

SELECT COMMITTEE ON HOUSING AFFORDABILITY SUBMISSION

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Executive Summary

Housing affordability throughout Tasmania has declined significantly in recent times. The shortage of affordable housing has adverse effects across a variety of domains, including the economy and employment, community development, education, transport and health and wellbeing.

Ensuring an adequate supply of housing is not simply a matter of constructing more houses. Building cheap houses on the urban fringe away from employment and services will not improve housing affordability – it will just shift the costs (in dollars and time) from housing to transport and social isolation.

Housing supply must be well located and well serviced in areas where infrastructure can provide for and attract new residents, with supporting jobs, social and community infrastructure and public transport.

These are major planning challenges and they are structural, not cyclical. In recent years, parts of Tasmania have experienced unprecedented demand for housing, serving to highlighted the structural issues associated with the planning for and supply of housing in Tasmania.

Local Government has a unique perspective on these structural challenges, as it is the only level of Government that has undertaken any strategic planning and development assessment of housing in Tasmania. It is from this experience that the following submission and series of recommendations is based. A summary of the recommendations included in this submission are provided below:

1. Finalise the Settlement and Liveable Communities Tasmanian Planning Policy and develop settlement strategies for the key residential growth areas;
2. Conduct a review of the residential planning standards (PD 4.1) to ensure adequate consideration of a greater array of affordable housing options;
3. Incentivise private land holders to release land;
4. Investigate the options for development or other incentives for amalgamated sites;
5. Achieve community acceptance of non-traditional housing responses through a strategic and coordinated State Government led education program; and
6. Develop design guidelines for residential development

Introduction

LGAT welcomes the opportunity to provide a submission to the House of Assembly Select Committee on Housing Affordability in Tasmania.

The Local Government Association of Tasmania (LGAT) is the representative body of Local Government in Tasmania. Established in 1911, LGAT is incorporated under the *Local Government Act 1993* with membership comprising all 29 Tasmanian councils. The core purpose of the Association is to:

- Protect and represent the interest and rights of Councils in Tasmania;
- Promote an efficient and effective system of Local Government in Tasmania; and
- Provide services to Members, Councillors and employees of Councils.

While there are considerable differences amongst local councils with respect to their capacity and engagement with issues of homelessness and housing affordability, all councils acknowledge they are significant concerns. The Local Government sector appreciates that there needs to be additional support provided for homeless people, as there is a clearly documented connection between stable shelter, access to food and water, safety, connection and self-actualisation. If the basic building blocks are not provided, health and education deteriorate. These are issues that need to be considered holistically rather than in isolation.

Some Tasmanian councils take a direct role in addressing homelessness by assisting the homeless with services and support. However, the nature of Federal, State and Local Government relations to date has not highlighted a role for Local Government in dealing with homelessness and many councils lack the resources to make a significant impact on the direct provision of homelessness services (Beer & Prance, 2012). However, Local Government plays an important part in other ways, particularly through its role in land use policy and planning and how these may foster or inhibit housing availability and affordability. Accordingly, the remainder of this submission will outline some of the issues and challenges associated with affordable housing from a Local Government perspective.

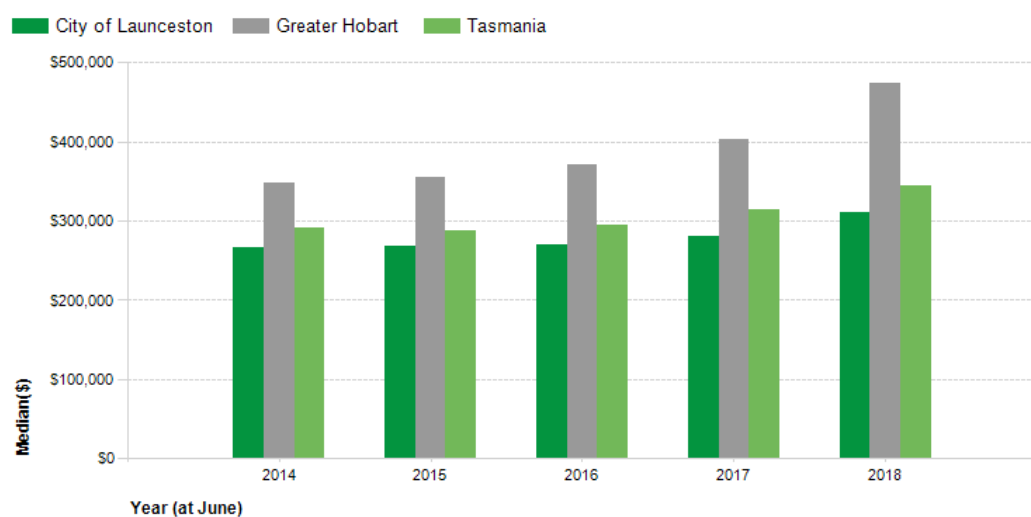
Background

Affordable housing is defined as ‘housing which is reasonably adequate in standard and location for a lower or middle-income household and does not cost so much that such a household is unlikely to be able to meet other basic living costs on a sustainable basis’ (Flanagan, 2007).

Housing affordability in Greater Hobart has declined significantly in recent times, with house prices increasing by 27% (\$103,000) over the past 2 years, making Hobart the least affordable capital city in Australia (UTAS, 2018). In Launceston the median price of housing has increased by approximately \$40,000 (15%) during the same period, as illustrated below in Figure 1.

Figure 1. *Median price of housing*

Value of houses



Source: Hometrack 2014-2018, Housing Valuation System

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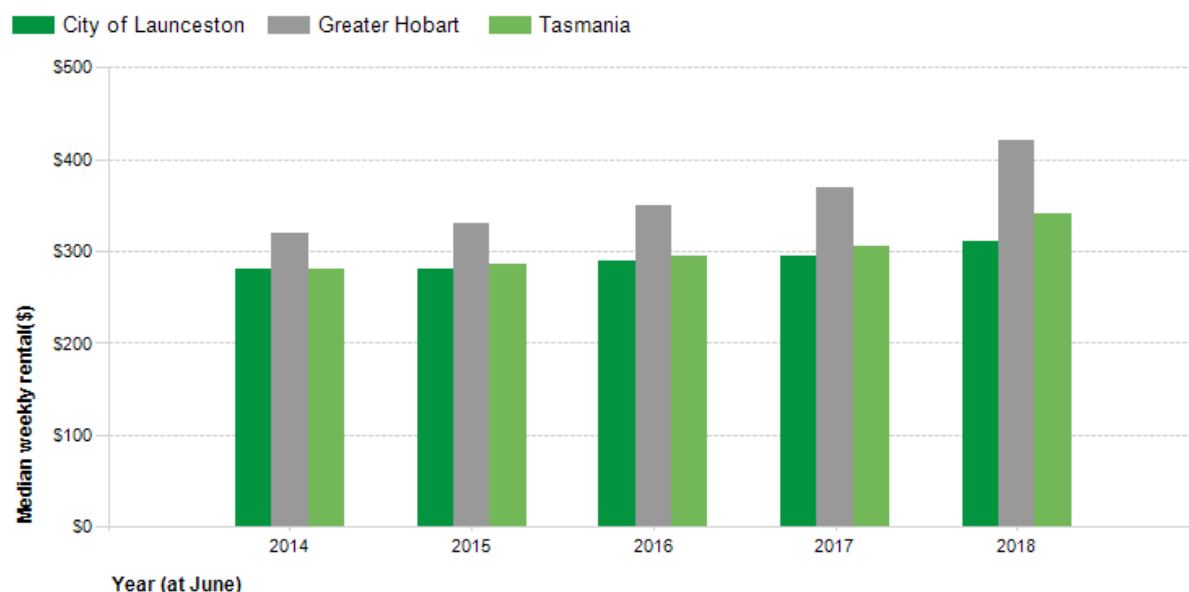
Median weekly rental has also increased across Tasmania, as indicated below in Table 1 and the following Figure 2.

Table 1. *Median weekly rental*

Year (at June)	City of Launceston	Houses			Units	
		Greater Hobart	Tasmania	City of Launceston	Greater Hobart	Tasmania
2,018	\$310	\$420	\$340	\$255	\$350	\$295
2,017	\$295	\$370	\$305	\$250	\$300	\$270
2,016	\$290	\$350	\$295	\$240	\$285	\$260
2,015	\$280	\$330	\$285	\$230	\$280	\$250
2,014	\$280	\$320	\$280	\$225	\$270	\$250

Figure 2. *Median weekly rental of housing*

Rental of houses



Source: Hometrack 2014-2018, Automated Valuation System

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The problem of affordability in parts of Tasmania has been a function of *both* demand and supply issues. Each of these will be discussed in the following sections.

Housing Demand

Population size and capability are key determinants to a region's economic and social performance, especially in a region such as Tasmania. Regions across the nation are in competition to retain and attract people who can make a strong and positive contribution to the wellbeing of their communities.

Population Growth

As the population grows so, too, does demand for housing. In Tasmania, Hobart experienced the largest population growth (783 persons) between 2017-2018 in absolute terms, followed by Clarence (779 persons), Launceston (594 persons), and Kingborough (586 persons; DTF, 2019). However, this growth is not uniformly distributed across the State, with a number of rural and regional areas experiencing a decline in population during the same period. For example, Dorset recorded the most significant population decrease in absolute terms (- 52 persons), followed by Circular Head (- 24 persons) and Central Highlands (- 4 persons) (DTF, 2019).

In addition to this population growth in Greater Hobart and a number of other urban areas, the make-up of the people coming to versus leaving the State has implications for the demand of housing. For example, more young people (aged 15 – 24 years) are leaving the state, while at the same time a greater number of older people are arriving. Young migrants are more likely to be leaving the family home and are much less likely to be 'freeing up' housing as a result (UTAS, 2018).

Economic Growth

Strong economic growth generates jobs and wages enabling people to purchase new housing. Future demand for housing will continue to be heavily influenced by Tasmania's economic performance. Tasmania's economy has performed well in recent years with key indicators such as employment, investment and economic growth improving. This in turn has improved consumer confidence and has strengthened demand for new housing. Added to this has been an increase in international student numbers at the University of Tasmania.

Demographic Change

Much of Hobart's existing housing stock was built in an era when the 'traditional' household consisted of two parents and multiple children. As a consequence, housing supply in Hobart remains dominated by detached dwellings. However, according to the 2016 Census, Tasmania was the only state or territory where couple-only families were the most common family type and the number of couple families with children in Tasmania is projected to decline up until 2041. Tasmania also has the lowest proportion of family households and the highest proportion of lone-person households (ABS, 2016).

This declining household size will have an impact on demand for housing. In general, many of these smaller households will have different requirements than the traditional family. Professionals, students and retirees with busy schedules will often seek smaller, lower maintenance housing types. Childless households may place higher value on living near work, shops and entertainment. Elderly residents may prefer convenient access to services, medical facilities and public transport. Single parent families are often in need of affordable housing options in proximity to childcare and schools

Housing Supply

Constraints to increasing the supply of housing can occur at several stages throughout the housing development process. This section looks at a number of the key constraints from a Local Government perspective.

Strategic Planning

The identification of land suitable for housing development is the first step in the development process. There has historically been limited action in locating new housing supply so that it is efficiently connected to employment centres and social infrastructure such as schools and health centres. Land use planning efforts have been constrained by the failure of successive Governments to develop a settlement strategy which takes account of demand and supply. Historically, Local Government has identified current and future housing requirements, however in recent years councils have struggled to adequately resource this strategic work due to the combined effects of many years of planning reform, coinciding with increasing development assessment work and chronic skills shortages (at a State and National level) in the planning profession.

Past land use planning and development has resulted in dispersed patterns of settlement, separation of land uses, and low-density residential development in Tasmania. Hobart, for example, has the second lowest population density of any capital, resulting in significant infrastructure and land use inefficiencies. While some of the most affordable homes are located on the urban fringe or in outlying rural areas, other expenses (e.g. travel) and lack of services mean that the benefits of these lower-cost housing options are negated (DIER, 2012).

In addressing the current housing affordability concerns we must not repeat the mistakes of the 1970s and 80s, where social housing was concentrated in broadacre housing estates with little connection to infrastructure (hard and social) and of a very poor design, exacerbating stigma and failing to provide appropriate private and public amenity. However, there are already a number of large projects underway in Tasmania where social and affordable housing is being delivered by Community Housing Providers on Housing Tasmania land. Concerns have been raised by some councils that the housing is being provided in existing areas of significant disadvantage and with a high level of public housing. In addition, there is limited design guidance, the dwellings are being built extremely quickly and there is an absence of supporting social and physical infrastructure. The fear is that the nature and delivery of additional social housing in these areas is only exacerbating the problem and repeating past mistakes.

A one size fits all approach is fraught. The experience of population and demographic change differs substantially by Local Government Area (Denny & Pisanu, 2019). In order to account for the variation across and within Local Government areas, the State Government should support individual councils to develop localised housing strategies in order to manage growth (or decline), address housing affordability and maximise effective use of infrastructure.

Recommendation 1: Finalise the Settlement and Liveable Communities Tasmanian Planning Policy and develop settlement strategies for the key residential growth areas. This work needs to connect State and local land use and transport planning. It should include consideration of where population and housing growth should be allowed versus constrained and where it makes sense to invest in infrastructure, hard and social. Solutions must be based on a comprehensive understanding of future housing demand and supply by location and designate or reserve areas for urban renewal and infill (see discussion further below).

Planning Controls

Planning controls can represent a barrier for housing supply, particularly by constraining residential densities and mixed-use development, limiting heights and prohibiting multi-unit development. Other

requirements such as heritage, parking, setbacks and minimum lot sizes may also constrain potential infill developments. Planning controls also need to be flexible to make it feasible for developers to adaptively reuse older building stock.

The Tasmanian planning system does not specifically address housing availability or affordability. The Tasmanian Planning Commission noted in its report to the Minister for Planning on the draft State Planning Provisions (SPPs) that:

.....consideration is given to whether housing affordability is a matter that should be addressed in the planning system and if so, what actions are required to set the policy context, such as modifications to the objectives of the Act or planning policy direction relevant to the SPPs.

Compact and mixed-use development patterns are key to both sustainability and affordability of housing in Tasmania. But instead of this occurring on the urban fringe and further expanding settlements, future development must occur via infill. Infill development involves new residential development on vacant or underutilised land within existing neighborhoods and suburbs. The benefits of increased residential densities and mixed-used development that can result from infill development include:

- Reusing underutilised or unattractive properties and vacant land;
- Improving the viability of local centers and facilitating a sense of community;
- Fully utilising existing services and infrastructure; and
- Increasing mobility and supporting alternative modes of transportation.

Compact and infill development are more likely to be delivered when settlement strategies support infill development, when planning schemes are 'investment ready', meaning areas designated for infill development are already zoned for infill development, and when planning controls encourage good design outcomes.

Recommendation 2: Review of the residential planning standards (PD 4.1) to ensure the planning framework adequately considers a greater array of affordable housing options, including infill housing and density requirements, but also requirements for better design outcomes. In order to truly address the affordability of housing in Tasmania, this review should not be limited to the bounds of our current planning policy context or directions relevant to the SPPs, as there are a number of other options being effectively utilised in other jurisdictions. They include inclusionary zoning and bonus floorspace provisions, both of which are outlined below.

Inclusionary Zoning

Inclusionary zoning is defined as ‘a land use planning intervention by government that either mandates or creates incentives so that residential developments include a number of affordable housing dwellings’ (National Shelter, 2019, p.4).

Examples utilised elsewhere include the Queensland Housing Strategy (2017-2027) and National Housing and Homelessness Agreement (Queensland) which commit to introducing inclusionary requirements when surplus State land is developed for residential purposes (National Shelter, 2019). South Australia have introduced similar requirements but have the most significant inclusionary zoning targets (15% of new dwellings in all significant development projects) in the country. South Australia delivered a total of 263 affordable homes (for ownership and social rental) during 2017-2018 as a result (National Shelter, 2019).

Inclusionary approaches that are tailored to local market conditions can therefore be used within the planning system to increase supply of affordable housing in Tasmania.

Bonus Floorspace

Bonus floorspace is an incentive system that increases the development potential (e.g. building height and scale) of a site in exchange for the funding of, or provision of works in kind, to facilitate community, infrastructure and environmental improvements. This system could be used for achieving site-specific affordable housing outcomes in areas where increased density is viable.

Bonus floorspace can incentivise inclusion of affordable housing when applied by Local Government through its planning scheme, however this is not currently possible within our legislative framework.

Development Assessment

Lengthy and difficult approval processes are often cited as an impediment to housing supply, and indeed this can be the case in some jurisdictions. However, in Tasmania this does not appear to be a contributing factor. Analysis of the development assessment timeframes for councils within Greater Hobart and Launceston for the 2015 – 16 and 2016 – 17 financial years indicate that all councils are determining applications well within the statutory timeframes, as illustrated below in Table 2.

Table 2. Average number of days to determine discretionary and permitted applications

Council	Average number of days to determine discretionary application (42 days statutory timeframe)		Average number of days to determine permitted applications (28 days statutory timeframe)	
	2016 - 17	2015 - 16	2016 - 17	2015 - 16
Brighton	39.71	39.51	11	10.57
Clarence	35	36	15	18
Glenorchy	29	27	17	16
Hobart	30	29.7	16	14.7
Kingborough	40.4	37	18.1	19
Launceston	32.13	34.08	13.41	16.58
Average	34.37	33.88	15.08	15.80

Further, recent analyses suggest that council approvals for new dwellings would have met demand for new housing had these homes been completed (UTAS, 2018). For example, between June 2016 and December 2017, Tasmania's population increased by almost 5,000 people. This results in a projected demand for new dwellings of 3,114 (based on an average household size of 2.3 people). During this same period, 3,625 new dwellings were approved for construction, creating a potential surplus of 511 houses, and only 2,648 new dwellings were completed - a shortfall of 466 homes (UTAS, 2018). The constraints to supply simply do not rest with council development assessment timeframes or failure to approve sufficient housing development.

UTAS (2018) has suggested that a skilled labour shortage is contributing to the conversion of dwelling approvals to finished homes. In addition, councils have reported that there may be some speculative behaviours by landowners or developers also contributing. Land speculation occurs when a site is purchased or held in the hope that it will increase in value on account of a zoning change, development approval, infrastructure improvements in the surrounding area or market conditions (i.e. housing shortage). Government needs to be aware of speculative behaviour when attempting to stimulate housing development through changes to the planning scheme, particularly related to infill development. As designating an area for increased infill development and allowing too much development potential can inflate land prices beyond the actual value of the land and result in no infill development occurring at all.

Another key barrier to urban renewal can occur where there are a variety of sites in varying ownership. A range of mechanisms have or are being employed to address these challenges in other jurisdictions.

One prominent example is the creation of development incentives for amalgamated sites. This mechanism is regularly used by local planning authorities across NSW to incentivise the amalgamation of sites (often those located within neighbourhood centres) that suffer from high levels of lot fragmentation that restrict opportunities for renewal and mixed-use development. In effect, the local planning scheme offers a greater density of development in appropriate locations, expressed through a floors space ratio¹ (FSR), for sites over a certain size. For example, the permissible FSR might increase from 1:1 to 1.5:1 for sites over 1,000 m².

Site assembly and amalgamation has been used historically in Greater Hobart. Examples include 'Vaucluse' in South Hobart and the UTAS housing development on the Melville Street Car Park. Housing Tasmania has undertaken a number of urban developments after site assembly and amalgamation; however, in most instances, these have occurred without the use of the site amalgamation levers discussed above.

Recommendation 3: Incentivise private land holders to release land. Stamp duty relief for those developing affordable housing is one such incentive (Eccleston, Warren, Verdouw, Flanagan, & Eslake, 2018).

Recommendation 4: Investigate the options for development or other incentives for amalgamated sites.

Community Opposition

Another barrier to the supply of infill and medium density housing supply is community opposition. There is usually a perception that higher density development will result in a range of negative impacts and fundamentally alter the character of the local area. People worry about the impacts on parking, traffic, crime and property values. These fears often stem from past experiences or seeing the impacts of inappropriate and poorly designed infill and medium density development elsewhere.

In a Tasmanian context, community experience and therefore acceptance of apartment living, is not widespread. For example, much of Hobart's existing housing stock was built in an era when the 'traditional' household consisted of two parents and multiple children. As a consequence, housing supply in Hobart remains dominated by detached dwellings. According to the 2016 Australian Bureau of Statistics Census, 84.8% of dwellings in Greater Hobart were classified as 'separate dwellings', 6.0% were

¹ The floor space ratio of buildings on a site is the ratio of the gross floor area of all buildings within the site to the site area

semi-detached dwellings or townhouses and 8.6% were 'flats, units or apartments'. These proportions have remained generally steady since 2001.

The community often does not appreciate that quality infill can improve the amenity of an area and increase property values. However, are residential developments being designed in ways that enhance the local area so that they do not become legacies of poor planning?

Community opposition can stop projects, at the rezoning or development assessment stage, by prolonging the approval process to such an extent that the project becomes unviable. The challenge for delivering increased infill and medium density development in Tasmania will be to engage the community at early stages of planning to reduce misconceptions and ultimately opposition. If the community understands the benefits of infill development and participates in the strategic planning underpinning the delivery of more infill projects, then there is likely to be less opposition.

Recommendation 5: Achieving community acceptance of non-traditional housing responses requires a strategic and coordinated campaign. This should not be left to individual proponents to deliver, but rather a State Government led education program to:

- Promote the benefits and importance of increased residential densities and mixed-use development;
- Address any fears and uncertainties; and
- Encourage community engagement in the preparation of inclusive, transparent, and future focused settlement planning.

Recommendation 6: In order to support community acceptance of non-traditional housing responses and to improve the overall amenity of housing development more generally, design guidelines should be jointly developed by State and Local Governments to ensure that new developments deliver on these outcomes; namely, attractive, healthy, and liveable spaces.

Short Stay Accommodation

Housing stock in some locations may be being used in ways which can compete with housing security outcomes. For example, anecdotal evidence suggests that the supply of residential properties in some locations is being reduced by the conversion of long-term rental housing to short-term holiday accommodation. While these services have positively contributed to Tasmania's tourism boom and economy, further evidence is needed in order to fully understand the issues and extent to which residents are being displaced as a result of short-stay accommodation.

The *Short Stay Accommodation Act 2019* came into effect earlier this year. This Act introduces measures for collecting information on short stay accommodation in Tasmania with the aim of providing Local Government with the data necessary to enforce existing planning requirements and to allow a better understanding of the impacts of short stay accommodation on the housing market.

Local Government welcomes the introduction of these measures, as it was one of the key recommendations of our submission to the Legislative Council Select Committee on Short Stay Accommodation in Tasmania. This provides an important first step, as it provides policy makers with a robust data source from which to consider this issue. However, it is critical that this data is monitored at a statewide and local level and where necessary policy responses are adapted over time to respond at the appropriate scale.

Conclusion

There is no one-size-fits-all solution to the housing affordability situation in Tasmania. This suggests that strong collaboration between Federal, State and Local Government, community, and private sectors is necessary in recognition of the different levers and influences of housing affordability.

A significant part of the solution is ensuring we have a diversity of housing types and housing densities which meet needs across the housing lifecycle, including public housing for those most vulnerable. The future housing needs of Tasmanian's need to be appropriately planned for, for the first time, to ensure that it is appropriately located, designed and supported. There needs to be community acceptance of the non-traditional housing responses being developed, but this can only come about with strong and continued public engagement about the future of neighbourhoods, cities and regions.

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