

16 February 2011

Mr Barry O'Farrell, MP
Leader of the Opposition
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Mr O'Farrell,

Re: Election Questionnaire - Urban Policies

The Urban Taskforce is a non-profit organisation representing Australia's most prominent property developers and equity financiers. We provide a forum for people involved in the development and planning of the urban environment to engage in constructive dialogue with both government and the community.

When private developers are unable to develop new housing, it is ordinary homebuyers and renters who suffer most. Almost everyone shops and works in premises developed by the private sector and more are required.

NSW property development has been in serious decline since 2002. Until 2007, NSW was the nation's number one state for building activity – this shouldn't have been surprising given that it is Australia's most populous state. However, in 2007, Victoria stole NSW's title. Victoria has never looked back – in the last financial year, for every dollar spent by builders in NSW, \$1.20 was spent in Victoria. While NSW accounts for 33 per cent of the population, it makes up just 24 per cent of Australia's building activity.

In the last financial year, work started on 52,000 new Victorian private sector homes, while in NSW work started on only 26,000 homes. The housing undersupply is the main reason why residential rents have been galloping ahead of inflation. Both sides of politics should make decisive policy commitments to address these issues.

NSW needs more than new housing and floorspace targets. It is pointless for the state government to simply set targets, when so many local councils have almost no interest in seeing them achieved. More basic reform is required.

At the very least, NSW must get housing supply back to the performance levels of the 1990s. This means we need a minimum annual average supply of about 25,000 extra homes for Sydney and 39,000 extra homes for NSW (although some independent experts say this would require a doubling of the current rate of housing construction). It would bring us in-line with the per-capita rate of housing construction we've seen in other comparable states.

There is desperate need for an efficient, workable planning system that delivers the housing, retail development and new workplaces the community urgently requires.

We have released a 10 point plan designed to fix NSW's broken down system of regulating and managing urban development. We are writing to seek your response to the issues we have

identified. We would be grateful if you could respond to each of our 10 points and explain if and how your party's policies will address the matters have raised. We have sent this questionnaire to all major political parties. We intend to publish your response to our membership.

1. Will you re-design the NSW planning system to support the state's economy?

We advocate a re-designed NSW planning system so that it is about:

- supporting the state's economy;
- promoting liveable communities;
- managing impacts on public infrastructure;
- promoting private investment by respecting property rights; and
- promoting ecologically sustainable development.

2. Will you keep joint regional planning panels and impose new rules to limit bureaucratic and political games?

We support the continuation of joint regional planning panels, which represent an important improvement to the planning system. Their introduction follows an ICAC recommendation that such panels should be used more widely to reduce the corruption risks endemic in local government.

We also advocate new rules to limit bureaucratic and political games by ensuring that development meeting pre-determined standards is entitled to approval and require consent authorities to deal with matters promptly by deeming approval where no decision is made. Of course, development that does not meet those standards should still be considered, but the decision making process would allow for greater discretion.

3. Will you reduce uncertainty by limiting the matters that can be considered in the development assessment process?

We advocate a more predictable decision-making environment. This can, in part, be achieved by dramatically reducing the number and breadth of strategies, policies, plans and guidelines – the only such documents that should be considered are the final policies either approved by the state government or expressly provided for and required by an environmental planning instrument, in relation to a specific area (e.g. a masterplan).

4. Will you progress the rezoning of land for development as promised in numerous strategies and give proponents Queensland-style appeal rights when rezoning proposals are unreasonably refused or delayed?

There is currently no clear application process for a spot rezoning. There is no timeline which councils must adhere to – delays by councils are not even measured in the local government performance reports. Most significantly there is no independent merits appeal of decisions. In our view this must change.

5. Will you ensure that a private property owner is properly compensated for the removal of their land use rights by the government (e.g. down-zoning, heritage listing, etc)?

In our view, down-zoning and heritage listing which reduces the development potential of land must necessarily lead to compensation to affected landowners for any reduction in the value of land. Queensland legislation can be used as a model, in this respect (*Sustainable Planning Act 2009*, Chapter 9, Part 3).

6. Will you reduce and reform state and local council development levies?

We're seeking reform that reduces economic distortions and there is greater transparency - and increased public urban infrastructure investment in higher growth areas. The report of Ken Henry's tax review provides a useful set of principles.¹

The NSW Government currently plans to increase levies on new Western Sydney homes by 50 per cent – from \$12,000 to \$18,000 each home, effective on July 1 this year. It has announced plans for an \$8,800 levy on new homes in the Lower Hunter and a \$6,200 levy on new homes in the southern Illawarra. The government's also proposing a \$42,100 levy on each hectare of new Lower Hunter industrial land, and a \$29,000 levy on each hectare of Illawarra industrial land. Levies for Western Sydney industrial land are also set to soar.

7. Will you emulate Victoria by introducing permanent stamp duty concessions for off-the-plan home purchases?

Under the 'NSW Home Builder's Bonus' no one pays stamp duty if they are buying a home worth up to \$600,000 off-the-plan in the pre-construction stage. This saves home buyers up to \$22,500. At the same time there is a 25 per cent cut in stamp duty for those who buy later in the development process, once construction starts or a home is newly completed. This saves home buyers up to \$5,600. This scheme is due to expire on 1 July 2012.

In Victoria, a permanent feature of the stamp duty regime is that off-the-plan purchasers of new homes only pay duty on the land value component of their purchase. This tax structure permanently encourages new construction activity and off-the-plan purchases. It assists Victorian developers to achieve the necessary benchmarks to satisfy the banks' very tough financing hurdles. The value of homes that can be included in the scheme is not capped at the lower end of the NSW new home market, in the way that the temporary NSW scheme is.

8. Will you reform the template being used in the preparation of new zoning plans - so it allows a wider range of development and reduces over-regulation?

Since 2006, the NSW Government has been working towards replacing all existing local environmental plans (LEPs), in each local government area, with a new modern plan, compliant with a consistent template set out in the *Standard Instrument (Local Environmental Plans) Order 2006*.

In December 2007, just before Christmas, far-reaching changes were made to the Standard Instrument. The changes significantly strengthened the 'command and control' approach of the Standard Instrument and the LEPs prepared under it.

9. Will you retain a special approvals stream for state and regionally significant projects at arm's length from local politicians and council bureaucrats?

Part 3A is the most functional part of the NSW planning system. If it is to be abolished, the replacement must be as equally effective at ensuring that expert assessment, independent of local council politicians and bureaucrats is able to take place, without multiple vetos by state government agencies.

10. Will you prevent the loss of trade suffered by existing businesses from being considered when deciding on new commercial or retail development?

Competition should be embraced, not prevented. The planning system restricts competition amongst the owners of commercial and retail land for tenants. It does this by expressly requiring new development proposals for commercial offices, retail facilities and entertainment facilities to demonstrate that they will not impact on the market share of incumbent players. The net result of these policies is that the rents for some business tenants are much higher than they need to be. The major beneficiaries of such policies are the property owners in the favoured centres.

¹ Commonwealth of Australia, *Australia's future tax system — Report to the Treasurer* (2010).

Should you require any further clarification of the content of this correspondence, please feel free to contact me. Thank you for considering the issues raised by the Urban Taskforce.

Yours sincerely

Urban Taskforce Australia

A handwritten signature in black ink, reading "Aaron Gadiel". The signature is written in a cursive style with a long horizontal stroke extending from the end of the name.

Aaron Gadiel
Chief Executive Officer