



Growing South Australia to Economic
and Social Prosperity

ADVOCACY AGENDA

2013

FOREWORD



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The purpose of this advocacy agenda is to influence State Government policy and practice in order to remove barriers to the provision of diverse and affordable land and housing to meet the needs of the state into the future. A thriving urban development industry creates jobs, a healthier economy and more homes for families. In other words, it is an agenda for “*growing South Australia to economic and social prosperity*”. This is particularly timely given the next State election is due in March 2014.

The value of the industry to South Australia is clear. The sector employs 56,000 people or 7% of the workforce and its total output is almost \$9 billion or 12% of Gross State Product. This makes it the fifth largest contributor to the output in the State. However, housing production in this state has fallen dramatically in recent years. The State also lacks forward investment in infrastructure to support new developments. Non-competitive government levies and taxes on new homes are further hurdles. In South Australia, total government taxes and charges represent around 50% of the total cost of a new home.

UDIA believes urban outcomes and affordability will be improved through the application of appropriate policy and regulation, reduced timelines for approvals and the elimination of cost shifting infrastructure to new home buyers. This relies on a whole-of-government response and success will significantly improve the delivery of our future urban environments.

We commend these policies to all members and stakeholders with an interest in the contribution of the urban development industry to the prosperity of South Australia.

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POLICIES

Planning for Growth

Delivering Housing Affordability

Facilitating Urban Regeneration

Improving the Planning System

Providing Adequate Land Supply

Providing Timely and Cost-Effective Infrastructure

Encouraging Sustainable Urban Development

Contributing Fair Taxation

Reforming Local Government

Diverse population with skills to support social & generational change

UDIA recognises that the ongoing economic, social and cultural success of the State – and its ability to achieve its environmental goals – can best be achieved by a sustainable increase in population. The State needs more jobs in a diversified economy. The competitive advantage to investors and citizens of South Australia must be pronounced.

South Australia's labour productivity must improve. Balanced and well-managed population growth is the most effective practical means of ensuring improved access to labour and skills, mitigating the costs associated with an ageing population structure, fostering social diversity, and generating capacity to fund essential services, infrastructure and environmental improvements.

At present South Australia's annual population growth rate is around 1% which is below the

national average of 1.5%. Our fertility rate is well below the rate of population replacement, our share of national overseas migration has declined from 10% to only 4% over the last 40 years and the State continues to experience high rates of net interstate migration. Without growth in the workforce population the taxation base to support government services will decrease.

In the 1960's the working age population was in the order of 63% of total, this has declined to less than 50% today and is projected to fall below to around 32% by 2040.

Put simply, if we do not grow then we are locked within our existing paradigm. Only population growth can deliver the changes we need to make to urban form, public infrastructure and service delivery.

The Government should:

- continue to target and plan for responsible and sustainable population growth in the State, aiming to:
 - achieve an annual overseas immigration target equivalent to at least 8% of the national intake
 - attain positive net interstate migration
 - gain an agreement with the Federal Government for special VISA status for overseas migrants to South Australia;
- use taxation inducements to attract and retain new migrants with significant wealth and skill levels;
- protect the existing skill competency of the State particularly in the areas of construction, defence, engineering, mining, agriculture, manufacturing and education;
- provide a range of abundant affordable land supply and housing market opportunities according to the directions set out in the 30 Year Plan for Greater Adelaide;
- invest in core infrastructure, public amenities and community and social services to ensure South Australia provides an attractive and vibrant living environment; and
- update the State's promotional tools to attract overseas and interstate migrants to South Australia, eg web site; special promotional packages; expos, etc. The job prospects and quality of life in South Australia should be promoted extensively by elected and appointed leaders of the State.

Delivering Housing Affordability

Delivering housing for all

For South Australia to achieve its population and economic growth targets it must retain its competitive advantage relative to other states in terms of affordable housing. For this purpose a coordinated approach between all levels of government, the not-for-profit sector and the private sector is required.

Communities should be entitled to a range of land and housing products that are accessible to purchasers and occupiers at all income levels.

An adequate supply of reasonably priced land, the timely provision of core infrastructure, efficient planning approval mechanisms, minimal regulation ‘red

tape’ for building construction and access to finance for developers are essential ingredients in providing affordable housing.

The tax system has major impacts on housing supply, housing affordability and hence the ability of the community to access shelter. The tax burden on new housing has grown substantially over the past decade to around 30% of the value of the house and there exists an inequitable treatment of new housing compared to existing housing.

UDIA welcomes Government support with initiatives designed to assist qualified “eligible” disadvantaged citizens in gaining access to affordable housing.

The Government should:

- maintain incentives for new home buyers, particularly in a period of slow market demand, to support the development industry which has a significant impact on Government revenue and the community’s economic growth;
- establish a strategic framework through the State Housing Plan that identifies affordable housing delivery targets, mechanisms and funding support from Government;
- reduce taxes and charges on direct and indirect contributions to the cost of a land and house packages;
- reduce the cost impact of planning, environmental and regulatory requirements on housing affordability;
- adopt a model for infrastructure funding, as has been prepared by UDIA, which is based on the equitable sharing of costs across all beneficiaries with payment occurring over time rather than upfront to avoid negative impacts on new home affordability;
- maintain a vigilant record of the cumulative impact of various initiatives that reduce housing affordability. These include constraints on land supply, inflexible planning policies in infill areas, lengthy delay in rezoning land within the UGB and the continuing imposition of onerous building standards and requirements (e.g. rainwater tanks, solar hot water services and higher occupational health and safety standards) and excessive charges for infrastructure (including transport, water and power) which run counter to housing affordability. These initiatives must be balanced with affordability targets;
- revise the current Affordable Housing Program introduced in 2005 to achieve improvements to its efficiency and effectiveness, by reducing regulation and creating a system of incentives which allow for a driven market response to affordable housing;
- remove stamp duty and land tax payable by landowners/developers on lots allocated to qualified “affordable housing” purchasers;
- directly fund affordable, special needs and welfare housing, and not seek to abrogate this responsibility to the private sector. Funding should be drawn from general revenue and should not become a direct burden on new home buyers via the development process;
- take control of Local Council Development Plans and approval mechanisms for density increases in nominated infill locations that improve yields and provide more affordable housing;
- implement the 30 Year Plan as a priority including finalization of Regional Structure Plans and subsequent Development Plans to deliver 15 years supply of zoned and serviced land in many locations which will assist in delivering affordable housing; and
- facilitate the involvement of private developers in working with the not-for-profit sector to provide specific affordable housing, with commercial outcomes for the developers and social outcomes for the community without disturbance of the market.

Leading practice in urban regeneration for Adelaide

UDIA recognises that higher density housing in urban regeneration areas, including corridors and transit oriented

development, represents a key opportunity to facilitate both greater housing yield and the creation of mixed use communities which deliver living, working and leisure activities around accessible public transport routes.

Urban regeneration will require government support to facilitate its establishment and success as desirable urban environments. Fundamental to that success will be the provision of frequent and reliable public transport linked to places where people want to go. The creation of attractive public realms, safe walkable streets and pedestrian and cycle permeability will require direct intervention and investment by State and Local

Government. A planning regime that encourages mixed uses and higher densities and facilitates affordability is required.

Government needs to take a pro-active role in the consolidation of sites for redevelopment and must recognise in its land values the inherently higher building costs of the complex building forms typically required on mixed use and multi-storey sites. The success of these development sites will be at least partially linked to their cost competitiveness with alternative developments. This may necessitate discounting of land values by Government to initiate these projects as well as Government's support for reduced rentals to underwrite ground floor commercial development in mixed use projects, long term taxation concessions, specific and conditional grants, and guaranteed take out of affordable housing products.

The Government should:

- reform planning policies to allow for development of higher densities and heights in appropriate locations, for both large and small scale infill projects;
- streamline the development assessment process for urban regeneration areas;
- introduce legislation that, with the Governments direct assistance, enhances the private sector's ability to deliver urban regeneration of identified precincts;
- facilitate urban amenity and accessibility by investing in public realm and infrastructure, including public transport. This would include reinvesting open space contributions made to the Planning and Development Fund in the same locality from which they are collected. That way the community can benefit from the investment being made in their local area;
- remove charges that act as a disincentive to infill development and resist the imposition of new charges;
- provide conditional grants and taxation concessions to developers of public realm in support of their property development;
- facilitate the availability of attractive locations in the metropolitan area for higher density, mixed use buildings to be developed by private sector developers;
- reduce the construction cost disadvantage for buildings over two storeys by reforming building code requirements and incentivising new construction methods; and
- fund a public information campaign to break down myths and stereotypes about the negative impact of regeneration on neighbours and communities.

More certainty and faster, better decisions

UDIA recognises that an effective and efficient planning system is central to achieving economic, social and environmental outcomes for the State. A well-conceived and properly executed planning system will unleash development value and shape the sustainable future of the State.

To this end, UDIA supports the Government's Planning Improvement Project on the proviso that it does not slow down the delivery of the State Government endorsed recommendations of the 2008 Report to the then Minister for Urban Development and Planning from the Planning and Development Review Steering Committee. That said, the UDIA accepts that further changes to the existing planning system are warranted in order to remove duplication, conflict and complexity.

Planning decisions generally take far too long and can be dominated by local minority interests. Decisions should be made on the basis of solid evidence, objective assessment

and established planning rules. In addition, the complexity and volume of the State's zones should be reduced to improve consistency, efficiency and to cut down on costs imposed on the homebuyer.

South Australia's planning rules for local councils include more than 130 residential zones and more than 300 residential policy areas in Greater Adelaide, and more than 11,000 pages of zoning rules; it is a major challenge just figuring out what is actually going on! Consistency in interpretation and application of planning rules is difficult. Every Council should do its share to progress the State Government's goals.

Too often development opportunities are thwarted, compromised or delayed because of the long time it takes for land to be rezoned. The rezoning process needs to be improved. In addition, the State Government needs to remain committed to initiating and authorising rezoning proposals, as well as closely monitoring local government to ensure that local councils initiate and speedily process rezoning proposals.

The Government should:

- require fully independent membership of Development Assessment Panels (DAPs) in order to de-politicise development assessment, with members requiring Ministerial accreditation and suitable qualifications;
- provide DAP members with training to ensure the Panels are an efficient decision making body thereby minimising the need for deferrals;
- constitute Regional DAPs across the State and transfer responsibility for applications having regional impacts (with a value of greater than \$10M) to these RDAPs;
- mandate by legislation the delegation of particular categories of applications to Council staff, eliminating the delays, uncertainty and potential politicisation that results from unnecessary consideration by DAPs;
- reduce the cost and time delay for councils to resolve environment considerations of land development; ensuring the EPA provides clear advice, not opinion, to enable councils to reach a determination;
- use Ministerial Development Plan Amendments to give speedy effect to the 30 Year Plan for Greater Adelaide and to ensure consistency across the State with Development Plan Policies;
- make appropriate use of the Major Projects legislation for projects of State Significance which are unable to be assessed under existing planning policies;
- improve the planning system by:
 - ensuring DPTI carefully scrutinizes, prior to Ministerial authorisation, all Council-initiated draft DPAs to ensure policy consistency and legitimacy;
 - increasing policy consistency between Local Councils and reduce zoning complexity by accelerating and mandating the review of Development Plans, the reduction of the number of zones and policy areas, the use of template zones in order to minimise unnecessary variation in planning controls thereby enhancing the efficiency of the system;
 - introducing "deemed approval" entitlements for applications not determined within the specified timeframe;
 - continually revising and refining the rezoning process so that rezoning occurs quickly;
 - reviewing and reducing the extent of statutory referrals of development applications;
 - improving the use of private certification for Residential Code applications by providing an on-line GIS system to enable quick identification of Code compliant locations; and
 - expanding the use of planning codes to encompass a broader range of development types, thereby improving assessment efficiency.

Timely supply of suitably zoned land

In order to achieve the State Government's population and economic growth targets, without compromising housing affordability, South Australia must have a secure and readily available supply of residential and employment land offering choice in location, product and price.

Land identified in the 30 Year Plan for Greater Adelaide as being available for development within 15 years should be appropriately zoned and serviced with core infrastructure – gas, electricity,

telecommunications, major roads, water (potable and recycled), sewerage and stormwater. The 15 years zoned and serviced supply of land should be based on a rolling 5 year average take up rate.

Land development sites with residential development capacity are required in fringe and in existing urban areas. Supplies must be maintained at appropriate levels to encourage market variety and competition to maintain the State's competitive advantage of affordable living.

The Government should:

- issue an annual Housing and Employment Land Supply Program report as required by the 30 Year Plan for Greater Adelaide;
- implement the timely rezoning of urban expansion areas in accordance with the 30 Year Plan for Greater Adelaide and, at all times, ensure 15 years supply of zoned and serviced residential and employment land in a broad range of geographic locations;
- commit to fund the necessary essential infrastructure to ensure this land can be delivered to the market in accordance with the timing of anticipated future market demand;
- work closely with local government to identify and encourage redevelopment and intensification opportunities by the private sector within existing urban areas. In this regard, there are many immediate opportunities to introduce rezoning that can deliver new development opportunities in the short term;
- facilitate the assembly of key urban infill sites and fast track rezoning and the delivery of infrastructure including appropriate transport choices to those sites to create private investment in property development; and
- facilitate development opportunities for the private sector, without competing directly as a developer, except where there is compelling evidence that development would not occur by the private sector.

Key infrastructure, an essential general community asset

The provision of core infrastructure is a critical factor in the urban development and regeneration process, attracts substantial private sector investment for land releases and densification of existing suburbs that results in increased contemporary housing and increased property values. Of concern is the trend to disadvantaging new home buyers with the burden of costs for augmentation of core infrastructure that benefits the general community for generations.

At present, the typical infrastructure cost (both legislated and negotiated costs) for greenfield development in South Australia is around \$70,000 per allotment. In addition, the estimated tax burden on a house and land package (based on a package value of \$400,000) is a further \$80,000.

Physical and social core infrastructure is a necessary community asset, and not a cost to be borne by 'last on' land/dwelling owners in a specific community. This applies to both

'brownfield' development in existing urban areas (infill) as well as 'greenfield' development on fringe land to Greater Adelaide.

There is a need for the equitable, fair and proportionate sharing of funding of key infrastructure that underpins the residential development and community building in agreed growth areas. UDIA supports responsible debt-funded infrastructure investment by government, differential rates for areas with defined infrastructure needs within local councils, or use of bond schemes and conditional taxation concessions. UDIA rejects any cost shifting (e.g. through development taxes) via the development industry to the home purchaser.

The UDIA has prepared a model to provide clarity of responsibility and transparency in the determining and application of funding for infrastructure at agreed specification, scale and scope. This model also allows proportionate costs to be shared amongst the land owners / developers of a given growth area.

The Government should:

- adopt a model for infrastructure funding, as has been prepared by UDIA, which is based on the equitable sharing of costs across all beneficiaries with payment occurring over time rather than upfront to avoid negative impacts on new home affordability;
- establish a high level, independent body within State Government with the power to assess, plan, co-ordinate, fund and deliver core infrastructure to support the State's growth plans;
- budget for its contribution to roads, power, water and sewer in the current budget cycle and for the next 3-4 years of forward estimates in a rolling program of investment for both existing urban and fringe areas;
- plan and budget over the longer term to ensure the 15 years supply of land for urban development can be serviced in a timely manner;
- ensure service authorities provide infrastructure to new developments at least cost and at a price that does not disadvantage new home purchasers;
- prepare and update a public transport plan in a timely manner for each growth area identified in the 30 Year Plan for Greater Adelaide, so that appropriate transport services can be allocated to support the planned growth and new community requirements;
- plan and fund social infrastructure in association with Local Government to meet the needs and demands of the changing community; and
- accept both innovative and traditional infrastructure finance models in order to facilitate new projects.

Meeting human needs whilst not compromising our future

UDIA recognises the need for, and supports genuine sustainability in developments. This includes balancing environmental outcomes with social equity and generating economic growth. Inherent in this balance is the need to ensure that the cost of delivering genuine sustainability is shared by all beneficiaries (not just the homebuyer).

UDIA recognises the challenges presented by accelerated climate change and encourages its members in the creation of urban development capable of adapting to an acknowledged changing physical environment and to minimise greenhouse gas emissions through innovation, good design, increased efficiencies and technological advances.

These outcomes must be delivered within an economic and regulatory framework that provides

certainty for investors and ensures affordability for current and future generations.

UDIA recognises that change in practices to achieve sustainable environmental development is a shared responsibility between government, industry and the community. Whilst industry can provide leadership, it is government policy and legislation and community commitment which will have the most impact.

Contemporary housing environments require energy minimisation and materials recycling, as well as conservation of materials, native species and natural environments. Such practices require Government support with direct services and reduced 'red tape' in administration practices, and environmentally sensitive and innovative techniques by property developers.

The Government should:

- develop policy on sustainability and climate change which:
 - provides certainty to investors and developers over the long term;
 - recognises that economic, social and environmental factors must be balanced, and that economic viability of a project is necessary for a development to occur;
 - avoids administrative burdens imposed on the development industry for little or no gain;
 - promotes policies that make a tangible, demonstrable and significant improvement to environmental outcomes;
 - provides clarity regarding the sometimes conflicting priorities of housing affordability and sustainability; and
 - is a whole of Government approach that does not send mixed messages to the community or the industry;
- identify and create incentives, in association with the development industry, that can assist developers in delivering sustainable outcomes until the market value of sustainability is realised by appreciative buyers;
- facilitate education programs to improve consumers' understanding of sustainable living practices;
- assist the industry to develop innovative practices to achieve sustainable outcomes; and
- seek EnviroDevelopment accreditation for all relevant urban projects facilitated by Government, and promote use of EnviroDevelopment as a project planning tool.

A taxation system that allows South Australian housing to be competitive

The tax system is the cornerstone of the Australian economy and the foundation from which the country is governed. Its design is critical to the performance of the economy in general, impacting on overall investment, investment between asset classes, incomes of businesses, households and individuals.

UDIA believes that Australia has too many taxes relating to property development - land and housing - and too many complicated ways of delivering multiple policy objectives through the tax system. At a State level many key taxes are too narrowly based and those applied to housing generally fail badly on the key principles of good tax policy – simplicity, certainty, equity, neutrality and efficiency.

State Government is highly reliant on property related taxes (more than 11% of all State Government revenue), many of which have a negative impact on development activity and economic growth generally. Such revenue is highly volatile and detrimental to State budget planning.

The tax system has major impacts on housing supply, housing affordability and hence the ability

of the community to access shelter. The tax burden on new housing has grown substantially over the past decade to around 30% of the value of the house and there exists an inequitable treatment of new housing compared to existing housing.

Taxes applied to property transactions are a disincentive to the sale and purchase of property. This discourages the sale and purchase of houses restricting the ability for people to change their place of residence as their personal circumstances change.

As a general principle, government needs to ensure has a broad tax base which is inter-generationally and geographically fair, and provides significantly greater transparency in both its collection of taxes and the usage of taxpayers' funds.

There is a need to reposition South Australia as an attractive place in which to invest and live, giving the State a competitive advantage over other states. South Australia must be known as a low, and most importantly, fair tax state in which to do business.

The Government should:

- reduce stamp duty across the board to stimulate the housing market. Ultimately stamp duty should be abolished with this revenue being replaced with a broad based tax, either a land tax on all property based on value or an increase to the GST rate;
- continue stamp duty relief for off the plan dwellings in the CBD and nearby areas and extend this scheme to the whole state to support the delivery of the 30 Year Plan objectives;
- reintroduce land tax exemptions for land held by developers. That is, land that is zoned residential and undeveloped to the extent of not yet having development approval for a building, and allotments that remain unsold to a non-developer buyer, should be exempt from land tax for three years; and
- reinvest open space contributions made to the Planning and Development Fund in the same Local Government Area from which they are collected. That way the community can benefit from the investment being made in their local area.

Effective and efficient planning for community development

UDIA recognises the important role that Councils play in setting a vision for the future of their communities, providing and maintaining local infrastructure and services, and setting and/or implementing a significant proportion of the

regulatory environment within which investment and development occur.

Councils should be effective and efficient in planning, constructing and maintaining community development facilities in line with the interests of the State as well as their local community interests.

The Government should:

- ensure Local Councillors are focussed on setting strategy and policy, giving Council staff responsibility and accountability for delivery of these policies and for making decisions in accordance with them;
- make Councils subject to legislative and policy requirements which ensure that their decisions are aligned with, and reflect, State policy directions;
- require Councils to report annually to the Minister, in a simple format, within the context of their Strategic Management Plan highlighting achievements and proposals relating to urban development;
- ensure Councils address urban development opportunities in their strategic and budget planning to support economic growth for their communities;
- require fully independent membership of Development Assessment Panels (DAP) in order to depoliticise development assessment, with members requiring Ministerial accreditation and suitable qualifications;
- provide DAP members with training to ensure the Panels are an efficient decision making body thereby minimising the need for deferrals;
- take leadership in the co-ordination of core infrastructure provision and provide funding where the infrastructure has benefits beyond the immediate local area;
- ensure that costs of Council infrastructure and services are shared equitably across all current and potential future user groups, both geographic and temporal – in particular, by requiring Councils to employ rating and other funding mechanisms to support infrastructure delivery rather than relying on contributions from developers which in turn adversely affects housing affordability;
- improve efficiency in the delivery of services and infrastructure through using shared services, regional solutions and improved economies of scale; and.
- engage with Local Councils in support of economic growth opportunities for the state.



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