

14 February 2014

Sam Haddad,
Director General,
Department of Planning and Infrastructure
GPO Box 39,
Sydney NSW 2001

Dear Mr Haddad,

BASIX Target Review

The Urban Taskforce understands the need for new housing to be effective in terms of environmental performance, particularly if this reduces the running costs for the occupiers of new housing. However, we are concerned with additional upfront costs on housing because at this point of time we are in the grips of a housing affordability crisis. We provide the following comments for your consideration, but urge you to consider postponing the introduction of new BASIX requirements.

1. *BASIX as a regulatory tool*

The Urban Taskforce believes that BASIX, with its flexibility and online interactive systems is the way regulations should be implemented. It is the outcomes of the regulations that Government should be interested in and how to achieve the desired outcome should be left to the private sector. BASIX is well ahead of most other planning regulations even though its inception was more than ten years ago. The often stated aspirations for ePlanning related to current planning reform could learn much from the BASIX approach.

2. *The proposed changes to BASIX*

We have relied on the detailed Benefit Cost Report by Allen Consulting in assessing the impact of the proposed changes. We are concerned however that you use a 4 bedroom home in Western Sydney as the average BASIX home when more apartments are currently being approved than large houses. We note that the changes impact less on apartments and only add \$1,435 (average NSW units) to the cost while houses on average in NSW add \$5,413 to the cost. Balancing this is the fact that the benefits or savings for a typical NSW house (\$6540) are higher than for a NSW apartment (\$2027).

The Urban Taskforce understands that savings through reduced energy and water bills will eventually offset the extra costs particularly if the costs are assessed as being covered by a mortgage over 40 years.

3. *Impact on apartments*

The Urban Taskforce supports the lesser targets for apartments as this building type contributes to environmental performance in other ways. Clearly the average size of an apartment is around half the size of the average house. On top of this, an apartment generally takes up far less land than a house. Studies have shown that typical low density housing can take up to 15 times more land than a unit in a 6 storey block of apartments.

4. **Improved communication**

The Urban Taskforce is generally supportive of the incremental changes to the BASIX targets included in the proposals. This is on the basis that the Allen Consulting report is accurate in estimating the costs and the offset savings. We believe however that the changes need to be communicated for a number of house types (including apartments) rather than focussing on the average four bedroom house.

5. **Concern about the increase in upfront cost at this point in time**

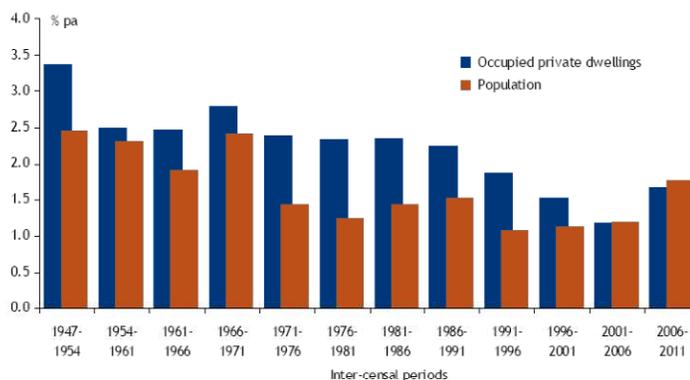
While supporting the general direction of the changes to BASIX we are concerned about timing relative to the current concerns with housing affordability. We are aware that the NSW Government is looking at a number of regulatory changes to prescribed payments, bonds for defects and even levies to subsidise lower cost housing and that all of these could lift NSW housing costs by around 10%.

The Urban Taskforce argues that more stringent BASIX requirements which will increase the cost of new housing should not be introduced at this point in time. This is not to suggest that we do not see the value in progressively encouraging improved building design and construction methods to meet new environmental goals, but we are in a housing affordability crisis and the introduction of new BASIX requirements that will increase the cost of housing must be postponed.

Research highlights the need to build approximately 35,000 new homes each year in New South Wales to keep up with increases in demand. Unfortunately we are not getting even close to this figure. Furthermore, because construction of new dwellings is not meeting demand, there is also a growing deficiency of rental accommodation.

Highly respected economist Saul Eslake has commented extensively on Australian housing policy and its drastic impact on housing affordability. In his submission to the Senate Economics Reference Committee, 21 December 2013 he outlines how housing supply has not kept up with population growth, leaving a significant deficit in house and an escalating housing affordability problem. Mr Eslake's figure, reproduced below shows that since 2006 the percentage population growth has exceeded the percentage growth of private dwellings.¹

Chart 1: Growth in the population and housing stock, 1947-2011



Sources: Australian Bureau of Statistics, Census results; author's calculations.

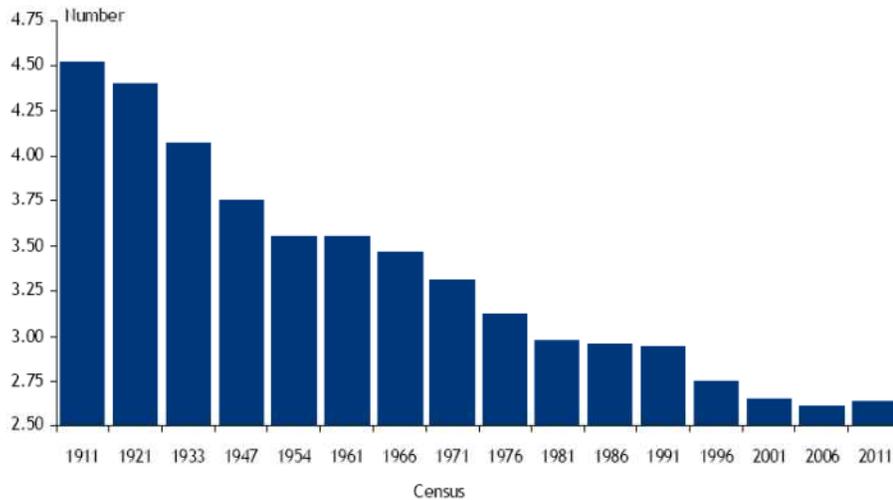
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¹ Saul Eslake (2013) AUSTRALIAN HOUSING POLICY: 50 YEARS OF FAILURE Submission to the Senate Economics References Committee 21st December 2013. 21st December 2013

² Ibid. p.3.

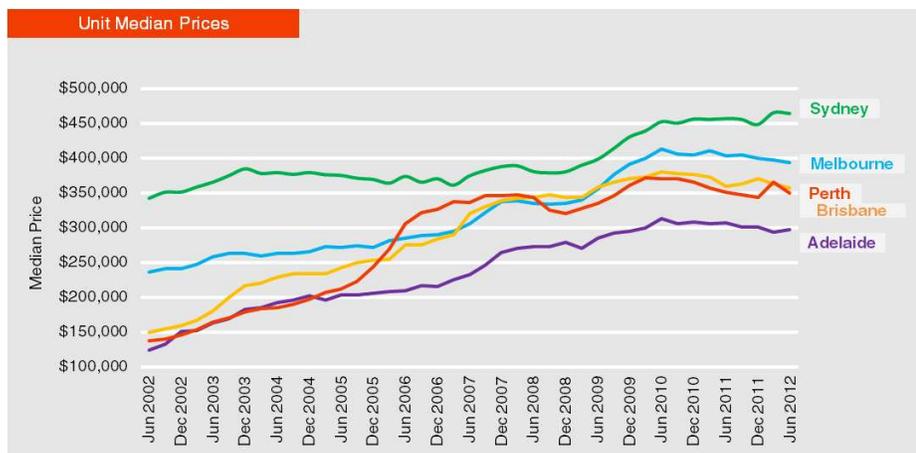
As shown on the figure below, the result of housing supply not meeting population growth is that for the first time in almost one hundred years we are seeing a growth of the number of people per dwelling. This is a direct response to housing becoming less affordable and reflects a reduction in the standard of living.

Chart 3: Average number of people per dwelling at Censuses, 1911-2011



Sources: Advisory Council for Intergovernmental Relations, *Australian Housing Policy and Intergovernmental Relations*, Discussion Paper No. 14 (1982), Appendix B, Table B3; Australian Bureau of Statistics, *2011 Census Quickstats* and earlier Census reports. ³

Australian Property Monitors recent report also shows that the house price growth has been extraordinary in Sydney where prices increased by six per cent, the second highest quarterly rise on record for the Sydney. The following figure from the report clearly shows the dramatic growth in housing prices, particularly for Sydney.



³ Saul Eslake (2013) AUSTRALIAN HOUSING POLICY: 50 YEARS OF FAILURE Submission to the Senate Economics References Committee 21st December 2013. 21st December 2013 p.4

⁴ Median Property Trends for Australian Properties [<http://apm.com.au>]

To work towards meeting housing demand we urgently need to support housing construction and unless significant initiatives are put in place so that there is a reduction in the cost of production, introducing new standards that will increase the cost of housing will drastically impact on housing production and affordability. Without a reduction in fees and charges imposed on housing development, the introduction of new BASIX requirements will unfairly impact on new home buyers, particularly those trying to building their first home.

Planning policy has already been very effective at limiting urban development, particularly at the edge of existing urban areas where the majority of new detached and more "affordable" housing is to be built. As the following figure indicates, households with mortgage costs of more than thirty percent of gross household income is at its highest in New South Wales

Table 1.1 Households with mortgage costs of more than 30 per cent of gross household income

	2006	2011	Percentage point change	Proportionate increase
NSW	9.6%	10.5%	0.9%	9.4%
VIC	8.7%	10.1%	1.4%	16.1%
QLD	7.7%	9.7%	2.0%	26.0%
WA	7.8%	10.2%	2.4%	30.8%
SA	6.9%	8.8%	1.9%	27.5%
TAS	5.6%	7.5%	1.9%	33.9%
NT	6.0%	7.7%	1.7%	28.3%
ACT	6.5%	7.8%	1.3%	20.0%
Australia	8.4%	9.9%	1.5%	17.9%

Source: ABS Censuses of Population and Housing, 2006 and 2011.

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The introduction of more onerous BASIX requirements will make it even more difficult for first home buyers to break into the market as any increase in the cost of housing will ultimately be passed on to the homebuyer and if the prospective home buyer has already reached their borrowing capacity any increase in the cost of housing will simply prevent them entering the market.

We do not accept the argument offered by the Government that the additional cost to meet the new BASIX requirements will not affect housing affordability because any additional household cost will be offset by lower utility bills over the life of the building which is assumed to be forty (40) years. A forty (40) year return essentially means that the person making the initial investment will not see a return as few, if any people would build a home and remain in the same home for the life of that building. The Urban Taskforce urges the Government to delay the introduction of new regulation that will further increase the cost of construction.

Should you require any further clarification of the content of this correspondence, please feel free to contact me on telephone number 9238 3927.

Yours sincerely

Urban Taskforce Australia

Chris Johnson AM
Chief Executive Officer

⁵ National Housing Supply Council. Housing Supply and Affordability Issues 2012–13