

28 October 2019

The Hon. Richard Wynne
Minister for Planning, Housing and Multicultural Affairs

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Dear Minister Wynne

Building Amendment (Cladding Rectification) Bill 2019

UDIA Victoria welcomes the opportunity to provide our views to you regarding the *Building Amendment (Cladding Rectification) Bill 2019*.

Overall, we welcome the announcements regarding Cladding Safety Victoria, and the \$600 million funding package for rectification works for high-risk buildings.

We note, however, that the initial \$600 million estimate for rectification works for the 500 high-risk buildings is likely to increase as more audits are completed. We also anticipate the gap is likely to be more than \$300 million.

Whilst we understand rectifying unsafe cladding is critically important, **we do not believe the residential development industry is in a position to carry an additional tax levied by the State Government.**

The cumulative impact of a range of policy and statutory amendments in recent years has had a significant impact on the ability for developers to secure planning permits and finance for projects. The recently released UDIA RDI demonstrated that there was an undersupply of 6,846 new dwellings delivered in the previous financial year, and the pipeline of new dwellings is very weak based on the building permit approvals for dwellings.

In summary:

1. The September 2019 UDIA Residential Development Index (RDI) points to a severely constricted pipeline of new housing in the coming 18-24 months.
2. Total building approvals for dwellings in Victoria have declined by 21% to 59,724 in FY18/19 from 75,634 in FY17/18.
3. Apartment approvals across Melbourne declined by 54%, townhouses by 22% and houses by 15%.
4. Victoria in Future (VIF) population forecasts require 66,000 to 68,000 (gross, 55,000 net) new dwellings be built each year in Victoria.

In this context, the proposed building permit levy is highly likely to be passed on and added to the cost of new housing. For example, an apartment that costs \$300,000 - \$450,000 to build will likely have \$4000-\$6000 added to the final price. This will serve to negatively impact on housing affordability and create a greater hurdle for home buyers applying for finance.

The proposed levies should also be considered in the context of the recent policy and legislative changes:

1. The amendment to taxing of economic entitlements in relation to land. This specifically impacts on Development Agreements and will increase the final cost of an apartment to maintain an acceptable internal rate of return on a project.
2. The proposed policy amendments to the Better Apartment Design Standards. The proposed requirement for landscaped communal open space to be applied to projects with ten apartments is estimated to increase the cost of each apartment by \$20,000 and will cost approximately \$1,000 maintain per apartment on an annual basis.
3. The requirement by a number of Local Councils to provide 6% affordable housing as part of a planning permit application for residential development. The cost of "gifting" 6% of the apartments to a registered affordable housing provider adds to the overall cost of the project and is likely to be added to the final price of the remaining apartments in the development.

All of these recent changes are contributing to deteriorating housing affordability.

Should the Bill be passed and the levy be introduced, UDIA Victoria will strongly urge the State Government to adopt specific exemptions for social housing projects and apartments delivered on government-owned land or otherwise developed on behalf of or in partnership with State or Local government and authorities.

Feel free to contact Caroline Speed at caroline@udiavic.com.au to discuss any of the matters raised.

Yours sincerely

A handwritten signature in blue ink that reads 'Danni Hunter'. The signature is fluid and cursive, with a long horizontal stroke extending from the end.

Danni Hunter

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