

Impact Analysis Statement

Summary IAS

Details

Lead department	Department of State Development and Infrastructure
Name of the proposal	<i>Economic Development (Affordable Housing) Amendment Regulation 2024</i>
Submission type	Summary IAS
Title of related legislative or regulatory instrument	<i>Economic Development Act 2012</i>
Date of issue	September 2024

What is the nature, size and scope of the problem? What are the objectives of government action?

Legislative context

The *Economic Development Act 2012* (the ED Act) provides for the Minister for Economic Development Queensland (MEDQ) to declare a part of the State to be a Priority Development Area (PDA). The ED Act provides for the MEDQ to make a PDA development instrument (an Interim Land Use Plan or PDA development scheme) to regulate development in a PDA, and to receive and decide PDA development applications.

On 1 July 2024, the ED Act was amended to support the Queensland Government's housing objectives by broadening Economic Development Queensland's (EDQ) remit to provide for diverse housing, including social and affordable housing.

The ED Act was amended to:

- insert section 7B that defines 'affordable housing' as 'housing that is affordable to particular types of households under criteria prescribed by regulation for the particular type of household'.
- amend section 57 to provide for the land use plan for a PDA development scheme to include requirements relating to the supply of 'affordable housing'.
- amend section 88 to provide for the MEDQ to impose PDA development conditions on PDA development permits that relate to the supply of affordable housing.

Relationship to other government policy

Similarly to the ED Act the *Planning Regulation 2017* (the Planning Regulation) enables a development condition to be imposed under the *Planning Act 2016* requiring an 'affordable housing component' for certain development approvals. The Planning Regulation includes criteria for the 'affordable housing component'. The proposed criteria for the amendment regulation align with the criteria for the planning regulation to the extent possible given the different legislative frameworks and policy contexts.

Nature, size and scope of the problem

Queensland's housing system is under significant pressure from a culmination of factors affecting the demand and supply of the housing market. The effect of which is a contraction in the availability of affordable housing.

The ED Act is one of the mechanisms the Queensland Government may leverage to facilitate the supply of affordable housing. The Act provides for the MEDQ to include requirements in PDA development instruments related to the supply of affordable housing, and to condition PDA development approvals in accordance with those requirements. To fully leverage these powers a regulation must be made to prescribe criteria for housing that is affordable to particular households.

Objectives for government action

The objective for government action is to prescribe criteria for affordable housing in a way that provides flexibility for government, the community housing sector, and the development industry to respond to local housing need and available funding programs with a range of market and non-market affordable housing types.

What options were considered?

Option 1 – maintain the status quo.

The current *PDA Guideline 16 – housing* supports PDA development schemes that include targets for the provision of affordable housing. The guideline establishes a methodology to determine price points for housing that is affordable to low to moderate income households and seeks to achieve these price points through housing diversity and innovation in housing design.

Maintaining the status quo and continuing to rely on PDA guideline 16 to support the implementation of affordable housing provisions under the ED Act is not considered a viable option. Without a regulation that prescribes criteria for affordable housing the effect of the provisions under the ED Act would be ambiguous. Additionally, PDA guideline 16 only provides for low to moderate income households and isn't considered sufficient to provide flexibility for government the community housing sector, and the development industry to respond to local housing need and available funding programs with a range of market and non-market affordable housing types.

Option 2 – prescribe criteria for affordable housing for low to moderate income households.

This regulation could solely reflect the methodology of PDA guideline 16 and provide criteria for housing that is affordable to low to moderate income households. This option was not considered sufficient to meet the objective for government action in that it would limit the types of affordable housing that could be provided under the ED Act.

Option 3 – prescribe criteria for affordable housing for additional household types (proposed)

The *Economic Development (Affordable Housing) Amendment Regulation 2024* (the amendment regulation) will prescribe criteria for housing that is affordable to particular households in accordance with section 7B of the ED Act. The amendment regulation prescribes criteria that qualifies whether housing is affordable to each of the following household types:

- *Very low income households* – meaning households that earn 50% of less than the median household income for the local government area.
- *Low to moderate income households* – meaning households that earn more than 50% and less than 120% of the median household income for the local government area.
- *Key worker households* – meaning households within the income range nominated in a housing needs analysis for identifying a key worker household for the area.
- *First home buyer households* – meaning households within the income range nominated in a housing needs analysis for identifying a first home buyer household for the area

The criteria for low to moderate income households broadly reflect the methodology of PDA guideline 16, with amendments to ensure they align with universal definitions of affordability. The amendment regulation also incorporates additional criteria for low to moderate income households, as well as criteria for the additional household types of very low income households, low to moderate income households, first home buyer households and key worker households.

The amendment regulation achieves the objectives for government action by providing increased flexibility for government, the community housing sector and the development industry to respond to local housing need with a range of affordable housing types.

What are the impacts?

There are no direct costs as a result of the making of the amendment regulation. The regulation supports the MEDQ's powers to set requirements for affordable housing in PDA development schemes and to condition PDA development permits to provide affordable housing, by prescribing criteria for which housing qualifies as affordable.

PDA development schemes are statutory instruments made by the MEDQ under the ED Act. In making a PDA development scheme or amending an existing PDA development scheme the MEDQ must comply with the processes in the ED Act including the public notification of a proposed PDA development scheme and the consideration of submissions. Direct costs associated with the imposition of requirements for affordable housing in PDA development schemes can only be evaluated as part of the establishment of those requirements. In setting those requirements, the evaluation of the reasonableness of those costs will be undertaken.

Compared to the status quo, the amendment regulation provides more flexibility to address localised housing need through a range of affordable housing types within a PDA. As noted in *what options were considered* section, the regulation has been prepared in such a way that it incorporates a broad range of criteria that constitute affordability for a range of household types who are most impacted by Queensland's constrained housing system.

For the community the impact of the regulation compared to the status quo is a greater range of affordable housing types that are appropriate based on the need for housing within a PDA.

The impact for the development sector is greater flexibility to respond to housing need with a range of affordable housing types. The amendment regulation also provides clarity in the meaning of affordable housing assisting the interpretation of PDA development schemes that include requirements for affordable housing and enabling the development sector to make informed investment decisions.

Who was consulted?

The following departments have been consulted on the policy intent and draft amendment regulation:

- The Department of Housing, Local Government, Planning and Public Works
- Queensland Treasury
- Department of the Premier and Cabinet

EDQ also provided the policy paper outlining the policy intent for drafting the amendment regulation to the government's Housing Delivery Board.

From 7 June to 5 July 2024, EDQ undertook public consultation on a policy paper which included the proposed criteria and contextual background information to assist stakeholders in interpreting the criteria and understanding the application of the criteria to development in PDAs.

The following activities were undertaken by EDQ during this period.

- A Have Your Say page was created providing background on the consultation activities and providing a link to download the policy paper.
- Emails were sent to all local governments and all submitters for the *Economic Development and Other Legislation Amendment Bill 2024* advising that consultation had commenced and inviting them to register for webinars to be hosted by EDQ.
- Two webinars were held where EDQ explained the policy rationale and answered questions from attendees. The webinars were attended by 107 participants.
- A briefing was held for the Queensland Housing Supply Expert Panel

19 public submissions were received. Submitters supported EDQ's consultative approach on the policy intent to inform the preparation of the amendment regulation. Submitters highlighted a desire to continue to be engaged through the development and implementation of EDQ's policy framework for affordable housing, including in making amendments to PDA guideline 16 and in setting requirements in PDA development instruments for affordable housing.

A key change to the criteria as a result of consultation was the inclusion of very low income households as a household type, in response to concerns that the original draft criteria did not adequately cover those households that earned less than a low to moderate income household and were not in social housing.

Key areas of support from external submitters included:

- In principal support for the proposed criteria acknowledging that the criteria are robust and reflect contemporary industry standards.
- Support for housing needs analyses to be undertaken for specific PDA areas to qualify the types of affordable housing that are required and the mechanisms available to provide affordable housing in the PDA.

Key areas of concern from external submitters included:

- Changes to established arrangements for affordable housing in existing PDAs where there committed projects could undermine the viability of those projects. EDQ acknowledges the submitters concern but note that this matter is not directly related to the amendment regulation. Any changes to the requirements of a PDA development scheme must be made through the statutory processes under the ED Act, including public notification.
- Given current economic conditions the price points for housing that is affordable to households across the low to moderate income range cannot be achieved through ordinary market processes. EDQ acknowledges this concern. The housing needs analysis will be the appropriate mechanism to consider local market conditions and evaluate the viability of different approaches to delivering affordable housing.
- The income base for a low to moderate income household should not be derived from the relevant Local Government Area (LGA). A variety of perspectives were received, including that it should be narrower (Statistical Area 2) and broader (regional). EDQ considers using the LGA is a balance between the two perspectives. Further, a housing needs analysis will consider the specific housing drivers for a particular PDA where the income for the LGA is not representative of the need for housing.
- Retirement living should be included as a household type in the criteria for affordable housing. While EDQ considers that retirement living is an important component of the housing spectrum that contributes to housing affordability, the ordinary land use planning processes of regulating development in a PDA may provide for retirement living without additional criteria in the regulation.

A significant focus of the submissions concerned the approach to setting requirements for affordable housing in PDA development schemes and how these requirements would be imposed on development through the development assessment process. While outside the scope of the amendment regulation feedback related to the setting of requirements for affordable housing and the imposition of conditions for affordable housing will be considered by EDQ as part of future policy and planning processes.

What is the recommended option and why?

It is recommended that the *Economic Development (Affordable Housing) amendment regulation 2024* be made prescribing criteria for section 7B of the *Economic Development Act 2012*.

The amendment regulation has been informed by consultation with other government agencies as well as external parties in the development industry, affordable housing sector and community organisations.

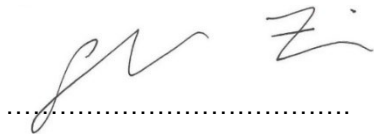
The amendment regulation achieves the objectives for government action above the status quo by providing increased flexibility for government, the community housing sector and the development industry to respond to local housing need with a range of affordable housing types.

Detailed consideration of the impacts associated with the imposition of requirements related to the provision of affordable housing will be considered further in the preparation of PDA development schemes that seek to impose requirements of this nature.

Impact assessment

	First full year	First 10 years**
Direct costs – <i>Compliance costs*</i>	N/A	N/A
Direct costs – <i>Government costs</i>	N/A	N/A

Signed



Graham Fraine
Director-General
Department of State Development and Infrastructure
Date: 26 / 08 / 2024



Grace Grace MP
Minister for State Development and Infrastructure
Minister for Industrial Relations and
Minister for Racing
Date: 05 / 09 / 2024