

19 July 2019

House of Assembly Select Committee on Housing Affordability

Parliament House

Hobart 7000

Email: [housing@parliament.tas.gov.au](mailto:housing@parliament.tas.gov.au)

Dear Select Committee,

Thank you for the opportunity to provide the Tasmanian Division of the Property Council of Australia's response to the House of Assembly Select Committee on Housing Affordability.

*On 1 May 2019, House of Assembly resolved to establish a Select Committee on Housing Affordability.*

*The Terms of Reference are as follows:*

*(1) A Select Committee be appointed, with power to send for persons and papers and records, to inquire into and report upon housing affordability in Tasmania with particular reference to: —*

- (a) the experiences of Tasmanians in housing stress or homelessness;*
- (b) the management of social housing and delivery of new stock by Housing Tasmania and community housing providers;*
- (c) the impact of a lack of affordable housing on the broader economic and social wellbeing of the Tasmanian community;*
- (d) the impact of a lack of affordable housing on the implementation and outcomes of other State Government programs;*
- (e) the effectiveness and limitations of current State and Federal Government strategies and services to alleviate the impact of poor housing affordability in the Tasmanian community;*
- (f) the impact of historic housing debt on the management and delivery of social housing;*
- (g) strategies to address the \$73 million maintenance liability of Housing Tasmania and community housing providers;*
- (h) the impact of population growth and market developments on housing supply;*
- (i) the relationship between housing, health and education;*
- (j) changes to Tasmania's residential tenancy laws that could improve housing affordability, security and living standards in Tasmania;*
- (k) successful strategies in other jurisdictions that could be effective in improving affordability in Tasmania; and*
- (l) any other matters incidental thereto.*

Whilst the focus on your work is on affordable and social housing for those Tasmanians most in need, the Property Council of Australia would like to draw your attention to our plan to improve housing supply across the State.

The importance of the property sector in assisting the economic development of the State cannot be understated. Nationally the property sector contributes \$182 billion of Gross Domestic Product or 11.5% of economic activity annually and provides 1.1 million jobs. In Tasmania, the property and construction industry directly employ 13,000 people, is the state's largest single contributor to Gross State Product at 7.8 per cent and pays over \$927 million in property-specific state and local taxes.

Economic development in Tasmania is negatively affected by three things: slow population growth; poor academic achievement, which has a direct correlation with low average earnings; and an over-reliance on a generous GST distribution, the future of which is uncertain. The Property Council has advocated for measures to address each of these limits on economic growth but, more than anything, given the contribution that the property sector makes to the economy, the provision of clear, fair, orderly and sustainable development rules under planning regimes is essential for the property sector to continue to make the economic contribution that it does. The provision of clarity in planning requirements is essential to give investors' confidence to commit to development.

From an evidence point of view our State is tracking well above decade averages across several indicators. CommSec State of the States, last released during April 2019, painted the economic picture with Tasmania ranking third best performer, in line with the ACT, and behind just NSW and Victoria.

Business investment, construction work, dwelling commencements, economic and population growth, and retail spending are all in a strong position relative to others, with unemployment at 6.5% the outlier, that tempers celebration.

A short-term fix for housing is much needed, however it is imperative key decision makers begin planning for longer term outcomes immediately.

The problems at the root of Tasmania's housing shortage are multi-layered and require coordinated, insightful planning to properly address.

The Property Council of Australia takes seriously the responsibility of proactively promulgating ideas in the community to spur action and ignite debate about how we can work together as a State to ensure future Tasmanians have enough access to housing.

The initiatives outlined in this submission will take time to implement, but when completed will go a long way towards ensuring Tasmanians are able to access suitable and affordable housing into the future.

Yours sincerely,



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## Introduction

During October 2018, the Tasmanian Division of the **Property Council of Australia** released its extremely well-received research blueprint, *REMOVING THE REGULATORY HANDBRAKE – Seven steps to fix Tasmania's housing supply*<sup>1</sup>.

Collated data, at that time, provided a snapshot of housing in Hobart:

- In June 2018, the residential vacancy rate in Hobart at 0.7% was the lowest in the nation (national vacancy rate 2.3%);
- Median asking rent growth in Hobart from March 2017 – March 2018 at 15.1% was the highest capital city in the nation (Canberra second at 6%);
- Growth rates of Hobart's housing prices in 2017 at 17.3% were the highest in the nation (Melbourne second highest at 11.3% while Sydney's growth rate was 4%; and
- In May 2018 the average percentage of wage spent on rent in Hobart at 29% equated to the least affordable city in the nation (Sydney second at 27%).

The **ANZ and CoreLogic HOUSING AFFORDABILITY REPORT DECEMBER QUARTER 2018 RELEASED JUNE 2019**<sup>2</sup> presented further challenging data regarding the state of housing affordability in Tasmania:

*"Over the quarter, dwelling values in Hobart increased at more than twice the pace at which household incomes rose, leading to a worsening of housing affordability*

*With dwelling and rental rates rising at a fairly rapid pace over recent years, Hobart has experienced a rapid deterioration in housing affordability over this period. In fact, housing affordability based on a dwelling value to household income measure hasn't been as weak as it is currently any time since 2002. Over the past decade, dwelling values have increased by 54.8%, eclipsing the 37.1% rise in household incomes which has led to the deterioration in housing affordability.*

The same report noted that Hobart median dwelling value had risen to \$457,523 and median household income to \$1,330/week with 35.8% required for repayments (80% with 20% deposit) and 32.5% required to rent. (Conventional wisdom suggests mortgage stress starts when 30% of household income is required to service an uninsured loan.)

Prospects for housing affordability in the North of the State were better with 28.4% of income required to service a loan in Launceston and 29.47% to rent, making it "cheaper" to purchase a home. However, and it should be noted, Launceston's median household income was lower than Hobart at \$1,070/week.

In the North West, at Burnie and Ulverstone, 24.6% would be required to service a loan with 28.7% of household income required to rent a home. Whilst at Devonport, 26.4% of household income would be required to service a loan and 27.9% required to rent.

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[file:///C:/Users/bwightman/AppData/Local/Microsoft/Windows/INetCache/IE/AR3CFGE6/PCoA\\_TAS\\_2018\\_%20Removing%20the%20regulatory%20handbrake.pdf](file:///C:/Users/bwightman/AppData/Local/Microsoft/Windows/INetCache/IE/AR3CFGE6/PCoA_TAS_2018_%20Removing%20the%20regulatory%20handbrake.pdf)

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[https://media.anz.com/content/dam/mediacentre/pdfs/mediareleases/2019/June/ANZ\\_Housing%20Affordability%20report%202019\\_web2%20\(3\).pdf?utm\\_source=mediarelease&utm\\_medium=website&utm\\_campaign=CoreLogicANZ\\_report](https://media.anz.com/content/dam/mediacentre/pdfs/mediareleases/2019/June/ANZ_Housing%20Affordability%20report%202019_web2%20(3).pdf?utm_source=mediarelease&utm_medium=website&utm_campaign=CoreLogicANZ_report)

## Increasing housing supply across Tasmania

### BACKGROUND

During 2018, Hobart had the hottest housing market in the country. Growth rates for housing prices were in double digits. Everyone lucky enough to have bought a house by late last century, when it wasn't uncommon to buy a tidy three-bedroom residence in a good suburb and get change from \$250,000, was sitting pretty on a rapidly appreciating nest egg.

The Property Council of Australia highlighted that the boom in prices was beginning to squeeze out many Hobartians who had previously never struggled to find a good house at a reasonable price to either rent or buy, in an area where they wanted to live.

Hobart is now one of the most unaffordable places in the country to rent a house or unit. Clearly, when not even having a full-time job is enough to afford stable accommodation, something has gone wrong.

The homelessness crisis is something that we, as citizens of one of the richest countries in the world, shouldn't be struggling with. What we find difficult to comprehend is the rapidly emerging group sometimes referred to as the working poor - people with full-time jobs who aren't earning enough to afford appropriate housing.

The answer to this crisis is to increase housing supply at all levels. We need more suburban homes, more inner-city apartments, more units for empty nesters, more opportunities for people to enter the property market, more opportunities for people to trade up and therefore free up housing stock, as well as more social and supported housing.

Housing supply simply hasn't kept pace with demand and a short-term fix will not suffice. To stop this problem getting worse before it gets better, a plan to address the suite of causes at the root of the shortage must be implemented as a matter of urgency.

As we continue our collaborative efforts, under the leadership of Hobart City Council, it's a good time to restate how we can address the problem and start to ease the housing supply crisis.

It was pleasing to receive an invitation to the homelessness summit on behalf of the Property Council of Australia. The positive intent in the room aimed at helping those most in need was obvious, and although many of us came from different backgrounds or were representing different groups, the appreciation of the urgency required to address issues that we face as a community was compelling.

As a result, the Greater Hobart Homelessness Alliance has been formed with representatives from councils, housing providers, and other peak industry bodies.

The Property Council has consistently raised the following regulatory issues that engage the housing supply handbrake:

1. Complex and inefficient approval processes across several regulatory bodies still greatly impede the time taken to deliver new housing to the market. Delays encountered when installing essential services such as water and electricity only add to the frustrations of home builders and developers, dissuading potential investors.
2. Coordinating the different approvals required to build a house is a mammoth task. A month-long delay on approval for one aspect of design can contribute to many further delays down the track, adding months to the overall building process.

3. A lack of local government resources has also contributed to the delay in implementing the Tasmanian Planning Scheme, leaving the inconsistencies and red tape which prompted the planning overhaul in the first place.

Hobart's culture has changed and there is now a shortage of options for the increasing number of people wanting to live near or in our CBDs for employment or lifestyle choices.

The solution is adding diversity to the market. Tasmania's economy is a victim of its own success with positive population growth, ignited by tourism, leading to a housing supply shortage.

Without increased and diverse supply, this is clearly unsustainable leading to a growing category of Tasmanians - the working poor.

It is impossible to fathom a scenario where the Minister and other members of Cabinet were caught unaware to the extent of the housing problem, particularly having just sat through estimates where they should know more than anyone else in the room.

The fact that, more than, \$40 million was committed for affordable housing in the state budget suggests awareness, but the problem remains that we probably need \$140 million.

Unfortunately, because the fundamental issue of supply not keeping up with demand has not been addressed, we are left proposing solutions that may sound like a good idea but will not satisfy the community nor those left without a roof over their head.

There has been a market failure leaving people homeless and those from different walks of life unable to find a rental or even consider squirreling away the deposit for a home.

The supply shortage is due to developments taking up to 24 months to begin when we needed them started yesterday.

And it's not the councillors failing to make decisions in the mandatory 42 days, it's the raft of additional council approvals and coordination of agency and infrastructure providers that engages the supply handbrake.

### **IMMEDIATE REFORM MEASURES**

The following initiatives to fix housing supply will take time to implement, but when completed will go a long way towards ensuring Tasmanians are able to access suitable and affordable housing into the future.

The Property Council's seven steps critical to increasing housing supply and enhancing the experience of living and working in Tasmania:

#### **Accelerate housing approvals;**

At the top of the list is Tasmania's convoluted approval process and the Property Council suggests the Tasmanian Government legislates for approval timeframes across all regulatory bodies involved in the planning and building process.

Navigating through the approval process is an unnecessarily difficult task for developers and without timeframes for the assessment of aspects such as detailed engineering designs, the process can become a long and drawn-out affair.

Aside from holding back delivery of housing to the market, costs associated with delays are incurred by developers and ultimately drive up end prices and lower investment appeal.

The costs associated with delays are incurred by developers and infrastructure providers and ultimately drive up end prices and lower investment appeal. The State Government must legislate for approval timeframes across all regulatory bodies involved in the planning and building process. Where proposed legislated timeframes are not met and the proposal is submitted in accordance with the relevant planning conditions, approval should then be deemed to have been granted.

#### **Clear the TasNetworks' bottleneck;**

TasNetworks' processes must be streamlined and set out in legislation to provide transparency and accountability regarding energy connections for residential developments. A detailed review of the contestability of TasNetworks' services must be undertaken to understand why competitors are not entering the market. TasNetworks must also increase the number of designers retained and the stockpile of electrical connection materials available to ensure connection in a timely manner. Failing that, legislation must be introduced requiring both scope and design to be completed within 42 days.

#### **Streamline TasWater's processes;**

TasWater has improved immensely in the areas of planning and design detail, however administrative, legal and resource deficiencies still contribute to delays in building development. The agreement between TasWater and the Tasmanian Government provides a great opportunity for a detailed review of TasWater's overall design and approval process, however further efforts must continue to restructure TasWater ownership to form a Government Business Enterprise to improve overall service efficiency and delivery. Consultation must be undertaken with developers to identify further process improvements. TasWater must also increase their holding stock of essential equipment, such as water meters, to a level that allows an immediate supply of product once it has been paid for by the client.

#### **Finalise the Tasmanian planning scheme;**

The introduction of the state-wide planning scheme advocated by the Property Council of Australia, will undoubtedly help to address inconsistencies and excessive red tape across the state's interim planning schemes and help accommodate growth. However, securing the resources to facilitate these changes remains an issue for local councils. Most councils are yet to complete and submit their Local Provision Schedules to the Tasmanian Planning Commission and this is holding back implementation of the Tasmanian Planning Scheme. To further accommodate growth, the Tasmanian Government must project manage the development of Local Provision Schedules through funding a unit to lead finalisation to a strict state-wide deadline as their primary function. For efficiency, the Planning Scheme should be amended to remove the requirement that Local Provision Schedules be submitted to the Tasmanian Planning Commission prior to public exhibition. This amendment will allow public representations to be coordinated within a singular submission to the Tasmanian Planning Commission, without delays encountered due to double handling. The Tasmanian Planning Scheme must also include more certainty about the location and quantity of public open space contributions for individual parcels of land in the Local Provision Schedules. At a minimum, all interim planning schemes must be immediately available on the IPLAN website. The IPLAN user interface should also be refined to improve website navigation and clarity around planning information.

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### **Encourage inner city housing development;**

Many under-utilised buildings and land parcels have the potential to be developed into either large-scale housing projects or standalone residences to offer increased diversity and amenity in inner city areas and accommodate the changing culture of the Tasmanian community. We are advocating for increased housing supply in built up areas which are close to employment opportunities and established services and infrastructure. Development of inner city land must be improved through several measures including in-fill and land-tax concessions, heritage and commercial project grants for revitalisation, fast-track infrastructure coordination with TasNetworks and TasWater, a social housing model based on private sector investment and meaningful leadership to deliver the objectives of the city deals.

### **Develop the Glenorchy to Hobart transit corridor; &**

To support and encourage increased residential density in the northern suburbs, the Government should take action to develop the Glenorchy to Hobart transit corridor, increasing amenity for people living along the length of the corridor through improved access to services, employment and education opportunities. Measures would include bus system optimisation, land use commitment to urban renewal including reasonable height allowances and government funding of contamination assessments.

### **Take advantage of the Launceston and Hobart City Deals.**

The city deals must be managed by state and local governments in a considered, coherent and coordinated manner to leverage public and private investment while delivering a strategic framework for future land use planning outcomes. The Hobart City Deal should deliver a Metropolitan Act which provides mechanisms to deliver investment certainty and a planning framework to attract development in inner city areas. This Act should contain clear development guidelines and provisions for limited exemptions from regulations for projects in line with the objectives of the City Deal. The Launceston City must deliver the University of Tasmania relocation in a timely manner.

### **Conclusion**

Tasmania currently enjoys a wonderful reputation. It is the flavour. Brimming with tourists, projects, and a vibrant arts' scene, we express pride in our state and optimism regarding its future.

But there remains so much more to do.

Recently, The Property Council of Australia welcomed the Tasmanian Government's \$3.6 billion infrastructure spend and commitment to housing supply.

The Tasmanian Division has been proactive in advocating for investment and reform aimed at increasing housing supply.

The Hodgman Government's decision to allocate \$40.5 million from the existing four-year action plan was a timely response to housing stress.

The extension of the First Homeowner Grant of \$20,000 through to 30 June 2020 and the finalisation of Tasmania's one-stop Planning and Building Portal should bolster the industry's ability to navigate regulation more efficiently.

## TASMANIA – PROJECTION 2030

By 2030, we can imagine a Tasmania which is much different to one that we see now. Not removed of the key characteristics that make our state a remarkable place to live, work and play, but more sophisticated in its planning, more diverse, not just in its people, but its places to visit and reside, and of course continuing to deliver a vibrant social scene with connects people from all walks of life.

This is Tasmania of 2030.

The city deals have delivered outstanding infrastructure and service provision, and a plan for growth. Water, sewerage and stormwater has been fixed by the State Government having demanded improvement and fast-tracked infrastructure investment which has been so drastically required for decades. Community discussion regarding Salamanca and Tamar River sewage is a debate from the distant past and businesses have leveraged the investment while the community applauds the benefits.

Carefully considered and clearly articulated site-specific modelling make it clear where and how residential, commercial and industrial investment and development can occur, and community understands and supports the opportunities and regulation of potential investment.

Hobart's population is approaching 400,000 having already outstripped the projections of 2019, and in line with the national average for growth. When combined with increased private investment, population growth has made a major difference to our economy. Instead of just turning-up for a holiday, many have relocated to our island, bringing with them a range of enterprising ideas, professions and culture which has grown the state's sense of community wealth.

Transport options have increased dramatically, combining a variety of sustainable methods to both ease congestion in the CBD and provide opportunities for people from the suburbs to arrive at work on time. We have perspective on our perceived hostile traffic environment, cognisant of the fact that it can still take longer to reach the Melbourne CBD in a taxi from Tullamarine than it does to fly from Launceston to Melbourne in a plane. Driver-less vehicles and recharge stations are the new norm in Hobart, providing varied transport options and convenience for residents and tourists alike. In fact, many families no longer feel the need to own a car.

Hobart and Launceston are research cities, defined by a focus on STEAM and attracting technology start-ups through State Government subsidised ultra-fast internet hubs. We are a flourishing Antarctic gateway, acknowledging our history and building on the scientific knowledge which leads to the protection of the southernmost continent. Macquarie Point integrates aboriginal stories with tales of Scott, Mawson and Shackleton seamlessly describing their adventures. Because of investment and continued focus on education and a changing jobs market, almost all Tasmanians are likely to complete year 12. Associate and Bachelors' Degrees along with post graduate study has increased in popularity and expectation significantly.

The Tasmania housing market is diverse. Housing Tasmania, with the support of additional providers, strategically back our most vulnerable. Retirement villages cater for the needs of those who have worked for a significant period of their lives. The aged-care industry is viewed positively, providing the support required and delivering a range of specialist jobs. Large suburban homes have been opened-up to the market for families, through programs which assist in downsizing to smaller, inner-city residences. Young couples and students also add to the city's vibrancy.

Housing supply has increased because we are smart about our approval processes. A one-stop shop in the “cloud” allows you to develop and lodge an application, triggering the range of approvals required and you meet with specialist teams who can both answer your queries and guide your investment.

Approvals required for developments over a threshold of \$8 million dollars are now objectively assessed by regional expert panels, focussing on design, and social and economic benefits.

In conclusion, and to reiterate, the solution to Tasmania’s housing and homelessness crisis is supply. We need more suburban homes, more inner-city apartments, more units for empty nesters, more opportunities for people to enter the property market, more opportunities for people to trade up and therefore free up housing stock, as well as more social and supported housing.

### **PostScript**

Just imagine the impact if Hobart Not Highrise was Hobart Not Homelessness.

An elector poll can only be called after the collection and presentation of 1000 signatures. The threshold is not high, with the Hobart population standing at 51,750 in 2017. Council officers then liaise with the individual/group proposing the poll and formulate questions that represent the proponent’s, not Council’s, standpoint. The Tasmanian Electoral Commission conducts the poll, in this case on behalf of the Hobart City Council, and there was a substantial cost - \$198,000!

A sum of \$80,000 (excluding HCC officer time, legal advice and public meetings) was also paid to urban design consultant Leigh Woolley to provide a comprehensive report on building heights, that considered a range of factors and suggested heights of up to 75 metres, bringing the recommendations into line with recent Council-approved developments such as the Royal Hobart Hospital at 68 metres and the Palace Hotel at 63 metres. Mr Woolley’s report is thorough and has generally been well-received, with the Property Council of Australia proposing a complementary economic analysis of the suggested heights to ensure development viability is not compromised.

Hobart City Council, following leadership by the State Government, paused a decision on amendments to the Hobart Interim Planning Scheme, after their Planning Committee attempted to ride roughshod over Leigh Woolley’s report and vote up arbitrary and non-evidence-based limits.

Planning Minister Jaensch’s timely intervention to propose a precinct plan as part of the Hobart City Deal was an important step in preventing derailment of proper process. It can be strongly argued that the elector poll has eventuated as result of a vacuum, with the lack of clear leadership culminating in an ill-informed temperature test via Hobart ratepayers. Hobart City Council should finalise the required evidence to make an appropriate and considered response to proposed changes to regulation of development in our City.

Following completion of consultation by the Local Government Legislation Review Steering Committee, where we argued strongly for the removal of the Elector Poll mechanism from the Act, a recommendation was made to government: Reform 19 removes the ability of residents to force an elector polls and public meetings via petition.