Queensland communities are entitled to a diverse range of land and housing choices that are affordable for Queenslanders at all income levels. This advocacy document contains critical actions that if delivered in the next term of Government will deliver prosperity, more jobs, a fair go for young Queenslanders and, most importantly, better communities. On a more general level, this document seeks ongoing confirmation that the construction and development industry will remain a focus for the Government of Queensland moving forward.

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. Queensland’s property development industry is the fourth largest contributor to Gross State Product (GSP) and jobs, therefore overall job creation and growth is dependent on this industry. Prior to the Global Financial Crisis the industry was the second largest contributor to GSP and jobs.

In the last three years there has been considerable change to policy that has gone some way to assist our members in delivering affordable and diverse communities.

Planning reform and cuts to red and green tape have delivered real improvements and are applauded. It is important to continue this reform effort in the next term of Government to ensure that the property development industry can continue to build better communities and drive economic growth and job creation.

The Urban Development Institute of Australia (Qld) (‘the Institute’) recently consulted with its members across our 12 regional Queensland branches. We sought our members’ feedback on policy changes delivered in the current term of Government and their preferred priorities for reform in the next term of Government. Planning Reforms such as the Single Assessment and Referral Agency (SARA) were identified by our members as deserving praise. Members identified environmental offsets policy (particularly South-East Queensland respondents) and infrastructure charging (particularly respondents from Regional Queensland) as areas that require further reforms in the next term of Government. Overall, increased infrastructure funding and investment was a standout priority for the next term of Government across our membership, especially amongst respondents from regional Queensland.

All elected members of Parliament with an interest in building better communities and a fair go for young Queenslanders are urged to consider the action items outlined in this document. The Institute will continue to work hard with all parties to ensure the development and construction industry remains a priority.

Brett Gillan
UDIA (Qld) President

Marina Vit
UDIA (Qld) CEO
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, research and informative events.

POLICIES

1. Increased Land Supply and Infrastructure
2. Fair Taxes and Charges
3. Better Planning
Residential land prices in Queensland have soared 196% in Queensland in the last fifteen years.1 Sadly, for too many young Queenslanders, this has put buying a new home out of reach. Regulatory constraints on land supply have undoubtedly played a part.

In order to achieve the Queensland Government’s population growth targets, without adverse consequences for land and housing affordability, there must be a readily available supply of residential and employment generating land that is free of constraints that offers buyers choice in location, product and price.

The Institute acknowledges and welcomes the State Government’s efforts in unlocking development through:

• The declaration of numerous Priority Development Areas (PDAs) and the funding of some urban infrastructure in PDAs
• The Royalties for Regions program
• The divestment of surplus government land
• The establishment of the Priority Development Infrastructure (PDI) co-investment fund.

In addition, we welcome the commitment to further infrastructure investment through the proposed Strong Choices Investment Program.

This is an excellent start. It is critical that more work be done on increasing and unlocking land supply.

LAND SUPPLY AND REGIONAL PLANS

The amount of greenfield land currently identified in the South East Queensland Regional Plan (SEQRP) needs to be significantly expanded. The SEQRP must identify significantly more land than is projected to be required to accommodate population growth. This will allow for more competition and reduces the risk of localised land shortages if settlement patterns do not occur as predicted. Further, it also protects against the risk that land supply can be easily overestimated by Government, both in terms of the net quantity available and the achievable density. Estimates of the potential dwellings that can be delivered from identified land in the past have not properly taken into account the overlays, fractured ownership and other constraints in local planning schemes and development assessment processes.

Identifying additional land in Regional Plans (RPs) is not of itself sufficient. RPs in Queensland have historically not provided the support needed to bring forward growth areas and have typically relied on local governments to amend their planning schemes accordingly. This process has been cumbersome, slow, uncoordinated, and ineffective and has generally resulted in areas that have been identified as suitable for long term growth typically taking between seven and ten years to resolve the planning process and get houses on the ground. RPs must therefore be accompanied by other policy initiatives across Government to ensure land identified as suitable for urban development can be unlocked in a timely manner. The Institute acknowledges efforts during this term of Government to improve land supply and the speed with which it can be brought to market. Further improvements are required and ensuring that land can be brought to market in a timely way ought to remain a priority in the next term of Government.

THE STATE GOVERNMENT SHOULD:

• Ensure that there is a rolling stock of appropriately zoned land available for urban development. This can be achieved by mandating local governments to amend planning schemes frequently to ensure that at any point in time there is at least 10 years supply of zoned residential and employment generating land immediately available for development in a broad range of geographic locations.

• Ensure that the upcoming revised SEQRP identifies at least double the amount of greenfield land needed to accommodate population growth up to 2041.

• Abolish the overriding needs test in the SEQRP regulatory provisions that make it almost impossible for development proposals outside the urban footprint to occur. Development proposals outside of the urban footprint should instead be assessed on their merits against achievable but rigorous policy criteria.

• Facilitate development opportunities through continual identification of PDAs.

• Facilitate redevelopment of ageing and uneconomic apartment blocks by amending the Body Corporate and Community Management Act to allow for the termination of body corporate schemes where no more than 25 per cent of lot owners object. This is the approach being pursued by the NSW State Government to facilitate the redevelopment of ageing and uneconomic buildings.

TIMELY PROVISION OF INFRASTRUCTURE

One critical and necessary ingredient for unlocking land for development is infrastructure. In the past, developments in designated new growth areas have often been delayed because of protracted negotiations with state and local governments for the timely provision of urban infrastructure.

The Institute acknowledges and welcomes the State Government’s existing commitments to fund urban infrastructure. However urban infrastructure deserves further attention due to its critical importance for the productivity of our cities and the significant economic and social benefits it delivers.

Following consultation with the Institute’s members, increased infrastructure funding and investment was identified as a standout priority for the next term of Government, especially amongst respondents from regional Queensland.

THE STATE GOVERNMENT SHOULD:

• Increase its commitment to fund essential urban infrastructure to ensure that land can be delivered to the market in accordance with the timing of anticipated future market demand.

• Re-design the Priority Development Infrastructure Co-Investment Fund such that:
  - Co-invested funds are not treated as loans and do not require repayment.
  - The fund receives annual top ups after the initial $500m allocation has been expended.
Young Queenslanders would be forgiven for feeling hard done by. Thirty years ago land was plentiful and affordable. Those who purchased land and built their family home thirty years ago have seen the value of their asset (on average) grow at a faster rate than average incomes. This is good for them, but not necessarily for the current and next generation that aspire to build or buy a new home.

Contributing to the intergenerational inequity is the upward creep over the last 20 years of upfront taxes and charges from every level of Government. Such a burden is unfair on young Queenslanders. 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, equity and efficiency*.

Excessive taxes and charges impact on housing supply by rendering many developments financially unviable. More importantly, excessive taxes seriously reduce the supply and diversity of housing as well as damage housing affordability. This results in a significant section of the community being priced out of new home ownership as well as the private rental market.

There exists an inequitable treatment of new housing compared to existing housing. As much as 36 per cent of the final cost of a new home is estimated to be attributable to taxes and charges (including hidden charges resulting from unnecessary planning delays).

**STAMP DUTY ON VACANT LAND AND NEW DWELLINGS**

Of all the taxes and charges levied on housing, it is widely accepted that stamp duties are the most inefficient and damaging. Being a significant upfront cost in the purchase of a property, stamp duties reduce investor activity and they discourage people from moving house. Being a tax on mobility, the result is that people stay in homes that don’t meet their needs, leading to an inefficient use of the housing stock and higher prices.

The Institute understands that the State Government simply cannot afford to abolish stamp duty entirely on residential property in the absence of tax reform at the Commonwealth level. There is scope, however, for tax reform at the State level that would result in a reduced reliance on stamp duty.

Phasing out stamp duty gradually (over say 10 years or more) is affordable if other elements of the tax base are broadened. To maximise the economic and social benefits of phasing out stamp duty, the process ought to begin with a focus on reducing the burden on affordable housing and also newly constructed housing as there is an inequitable tax and regulatory treatment of new housing compared to existing housing.

**THE STATE GOVERNMENT SHOULD:**

- Gradually reduce its reliance on inefficient stamp duties in favour of broad based, efficient taxes
- Advocate for a broadening of the GST base with part of the proceeds to assist the State in phasing out stamp duty.

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INFRASTRUCTURE CHARGES

The provision of core infrastructure (i.e. water, sewer, roads, and parklands) is a critical ingredient in the urban development and regeneration process. At present, an infrastructure charge can be levied by a local government for as much as $28,000 for a typical dwelling of three bedrooms or more. This is in addition to the cost of infrastructure that is internal to a new development (non-trunk infrastructure). This places Queensland at a competitive disadvantage to other jurisdictions such as Victoria where charges are significantly lower in most cases. This is particularly true for greenfield development outside of the Melbourne Metropolitan area (approximately $18,000 per dwelling including water and sewer) and infill residential development (approximately $6,500 per dwelling including water and sewer).

Physical and social core infrastructure is a necessary community asset, and not a cost to be entirely borne by a newly arrived member of a community.

In particular, lower charges are required in regional Queensland (where charges represent a significant percentage of land values) and for infill development if the ambitions of The Queensland Plan are to be realised.

Incentivising infill development through lower charges can also be justified on the basis that infill development can be more challenging to deliver due to the need to deal with the impacts and concerns of existing residents.

The current State Government delivered some positive changes to the infrastructure charging framework in 2014 resulting in increased certainty and lower costs in some cases. The State Government developed what is referred to as a ‘fair value charges’ schedule. These fair value charges are calculated based on what it ought to cost local government to deliver the infrastructure that is essential for development. Fair value charges are typically 10 per cent below the legislated maximum charge for residential developments. If local government signs onto the fair value schedule of charges they become eligible for State Government co-investment in catalytic infrastructure in their local area. The Institute has been advocating for all local governments to participate in this program, however many of the large and high growth local governments across Queensland have not yet signed on to the fair value charges schedule.

THE STATE GOVERNMENT SHOULD:

• Mandate fair value infrastructure charges if, by 1 January 2016, there continues to be limited take up by local governments

• Freeze maximum infrastructure charges and fair value charges at current levels for a number of years until such time that they represent approximately 50 per cent of the efficient cost of infrastructure essential for development

• Reinstate annual State Government infrastructure subsidies to local government to provide greater scope for local governments to charge significantly below fair value charge rates

• Amend legislation to mandate that local government provide developers with the option of electing to pay infrastructure charges at the time of settlement rather than at plan sealing. This will increase the viability of development by assisting with cash flow and reducing funding costs.
INFRASTRUCTURE DESIGN STANDARDS

A critical determinant of the upfront cost of development and charges levied by local government are the mandatory design standards of development infrastructure. The creation of the essential infrastructure list and fair value charges schedule was an excellent body of work by the State Government and a natural extension of this work ought to involve a review of design standards.

New home buyers are increasingly being burdened with the cost of infrastructure (trunk and non-trunk) that is over-specified. The required standard of design and build quality for local infrastructure (trunk and non-trunk) being imposed through local government planning schemes as a condition of development is frequently at a level that far exceeds essential and ‘fit for purpose’ performance requirements.

Requirements such as minimum footpath widths, sewer pipe dimensions or stormwater quality standards can inexplicably vary between local governments, sometimes even between those that share a boundary. The Institute is of the view that the State needs to clearly articulate its expectations regarding what it sees as essential and ‘fit for purpose’ infrastructure standards.

THE STATE GOVERNMENT SHOULD:

• Develop a guideline specifying mandatory maximum design specifications for infrastructure (trunk and non-trunk). If infrastructure specifications required by a local planning scheme exceed those detailed in the guideline, the additional cost ought to be borne by the local government and not the new home buyer.

PLANNING AND DEVELOPMENT FEES AND CHARGES

Local governments are increasingly relying on planning and development fees and charges for revenue. An analysis of Australian Bureau of Statistics Government Finance data reveals that fees and charges have been increasing as a share of all local government revenue for many years and this has serious implications for development costs, housing affordability and adds to intergenerational inequity.

The various planning and development fees such as lodgement fees and operational works fees vary wildly between local governments and often appear to be in breach of legislative requirements (that fees are not permitted to be in excess of cost recovery). Take for example a 145 lot residential subdivision. In one particular local government area, this development would attract an operational works fee that is equivalent to $2,372 per lot. In another local government area, the same development would attract an operational works fee of $393 per lot. A fee of $2,372 per lot is excessive, impacts on project viability and affordability and appears to be in breach of legislative requirements in relation to cost recovery. During consultation with the Institute’s members, the view was expressed that current planning and development fees and charges are excessive and unfair.

Greater efficiency, equity and transparency in the levying of planning and development fees and charges is sorely needed.
THE STATE GOVERNMENT SHOULD:

• Conduct an immediate audit and publish a cross-comparison of planning and development fees and charges levied by all local governments

• Commission independent economic modelling to determine the efficient cost of providing planning and development assessment services

• Introduce a regulation setting a maximum allowable charge for all local government’s planning and development fees and charges, with those maximum rates informed by modelling of the efficient cost of providing planning and development assessment services.
A planning system that is efficient and effective is vital to the successful operation of the Queensland property development industry and its capacity to build better communities.

The Institute acknowledges and applauds the State Government’s planning reforms such as the establishment of the Single Assessment and Referral Agency (SARA) and single State Planning Policy. The industry is also very supportive of the Government’s plans to repeal the Sustainable Planning Act (SPA) and replace it with new planning legislation. The draft Planning and Development Bill that has been released represents an improvement on the SPA.

STATE GOVERNMENT ROLE IN PLANNING AND DEVELOPMENT

Local planning schemes are where the ‘rubber hits the road’ for the development industry. With some exceptions, local planning schemes across Queensland have become unnecessarily complex over recent years and do not encourage performance-based planning.

The Institute congratulates the State Government for incorporating into the new single state planning policy State interests articulating the importance of liveable communities, housing supply, housing diversity and economic growth.

The State Government must, however, play a stronger role in ensuring that local planning schemes deliver on State Interests, the intent of planning legislation, as well as the broader interests of the wider community, the economy and the next generation of home buyers. If this does not occur, State Government efforts in reforming planning and facilitating prosperity could be undermined by poor policy settings at a local level.

THE STATE GOVERNMENT SHOULD:

- Pass the Planning and Development Bill
- Increase the resources and expertise in the Department of State Development, Infrastructure and Planning (DSDIP) to allow for a more thorough State Interest check of local planning schemes, including interrogation of planning scheme policies and mapping attached to planning schemes
- Following amendments to Regional Plans and State Planning Policies, mandate local governments to amend their planning schemes within 12 months to reflect these changes. If a local government believes amendments are not required, a statement to that effect must be made
- Provide additional resources and expertise to local governments and assist them in transitioning SPA schemes to new Planning and Development Act schemes
- Produce guidelines clearly outlining what the State sees as appropriate assessment streams for different development types. Reward funding or grants should be made available to local government to encourage adoption of these guidelines
- Produce model schemes, zone codes and other development codes and provide reward funding or grants to local government to encourage their adoption
- Cut the number of referral triggers by a further 20 per cent and simplify all remaining triggers
- Publicly release the findings of the Local Government Planning Healthcheck for each individual local government.
The Institute acknowledges that the new environmental offsets framework introduced by the current Queensland Government in July 2014 delivers reduced green tape through the consolidation of five State offset policies and the provision of additional flexibility for proponents when considering offset delivery options.

It is important that offsets policies strike a balance between economic and environmental considerations and do not unfairly burden new home buyers. Even with the recent reforms, it would not be unusual for the combination of offsetting requirements at different levels of Government to add more than $15,000 to the cost of delivering a house and land package in Queensland.

Despite some further improvements to the Offsets Framework in the second half of 2014, the Institute remains particularly concerned about duplication in the assessment of environmental matters between the Commonwealth and state or local governments as well as the costs associated with the proliferation of local government offsets policies.

The State Government offsets framework ought to be the one and only offsets policy in place in Queensland in urban areas and that there should be no further offset requirements imposed through local government planning schemes in areas zoned urban or within the urban footprint in a regional plan.

The incremental creep of new and more onerous offset policies at the local government level unnecessarily impact on housing affordability. If a local government believes that a local environmental value is not adequately protected by the State, they have many tools available to them to protect that value without having to resort to imposing more costs onto new home buyers.

The costs (including time costs and risk) associated with local government offsets policies feed through to higher land prices for buyers, despite the fact that broader conservation values and outcomes are enjoyed by the entire community.

THE STATE GOVERNMENT SHOULD:

- Ensure that State Government environmental offsets framework is the one and only offsets policy in place in Queensland. Local governments must be specifically precluded by State legislation from imposing their own offsetting requirements
- That the Environmental Offsets Act 2014 be amended to ensure that an environmental matter cannot be subject to a state or local government offset assessment when the matter has already been referred to the Commonwealth and assessed as ‘not a controlled action’
- That a comprehensive external review of the financial offsets calculator occurs. The existing offsets calculator produces excessive and often commercially unfeasible results, despite some recent refinements in response to industry concerns
CLIMATE CHANGE AND OTHER GREEN TAPE

The Institute acknowledges and applauds the efforts of the current Queensland Government in cutting green tape, for example, by removing the mandatory requirement for water tanks in new developments and reducing environmental approval timeframes.

A further area of green tape reduction that is sorely needed is in relation to planning responses to climate change.

Local governments are taking significantly different approaches to planning for climate change that are often heavy handed. Too often Queensland’s development rights are being taken away, based on imprecise, uncertain and extreme assumptions about predicted sea level rises up to 100 years into the future.

The State Government needs to clearly articulate its expectations in planning for climate change.

THE STATE GOVERNMENT SHOULD:

• Develop a detailed state-wide guideline articulating an ‘upper limit’ to local government climate change planning responses. This guideline must ensure that development rights in existing urban areas are protected
• Ensure that urban areas (areas zoned urban or identified as available for urban development in a regional plan) be exempted from requirements imposed by the State Protected Plants framework
• Ensure that an efficient process be established, whereby proponents can seek to have environmental mapping (e.g. vegetation, natural hazards) amended when there is unequivocal evidence that the mapping is inaccurate. This process should not require proponents to produce lengthy and costly surveys and reports, nor require formal amendments to planning schemes.