Ms Sally Smith  
Department of Planning Transport & Infrastructure  
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Via email: DPTI.PlanningEngagement@sa.gov.au

Dear Sally

PRODUCTIVE ECONOMY POLICY DISCUSSION PAPER - NOVEMBER 2018

The Housing Industry Association (HIA) appreciates the opportunity to provide feedback on the Productive Economy Policy Discussion Paper, November 2018 and congratulates the work undertaken to provide a more efficient planning system with a focus on enabling economic growth opportunities to achieve greater prosperity for all South Australians.

HIA understands the importance that the over-riding objective of the new system is to simplify the current system and rationalise the overwhelming plethora of often conflicting policies in a clear and concise way to encourage confidence and certainty in a more streamlined and easily understood system. HIA is concerned that some aspects outlined in this paper may not contribute to this objective and could likely result in greater complexity and less certainty.

HIA is concerned that despite being the fifth biggest employer in the State, the construction industry is not considered a key growth industry.

It is also concerning that the paper does not question the targets set in the 30 Year Plan for Greater Adelaide for 85% infill development to 15% greenfield split and the consequences for land supply. The key to housing affordability is access to affordable land. The drive towards infill development and the consequential constraint on land availability will inevitably lead to land price rises eroding the States key advantages in providing affordable housing options.

HIA maintains that one of the overarching principals of the Planning Reform process should be that any new initiatives should not come at the cost of a negative impact on housing affordability. To ensure this is achieved, a Cost Benefits Analysis should be undertaken as a priority to identify the impact of any initiative on residential building and land supply costs.

HIA has provided more detailed commentary on the most concerning aspects of the Productive Economy Policy Discussion Paper - November 2018 in the attached submission.

Yours sincerely

Stephen Knight  
EXECUTIVE DIRECTOR  
South Australia

Attach.
HIA is the leading industry association in the Australian residential building sector, supporting the businesses and interests of over 60,000 builders, contractors, manufacturers, suppliers, building professionals and business partners.

HIA members include businesses of all sizes, ranging from individuals working as independent contractors and home based small businesses, to large publicly listed companies. 85% of all new home building work in Australia is performed by HIA members.

HIA understands there are multiple factors that contribute to South Australia having a productive economy and whilst all factors will contribute to this in varying degrees over time one factor that is proven to be a steady contributor is the residential construction industry. When the economy delivers the right conditions the residential construction industry is able to deliver on housing affordability coupled with the creation of livable communities with good infrastructure that are able to be delivered with certainty, process efficiency and in a timely manner. The discussion paper identifies several of South Australia’s competitive advantages, though does not acknowledge the States comparatively cheaper land and housing prices.

Planning change is inevitable as it is the States tool in which to balance competing priorities and must therefore be responsive to a range of stakeholders including; government, industry, community and many others as well as being adaptable to innovation and advances in technology. The discussion paper has a strong focus toward responding to what are the communities wants and issues, with significantly lesser regard given to the contribution of industry and the needs of industry to proceed with market confidence. It is important the objectives and purpose of planning are kept in perspective and whilst it is important for the planning system to be flexible and able to adapt it is also, on balance, important to have planning certainty to maintain industry confidence through consistency and only well considered and justified local planning variation.

HIA advocates for robust strategic planning that sets clear direction and a solid base for implementation through the use of transparent and efficient statutory controls. However through all phases of planning change; inception, consultation, drafting of new documents, implementation etc. government has a responsibility to provide mechanisms to industry to minimize disruption and lag time and provide for a high degree of confidence. Whilst HIA consider the Productive Economy Policy Discussion Paper to be comprehensive we also consider greater acknowledgment regarding the contribution the residential construction industry provides to the South Australia’s economy could have been discussed.

Throughout, the discussion paper refers to other systems that integrate with the planning system, referred to as levers outside the planning system. However, these levers are discussed only at a cursory level. Notwithstanding the discussion paper is a strategic document HIA consider it important that clear direction is provided that those other systems integrating with the planning systems, and vice versa, must be designed and written so as not to create regulatory duplication or overlap. Whilst this may seem obvious and accepted as standard industry practice it would be beneficial for this to be reinforced in such a document, as it is regulatory duplication and overlap that can be a significant factor that works against a productive economy.

Land supply at various stages throughout the land development process is critical to the state’s economy, build ready land is as important as land being considered for rezoning as this providers industry with confidence there is a pipeline of development. Equally, it is important that the planning process for the creation of new lots is streamlined and new residential land supply delivers a diverse range of lots at various locations to meet market demand.
HIA recommends the government proceed with caution in terms of how land supply is managed and avoids the setting of hard targets to be achieved. Whilst it is acknowledged South Australia does have competitive economic advantages it is also prone to economic weaknesses, such as a decline in one on the states historic economic pillars – the manufacturing industry. Economic weaknesses such as this can significantly impact developer and consumer confidence and in-turn land supply.

It is important to the development and residential construction industry that there is a clear understanding by government, developers and utility / infrastructure providers as to what is the intended sequencing of development and how and in what time frame this is to be implemented and what are the infrastructure funding arrangements.

The discussion paper categorises transport infrastructure into three groups as follows: Strategic, Structural and Follower. HIA submit Social infrastructure associated with urban development such as activity / retail centres, community hubs, sports and recreation facilities etc. also makes a considerable contribution to a productive economy and discussion should therefore also be given to acknowledging the contribution Social infrastructure provides to a productive economy.

Too often infrastructure charges and levies on residential development are structured in such a way that infrastructure is developer funded, the cost to the developer then must be passed on to the first home purchaser and carried through the life of the mortgage and reflected in any sale price thereafter. This is not considered fair or equitable on either the developer or first home purchaser due to the impact it has on housing affordability. However this system of infrastructure charging seems to be the default system for most governments with limited consideration being given to alternative funding mechanism, such as through a broader community based tax regime. In the interests of discussing infrastructure funding in terms of how it can contribute to a productive economy HIA recommend robust and rigorous discussion between government, peak industry bodies and infrastructure / utility providers is urgently needed to determine alternative methods of infrastructure funding other than developer contributions.

For the State Planning Commissions reference attached are two HIA Policies relevant to the feedback and comments provided in this response, the two policies are:

- Managing Urban Land Supply, and
- Infrastructure Charges and Levies on Residential Land
Comments on the Productive Economy Discussion Paper

Q How could a more coordinated metropolitan staging program be achieved which provides greater certainty to all stakeholders and assists more orderly development?
A Early release of the Draft Design Code for consideration

Q What policy approaches or other levers could be used to help ensure South Australia’s retailing sector is competitive, well-located and provides ample opportunity for new entrants to the market?
A No comment

Q How do we harmonise planning objectives for an efficient pattern of settlement at the metropolitan level with the need to encourage investment in new retail facilities?
A No Comment

Q How do we ensure that the new system helps to facilitate economic activity and provide adequate employment lands for current and emerging businesses and industries?
A No Comment

Q How could Offset Schemes be used?
A No Comment

Q Should the Code include a 40 metre interface buffer between rural and residential, but allow a smaller buffer distance if it can be justified?
A Yes

Q Does policy regarding subdivision and minimum allotment sizes need to be reviewed and strengthened?
A Yes! Sites of less than 250m² should be reconsidered

Q Do we need to review our signage policies? In particular, do we need facilities for third party advertising and tourism advertising? For example, should there be more scope for tourism signs on arterial roads and outside of townships?
A Yes! There should be more scope for tourism signage, in particular directional and road signage.

Q Should undeveloped strategic mineral resources be identified and protected from urban encroachment and other incompatible development?
A No Comment

Q Is there a need to retain the centres hierarchy or not – is it still relevant to today’s planning?
A No comment

Q Should there be residential development within retail centres? If so, how could / should this occur?
A The 30 Year Strategic Plan is seeking increased densities and the Planning Policies appear to encourage further mixed use developments. Residential developments within some retail centres could be considered within reason.

Q Should there be a more flexible approach to encouraging a wide range of land uses in non-residential zones – with a land use genus, impact and design focus, rather than strict land use definitions?

A Yes D regulate – red tape reduction

Q Is there too much emphasis placed on height and setback criteria in employment lands zones, in particular the ‘core’ of these zones?

A No comment

Q What innovations and changes to work practices will impact the planning system and how should we respond?

A No Comment

Q How should planning policy respond to growth in renewable energy – what issues should be addressed?

A Roof mounted solar panels on all new homes and ceiling fans installed in alfresco areas should be included within the criteria to achieve the required star rating. Such changes would encourage each and every home into the use of more renewable energy.

Q Should existing unused farm houses be able to be separately titled to allow their adaptive reuse and to facilitate economic activity?

A Yes of course – if existing high rise buildings in the city can be granted exemptions to encourage increased usage, then why should unused farm houses be prevented from being useful buildings.

Q How can we ensure that land use planning is able to accommodate and support the provision of new and innovative infrastructure?

A No Comment

Q Do we have adequate planning policies in place to encourage / support the aims of innovation districts?

A No Comment

Q How do we ensure that residential development does not monopolise the offering in mixed-use areas of innovation districts?

A No Comment

Q Does planning policy need to respond better to new ways of doing business such as the emergence of the sharing economy – which may require the introduction of controls to mitigate previously unanticipated effects (for example, the conversion of long term rentals into short stay holiday accommodation via online platforms)?

A No Comment

Q What will be the emerging industry impacts of e-Commerce and how should these be managed by the Code?

A No Comment
Infrastructure Charges and Levies on Residential Development

Policy Background

- Levies and charges applied to development to cover physical and social infrastructure significantly affect new housing affordability. They are in effect a tax on new homebuyers.
- Most states and territories, through the planning system, can apply a charge on new residential developments via an infrastructure development contribution scheme of some type.
- Over the last decade, the charges being applied through these infrastructure development levy schemes have become increasingly significant. This is partially due the large range and high quality of facilities being requested by authorities and in many cases a conscious decision to shift the majority of the upfront costs onto new developments.
- The levies are now so significant they are impeding orderly and affordable residential development from occurring and significantly adding to the upfront costs of new homes.
- State governments have recognised the negative impact levies have on residential development and introduced ways to slow increases through either standard development levies or capped development levies. However, there is no clear evidence this approach has lowered the charges payable and improved the final cost of a new home.
- Some councils are attempting their own approach to the levies which can result in more levies and varied amounts being charged.

Policy Issues

- Development charges and levies can encompass two types of infrastructure provision:
  1. Development specific infrastructure – being items which are directly attributable to new development, defined as those items that are necessary to create the allotment without which the development could not proceed, for example:
     - local roads;
     - drainage;
     - stormwater;
     - utilities provision;
     - land for local open space; and
     - direct costs of connecting to local water, sewerage and power supplies.
  2. Community, Social and Regional Infrastructure – being items of broader physical, community and social infrastructure which are ancillary to the direct provision of housing in a new development and support residents outside that development, for example:
     - headworks for water, sewerage and power supplies which may be part of a specific contributions plan;
community facilities such as schools, libraries, child care facilities, medical centres and retail facilities;

- district and regional improvements such as parks, open space and capital repairs;
- social improvements such as library books;
- public transport capital improvements;
- district and regional road improvements;
- employment services;
- subsidised housing; and
- conservation of natural resources.

- Levies for community, social and regional infrastructure are typically applied by either local and/or state governments through the planning system.

- In many cases the levies are charged without the establishment of a nexus between the infrastructure item and the community who will benefit and use it, without transparency in the collection and without any consideration of the impact on housing affordability.

- Levies of this kind are being viewed as a primary funding source for community, social and regional infrastructure, despite the benefits from that infrastructure being enjoyed by the whole community.

- Whilst development specific infrastructure has a nexus with the allotment or building and directly benefit future home owners community social and regional infrastructure may have limited or no nexus with the population who will occupy the homes in a new development.

- Many items of community, social and regional infrastructure end up in private ownership and are operated on a commercial basis once delivered, such as child care and medical centres. This represents a double charge for new home buyers.

- Every dollar charged in infrastructure contributions adds multiple dollars to the end price of a home as a result of multiple factors including delays in the calculation and setting of the levies, the uncertainty of this process and associated risks, the delays in developments commencing and increased mortgage repayments by the developer and the homebuyer required over time.

HIA’s Policy Position on Infrastructure Charges and Levies on Residential Development

1. Development specific infrastructure which provides essential access and service provision and without which the development could not proceed are considered to be core requirements for housing development and should be provided in a timely manner to facilitate affordable development. These infrastructure items within the boundaries of the development should be provided by the developer as part of the cost of development.

2. An up-front charge against a new development is the least efficient manner in which infrastructure costs may be recovered.

3. The costs of broader community, social and regional infrastructure should be borne by the whole community and funded from general rate revenue, borrowings or alternative funding mechanisms.

4. The imposition of up-front levies on new homebuyers for community, social and regional infrastructure is inequitable, discriminatory, inflationary and erodes housing affordability.
5. Where up-front infrastructure levies currently exist for community, social and regional infrastructure and until such time as these levies are eradicated in line with dot points 1-4 above:

- The establishment and calculation should be identified by the authority and be embedded within a statutory planning instrument prepared at the time of approval of land for urban development;
- Governments should be required to prepare a full cost benefit analysis of the impact of any proposed infrastructure levy on housing affordability prior to any implementation;
- The manner in which the up-front levies are costed should be transparent and cover capital and implementation costs only. All ongoing and maintenance costs should be recovered by means of an annual rate or charge and not permitted to be part of the levy calculation;
- Any levies implemented should provide certainty and consistency for future development and home owners about the infrastructure to be delivered, costs to be funded and timing of delivery;
- Levies should be collected at the latest stage of the development process, just prior to the creation of legal title or prior to occupation;
- Once adopted levies should not be subject to any change or variation apart from defined cost of living increases or similar indexation to allow for inflation;
- The amounts collected should be fully disclosed and reported to State Parliament annually and also reported by local councils to their own communities via annual reports.

6. Levies which are applied by Governments for state based items of infrastructure should be:

- Established and collected in the same manner as those collected by local government as established above; and
- Expended in the same area from which they were collected.

7. Any funds which have been collected for infrastructure which is not subsequently provided within the planned timeframes should be refunded to the property owner of the development either as soon as the decision is made to eliminate the proposal or at the expiry of the specified time frame.
Managing Urban Land Supplies

Policy Background

- It is vital that Governments maintain an adequate supply of land for housing in both Australia’s major cities and regional centres.
- This is because demand pressure for housing that is affordable from all demographic sectors will continue.
- The continued growth of our major cities is therefore inevitable and governments must reasonably plan for this.
- In many areas state governments have introduced policies designed to curb urban sprawl which has seen an increase in medium density dwellings and apartments.
- But adequate long term land supplies for infill and greenfield housing should be an essential element of every state government policy.

Policy Issues

- Metropolitan Strategies have attempted to manage urban growth but generally they have supported and encouraged consolidation within existing urban areas, actively limiting urban growth.
- Urban Growth Boundaries (UGBs) are also a key strategy employed by state governments to manage urban growth.
- As a result increasingly of UGBs, landowners and governments either withhold or control the supply of land to the private development market.
- Over time, average lot sizes have decreased, whilst average lot prices have continued to rise.

![Graph of Median Lot Price and Lot Size](image_url)
HIA’s Policy Position on Managing Urban Land Supplies

1. The primary function of Government in planning for future housing supply should be:
   a. to streamlining the planning process;
   b. to provide key infrastructure to facilitate well planned residential growth; and
   c. to ensuring adequate land supply to meet growing demands for new housing.

2. The development and implementation by government of metropolitan strategies in consultation with industry is supported to manage growth and provide certainty of land supply.

3. Government strategies should be long term to create certainty of land supply and seek to create an appropriate mix of allotments in good locations at an affordable cost.

4. Metropolitan strategies must identify a rolling minimum of 15-25 year forward land supply (to be reviewed every 5 years) to meet long term demand.

5. Within this long term strategy land supply, government should work with industry to ensure adequate land with development approval to meet short term demand (e.g. 5 year supply).

6. State and Territory Governments should regularly report on the number of allotments available at key stages of the subdivision process being:
   a. Zoned for urban development (prior to subdivision planning approval);
   b. Subdivision (Planning) Approval;
   c. Subdivision Works (Operational) Approval;
   d. Subdivision Completion Approval;

7. HIA opposes urban growth boundaries (UGB) as a means of managing urban land supplies.

8. Where UGBs are in place, there should be a transparent and regular review process that does not rely on legislative change or Parliamentary consideration and involves consultation with the community and the housing industry.

9. Governments should ensure metropolitan strategies have a focus on implementation and communication with communities so there is a clear expectation of the type of residential development that may be allowed in an area.

10. Governments should identify, promote and actively support the identification of infill land available for residential development.

11. The State Government’s role in developing land should be limited to supplying housing which is affordable or which meets the needs of disadvantaged within the community or requires the state to act in a facilitation role to deliver complex redevelopment projects.