



Thursday 17 August 2023

UDIA NATIONAL ADVOCACY ALERT

National Cabinet Housing Reforms – 16 August

Members will be aware of the outcome of the National Cabinet Meeting and the resulting media coverage of the announcements made by the Prime Minister.

Our media release focused on the announcement of several initiatives that will target acceleration of housing supply.

An Overview

1. An increased hard target of building 1.2 million new homes over 5 years from July 2024 onwards – this is now a fixed milestone with housing targets for states (with carrots and sticks) rather than an “aspirational goal” like the 1 million homes over 5 years which had no KPI’s tied to it.
2. The “carrot and stick” for this milestone is a new \$3 billion New Home Bonus for states and territories which overperform on their share of the new home target of 1.2 million – meaning states are incentivised to find plans that boost their share of housing, but fall short and they wear the bill themselves.
3. The accelerator for difficult regions is a Housing Support Program of \$500 million targeted to local and state/territory governments to help with the “last mile” on projects to build housing and enabling infrastructure – this is the enabling infrastructure booster UDIA National and the UDIA states have been pressing for from Government.
4. The tools for streamlined delivery is the new National Planning Reform Blueprint that will streamline and boost planning and zoning, as well as removing development approval barriers to accelerate housing, including bolstering medium and higher density housing and rapid delivery of social and affordable housing – These are the incentives for planning and regulatory reforms UDIA National and the UDIA states have called on.

5. As a part of these reforms National Cabinet will also consider the phased introduction of inclusionary zoning and planning, to support permanent affordable, social and specialist housing in ways that do not add to construction costs – this either means government land/new zoned (unsold) land, or incentives like height and density or it will cannibalise housing and add to costs.
6. The pathways to help renters immediately include stronger rights with the need for reasonable grounds for eviction, minimal rental standards and no more than one rental increase per year. Immigration is key to supplying our workforces and current levels of permanent and temporary visas have not yet overcome the deficit caused by the pandemic freeze. UDIA National will keep pressing for skilled immigration to alleviate labour shortages and to underpin the economically critical housing sector.

The Detail

Federal Government has two levers – direct funding of housing/processes or incentivising states to pull the multitude of levers at their disposal.

The reforms from National Cabinet are directly in line with UDIA National recommendations to incentivise states with funding that provides targeted housing supply, boosting of enabling infrastructure, streamlining of planning approvals/processes and accelerated pathways for development. In addition, we have been firmly opposed and working behind the scenes to ensure inclusionary zoning is not brought in as the “magic pudding” for housing. The National Cabinet announcement is very careful to qualify inclusionary zoning as being considered and also not adding to construction costs. That puts us on the right track.

They have got the message we have been laying down and are quoting it back to us: “All governments recognise the best way to ensure more Australians have a safe and affordable place to call home is to boost housing supply.”

a) What happened with Rental Caps?

Critically, in line with our conversations across the political parties, the issue of rental caps/freezes was taken off the table early and other measures explored instead. This will undoubtedly be criticised heavily by the Greens and used to hold back the HAFF, however everything the HAFF does can be achieved through the Accord (all be it with Government funds). The major parties remain unsupportive of rental caps.

We have been clear in communicating to all parties that we support direct financial assistance and certainty to renters, but rental caps are not suitable because they run the risk of decreasing rental supply as cost increases overwhelm the rental caps. We instead need supply and demand initiatives that operate effectively together rather than cannibalising one for the other.

As an aside, the evidence from around the world shows that rental caps simply do not work. It has led to rental inequality and deteriorating stock in New York, chronic housing shortages in Sweden, fewer rentals and intensified demand in France and exacerbated

housing shortages in Berlin simply because it distorts housing markets, pressures existing landlords to exit the market, encourages empty nesting, blocks funds for property maintenance and actively discourages new rental housing.

This is the last thing we need given we have seen a drop of 21% in new investment loans and rental housing.

b) Housing Targets

The National Cabinet agreed to a national target to build 1.2 million new well-located homes over five years, from 1 July 2024. Discussions with the Minister for Housing's Office yesterday confirm that this is now a fixed milestone with housing targets for states.

The rest of the announcements serve to tie that milestone to state performance. This is an additional 200,000 new homes above the National Housing Accord goal of 1 million homes over 5 years, which was more aspirational in nature given it was not tied to any KPI's.

Importantly, the 1.2 million homes means that all policy including the provision of affordable and social housing, must consider the bolstering of at-market housing or it is simply unachievable.

c) New Home Bonus – carrot to the housing targets

The Commonwealth has committed to \$3 billion for performance-based funding, the New Home Bonus, for states and territories that achieve more than their share of the one million well-located home target under the National Housing Accord.

This is intended to incentivise states and territories to undertake the reforms necessary to boost housing supply and increase housing affordability.

In effect the Commonwealth will foot the bill for housing and infrastructure if the states overachieve on targets over 5 years (or an alternative perspective), states will be given more funding they can put towards more housing.

Pundits have and will criticise the bonus as an empty promise given the difficulty of reaching the 1.2 million homes target in 5 years. This is a flawed view because:

1. That is exactly what a stretch target is supposed to do – push stakeholders to achieve. It is not “as of right”.
2. Given in the last 5 years we delivered 975,000 houses as a market, the stretch is not that unreachable.

d) National Planning Reform Blueprint

National Planning Reform Blueprint is designed to improve housing supply and affordability through planning, zoning, land release including updating state, regional, and local strategic plans to reflect housing supply targets; promoting medium and high-density housing in well-located areas close to existing public transport connections, amenities and employment; and streamlining approval pathways.

They also agreed to implement:

- 1) plans to use the \$2 billion Social Housing Accelerator that was announced last month.
- 2) a principle based multi-year planning model for migration to coordinate migration settings – which is directly in line with UDIA National recommendations for boosting productivity, capacity and skilled workers.

Specifically, the Blueprint includes:

- Updating state, regional and local strategic plans to reflect their share of housing supply targets.
- Undertaking planning, zoning, land release and other reforms, such as increasing density, to meet their share of housing supply targets.
- Streamlining approval pathways, including strengthened ‘call in powers’, and prioritising planning amendments to support diverse housing across a range of areas e.g., by addressing barriers to subdivision for appropriate medium density housing.
- Promoting medium and high-density housing in well located areas close to existing public transport connections, amenities and employment.
- Reforms to support the rapid delivery of social and affordable housing.
- Reforms to address barriers to the timely issuing of development approvals.
- Consideration of the phased introduction of inclusionary zoning and planning to support permanent affordable, social and specialist housing in ways that do not add to construction costs.
- Rectifying gaps in housing design guidance and building certification to ensure the quality of new builds, particularly apartments.
- Improving community consultation processes.
- Adequately resourcing built environmental professionals, including planners, in local government.

Note these action points include considering the phased introduction of inclusionary zoning and planning, to support permanent affordable, social and specialist housing **in ways that do not add to construction costs**. As noted above, there is no detail on this, but the National Cabinet announcement is very careful to qualify inclusionary zoning as being considered and also not adding to construction costs. We will be watching this closely.

e) Renter Reforms

The pathways to help renters immediately, include stronger rights with the need for reasonable grounds for eviction, minimal rental standards and no more than one rental increase per year.

Specifically:

- Develop a nationally consistent policy to implement a requirement for genuine reasonable grounds for eviction, having consideration to the current actions of some jurisdictions.
- Ensure provisions to allow appeals against retaliatory eviction notices are fit for purpose (e.g., evictions motivated by tenants taking reasonable action to secure or enforce legal rights, complain or disclose information about their tenancy).
- Move towards a national standard of no more than one rent increase per year for a tenant in the same property across fixed and ongoing agreements.
- Implement a ban on soliciting rent bidding.
- Allow tenants experiencing domestic or family violence to:
 - End agreements without penalty and with a streamlined process and evidence e.g., a declaration by a prescribed professional such as a doctor or support service worker;
 - Change the locks and make security improvements without the landlord's permission;
 - Have their name removed from databases due to property damage caused by family or domestic violence;
 - With jurisdictions to consider further action to protect tenants who are victim survivors of domestic or family violence e.g., the ability to apply to have the perpetrator removed from the tenancy.
- Limit break lease fees for fixed term agreements to a maximum prescribed amount which declines according to how much of the lease has expired (e.g., a maximum of four weeks' rent if less than 25 per cent of the fixed term has expired).
- Make rental applications easier and protect renters' personal information:
 - Prescribe a rental application form in each jurisdiction, with required documents limited to two in each of the following categories:
 - identity, financial ability to pay rent, suitability;
 - Require the destruction of renters' personal information three years after a tenancy ends and three months after tenancy begins for an unsuccessful applicant;
 - Require tenants' personal information to be provided and corrected within 30 days of a request by a tenant or prospective tenant; and
 - Specify information not allowed to be collected from a tenant or more generally (e.g., disputes with landlords).
- Consider options for better regulation of short-stay residential accommodation.

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