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STANDING COMMITTEE ON PLANNING AND URBAN RENEWAL
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Submission Cover Sheet

Engagement with Development Application Processes in the ACT

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Committee Secretary
Standing Committee on Planning and Urban Renewal
Legislative Assembly for the ACT
GPO Box 1020
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To Committee Secretary

Re: Inquiry into Engagement with Development Application Processes in the ACT

Thank you for the opportunity to make a submission to the Inquiry into Engagement with Development Application Processes in the ACT.

Australian Housing and Urban Research Institute (AHURI) researchers have considered how planning systems and development application processes in particular, contribute to good housing outcomes. For example, AHURI research found that procedural requirements (preparing, submitting, and supporting plan amendment or development applications) were significant contributors to the cost of residential development in Australia. In addition, systemic factors around development approval such as uncertain and protracted timeframes and policy opacity were found to exacerbate these costs.¹ Other recent AHURI research has shown that planning regulations have an impact on the responsiveness of housing supply: controls that accommodate growth are positively and significantly associated with house and unit approvals, while growth-restricting controls are negatively correlated with approvals.² AHURI research has also considered policy options to improve outcomes for housing affordability that relate to the planning and development approval process such as inclusionary zoning and streamlined planning procedures.³

The purpose of this submission is to highlight AHURI research relevant to the ACT planning system, including development applications processes. While our research is national in scope, only a few research projects relevant to the planning system have drawn on evidence from the ACT. However, we trust that our findings from a range of jurisdictions, including overseas, might also be relevant for your deliberations.

¹ Gurrán, N., Ruming, K., Randolph, B. (2009) Counting the costs: planning requirements, infrastructure contributions, and residential development in Australia, AHURI Final Report No. 140, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/140>.

² Ong, R., Dalton, T., Gurrán, N., Phelps, C., Rowley, S. and Wood, G. (2017) Housing supply responsiveness in Australia: distribution, drivers and institutional settings, AHURI Final Report No. 281, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/281>

³ Gurrán, N., Gilbert, C., Gibb, K., van den Nouwelant, R., James, A. and Phibbs, P. (2018) Supporting affordable housing supply: inclusionary planning in new and renewing communities, AHURI Final Report No. 297, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/297>

RESPONSES TO THE TERMS OF REFERENCE

1 Community engagement and participation in the Development Application process including:

- a) **the accessibility and clarity of information on Development Applications and Development Application processes, including Development Application signage; the Development Application finder app; and online resources;**
- b) **pre-Development Application consultation and statutory notification processes; and**
- c) **the availability and accessibility of current and historical Development Applications and decisions in relation to Development Applications, including reasons for Development Application approvals, conditions or rejections**

Recent AHURI research has looked at consultation and participation in development application processes.⁴ It found that while increased consultation and notification about projects is likely to increase the level of opposition to projects, and streamlining planning assessment processes reduces such opposition, such opposition can serve to ‘steward more sustainable and appropriate development outcomes’.⁵ Some studies suggest that community involvement should be encouraged throughout the decision-making process, even at the policy development phase. AHURI researchers generally agree with this approach and argue that the aim should be:

*‘an inclusive decision-making process, whereby stakeholders have opportunities to shape the process of change and gain a sense of ownership over any changes that occur in their neighbourhood’.*⁶

AHURI research finds that in most jurisdictions, development proposals are ‘advertised’ or exhibited publically, so that community members have an opportunity to provide a submission to the relevant planning authority and also time for the planning authority to consider those submissions. Planning authorities give varying times to make submissions, and accord different weight to submissions depending on the jurisdiction and depending on the nature of the proposal.⁷

Third party objection and appeal rights are available in some jurisdictions as a way to generate public participation and accountability in development assessment processes. One study of such processes in Melbourne showed that one in four residential development applications in the study (26%) received objections, and in cases of larger development proposals (more than 10 dwellings), the rate of objection was one in three (35%).⁸ The study found that objections were mainly in wealthier areas, and many objections were for reasons that cannot be considered in merit based planning reviews, including a desire to exclude certain types of social groups (such as students and renters). These objections had the result of delaying higher density housing developments and imposing costs on developers. Because of these issues, some jurisdictions have exempted high-density developments from

⁴ See for example, Davison, G., Legacy, C., Liu, E., Han, H., Phibbs, P., Nouwelant, R., Darcy, M. and Piracha, A. (2013) Understanding and addressing community opposition to affordable housing development, AHURI Final Report No. 211, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/211>.

⁵ Ibid, p.29.

⁶ Ibid, p.30.

⁷ Gurran et al (2009).

⁸ Cook, N., Taylor, E., Hurley, J. and Colic-Peisker, V. (2014) What do third party objection and appeal rights mean for social and medium density housing?, AHURI Research and Policy Bulletin No. 170, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/research-and-policy-bulletins/170>.

third party objection and appeal, and fast-tracked developments. However, fast-tracking social housing developments has led to community anger, frustration and mistrust. The researchers in this project suggested other ways of engaging public input, such as developing agreed standards of design, more effective communication measures and 'flagship projects' that enlisted community support. Providing planners with training to frame public consultation might help develop shared understandings around medium and high-density housing and avoid its continued stigmatisation.⁹

Significant community opposition to affordable housing developments is also occurring in other states.¹⁰ AHURI research on cases in NSW and Queensland suggest that the main reasons for community objection include: 'density of new affordable housing projects; inadequate parking provision; a perceived lack of community consultation; and the types of people that were likely to live in those projects once they were complete'.¹¹ Although there was a concern that affordable housing developments might reduce neighbourhood amenity, statistical analysis showed that the impact on neighbouring property prices of affordable housing developments was neither consistently negative nor positive.¹²

This research provides recommendations to both developers and governments about what they can do to mitigate and address community opposition to such developments. Many of the recommendations relate to community engagement and participation. These recommendations might inform the information and guidance given by planners to developers including through electronic mechanisms.

Many of the recommendations for developers relate to actions prior to development application stage. Strategies include:

- engaging local media to overcome negative stereotypical portrayals of social housing tenants
- promotional campaigns to improve the image of affordable housing
- building relationships with local decision-makers
- thinking about locational strategies which avoid large concentrations of social housing
- recruiting supporters and bringing onside those that are potential opponents, and
- establishing a community steering committee.¹³

During the development application stage, the research recommends that developers:

- have conversations at the start with local politicians to get an idea of likely reactions from local residents
- keep things simple by meeting as many of the requirements of local planning controls (e.g. in relation to parking, physical form and impact on neighbourhood amenity) as possible so as to reduce possible reasons for objection
- proactively engage and listen to objections
- be forthcoming with information, and
- be willing to negotiate on planning issues early on.¹⁴

⁹ Cook et al (2014).

¹⁰ Davison et al (2013).

¹¹ Davison et al (2013), p.49.

¹² Davison et al (2013).

¹³ Ibid, p.153-155.

¹⁴ Ibid, p.153-155.

The researchers also recommended that governments improve their processes of community engagement through:

- promoting community engagement in policy development around affordable housing initiatives
- involving community members in development assessment and if not, at least involve them in developing local planning controls
- recognising that community opposition can lead to improved development outcomes, and
- improving education of government staff, politicians and community members about the value of affordable housing and public relations campaigns to improve the image of affordable housing.¹⁵

Problems can emerge in terms of opposition to development proposals where there is not an orderly process or power is unequally distributed. For example, distrust can be greater where there is a politicised process (and development proposals require approval from elected officials) compared to where approval is granted through (an unelected) planning commission. Formalised processes such as inclusionary zoning 'can help reduce local opposition by making the affordable housing requirement transparent and consistent everywhere'.¹⁶

Consultation and engagement is ultimately important for affordability outcomes. There is evidence that some planning systems that are aimed at promoting affordable housing may be at risk unless they 'generate sufficient support among stakeholders to ensure it is retained over the long term'.¹⁷

2 The accessibility and effectiveness of Development Application processes

AHURI research finds that there are differences across jurisdictions in relation to the level of assessment and discretionary consideration according to different development categories. Larger developments will require development assessment by the local planning authority having regard to rules and assessment considerations in the planning scheme and legislation.¹⁸

However, many jurisdictions, including ACT, have sought to streamline this process by implementing a specified code for proposals meeting set criteria. Such code assessment removes the discretionary element from the planning process, providing certainty for applicants able to meet set provisions. The Council of Australian Governments have led a process to accelerate the use of code-based assessments and seek to introduce a national template for development assessment. The Development Assessment Forum (made up of representatives from Planning Institute, Urban Development Institute of Australia and state and territory planning authorities) has also sought to harmonise development assessment procedures between jurisdictions.¹⁹

In addition, in places like NSW, private certifiers (accredited to certify projects but not affiliated with a planning authority) may be contracted to certify non-discretionary decisions.

¹⁵ Davison et al (2013), p.153–155.

¹⁶ Davison et al (2013), p.29.

¹⁷ Davison et al (2012) p.81.

¹⁸ Davison et al (2012)

¹⁹ Ibid.

Private certification is intended to offer a faster decision process, because small developers with projects that meet the specified codes, are able to pay for immediate certification, rather than waiting for a local authority decision.²⁰

AHURI research shows that a common complaint from developers is around certainty of costs, especially around development contributions for infrastructure and the varying amounts across different local government areas. Developers do not in general object to paying charges provided they are clearly explained and they are certain. Since most jurisdictions, including ACT,²¹ have capacity to charge for infrastructure, they have also established systems to ensure that the calculation and application of development contributions are transparent and appropriate, although processes differ at the local level.²²

Key principles of 'nexus' (link between development and usage of infrastructure); 'fair apportionment' (only charging a share of infrastructure attributable to development) and 'reasonableness' (amount should be in proportion to costs of overall development) are frequently used to derive contribution amounts. However, there are differences between jurisdictions in terms of:

- the types of infrastructure or services that contributions may be levied for, which vary from open space and car parking (South Australia) to community facilities, regional transportation infrastructure and, in some cases, affordable housing (NSW); and
- the spatial application of that contribution (NSW and Victoria allow it to be applied for regional services).²³

Negotiated developer contributions can increase certainty for developers, but local governments complain that this can mean developers 'gold plate' their own infrastructure but leave council with more expensive items to maintain.²⁴

a) the information provided in relation to the requirements for Development Applications

In addition to the standard documents required to support a development proposal (usually a detailed form, plans, a site analysis, and a written statement of the potential impacts), many types of development will require additional supporting documents and studies. AHURI research has shown that as part of reform, many Australian jurisdictions have introduced a range of changes to development application requirements, from removing referral requirements, to introducing plan templates, to help reduce the burden of information requirements, standardise these requirements and streamline decision-making.²⁵

b) the current development assessment track system

AHURI research has not looked specifically at the development assessment track system.

c) the Development Application e-lodgement and tracking system, e-Development

AHURI research has not looked specifically at on-line lodgement and tracking systems

²⁰ Ibid.

²¹ Ibid, p.50 ACT can include infrastructure provision requirements in land sales or when a change in land use is granted.

²² Davison et al (2012).

²³ Gurran et al (2009), p.54.

²⁴ Gurran et al (2009).

²⁵ Ibid.

d) processing times for Development Applications

AHURI research shows that delays in processing times for development applications has been a problem in a number of jurisdictions, and early reforms for accelerating development in some jurisdictions was ineffective.²⁶

Planning efficiency—the time taken for Development Applications (DA) to be processed—remains a significant issue for developers. In fact, AHURI research shows that for-profit and not-for-profit (NFP) developers perceive that ‘planning efficiency is more likely to increase affordable housing outputs than density and planning incentives’.²⁷ Planning certainty is also a major issue in reducing risk and an expedient planning process helps improve certainty.

AHURI research shows that delays in the development assessment track stem from:

- systems which take development decisions to a political (councillor) level
- lack of council staff;
- referrals to state government agencies;
- requirements for consultant studies (e.g. for wildlife, bushfire, or Indigenous heritage) even when the land had already been zoned as residential.²⁸

AHURI research also shows that delays in DA processing can impact on finance costs of a development. This is a significant issue where development finance is difficult to source, including by developers of affordable housing. For example, Table 1 below shows the effect of a six month delay on a hypothetical project where \$6.5 million has been borrowed to fund a land purchase (and \$6 million is in equity). The delay has a material impact on increasing the interest charged, finance costs and hence overall costs. This adversely impacts the development margin and the rate of return to the developer.²⁹

²⁶ Gurran et al (2009). See also Goodman, R., Buxton, M., Chhetri, P., Taylor, E. and Wood, G. (2010) *Planning and the characteristics of housing supply in Melbourne*, AHURI Final Report No. 157, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/157>.

²⁷ Davison et al (2012), p.81.

²⁸ Gurran et al (2009), p.65

²⁹ Rowley, S., Costello, G., Higgins, D. and Phibbs, P. (2014) *The financing of residential development in Australia*, AHURI Final Report No. 219, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/219>.

Table 1: Impact of a six-month DA delay on finance costs

	\$6 million equity, remainder debt funded	\$6 million equity, remainder debt funded. Six month delay in DA
Interest rate	8%	8%
Interest charged	\$4,983,696	\$5,491,165
Total development costs	\$53,024,449	\$54,128,375
Finance costs as percentage of development costs	9%	10%
Equity Internal rate of return	36.8%	29.54%
Development margin	18.9%	17.1%
Project Internal rate of return	11.9%	9.9%

Source: Rowley et al, (2014), Table 7, p.31

A key problem for housing developers has been holding costs relating to land acquisition. The time from development idea to completion may be years, and yet the costs of purchasing and holding land are significant.

AHURI research suggests that most developers are willing to pay development application fees but they would be willing to pay more if the applications were processed more quickly. Local governments perceived this a different way—the costs associated with application were low relative to the time involved in assessing.³⁰

Most jurisdictions have implemented reform processes for development assessment around 2007 to 2009, with tighter timeframes for development assessment introduced in most jurisdictions including ACT.³¹ AHURI research has found that jurisdictions have used a variety of methods to fast track applications:

- removal of referral requirements, replaced by guidelines (NSW)
- 'gateway' ministerial determination for up front certainty (NSW)
- faster assessments such as 10 day approvals (NSW) and fast track for simpler complying developments (Qld, Victoria)³²
- creation of planning bodies (like the Growth Area Authority in Victoria) to expedite planning approvals³³

AHURI research has shown that since these reforms were introduced, there have been improvements. For example, for Sydney, while planning approval rates have remained

³⁰ Gurran et al, (2009).

³¹ Ibid.

³² Gurran et al, p.57.

³³ Goodman et al (2010), p.16.

relatively stable since these reforms, there have been reductions in decision-making times (as a proportion of statutory timeframes) especially in the slower local government areas.³⁴

e) retrospective Development Applications

AHURI research has not looked specifically at retrospective Development Applications.

f) reconsideration and appeal processes

AHURI research has shown that third parties that object to a planning decision have varying rights to appeal planning decisions depending on the jurisdiction. Some jurisdictions like Victoria grant wide standing to appeal but others like NSW have very limited capacity for third party appeals. The new Affordable rental housing provisions (ARHSEPP, Division 1), also limits opportunities for planning authorities to refuse development applications for infill affordable rental housing.³⁵

Developers are usually able to appeal the amount of infrastructure contribution required as a condition of consent.³⁶

g) Heritage, Tree Protection and Environmental assessments

Development applications can be held up if they are required to provide consultant studies (for wildlife, bushfire or Indigenous heritage). Developers are concerned that these assessments can significantly slow assessment times.³⁷

Depending on the jurisdiction and the details of the local plan or requirements contained in other regional or state plans or policies, some categories of development will need to be referred to other agencies for their views or concurrence. In some instances, the Commonwealth *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act) will apply, to proposals deemed to affect a matter 47 of 'national environmental significance' as defined by the Act. When the EPBC Act is triggered, additional assessment and referral requirements are imposed.

3 Development Application compliance assessment and enforcement measures

AHURI research suggests that in most jurisdictions, when developments are approved, conditions of approval are usually imposed. These conditions usually relate to technical requirements and standards (for instance, compliance with the Building Code of Australia), but might also include additional matters relating to the management of the building site; the design or appearance of the development; or landscaping. When levied, development contributions are usually required as a condition of planning consent, as well as other considerations.³⁸

Problems of compliance have emerged in relation to affordable housing requirements.

In New South Wales some councils have failed to note the affordable housing requirement on the condition of consent. There are limited resources to check compliance with affordable housing requirements and compliance can become hard to check when units or houses are

³⁴ Gurran, N., Phibbs, P., Gilbert, C., Bramley, G. and Austin, T. (2012) *Quantifying planning system performance and Australia's housing reform agenda: an Investigative Panel*, AHURI Final Report No. 191, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/191>.

³⁵ Gurran et al (2009).

³⁶ Ibid.

³⁷ Ibid.

³⁸ Ibid.

sold to other parties. The conclusion of the NRAS program (where continued payments were dependent on compliance) has also made compliance issues difficult.³⁹

AHURI research suggests that in places like South Australia the model has been most effective in delivering a mix of affordable housing (different tenures and levels of need), where it has been on government-owned, in-fill sites. In this case their 15 per cent affordable housing target has been enforced through land management agreements. On private infill sites, it has been harder to achieve this especially as the wording in the affordable housing requirement is that developers 'should' rather than 'must' provide affordable housing and this has led to inconsistent enforcement by local planners, and renegeing on initial commitments.⁴⁰ The research suggests that the affordable housing requirement 'has been flexibly applied to private, infill developments, with the full 15 per cent more likely to be enforced where developments vary local planning controls and/or are granted a density bonus.'⁴¹

4 Development Application practices and principles used in other Australian jurisdictions

AHURI research suggests a number of key principles in reforming development application practices in Australia:

- Development application processes, like other planning mechanisms should be about regulating planning regimes so they achieve their strategic objectives. Affordable housing should be one of those objectives.⁴²
- Evaluative frameworks of the planning system should consider efficiency in creating new supply and affordable housing outcomes, but be wide and include a large range of other factors influencing urban change including population growth, geographic constraints etc.⁴³
- Governments should keep good performance indicators and data around these outcomes so that the system can be evaluated properly.

Highlighted below are some planning and development application practices in Australian jurisdictions relating to promoting affordable housing that might be relevant in the ACT context. These include:

- *streamlining of development applications* resulting in reduced planning approval times that help to reduce developer holding costs;
- *value capture and inclusionary zoning mechanisms*;
- *land contributions*; and
- *other planning concessions that increase development yields* (through density bonuses to building height or density limits) or *concessions on other planning requirements* (e.g. minimum car parking space requirements).

³⁹ Gurran et al (2018).

⁴⁰ Ibid.

⁴¹ Gurran et al (2018), p.35

⁴² Gurran, N., Milligan, V., Baker, D., Beth Bugg, L., Christensen, S. (2008) *New directions in planning for affordable housing: Australian and international evidence and implications*, AHURI Final Report No. 120, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/120>, p.26

⁴³ Gurran et al (2012). p.2

These four practices are outlined in more detail below.

Streamlining of affordable housing development application decisions

Some jurisdictions have made efforts to expedite planning approvals, with a prioritised track for affordable housing projects. For example, in 2009, the NSW Government introduced the State Environmental Planning Policy (Affordable Rental Housing), ('A-SEPP'). The aim of this was to 'incentivise privately-financed affordable housing development and to streamline planning assessment processes for SHA projects'.⁴⁴ The A-SEPP overrode local planning controls to make certain forms of privately-financed low and medium rise infill development permissible in all residential zones, irrespective of local controls, so long as a proportion of the dwellings provided were managed by a NFP housing provider and rented as 'affordable rental housing' at sub-market rates.

Around the same time, under the federally funded Social Housing Initiative (SHI), there was an expedited process for approval of affordable housing developments under this scheme (justified at the time as a need to expedite this spending as a response to the Global Financial Crisis). Rather than subject these development projects to council and Environmental Protection Authority approval processes (which would slow the approval process down), the Social Housing Authority undertook internal assessments of environmental impact and its conformity to local and state planning controls. This was followed by notification of neighbours in adjoining properties who could make a submission for 21 days and then shown to an independent planning expert. There is some evidence to suggest that this process was rigorous and did speed up approval times.⁴⁵

AHURI research found that although the number of significant complaints was relatively low (an independent review put the figure at around 5 per cent self-approved projects had encountered significant opposition) the streamlining of planning approval processes did generate resentment from local community members about not being consulted. Some local communities reacted fiercely to affordable housing projects proposed under the A-SEPP (e.g. in Parramatta) with resulting political conflict and media coverage.⁴⁶

While the SHI and A-SEPP did promote affordable housing, and increase the mix of housing types in a common type of built environment, there were concerns that A-SEPP was not leading to enough affordable housing in inner city areas and leading to inappropriate affordable housing opportunities in middle ring areas.

After May 2011, the government made amendments to A-SEPP (to become ARHSEPP) so that merit assessment against local character is now grounds for refusal.⁴⁷ In addressing inappropriate development, AHURI research is now suggesting that development approval processes for market and affordable housing should not have separate planning assessment tracks – there should be a harmonisation between the two.⁴⁸

⁴⁴ Davison et al (2013), p.45.

⁴⁵ Davison et al (2013).

⁴⁶ Ibid.

⁴⁷ Davison, G, Gurrán, N., Nouwelant, R., Pinnegar, S. and Randolph, B. (2012) *Affordable housing, urban renewal and planning: emerging practice in Queensland, South Australia and New South Wales*, AHURI Final Report No. 195, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/195>.

⁴⁸ Davison et al (2013).

Value Capture mechanisms associated with Development Approval

Development approval typically results in increases in the valuation of a project and an increase in the land value. For this reason, some jurisdictions are keen to capture some of this value for other purposes including affordable housing through inclusionary zoning arrangements. Planning regimes can specify particular percentages of new houses that are envisaged or mandated to be affordable ('inclusionary zoning'). AHURI research shows that a number of governments, including the ACT, South Australia and some parts of New South Wales now have inclusionary zoning arrangements to incentivise affordable housing (Victoria is introducing a pilot program).

In 2005, the South Australian state government introduced targets of 15 per cent affordable housing in all new development, five per cent of which is for households with high needs. Affordable housing targets are set out through local plans. AHURI research found that as at 2016 2009 affordable homes have been built and a further 3,476 homes committed under the 15 per cent affordable housing requirement.⁴⁹ The scheme has been mainly successful in producing affordable housing for purchase in suburban locations, with this being achieved through lot and dwelling size reduction.⁵⁰ In private developments, further density bonuses were necessary to get them to succeed. It was less successful for apartment developments in South Australia where the market is weak, and where the requirement for pre-sales delayed completion, after which many people signing up may no longer be eligible or in need of affordable housing.

In NSW, inclusionary zoning is done either on a mandatory basis (e.g. Randwick NSW) or voluntary or negotiated requirement (e.g. Canada Bay Council, City of Sydney, Redfern). Other councils require developers to make a financial contribution to affordable housing.

In Queensland, councils are not permitted to require affordable housing in development approvals and councils have no powers to collect monetary contributions for affordable housing. However, negotiated agreements for affordable housing have been formulated using covenants. While the use of covenants has not required further legislative change at state level, affordable housing in the development might lapse at the termination of the covenant and it is difficult for governments to keep track of affordable developments.

Land contributions

Traditionally, developers might purchase the land upfront. However, some developers don't want to tie up all their equity in a development site until the project is completed and sold and many developers have only limited funds to devote to equity investment. Access to finance, and the financing mix (debt to equity) is critical to make developments viable.⁵¹

Some developers choose land that has potential to improve in value following development approval. Rowley finds that 'some developers will purchase land upfront and try to generate profits through the uplift in value resulting from development approval and the land can then be used as the security for the finance'⁵². In one project for example, Development Approval (DA) plays an important role in enabling finance:

At the start of the project, the developer will hold a preliminary meeting with the Bank of Queensland re the finance potential for the site. Recent example, they [a developer] purchased a site for \$500,000. After the DA was approved the site was valued at \$1 million. The bank were happy to lend 50 per cent of the new valuation

⁴⁹ Gurran et al (2018).

⁵⁰ Ibid.

⁵¹ Randolph et al (2018).

⁵² Rowley et al (2014), p.25

so they [the developer] got their \$500,000 'back'. So they [the developer] look for sites with planning uplift so they can maximise their leverage. (Development Financier).⁵³

Smaller developers with fewer financial resources would sometimes secure an option over the land, with land purchase subject to development approval. However, there were higher risks with this approach for smaller developers if they cannot negotiate finance:

Smaller developers will often just get the DA approved through an option and then just hope they can get finance. Often this proves difficult and they have to sell the site, often with little profit. (Development Financier).⁵⁴

Governments can help reduce holding costs for developers in return for affordable housing either through contributing land or deferring the purchase of land from government until after approval.

AHURI research has shown that the ACT has improved the potential for community housing providers (CHPs) to supply affordable housing by reducing holding costs to almost zero. The CHPs were able to cooperate with the planning and land agency to obtain land at an 'administratively determined market valuation', and alter planning arrangements so that payment for the land is deferred until after the relevant planning approvals have been secured.⁵⁵ The CHP also benefited because they did not have to secure the land through an auction or competitive tender process and therefore be in competition with for-profit developers.

Planning concessions to incentivise development

Councils and state governments can also incentivise affordable housing development through granting density bonuses in exchange for affordable housing contribution; granting concessions around particular planning requirements such as parking requirements; or granting waivers on development fees.

Under the revised NSW planning system (ARHSEPP), density bonuses have been introduced to incentivise development in inner city areas. AHURI research suggests that use of density bonuses in in-fill affordable housing developments in New South Wales has grown in the last few years. The most recent data suggest that as at January 2017, the Sydney Planning Panel and the former Joint Regional Planning Panels had determined 22 applications for in-fill affordable housing development in the Sydney metropolitan region, and three in regional areas. Twenty of these were approved, resulting in 1,008 approved dwellings, of which 583 (or 57%) were affordable.⁵⁶

Density bonuses are now also being used in Western Australia at a local authority level. Other jurisdictions (NT and Qld) are now also supporting smaller lot sizes to diversify and increase affordability of new housing supply. However more recent evidence has suggested that the financial benefit of density bonuses is limited relative to other mechanisms.⁵⁷

Some councils (such as Byron Shire in northern NSW) have waived fees associated with development approvals when the development involves affordable housing. For example, in one test case development that was to include affordable housing for 45 persons, the council

⁵³ Ibid.

⁵⁴ Ibid.

⁵⁵ Randolph, B., Troy, L., Milligan, V. and van den Nouwelant, R. (2018) *Paying for affordable housing in different market contexts*, AHURI Final Report No. 293, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/finalreports/293>.

⁵⁶ Gurran et al (2018).

⁵⁷ Randolph et al (2018).

offered a 4.2 per cent density concession, a site occupancy bonus to allow for 132 residents, parking concessions and a \$6,000 grant in lieu of development application fees.⁵⁸

5 Other relevant information

State of play in planning for affordable housing in the ACT

AHURI research shows that the ACT Government has already done much work to link its 2007 ACT Affordable Housing Action Plan to planning and land processes, including in relation to:

- land release policies (including accelerated land release for home ownership, introduction of a land rent scheme, and land contributions for community housing development); and
- planning processes (increased diversity of housing through increasing small lots, 20 per cent inclusionary zoning for affordable housing in new residential and urban renewal areas, and provision of density bonuses).⁵⁹

AHURI research shows that the success in formulating this strategy and getting this integration was due to strong, strategically-located leadership with coordination from the Chief Minister's department and good collaboration with Community Housing Canberra and Private Sector. There was also clear role delineation and collaboration between ACT Land Development Authority, ACT Planning and Land Authority, ACT Housing, ACT Treasury and the Chief Ministers' department.⁶⁰ While the ACT have already made significant progress, we hope that AHURI research might help inform further improvements to the strategic planning and development application processes in the ACT into the future.

I would like to thank the Standing Committee on Planning and Urban Renewal for its consideration of our submission and would welcome the opportunity to elaborate further. A full listing of research referenced in the submission is provided including direct web-links to the AHURI reports. AHURI research is free to download from www.ahuri.edu.au.

If there is any way we can be of further assistance, please contact me directly

[REDACTED]

Yours sincerely

[REDACTED]

Executive Director

⁵⁸ Gurran et al (2008).

⁵⁹ Rowley, S., James, A., Phibbs, P., Nouwelant, R. and Troy, L. (2017) *Government led innovations in affordable housing delivery*, AHURI Final Report No. 289, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/289>, p.51

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