

Wednesday, 7 August 2024

Danielle Wood
Chair, Productivity Commission
by email to communications@pc.gov.au



Dear Ms Wood and Commissioners

Inquiry into barriers to homebuilding

We are writing to you today regarding your forthcoming inquiry on constraints on homebuilding in Australia.

As Australia's largest grassroots urbanism network, the Abundant Housing Network Australia is invested in the success of this Government's ambitions to deliver more housing supply in desirable, high amenity areas.

We wanted to congratulate the Commission on undertaking this bold and much needed inquiry.

Barriers to innovation — especially in forming the kind of viable mid-sized firms capable of delivering our missing middle at scale — has been a key concern of the Network since we started.

While there's an abundance of evidence in favour of our motivating goal — broadly upzoning our cities and liberalising urban planning — our work has identified a few topics that have been under-researched in an Australian context.

Many of the necessary solutions to Australia's housing crisis require significantly more government investment and intervention. We recognise however that the Commission's unique strength is in thoroughly and critically dissecting regulatory barriers that distort functional markets.

With that in mind, we have three priority areas we believe would benefit from a Productivity Commission deep dive: zoning and planning rules as a barrier to housing construction, heritage and character restrictions as a barrier to building in well-located areas, and barriers to the recruitment of skilled migrants in construction trades.

Australia's incoherent urban planning regulations

We understand that the Productivity Commission has previously interrogated the impact that built environment regulation — in particular, overly restrictive and often incoherent zoning imposed by local governments — has on the delivery of housing, particularly in delivering housing cheaply and quickly.

Most Australian cities face multiple layers of zoning and neighbourhood plans alongside highly convoluted, expensive, slow and often politicised planning approval processes split between both local and state governments. These systems are

intractable and incoherent for anyone aiming to build homes or even residents aiming to understand how their neighbourhoods are set to change over time.

The cumulative impact of the planning system on housing costs, emissions, labour markets, commute times and the urban fabric of our cities is still not well understood, including by the various professions responsible for operating different aspects of the system.

Politicians of all stripes seek to take advantage of this incoherence, while a preponderance of discretionary rules and tribunals overly receptive to clearly vexatious cases to further delay, redesign or block developments, at great expense to the end purchaser.

Despite the clear evidence both locally and abroad, influential figures in our media continue to peddle supply skepticism and treat the role of urban planning in housing affordability and delivery as a kind of intellectual lacuna.

A Commission deep-dive that analyses the breadth of urban planning restrictions across Australia's capitals, the scope for political discretion in those regulations and the local and international experiences of reducing those regulatory burdens would be extremely useful — especially in rebutting the clearly bad-faith supply skeptics in Australia's media and politics.

We would especially like to point out the Auckland experience and the work that Matthew Maltman and Stu Donovan have both done in translating that experience to an Australian context.

We also believe that it's important to situate those regulations in their historical context and acknowledge that the reasons they were introduced may no longer be relevant or the trade-offs involved have tipped the scales in another direction. Regulatory lag and how quickly market conditions change relative to how quickly democratic or bureaucratic institutions are capable of responding to those conditions is well canvassed.

But additionally, we need to acknowledge that many of those restrictions were hard fought for and many for ostensibly good reasons — to protect vulnerable people, historic buildings or support community welfare and health.

Whether community expectations have changed, the trade-offs have shifted or still well-intentioned regulations have been co-opted by bad faith anti-housing actors is at the heart of any interrogation of our urban planning systems.

These regulations are not *prima facie* our enemy nor does good urban planning necessarily act as a handbrake on housing growth.

But Australia's highly discretionary, highly politicised and highly localised urban planning regulations are in no one's interests but a handful of consultants and politicians vested in make-work and delaying housing growth.

Australia's outdated urban heritage regulations

Australia's national framework for urban heritage regulation last had a root-and-branch review in 1998 while the last Productivity Commission inquiry into the topic concluded in 2006 with many of its recommendations on privately-owned heritage places still unaddressed by state and local governments.

This inquiry focused on the role that individual listings have on the conservation of heritage places and impacts on broader economic activity, but the preponderance of heritage restrictions 30 years later are weaker but much more broadly applied heritage and character regulation over whole neighbourhoods, often arbitrarily.

Heritage restrictions have a huge impact on housing renewal. Local heritage listings, heritage overlays and housing character restrictions are overwhelmingly located in high-demand inner city areas and are applied by bad faith anti-housing actors, whether local councillors or community reference groups, in an often arbitrary manner to block intensification and renewal.

These restrictions and the arcane processes that lead to listings and overlays being applied have spawned a small cottage industry of heritage consultants whose interest is primarily in their own proliferation and the creation of more work for themselves.

This mercenary attitude to our shared heritage by councils, consultants and conservative residents undermines the values on which heritage regulation is ostensibly built.

These systems are arbitrary, highly corruptible and impose a high cost on people seeking to develop homes in our inner cities — and the trade-off is more inner city neighbourhoods become run-down, poorly insulated rentals that look nice from the street but have a huge health toll on the residents, or expensive renovations for owner-occupiers that destroy any of the heritage values of the home anyway.

Facing both a housing and climate crisis, with our inner city neighbourhoods having an imperative to intensify and build modern, energy efficient homes resilient in the face of heatwaves and floods, we cannot afford to have our inner cities locked down for the exclusive use of a handful of increasingly wealthy homeowners buying heritage protected properties explicitly to minimise the risk they will have to live near poorer neighbours.

A Commission deep-dive on the role that heritage and character restrictions on private residential properties, particularly blanket restrictions like overlays, have on housing affordability, approvals and construction delays and climate adaptation will start to unwind the extremely one-sided public discourse about urban heritage.

Skilled migration in the construction trades

Construction trades and adjacent professions have been granted special carve-outs from our liberalised migration system. This has created an unbalanced immigration program which has created unnecessary pressure on housing and infrastructure.

To ensure strong growth in housing supply, we should be recruiting skilled construction industry workers and professionals from overseas in the same targeted way we recruit doctors and teachers.

Master Builders Australia estimate we need half a million more construction industry workers in the next three years to meet our housing and infrastructure ambitions. The Planning Institute of Australia has recently highlighted the planning skills shortage, identifying more than 500 short-staffed local councils across Australia. A significant proportion of these jobs are highly skilled and high income.

Meanwhile, migration skills assessment processes remain slow, expensive and inconsistently applied even in the construction trades — and a huge proportion of Australia's construction workforce being independent contractors rather than employees throws a further spanner in the works of someone trying to emigrate here to build homes.

A Commission deep-dive into migration pathways and the impact that special carve-outs for building and construction trades have from skilled migration would help build a body of evidence to reform our migration systems.

Other questions

We also wanted to share some questions we have identified over the last year as useful routes of research into housing and urban policy.

We want to underline just how many outstanding questions there are about Australia's housing market that go under-researched – or even where excellent work at a state level does not get replicated nationally.

Australia's think-tank ecosystem is finally turning its head towards the housing crisis and the Commonwealth is recognising the policy deficit itself has cultivated but there is still a decade of work to catch up on.

We understand many of these questions are out of scope or out of expertise for the Commission but we wanted to share regardless with hope that if this research strays into these areas, these could be integrated.

- ▶ What are the regulatory and financial barriers to mid-sized firms in building, construction and property development such as those critical to the delivery of innovative, medium density homes elsewhere in the world?

- ▶ What government interventions could facilitate more mid-sized firm creation and derisk innovative housing projects?
- ▶ How can infrastructure funding models be changed to improve the speed, efficiency and risk of housing construction?
- ▶ What public financing vehicles could be put in place to facilitate a much greater market share for not-for-profit building, construction and property development firms like Nightingale?
- ▶ How do we better make explicit to homebuyers the implicit subsidies on greenfield development and build those costs into the buyers' purchase price rather than be borne by the broader population?
- ▶ What regulatory changes could better make renters feel secure and safe in their home with longer tenure and more predictability around rents? How do we make long term renting more appealing to the broader population?
- ▶ What are the cultural barriers to long-term renting and what government interventions could overcome those barriers?
- ▶ How do we address information asymmetry in the housing market — especially for renters seeking to understand a home's condition, accessibility, energy ratings, history of disputes or poor behaviour by providers and agents, and expected tenure and rent rises?
- ▶ What are the gaps in policy-making and research expertise in the Australian public service and what governance models would support greater Commonwealth coordination in homebuilding?
- ▶ What are the impacts on the building, construction and property development sector of sudden changes in machinery of government — for example, an incoming government abolishing urban development agencies or departmental urban policy clusters? Does deregulation or governments vacating from a policy space cause less certainty in the market?

We look forward to working with the Commission to formulate workable policy solutions to our housing supply crisis and get on with the job of delivering the fastest housing growth possible in places where people want to live.

Yours sincerely

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