ABOUT THE UDIA

The Urban Development Institute of Australia (UDIA) is a national not-for-profit organisation representing the property development industry. The role of UDIA (Qld) is to assist our members to deliver thriving communities. We do this through thought leadership, advocacy and research.
The UDIA (Qld) welcomes the opportunity to provide this pre-budget submission to the Queensland Government.

The role of the property development industry in driving growth and jobs cannot be understated. UDIA (Qld) research reveals that Queensland’s property development industry typically ranks as the fourth largest contributor to Gross State Product (GSP) and jobs. Approximately one in ten Queensland workers is employed in property development and many more jobs are indirectly created and sustained from property development. For every $1 million dollars in turnover generated by Queensland’s development industry, three direct full time equivalent jobs are created and sustained.¹ Not only is the continued health of the property development industry important for growth and jobs, it is essential for generating the revenue required to deliver community services and build productivity enhancing infrastructure.

It is well known that the Queensland economy is currently facing some challenges. The mining investment and commodities boom which has supported Government revenues and individual incomes is waning. It is likely that further reductions in mining investment will continue to create headwinds for economic growth, employment, and State Government revenue over the coming years.

More than ever, Queensland’s future economic prosperity and the subsequent sustainability of State budgets will depend on our ability to boost productivity, growth and employment in the non-mining sectors of the economy. Rising activity in development and new home construction activity has done much of the heavy lifting in the Queensland economy over the last year, with new residential construction making positive contributions to employment and economic growth. In 2014, the number of dwellings commencing construction in Queensland was at a six year high. However despite a good year overall, continued growth is not assured as some of the underlying constraints and barriers which have held back the full potential of the development industry in the past remain in place.

In 2014 the UDIA (Qld) launched a Research Foundation. The Research Foundation delivers an annual program of industry, economic and consumer research. One of the outputs of the Foundation – the Industry Insights report, prepared by the National Property Research Company - revealed that positive dwelling approval statistics and sentiment are masking considerable weaknesses in some local government areas. The State’s multi speed economy has meant regions highly leveraged to the mining sector such as Mackay have suffered considerably in the past six to twelve months. The report indicates that this trend is expected to continue throughout 2015 unless major new projects or government infrastructure gets the green light to boost confidence.

and growth. Townsville is also experiencing subdued activity and low confidence, in part driven by the stubbornly high unemployment rate, which is also holding back the pace of recovery in other locations such as Cairns and the Fraser Coast.

If this 2015-16 budget is successful in delivering on the Government’s top priority - jobs - it must include measures that encourage continued investment in new housing and help bring forward the development of new employment centres throughout Queensland.

After consulting with our membership, we respectfully urge the Government to consider adopting the five critical actions detailed in this pre-budget submission as a means of creating more jobs, more growth and more diverse and affordable housing for Queenslanders.

With the right policy settings, a thriving and sustainable property development industry can create more jobs, more growth and more diverse and affordable housing for Queenslanders.
FIVE CRITICAL ACTIONS TO CREATE JOBS AND DELIVER THRIVING COMMUNITIES

1. Pass new Planning Bills and allocate implementation funding to support transition

2. Fast track the production of a funded State Infrastructure Plan and increase investment in catalyst urban infrastructure

3. Accelerate the sale of surplus government land and reinvest the proceeds into infrastructure

4. Provide financial rewards to local governments to innovate and reform planning and development processes

5. Do not increase taxes nor charges and retain the Great Start Grant and existing tax concessions
While planning reform per se does not have a direct impact on outlays or receipts – it does influence the structural position of the Queensland State Budget in the medium and long term. A more efficient planning system means more housing and therefore increased jobs and tax receipts. More jobs generate spending in the economy, which in turn, increases Gross State Product. In addition, a planning system that delivers more diverse and affordable housing means households are devoting less of their incomes to rents or servicing a mortgage and more to savings and spending.

The Planning and Development Bill (PD Bill) that lapsed in the last Parliament includes sensible reforms premised on robust planning principles with the potential to deliver increased job creation, growth and diverse and affordable housing for all Queenslanders. Further, the PD Bill has the potential to deliver an improved planning culture, better planning schemes and improved planning and development outcomes to meet community expectations.

The UDIA (Qld) and many other stakeholders were involved in more than two years of positive and robust discussions with the Department on the topic of planning reform. Early in this engagement it became clear that the range and scale of the changes needed to existing legislation were such that tinkering with existing legislation would be ineffective. Brand new planning legislation is required and this realisation led to two years of work on drafts of the Bill by dedicated public servants and volunteers from local government, the development industry and professions.
The UDIA (Qld) therefore calls for new Planning Bills to be introduced into Parliament and passed as a matter of urgency.

We understand that reforms such as this come with transition costs and that some local governments have expressed concerns about the cost of implementing a new framework. We believe that any transition costs would be small relative to the considerable benefits to growth and job creation that reform offers. With support from the State Government, existing planning schemes and development assessment systems can be more easily transitioned to the new framework.

The UDIA (Qld) therefore recommends that the State Government allocate funding in the Budget to assist in the implementation and transition to new planning legislation.

This funding should be allocated to the Department of Infrastructure, Local Government and Planning (DILGP) for the purposes of:

- Delivering a comprehensive professional training and support program to drive cultural change and to assist Local and State Government employees in understanding the new legislation.

- Reviewing existing local government planning schemes and assisting Local Government in preparing a package of amendments for conversion of Sustainable Planning Act schemes.

- Providing direct financial support to Local Government to cover the cost of any necessary systems upgrades.
INCREASED INVESTMENT IN URBAN INFRASTRUCTURE

Urban infrastructure provides the fundamental framework that allows modern societies to operate, underpinning both economic productivity and the quality of life in our cities and regions. Providing fit-for-purpose infrastructure to new areas as our communities grow is particularly important, to ensure that there is a ready and timely supply of affordable land suitable for new housing and employment centres.

A lack of funding for key urban infrastructure, is one of the most often cited reasons why local governments do not rezone land and for delays to or abandonment of development projects. Infrastructure investment that unlocks land cannot and should not always be paid for by the private sector particularly when infrastructure delivers benefits far beyond an individual development to downstream developers, as well as to the wider community and future generations. Too often, development activity is stopped or delayed because of protracted negotiations with State and local governments around the timely provision of urban infrastructure.

The UDIA (Qld) congratulates the Queensland Government for establishing a series of infrastructure funds as part of the Building Our Regions program and for other recent infrastructure funding announcements such as the Coomera interchange upgrade. However more investment is needed.

The provision of key urban infrastructure has not kept up with underlying demand in Queensland, resulting in an ‘infrastructure gap’, lost productivity and foregone economic activity and jobs. **Increased spending on urban infrastructure is required in the 2015-16 budget year and across the forward estimates to support jobs growth and facilitate the supply of diverse and affordable housing.**

The UDIA (Qld) notes that the State Government has committed to releasing a State Infrastructure Plan by February 2016. **The State Infrastructure Plan must identify the infrastructure items necessary for future growth, align with Regional Plans, clearly identify timeframes for delivery, and include details of funding sources.**

A clear plan and funding model for infrastructure will reduce uncertainty and boost confidence so that the industry can deliver development projects sooner. With continued health of the industry not assured beyond 2015, the industry needs certainty and a boost to confidence as soon as possible.

**The UDIA (Qld) therefore urges the Government to allocate sufficient funding to the Department of Infrastructure, Local Government and Planning and Building Queensland in the 2015-16 Budget to fast track the completion of a funded State Infrastructure Plan.**

In addition to large scale job creating infrastructure projects (such as Stage 2 of the Gold Coast
light rail, upgrades to the North Coast Rail and highway upgrades), investment in smaller scale catalyst urban infrastructure is critical to unlock land suitable for development and create jobs. Smaller scale investments in local water, sewerage, stormwater, power, public transport, roads and community facilities can often deliver very high returns relative to their costs.

For this reason, the UDIA (Qld) supported the premise of the Priority Development Infrastructure (PDI) co-investment program that was established in 2014. The PDI co-investment program, whereby the State partners with councils and industry to fund catalyst infrastructure projects has the potential to boost economic growth, create jobs and deliver increased tax revenues. The PDI co-investment program also facilitates the supply of more affordable housing by requiring participating local governments to levy local infrastructure charges at or below the State Government Fair Value Charges Schedule. State Government incentives for local governments to reduce fees and charges in regional Queensland are particularly important because the same dollar charge outside Brisbane impacts project feasibilities and affordability to a greater degree than in Brisbane due the lower price points in regional areas (on average) for new dwellings as well as the lower average incomes of residents.

The UDIA (Qld) urges the State Government to allocate funding in the 2015-16 Budget to allow the PDI program to continue and deliver some refinements to the operation of the program that will encourage greater participation from local governments.

Specifically, the UDIA (Qld) calls on the State Government to dedicate $250m each year over the budget horizon to the PDI co-investment program.

By bringing forward development and boosting supply, this program will produce future revenue benefits to the Government. The UDIA (Qld) has twelve regional branches right across Queensland with grass roots knowledge of the local areas and the infrastructure deficits that are holding up development. Our members across Queensland, along with local governments, are well placed to assist the State Government in identifying eligible projects that will drive growth and jobs.

Some refinements to the operation of the existing PDI co-investment program are required, however, to encourage more local governments to participate. Some of these refinements ought to include:

- That participating local governments are guaranteed a minimum level of annual funding with that minimum exceeding the estimated foregone revenue from reduced infrastructure charges; and
- That co-invested funds not be treated purely as loans and do not require repayment.
The State Government should only hold land if its ownership is strategic or essential to delivering services.

A focus on identifying and disposing of surplus land is particularly important in the current fiscal environment. With the Government commitment to not increase taxes and to retain income producing state owned assets, the disposal of surplus land represents an important source of funds for investment in new infrastructure. The sale of surplus land also helps reduce the Governments operating expenditures on maintenance of those assets.

The UDIA (Qld) calls on the Government to retain the Government Land and Asset Management (GLAM) unit within the Department of Infrastructure, Local Government and Planning and budget for an acceleration of land disposal.

Further, additional revenue generated from accelerating the sale of surplus land ought to be quarantined in the budget and dedicated to new productivity enhancing infrastructure projects.

A whole-of-government approach to land management and land use is essential. Tasking individual Departments to nominate land that they believe is surplus is ineffective as they may lack the incentives or expertise to do so. A central unit such as GLAM can play an important role to ensure that the onus of proof is reversed, that is, Departments are required to demonstrate why their land holdings are strategic or necessary for service delivery.

A further benefit from accelerating the disposal of surplus land is that it will make a meaningful boost to land supply in well located areas in our cities and towns, improve housing affordability and stimulate economic activity and job creation.
Local governments can have dramatically different local planning and development systems and process and very different regulatory approaches and codes within their local planning schemes. Sometimes differences are warranted, however the UDIA (Qld) believe that there can be a resistance to implement change, pilot new innovative approaches or replicate practices and processes that have been demonstrated to be successful elsewhere in Queensland or interstate.

The South East Queensland Council of Mayors, the State Government and industry have done a lot of work over recent years trying to encourage adoption of best practice and new initiatives. The UDIA (Qld) believes this process has had limited success.

The UDIA (Qld) recommend that the State Government establish a Local Government Planning Reform Fund that financially rewards local governments that innovate, adopt best practice, or agree to trial new initiatives. Such financial rewards are necessary to overcome the factors that historically resulted in a resistance to change.

Examples of initiatives that could attract State reward funding might include:

- The collection of infrastructure charges at settlement rather than at plan sealing (to assist cash flow and project viability)
- Adoption of SealSMART (or similar) that has proven to be successful at Brisbane City Council
- Implementing self-certification of operational works
- Adoption of model planning scheme codes developed or endorsed by the State Government
- Adoption of fit-for-purpose infrastructure design standards developed or endorsed by the State Government
- Meeting minimum targets for the percentage of development applications that are code assessable (rather than impact assessable)
- Meeting DA timeframe targets set by the State Government
- Encouraging and facilitating innovative and cost effective waste water or storm water solutions.

Encouraging reform at the local government level will help support the State to achieve an efficient and effective planning system and in driving growth, housing affordability and job creation. The resulting additional economic activity will pay dividends to the State in the form of increased tax revenue.
Excessive taxes and charges impact housing supply by rendering many developments financially unviable. More importantly, excessive taxes seriously reduce the supply and diversity of housing and damage housing affordability.

Sadly, home ownership remains well out of reach of many Queenslanders as a result of high levels of taxes and charges on new housing and regulatory constraints on supply. Taxes and charges levied by each level of government (including indirect costs associated with planning delays and restrictive zoning practices) can amount to a staggering 36 per cent of a typical house and land package.  

For these reasons, the UDIA (Qld) welcomes the State Governments’ commitment to “no new or increased taxes, fees or charges.”

In addition to this commitment, the UDIA (Qld) calls on the State Government to retain the Great Start Grant and ensure that it is indexed annually to changes in median house prices.

The UDIA (Qld) suggests that the Great Start Grant can be characterised as a form of tax rebate for first time buyers given the myriad of other taxes and charges built into the price of new property such as local government infrastructure charges.

Higher property taxes, removal of the Great Start Grant or winding back of tax concessions will destroy jobs, reduce growth, deter investment into Queensland, generate a housing supply shortfall, push up rents in the established property market, and make it even harder for young Queenslanders to realise the dream of owning a new home.

Whilst the Great State Grant may have had a slow start after it was introduced, it must be recognised that its introduction coincided with a period of low consumer confidence, uncertainty with regards to the labour market outlook and historically low first home buyer activity across Australia. In the past twelve months however, dwelling commencements have increased and first home buyers have been a part of that recovery in the new home market (as evidenced by Australian Bureau of Statistics lending data and increased applications for the Great Start Grant). The Great Start Grant is clearly helping boost housing supply by ensuring that new housing is a relatively more affordable option for first home buyers. Further, removal of the Great Start Grant would reduce Queensland’s ability to attract young interstate migrants. Interstate migration is already low and trending downwards with just 5,942 net interstate migrants coming to Queensland in the year to September 2014. Historically interstate

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migration has been an important source of economic growth for Queensland with an average 25,000 interstate migrants coming to Queensland each year over the past 30 years.\textsuperscript{3}

In relation tax concessions, the Land Valuations Act 2010 contains a number of important concessions including reduced valuations in situations where a developer owns land but where farming activity is occurring; and concessions on valuations for lots that have been subdivided but not yet developed. These concessions are absolutely critical in reducing the substantial holding costs for developers on development stock in trade. Removing or tightening these concessional arrangements would effectively amount to a tax increase and impact job creation and growth in Queensland.

The UDIA (Qld) therefore calls on the State Government to retain the concessions contained in sections 45 to 51 of the Land Valuations Act 2010.

Nationally, the UDIA is advocating for bold tax reform to be delivered through the Tax White Paper Process established by the Federal Government. Australia’s and Queensland’s tax systems are outdated, complex, inefficient and a drag on the nation’s productivity and jobs growth. The UDIA (Qld) urges the State Government to work closely with the Commonwealth to ensure that tax reform becomes a reality and inefficient taxes such as stamp duties are replaced with more efficient broad based taxes over time.