potentially Suitable for Housing and Community Outcomes* on its website. However, as the National Commission of Audit (NCOA) noted, there appears to be no complete whole-of-government public register of Defence and non-Defence Commonwealth-owned property. The NCOA suggested that a 'central register of the Commonwealth estate would benefit planning and strategies to improve the use of property, including identifying properties with potential for sale'.²⁸

Infill development and densification

7.30 JELD-WEN questioned the underlying contention of supporters of urban consolidation that there is substantial under-utilised capacity in existing urban infrastructure to accommodate a marked increase in population densities in established areas. It pointed instead to evidence of an infrastructure renewal gap in established areas, with infrastructure deteriorating due to under-spending on maintenance and improvement.²⁹

7.31 Housing researchers from Swinburne University of Technology questioned the effect of higher density developments on affordability outcomes. They argued that while developers often pushed for planning deregulation to allow higher density developments:

...without some parallel interventions the effect more often than not is to push land prices up not down making residential property more expensive for everyone including ordinary home purchasers.

Increasing density means a developer will make a judgment on how much yield can be obtained from each unit and therefore how much is to be paid for the land. What we have got out of this process to date is (a) many, often large scale, small and poor quality one and two bedroom apartments catering for singles and childless couples who have the residual income to afford to buy a small apartment. (b) An increase in land values in all those areas where developers believe that they can maximise the density and yield from each dwelling, notably in the inner and middle ring suburbs of major cities. The land takes on the value of the potential yield so the more density controls are relaxed the more the value of land increases.³⁰

27 Urban Development Institute of Australia, *Submission 190*, p. 10; Real Estate Institute of Australia, *Submission 88*, p. 9; JELD-WEN Australia, *Submission 54*, p. 9.

28 National Commission of Audit, *Toward Responsible Government: Appendix to the Report of the National Commission of Audit*, Vol. 2 (February 2014), p. 188.

29 JELD-WEN Australia, *Submission 54*, p. 8.

30 Institute for Social Research, Swinburne University of Technology, *Submission 86*, pp. 6–7.

7.32 However, some witnesses, such as Professor Beer, argued that higher density, infill developments would help increase the range of affordable housing options available to people.³¹

7.33 The RBA drew the committee's attention to a growing trend in Australia toward higher-density housing, with more than 40 per cent of new residential building approvals for medium-density and higher-density housing. This compared, the RBA reported, to about 25 per cent in the 1970s and 1980s. As well as gradually bringing the composition of Australia's housing stock more into line with that in other countries, this shift meant there were a wider range of housing types to satisfy diverse needs. While per dwelling construction costs were higher and construction lags longer for multistorey developments, denser construction nonetheless:

...allows households to choose to economise on the amount of land they consume, rather than being restricted to larger (and more expensive) blocks and detached structures.³²

Urban renewal and housing affordability

7.34 Several submitters pointed to the potential to improve housing affordability through urban renewal activities that are properly supported by government. For instance, the CFRC argued that Commonwealth support for major urban infrastructure initiatives, especially in relation to transport investment and linked to urban renewal outcomes, 'offers significant opportunities to support the supply of new affordable housing'. The CFRC emphasised the need for Commonwealth affordable housing investments (a subject discussed in the second part of the report) to be properly integrated with state and territory planning policies in order to ensure affordable housing is provided 'in locations close to the accessible jobs, services and transport that these new infrastructure investments will provide'. The CFRC concluded that:

...there is a significant opportunity to integrate Commonwealth investment in new urban infrastructure and ongoing Commonwealth subsidies for affordable and private sector housing with State and Territory planning policies for new affordable housing supply via urban renewal projects. In this way, public investment across these three policy domains could be made to work much better at generating new affordable housing provision in accessible urban locations. At present, this opportunity is being squandered.³³

The Commonwealth's role in urban planning and development

7.35 Like many other supply-side issues, there was a general recognition from witnesses that urban planning arrangements were primarily the responsibility of state

31 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 14.

32 Reserve Bank of Australia, *Submission 14*, p. 10.

33 City Futures Research Centre, UNSW, *Submission 152*, pp. 16–17.

and local governments. Mr Luke Foley from the UDIA acknowledged, for instance, that the Commonwealth's ability to influence policy in this space was limited. He noted, however, that the now disbanded major cities unit in the Department of Infrastructure had been doing some good work in this area:

It was bringing the Commonwealth into that space and was contributing positively to that arena as far as providing direction and getting the perspective from different parts of the country and building that into a broader plan for cities.³⁴

7.36 The committee notes that in the past the Commonwealth has been actively involved in the urban planning and development policy space. Notably, in 2011 the Labor Government released the National Urban Policy (NUP), *Our Cities, Our Future*. According to the NUP's foreword by the then Minister for Infrastructure and Transport, the Hon Anthony Albanese MP, the NUP:

...establishes the Australian Government's objectives and directions for our cities as we prepare for the decades ahead. It recognises the critical roles of State, Territory and local governments, the private sector and individuals, in planning, managing and investing in cities. It also highlights that the Australian Government makes decisions that impact upon urban Australia. This is the first time that an Australian Government has sought to outline its overarching goals for the nation's cities and how we will play a role in making them more productive, sustainable and liveable.³⁵

7.37 The committee further notes that in January 2012, the Labor Government established the Urban Policy Forum to provide advice to the government on the implementation of the NUP. The Forum consisted of members from all levels of government, industry and academia, and was chaired by the Secretary of the Department of Infrastructure and Transport.³⁶

'Nimbyism' and the delivery of new housing stock

7.38 Several housing industry participants and peak bodies expressed concern that new housing developments, and in particular infill and higher density developments, often do not proceed or proceed at higher cost than necessary due to excessive weight given to third party appeals and objections. Asked how to find a balance between empowering local communities and ensuring this power was not misused, MBA emphasised the need for long term master-planning for cities to provide certainty to residents, the community and investors. MBA also pointed to the need for streamlined

34 Mr Liam Foley, Policy Officer, Urban Development Institute of Australia, *Proof Committee Hansard*, 30 July 2014, pp. 69–70.

35 Australian Government, *Our Cities, Our Future: A national urban policy for a productive, sustainable and liveable future* (2011), p. 2.

36 The Hon Anthony Albanese, media release, 'Urban Policy Forum to provide stakeholder advice on cities', 20 January 2012, <http://anthonyalbanese.com.au/urban-policy-forum-to-provide-stakeholder-advice-on-cities>.

appeal processes, to prevent people 'maliciously' using the appeals process 'to thwart all sorts of developments for whatever reason'.³⁷ MBA argued that while citizens should have a right to influence policy, this should not mean that:

...if one person opposes a development and 90,000 people approve it, that the whole thing collapses. In terms of institutional frameworks and public policy, you might set thresholds above which that one individual cannot object—they can object but it is not necessarily given the credence that it deserves.³⁸

7.39 MBA also told the committee there was a need to distinguish between 'the interested party' and 'the impacted party' in appeal processes. In this regard, MBA explained that its concern was not so much with people directly impacted by a development being able to object, but rather with 'someone having the capacity to object to a development that is totally on the other side of their town'.³⁹

7.40 Nimbyism, according to MBA, was also an obstacle to building the high-rise development that Australia needed to meet the diverse needs of its growing population.⁴⁰

7.41 The HIA told the committee of its frustrations with regard to nimbyism and the uncertainty it created for the construction industry in making decisions about where to add additional housing stock. This uncertainty, it contended, ultimately added extra costs to the delivery of new housing stock.⁴¹ These costs, the HIA told the committee, were currently entrenched in the planning system:

I think we [have] a legacy of the objections that have taken place over the last decade or two where planning schemes, requirements for reports, assessments, analysis and so on have been required over the years and they have become embedded into the planning process. Not only is the planning process at risk of being frustrated by nimbies, or objectors, today; it is already frustrated by the residual of objectors of the past where they have made certain positions and those positions become embedded into planning policies at a council level, or that the councillors at a local level sell that

37 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 35.

38 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 36.

39 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 37–38; Dr Brent Davis, National Director, Industry Policy, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, pp. 38–39.

40 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 38.

41 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 48.

particular issue and developers know that in that particular council these are the issues that apply.⁴²

7.42 The HIA told the committee that despite a commitment on the part of every state and territory government to increase the density of housing within major cities, even 'low and medium scale housing developments such as dual occupancies, villas and townhouses, require two approvals, public notification and in many jurisdictions are open to third party appeals.⁴³

7.43 Like MBA, the HIA told the committee that urban master-planning (or 'metropolitan planning') would ensure the rights of local communities were preserved while providing developers with the certainty they needed to deliver new housing stock:

In having that helicopter view and feeding that down into the councils, in a form of code-compliant type development so that we all know what development is going to be in our area—we all know that it is going to be a house or apartment or high-rise apartment—the people have an opportunity to contribute at the strategic stage, at the metropolitan-development stage. Once that has been resolved, and there is a great opportunity there for the population to understand that it is not just about them, it is about the greater population, then there is less opportunity for there to be objection at the local site-by-site level.⁴⁴

7.44 Concerns regarding the impact of third party objections and appeals on housing supply were not limited to housing industry bodies. For example, Mr Eslake noted:

[M]etropolitan planning authorities and inner-city local governments have made it increasingly more time-consuming and onerous to undertake higher-density or 'infill' developments on 'brownfields' sites—in particular by imposing tighter planning controls, and by providing more opportunities for objections to and appeals against planning decisions.⁴⁵

7.45 Mr Eslake expressed sympathy with the 'desire of residents in established areas to prevent developments which detract materially from their quality of life (and/or from the value of their properties)'. However, Mr Eslake also argued there is a need to reduce the:

...cost, complexity and regulatory uncertainty associated with 'brownfields' and 'infill' developments in established areas—which doesn't have to mean traducing the property rights of other property owners, but which should

42 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 50.

43 Housing Industry Association, *Submission 178*, p. 11.

44 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 45.

45 Mr Saul Eslake, *Submission 2*, p. 6.

mean clearer and more uniform planning rules, with fewer opportunities for frivolous or vexatious objections and appeals.⁴⁶

Development assessment and approval processes

7.46 To reduce the costs associated with third party objections to new housing developments, and generally improve the efficiency of development assessment processes, some witnesses argued for limiting the types of developments subject to third party objections and appeals. In particular, some witnesses recommended the wider use of code-based frameworks for assessing residential development applications—that is, where developments of a certain type in certain locations meet measurable requirements (or 'tick the boxes'), they are considered compliant and generally exempt from public notification or third-party objection and appeal processes. Others recommended a broader harmonisation of development assessment systems across or within jurisdictions.

7.47 For example, to address the abovementioned disconnect between the goal of higher density housing development and what it regarded as the excessive influence of opponents of new developments, the HIA recommended the implementation of:

...a nationally consistent single approval process for detached housing and low scale housing development, including dual occupancy housing developments. The application assessment process should be underpinned by a domestic code compliance mechanism based on transparency, certainty and plain language criteria.⁴⁷

7.48 Several state and local governments or government agencies told the committee that they had taken or were taking steps to improve planning and development assessment processes. Brisbane City Council, for instance, noted that it has funded improved development assessment processes aimed at supporting affordable housing by cutting red tape and reducing the assessment time for development applications:

These efficiencies translate directly to financial benefits for the housing industry, including reduced holding costs and reduced application printing costs. The community has benefited through faster decision times for social infrastructure projects, making these projects more affordable and expeditious and therefore more feasible. Efficiencies realised by developers as a result of electronic processing should also have been passed on to members of the wider community through consultancy fees and cost of housing products. More efficient and simplified processes have also meant less time and confusion for 'one off' developers when navigating the development assessment process for the first time, improving affordability for home makers.⁴⁸

46 Mr Saul Eslake, *Submission 2*, p. 15.

47 Housing Industry Association, *Submission 178*, p. 11.

48 Brisbane City Council, *Submission 121*, p. 2.

7.49 Mr Kerry Doss from the Brisbane City Council informed the committee that the Council had 'calibrated' its planning scheme:

...so that zones which are set aside for unit type approvals have a level of process and approval that is commensurate with that. For instance, if we have zoned land for multi-unit development, we have code assessable development for that, which takes out third party appeal rights and the opportunity for submissions. We have gone through our planning scheme and lowered the level of assessment to calibrate different land uses to the zone within which they fit, and that is all about cutting red tape and simplifying processes. We have also modified our approval processes to streamline for efficiencies.⁴⁹

7.50 Housing Tasmania pointed to the need for state and local governments to balance the need for robust planning and development assessment regulations against the time and cost such regulations can add to housing developments. It reported that the Tasmanian Government had, to this end:

...committed to reform the current situation of multiple planning systems to a single State planning system with Regional Land Use Strategies [and a] streamlined planning and approval process with the view to increasing development.⁵⁰

7.51 The Department of Housing and Public Works, Queensland, told the committee that the Queensland government had made some progress in introducing some simplicity into planning schemes. The shift 'away from prescriptive approaches' to planning, it reported, 'allowed for a greater level of autonomy by local governments to actually make changes to planning schemes and to do things like release land'.⁵¹

7.52 BIS Shrapnel commended the fact that the *New Planning System for NSW* reforms had included a streamlined approvals process, and specifically provision for code assessment in growth areas. However, after passing the Legislative Assembly, the legislation for the new system was withdrawn from the Legislative Council in November 2013, leaving the future of the reforms uncertain. BIS Shrapnel suggested that with the reform process on hold, 'supply may not reach its full potential'.⁵²

7.53 The committee notes that in responding to the NSW Government's proposed planning reforms, the then Shadow Minister for Planning and Infrastructure, the Hon Luke Foley MLC, indicated that the Opposition believed the code assessment proposals would strip community members of their 'rights to have their say about how

49 Mr Kerry Doss, Manager, City Planning and Economic Development, City Planning and Sustainability Division, Brisbane City Council, *Proof Committee Hansard*, 10 September 2014, p. 1.

50 Housing Tasmania, *Submission 217*, p. 3.

51 Mr Damien Walker, Deputy Director-General, Department of Housing and Public Works, Queensland, *Proof Committee Hansard*, 10 September 2014, p. 44.

52 BIS Shrapnel, *Submission 16*, p. 5.

their neighbourhood is developed, meaning high rise can be built without community members able to object'.⁵³

Committee view

7.54 Increased land supply per se, either in greenfield sites or infill developments, is not a panacea for poor housing affordability. The committee believes land release should align with long-term urban planning and must be targeted to the needs of housing buyers, including access to employment opportunities, health and education services and high quality transport infrastructure. While these matters are primarily the responsibility of the states and territories and local governments, the committee believes the Commonwealth can provide leadership in ensuring best-practice urban planning approaches are adopted in all jurisdictions. Moreover, because the Commonwealth has a role in funding and building supporting infrastructure for new housing developments, the committee suggests the Commonwealth needs be actively engaged on the issue of city planning and development, including urban regeneration.

7.55 The committee also agrees that greater transparency regarding land supply pipelines could provide for the more efficient delivery of housing stock to the market. As such, the committee suggests that the proposed COAG ministerial council on housing and homelessness (as at recommendation 2) consider ways to improve the consistency, timeliness and utility of government-collected and published information about land supply across jurisdictions.

7.56 The committee notes that a number of submitters argued the case for improved development assessment processes, including the introduction of code based assessments. While the committee agrees that code based assessments promise greater efficiency in the delivery of housing supply, it also notes public concerns that code assessment risks disempowering local communities and limiting their ability to shape how their neighbourhoods are developed. The committee believes that states and territories should continue to seek improved development assessment processes, and seek new efficiencies without unduly infringing on the right of local communities to register their legitimate concerns regarding housing developments.

Recommendation 8

7.57 The committee recommends that the proposed new Council of Australian Governments ministerial council on housing and homelessness (see recommendation 2) investigate ways to improve the consistency, timeliness and utility of government-collected and published information about land supply across jurisdictions.

53 The Hon Luke Foley MLC, Shadow Minister for Planning and Infrastructure, media release, 'Labor Opposition forces 46 amendments to O'Farrell Government's planning bill', 27 November 2013, <http://www.scca.org.au/Pdf%20links/2013PDFLinks/ShadowMinFoleyPlanningBill.pdf>.

Recommendation 9

7.58 The committee recommends that the Australian Government:

- (a) show leadership in regard to national urban planning policy and urban regeneration, given the role both can play in improving and driving housing affordability outcomes across Australia's major urban centres;**
- (b) reinstate the National Urban Policy and Major Cities Unit given the former role both played in driving housing affordability policy and outcomes at the national level; and**
- (c) show leadership in its policy capability and engagement with the states and territories with regard to urban planning policy.**

Recommendation 10

7.59 The committee recommends that the Australian Government consider developing a long-term strategy for regenerating Australia's urban centres and transport corridors. This strategy might be incorporated into a revised national urban policy, and would provide for an intergovernmental and coordinated approach to infrastructure delivery, including upgrades to social infrastructure, and the identification of redevelopment opportunities for government-owned land (as outlined in recommendation 11).

7.60 The committee further recommends that the Australian Government consider re-establishing the Urban Policy Forum, reconnecting with key stakeholders from the public and private sectors, academia and the community, and including responsibility for reviewing jurisdictional performance against targets relating to urban regeneration.

Recommendation 11

7.61 Government-owned land, whether state or Commonwealth-owned, represents a potential land supply for affordable housing. Current governance, transparency and divestment arrangements could be improved so that this potential might be realised. The committee recommends:

- (a) the creation of a transparent, public, up-to-date register of government land and buildings that are considered 'surplus' or on the divestment program, including the location and size of this land, and any development restrictions attached to it;**
- (b) the direct involvement of the Commonwealth agency with housing policy responsibility in any asset divestment programs, and the possible application of affordable housing targets in divestment programs;**
- (c) the development of innovative partnerships involving public, not-for-profit, community and private consortiums that develop affordable and diverse housing on government land and buildings; and**

- (d) the exploration of innovative models, such as community land trusts, on government-owned land where the government retains the land or a share in the development, but a community or not-for-profit housing provider develops affordable housing.**