

LOCAL GOVERNMENT WORKING FOR OUR COMMUNITIES

FACT SHEET 10 AFFORDABLE HOUSING

Nationally, local government supports the:

- *implementation of the Australian Government's \$512 million Housing Affordability Fund (HAF);*
- *allocation of \$30 million to further the reform and implementation of electronic development assessment systems.*

Nationally, local government seeks recognition from the Australian Government of the need for councils to continue to levy developer contributions in the absence of Australian Government or state government subsidies.

Local government is committed to working with the Australian Government to address housing affordability issues in Australia. The impacts of housing affordability stress on Australian communities have real consequences on the life experiences of many households, which in turn impact on the effective functioning of local and regional communities.

Local government welcomes the Australian Government's \$512 million Housing Affordability Fund (HAF) which is aimed at lowering the cost of building new homes by cutting red tape and reforming infrastructure and planning systems. In particular, local government is pleased that the HAF acknowledges the need for, and is prepared to subsidise, the provision of vital community infrastructure associated with new housing development.

ALGA also welcomes the allocation of \$30 million to further the reform and implementation of electronic development assessment systems.

Developer Contributions

Local governments in most jurisdictions can seek a contribution by way of a 'developer contribution' from developers/applicants to assist in the provision of vital community infrastructure. There are good reasons why developer contributions must continue to be levied by councils in the absence of Australian Government or state government subsidies.

The Productivity Commission (2008) has concluded that the use of developer contributions to support the establishment of infrastructure that is based on the physical and social infrastructure costs of new development is both legitimate and appropriate. This is because there is a close nexus between developer contributions and the betterment provided to the community as a result of local councils' expenditure on local community infrastructure.

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In ALGA's recent submission to the Australian Government's comprehensive review into our taxation system, Dr Peter Abelson of Applied Economics argues that developer charges **do not increase house prices or reduce housing affordability and may even reduce land prices rather than increase house prices**. He states:

"...developer charges are generally a tax on land and have little effect, if any, on house prices in most states (Abelson and Joyeux, 2007). The reason for this is that new houses make up a small part of the housing stock and new house prices are determined by the prices of established houses, or more particularly by the relative provision of services. Unless developer charges actually affect the supply of houses, house prices are not affected by changes in developer charges. With housing stock unchanged, a change in developer charges affects the price of land for housing which is a residual after subtracting land development, building costs and developer charges from the price of housing.