UDIA NATIONAL

January 2023 Pre-Budget Submission

UDIA National Board Strategic Discussion

Analysis of Wins

9:00am (AEST)

Tuesday, 28 November 2023

VENUE

Australian Parliament House

ANALYSIS OF UDIA RECOMMENDATIONS

The Purpose of this Paper is to give high-level oversight on the UDIA National:

1) **Wins and ongoing issues** from the Jan 23 Pre-Budget Submission.

2) **Wins and ongoing issues** from the Aug 23 National Housing and Homelessness Agreement (NHHA), Submission.

3) **Identify recommendations for the Jan 24 Pre-Budget Submission** – to be drafted for UDIA State comment by mid-December.

Recommendations at a Glance

Policy Pillar	Major Policy Wins:
A Home for Everyone – measures to provide incentives for greater supply, development ready land, choice and affordability.	- HAFF Investment Mandate (whole mkt) - Housing Supply targets - Accelerated Planning - Incentives/metrics for Dev/ housing.
Infrastructure for more Liveable Communities – overhaul planning, funding and delivery of infrastructure for fit-for-purpose cities, regions & grow housing supply.	- Infra tied to housing - Infra in city plans - Infra spend tied to Strategic planning.
Streamline Environmental Approvals – measures to design a single point of contact system to improve environmental, social and economic outcomes.	- One stop approach - Balance environment /housing - Streamline standards - Regional Planning to better detail land use vs environmental outcome.
Make Planning Systems Work more Effectively – measures to incentivise better planning for efficient delivery of cities, regions and housing.	- Accelerated planning for affordable/mixed dev. - Incentive for housing. - Streamlined regulation for affordable /mixed dev. - Supply Council monitoring housing target performance.
Population for Prosperity – measures to bolster immigration, close the pandemic population gap and plan for growth.	- Doubling Immigration. - Increasing Skilled Visas. - Increasing trades places.
Capacity & Create Efficiency –keep credit available with smart lending practices, deliver home ownership initiatives that balance supply, develop broad based tax.	- Increased stamp duty thresholds. - Tax reform for BTR. - Home ownership initiatives now annual.

Policy Priorities – 2023-2024 Pre-Budget

1: A Home for Everyone

Recommendation	Policy: win ☑ ongoing 👉 unstarted ? pre-bud 24 *
Use the National Housing Supply Council (The Council), NHFIC and the Accord to **monitor, map and incentivise boosting supply targets and development-ready land metrics:**	☑ 👉 *
A National Housing Strategy linked to boosting enabling infrastructure, streamlined planning/ approvals/environmental reforms/taxes, reform of zoning, affordable/at-market housing targets.	☑/? 👉 * (mainly for aff. housing)
Monitor metrics for housing supply targets - payable upon delivery of development-ready supply.	☑ 👉 *
Use the NHHA to incentivise housing infrastructure and labour supply across the housing spectrum.	☑/? 👉 * (NHHA still to be finalised)
Agree reciprocal income support and investment by Federal, State and Territory Governments from existing revenue, to incentivise the development industry to ramp up affordable housing.	☑ 👉 * (via NHHA)
Limit reliance on Inclusionary Zoning and new property taxes which jeopardise affordability across the housing spectrum, negatively impacting future ability to deliver affordable housing.	? 👉 * (Future review)
Extend the existing NRAS scheme to ensure current affordable housing remains.	☑ (18mth extension)
Restart an NRAS-like scheme to boost affordable housing by funding incentives that cover the rental gap and harness the private market's ability to bring investment to affordable housing.	☑/? 👉 (Draft Haff IM like NRAS)
Incentivise private affordable housing under BTR and for sale by aligning affordable housing incentives with those received by CHPs and reducing infrastructure contributions.	? *
Fix the legislation impeding more institutional investment in BTR to make it competitive with other international markets, by allowing projects to claim back GST during development like BTS, and reducing Managed Investment Trust (MIT) **withholding tax (WHT) to 15% and affordable housing MIT WHT to 10%.**	☑/? 👉 * (MIT WHT but not GST)
Establish a new tradable tax credit for delivered affordable housing that will give CHPs and private developers the ability to generate equity for new affordable housing projects – like the US Low Income Housing Tax Concession (**LIHTIC**).	? *

Expand NHFIC's ability to act as a private partnership interface with CHPs to ensure more affordable housing projects are built using private developer capability and funding.	☑
Government's pre-purchase affordable housing in mixed-tenure projects to make it easier for developers to get bank funding for more affordable housing.	? *
Government's expand grants and loans (e.g. under NHFIC), for affordable housing to private developers where they are delivering affordable product to the market like CHPs.	☑/? ☞ (Haff IM)
Incentivise fast-track approvals and density bonuses for more affordable housing.	☑ ☞ *
Ensure all foreign surcharges and investment restrictions exclude investment for the supply of housing at-scale for ownership or rental by others.	? *
Boost Australian construction manufacture - expand government guaranteed loans to onshore construction material manufacture and manufactured housing - Fast track the "Future Made" government spend on Australian goods and materials.	? *

2: Infrastructure for Liveable Communities

Recommendation	Policy: win ☑ ongoing ☞ unstarted ? pre-bud 24 *
Secure a better return for Commonwealth investments in major infrastructure projects by mandating dedicated land use plans, including housing supply outcomes and delivering integrated approvals for development (including enabling infrastructure).	☑ ☞ *
Use the Centre for Population's forecasts confirmed with industry as the baseline for all infrastructure and land use planning across governments.	? *
Put in place short, medium and long-term strategic plans for each of our major capital cities and regional centres (e.g. population greater than 30,000) that map the infrastructure and land use requirements to properly and quickly service growth.	☑ ☞ *
Ensure infrastructure pipelines sit beyond the political cycle by mandating all major Federal investments be subject to business case scrutiny by Infrastructure Australia.	? *
Allow Infrastructure Australia to consider and advise on the contribution of major infrastructure to meeting housing supply, in addition to the direct economic benefits.	☑
Clearly chart the base level of services expected for key elements of liveability, including housing, transport, social/major infrastructure and the environment, as documented in the National Strategic Population Plan. Include delivery on statutory obligations in a timely manner, by Governments and private sector.	☑ ☞ *
Review the City Deals framework to ensure it is more effectively delivering a streamlined system for better infrastructure and integrated city outcomes.	☑ ☞ *
Prioritise further City Deals to stimulate growth and kickstart productivity.	☑ ☞ *

3: Streamlining Environmental Approvals

Recommendation	Policy: win ☑ / ongoing 👉 / unstarted ? / pre-bud 24 *
Ensure the EPBC and EPA legislation enshrine core objectives that state specifically the environmental and business performance outcomes the rules should support.	☑ 👉 *
Ensure the data collection and monitoring includes both environmental and business performance measures.	☑ 👉 *
In line with previous Budget measures, create a single touch assessment system that avoids duplication between different tiers of governments and invest in the data and technology needed to ensure they are robust.	☑ 👉 *
In line with the previous Budget measures, fund and develop the precise design of new environmental standards to underpin the potential new EPBC system.	☑ 👉 *
Implement clear unambiguous response timeframes with "deemed to comply" approvals if timeframes are not met.	👉 *
Use the budgeted $62.3 million for delivery of 10 regional plans to include housing related projects which are desperately needed.	👉 *
Fund a full Regulatory Impact Statement to test the proposed National Environmental Standards including case studies on 'live' projects – for their impacts on housing development.	? *
Ensure sufficient funding to support the detailed and careful design of new National Environmental Standards and reform of the environmental offsets framework that suitably respond to the challenges of urban land use and housing development.	👉 *
Investment in national and regional-scale planning needed to appropriately manage threats, resolve competing land uses and provide certainty to industry proponents well before development is proposed. Funding to support the efficient delivery of state-based Strategic Assessments.	☑ 👉 *

4: Make Planning Systems Work More Effectively

Recommendation	Policy: win ☑ ongoing 👈 unstarted ? pre-bud 24 *
In line with Government announcements, NHFIC and The Council should design a new incentive based framework to assess performance of all housing markets.	☑ 👈 *
Housing supply targets should include the major capital cities and regional growth areas and be informed by population projections that each state and territory needs to meet, to maintain affordability.	☑ 👈 *
Independent metrics that measure performance and identify barriers – e.g.: development-ready land supply, manufacturing and worker capacity, more enabling infrastructure, streamlined/reform planning/approvals, affordable/at-market housing, streamlining stamp duty, charges and taxes.	☑/? 👈 * (not taxes)
Map the red tape barriers, as well as the taxes and statutory charges, that add to the time, cost and complexity of delivering new housing.	? 👈
NHFIC to Produce a series of 'league tables' to chart the performance of states, territories and local governments across the metrics, including housing supply, infrastructure servicing and approval times.	? *
Introduce a pool of financial incentives to reward states for productivity inducing reforms that ensure they meet housing supply targets, improve housing affordability and choice. NHHA is a possible incentive mechanism across all governments.	☑ 👈 *
Ensure incentive payments are made available on delivery of key metrics that boost supply e.g.: upon actual increases in development ready supply or real reductions in approval times, rather than the preparation of "plans" or "processes".	☑ 👈 *

5: Population for Prosperity

Recommendation	Policy: win ☑ ongoing 👉 unstarted ? pre-bud 24 *
The **Commonwealth develop short, medium and long-term targets** to restore net overseas migration and population growth.	☑ 👉 *
Australia should set a new target for NOM, well above the pre-pandemic averages of 226,000 between 2007 and 2020 – and seek to double NOM in the short term until it has closed the gap caused by the pandemic.	☑ *
Prioritise preferred migrants - foreign students & skilled migrants to overcome worker shortages.	☑ *
Prioritise Skilled Visas across in-demand regions as well as skills – This would include creation of skilled rural and remote visas for in-demand skills, that have four-year terms with a pathway to citizenship (say by staying an extra two years).	☑ 👉 *
Provide an additional training spaces to match each migrant skilled worker entering Australia – to ensure we encourage long term skilled workers.	☑ 👉 *
Develop Education and Aptitude Programs for Skilled Trades and in demand jobs – in alignment with migrant and employment demands, start programs at high school to ensure trades and skilled jobs outside of University are equally promoted with an emphasis on identifying the aptitude of male and female students.	? *
Increasingly use Labour agreements between Australian employers and Government – to enable skilled overseas workers to work in skilled occupations for five years as:	☑ 👉 *
a temporary skill shortage (TSS) visa subclass 482; or	☑ 👉 *
a permanent residence pathway under skilled employer sponsored regional (SESR) (Provisional) visa (subclass 494); or	☑ 👉 *
employer nomination scheme visa (subclass 186).	☑ 👉 *
The Centre for Population should produce fresh projections built around these goals to inform land use and infrastructure planning by all spheres of government.	? *
Through NHFIC, NHHA and the Council, monitor and incorporate NOM and population movements as part of setting and incentivising state and territory supply targets and development-ready land metrics.	? *

6: Keep Capacity and Create Efficiency

Recommendation	Policy: win ☑ ongoing ☞ unstarted ? pre-bud 24 *
Roadmap for **broad based tax reform** to retire inefficient taxes on housing like stamp duty and foreign investor taxes.	? *
Removing tax-related barriers on new or emerging housing product to ensure all similar housing products are on a level playing field. Remove rules that discourage institutional investment in Build-to-Rent. Equalise treatment for all affordable product and ensure CHP tax treatment allows disposal without GST.	? * ☑ ☞ * ?
Incentivise (under NHHA or other agreements) **increasing the stamp duty thresholds** across the States and Territories to ensure median house prices attract materially lower rates.	☑
Maintain a substantial annual allocation of the **Home Guarantee Scheme, First Home Loan Deposit Scheme and Help to Buy Scheme** - for use on homes across cities and regions.	☑ *
Establish a **Property Finance Reference Group** comprised of the Federal Government, RBA, APRA, API, and industry representatives including the UDIA to monitor and examine property market indicators and headwinds.	? *
Implement requirements for **financial regulators to draft a regulation impact statement** on major, regional and local housing markets for any lending regulation changes - to avoid disproportionate impacts and blanket changes that worsen circumstances for regional markets.	?

NATIONAL HOUSING AND HOMELESSNESS AGREEMENT REVIEW

Recommendation	Policy: win ☑ ongoing ☞ unstarted ❓ pre-budget 24 ＊
The NHHA develop **new financial incentives to boost housing supply and affordability**, ensuring states are focused on meeting dedicated **supply targets and produce metrics and league tables** to measure and account for performance.	☑ ☞ ＊
The NHHA agree the Commonwealth Government make an allocation **of $1 billion be made under NHFIC's investment mandate** – to be matched by each state and territory – to unlock regional-scale **enabling infrastructure** matched to specific **new housing supply targets** set at the outset.	☑ ☞ ＊
A dedicated process be established to allow project proponents to make a direct, **merits-based application for support under the $1 billion Fund** to unlock new housing.	☑ ☞ ＊
The NHHA agree the Commonwealth Government make permanent the annual **allocation of 15,000 places available under the First Home Loan Deposit scheme exclusively for the purchase of new homes** and this should be matched by State and Territory government schemes.	☑ ☞
The NHHA agree NHFIC commences a **robust research agenda to improve the quality of data on housing market dynamics**, **reduce red and green tape**, account for the tax burden on housing and improving housing diversity. The data will be part of NHHA's metric monitoring process with State and Territory Governments.	☑/❓ ☞ (NHHA to be finalised - data via Supply Council)
The NHHA incentivise **all governments to prioritise specific outcomes for affordable housing** including secure ongoing funding from the existing Federal, State and Territory tax base.	☑ ☞
The NHHA agree all governments facilitate a **broad based reform of inefficient taxes to drive economic growth**, productivity and improved housing affordability.	❓ ＊
The NHHA agree the Commonwealth Government incentivises state and territory Governments to **increase stamp duty thresholds** and ensure median house prices attract materially lower rates.	☑ ☞ ＊
The NHHA agree the Commonwealth Government reform the **administration and effectiveness of EPBC framework** to include a single point of contact process.	☑/❓ ＊ (outside NHHA)
The NHHA be used by the Commonwealth Government to develop better **strategic planning, land use, integrated approvals** and housing supply outcomes. This should include **auditing all current infrastructure projects** to interrogate whether land use opportunities are being maximised.	☑ ☞