

13 September 2021

Committee Secretariat
Inquiry into Housing Affordability and Supply in Australia
Parliament House
CANBERRA ACT 2600

TaxRev.reps@aph.gov.au

Dear Mr Falinski,

RE: Inquiry into Housing Affordability and Supply in Australia

Regional Development Australia Southern Inland (RDASI) would like to thank the Treasurer, The Hon Josh Frydenberg MP, the Standing Committee on Tax and Revenue and Chair Mr Jason Falinski MP, for the opportunity to provide a submission on the critical issue of housing affordability and supply in Australia.

RDASI is part of a network of 52 Regional Development Australia organisations nationally and one of 14 in NSW. RDASI is a Federally funded, non-government economic development agency representing seven Local Government Areas in the South-East of NSW: Wingecarribee, Goulburn-Mulwaree, Upper Lachlan, Yass Valley, Hilltops, Queanbeyan-Palerang and Snowy-Monaro.

One of RDASI's Departmental Charter directives is to "improve Commonwealth regional policy making by providing intelligence and evidence-based advice to the Australian Government on regional development issues." RDASI believes that affordable housing and supply is one of the most critical issues facing regional Australia's economic development capabilities and more specifically, the recovery progress of Southern Inland NSW.

RDASI understands this inquiry will serve to:

- Examine the impact of current taxes, charges and regulatory settings at a Federal, State and Local Government level on housing supply.
- Identify and assess the factors that promote or impede responsive housing supply at the Federal, State and Local Government level.
- Examine the effectiveness of initiatives to improve housing supply in other jurisdictions and their appropriateness in an Australian context.



Regional NSW has been experiencing a recent renaissance and regionalisation during Covid-19 has further exacerbated the housing crisis, which has been building over the last decade. Affordable housing is in critical short supply and prices for both housing and land are skyrocketing at a rate never seen before in the property market of regional NSW. Time is of grave concern in this, as planning, obtaining approvals, construction then occupation certification takes years to complete in the current landscape. With timber shortages post bush fires and a lack of skilled construction and trade workforce, the timeframes for reactive solutions will be further affected.

Impact of current taxes, charges and regulatory settings at a Federal, State and Local Government level on housing supply.

- Since the GFC, the Federal Government, through the RBA, has used low interest cash rates to bolster the economy and encourage investment. This has caused a direct effect on the borrowing capacity and risk appetite of the Australian consumer, causing housing prices to rise excessively above wages increases.
- This same mechanism has also caused property to be the safest, most effective investment with high rates of capital investment outcomes.
- Property investment through self-managed superannuation funds has also become the highest returning investment, given the low cash rate returns and unstable stock market.
- Negative gearing continues to push up the prices of housing, making property the investment of choice for tax minimisation purposes for high income earners.
- The first-home owners' incentive has also played its part in increasing property prices by creating a false 'more affordable' bubble.
- These recent excessive increases in regional housing prices have pushed the long-term locals, and emerging adult cohort out of the housing market completely. We are seeing celebrities living in multi-million dollar mansions within the same vicinity as families in cars. See the link to a house in Jindabyne that recently sold for \$1mil over its last trade, just three years ago [HERE](#).
- Industry and business expansion is being inhibited due to labour shortages because of the lack of available housing. This is even more critical in lower-paid occupations, such as hospitality and aged care where shift work deems travel unfeasible.
- Lack of affordable housing, or more poignantly, any accommodation in general, is causing entire sections of country hospitals to close. Long-term GP and other health professional vacancies in the regions, due to housing supply shortages, are creating further risks to our regional community's health outcomes.
- Executive level employee attraction into the regions is reduced due to the critical housing supply shortage. Eg: the new CFO of Snowy-Monaro council lived in a motel for 3 months, only to finally move into a granny flat at the back of an associate's property.
- Reduced affordable and mixed-use housing options for our young people mean they leave the regions to seek financial independence, employment and further education. To improve the economic development outcomes of our regions, maintaining our most productive population segment needs be a focus.

- Reduced affordability and limited down-sizing options for our aging communities forces them to leave their familiar localities to seek smaller properties and additional care services. Enabling aging in place should be our goal.
- The fastest growing segment of the population for Homelessness is the over 55's, especially women. We are seeing price increases in retirement dwelling accommodation of up to 70% in our regional towns, pricing that cohort out of the market due to lower levels of superannuation.
- Decreased affordability causes increased housing stress, requiring households to spend greater percentages of their income on accommodation.
- The loss of homes during the fires of 2020 has put further stress on our regional housing supply. Statistically less than 30% of those properties lost will be rebuilt. Contributing factors to this can be PTSD, environmental impacts, increased construction costs, revised legislation and additional restrictions.

Identify and assess the factors that promote or impede responsive housing supply at the Federal, State and Local Government level.

- Stronger communication between all levels of Government to masterplan for future population movements – The Commonwealth could lead the future planning process to provide a broader lens and scope than State or LGA centric planning, however local nuances and features must be understood and used to inform the planning process.
- Rezoning must be mapped into the masterplan as agreed to between the State and Local Governments to enable land to be released in the quickest possible timeframes when required.
- Planning MUST enable mixed-use dwellings and smaller lot sizes in appropriately zoned areas to allow for greater housing diversification in regional centres.
- Within the master planning, scheduled infrastructure investment with a future focus to enable faster housing development approvals to occur once required.
- Councils are not properly remunerated for either the strategic planning work or the infrastructure development itself to provide a future-focussed investment pipeline.
- Government owned land must be audited and released with mixed-use development capacities within the planning mechanisms. Australia is a large country with volumes of space. Bottlenecks in the development process can be alleviated through future-focussed planning.
- Create clearer planning pathways to enable partnerships between councils, community housing providers and financial institutions to build capacity.
- There is an inability for Federal and State Governments to recognise the needs of regional communities due to biased views and city-centric decision making.
- Limits to mixed development options have been imposed in regional communities due to the 'Not In My BackYard' (NIMBY) perspectives of particular councils and more specifically particular councillors.
- The amalgamation of some council areas has created a disproportionate focus on the larger town and city centres. Housing and development solutions are therefore

not addressing the needs of many smaller regional towns and villages within those LGA's.

- Demand for smaller developments is increasing in regional centres due to high prices and lack of supply, however minimum (large) landholding sizes depletes the capacity for those to be approved in many regional settings.
- Water security and sewerage infrastructure improvements must be invested in to build capacity for additional housing developments before approvals land releases are approved.
- Development Application processes are different from LGA to LGA which causes confusion, despite the planning instruments being the same.
- With local councillors deciding on new and potential housing developments, personal ideals and subjective opinions often take precedence over the appropriate planning and community needs and requirements.
- The above point noted, achieving the delicate balance between required future development prospects and maintaining the 'green-in-between' being the core of the ambient beauty, and the very reason 'regionalisation' has become so popular, is impossible to obtain without well considered strategic planning.
- Reliance on outdated Census data to plan creates long term issues when the data is already out of date by the time it's released.
- Development opportunities with extensive approval delays and often exorbitant fees and charges imparted by Local councils impedes the capacity for swift and responsive solutions. Often once an approval has been granted, it comes with extensive, cost prohibitive conditions that further discourage essential (and affordable) development.
- These fees and charges must be passed through to the consumer, proving to further exacerbate housing affordability by removing the opportunity for those with lower incomes, especially within essential workforces, to move to the regions. In the past, regions were in the position to attract lower paid workforce supply, due to reduced housing market entry levels and lower costs of living. This is no longer the case.
- The DA process sequencing could be unified across NSW to limit confusion and improve development approval timeframes.
- Greater flexibility within the standard planning instruments to enable faster development outcomes with a place-based focus.

Examine the effectiveness of initiatives to improve housing supply in other jurisdictions and their appropriateness in an Australian context;

- Tiny houses are becoming a global phenomenon and would be a welcome addition to the Australian affordable housing landscape.
- [Ecocapsule](#)® is smart, self-sustainable micro-unit, which utilizes solar and wind energy. It allows you to stay in remote places out of the need for infrastructure, with the luxury of a hotel room. It can become a cottage, pop-up hotel, mobile office, research station or anything you want it to be. The product has been engineered from scratch to be as self-sufficient, practical and functional as possible.

I wish to commend the Treasurer, The Hon Josh Frydenberg MP and the Standing Committee on Tax and Revenue for considering the dire issue of housing affordability and supply in Australia and look forward to seeing the recommendations and solutions this inquiry provides.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Carisa Wells', followed by a period.

Carisa Wells
CEO and Director of Regional Development
Regional Development Australia – Southern Inland