

# Excessive Affordable Housing taxes will reduce supply

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The announcement by NSW Labor that they will mandate housing affordability targets between 15 and 25 percent on private land would make many housing projects unviable, says the Urban Taskforce.

“The NSW Labor Party targets announced by Shadow Minister for Social Housing, Tania Mihailuk, that 15 to 25 percent of housing on privately owned land would be mandated to be affordable would make most housing projects economically unviable,” says Urban Taskforce CEO, Chris Johnson. “A heavy handed policy that simply adds an excessive tax to housing supply will mean many housing projects do not proceed.”

“The current housing supply market is slowing down through restrictions on lending from banks and from the uncertain climate of potential levies from councils. To add another tax of 15 to 25 percent to a market that is slowing down will have a very negative impact on the number of new homes that will be built in future years. The NSW Government is removing the cap on local infrastructure levies that could add around \$40,000 to the cost of an average home. On top of this councils like the City of Parramatta are proposing to apply excessive value capture taxes on all development.”

“The recent Reserve Bank research on the impacts of restrictive zoning in Sydney indicated that this has added \$489,000 to the cost of an average house and around \$400,000 to the cost of an average apartment. The clear message from the RBA research is that interference in the market place by government and council regulations will increase the cost of housing. Those well-meaning politicians and community housing providers who believe the developers of new housing can give away a significant percentage of their new homes must understand how the economics of the complex supply system works. The banks will not fund the 15 to 25 percent proportion that Labor wants to give away and developers will find it very difficult to make a project viable without some incentive.”

“The report on housing affordability for the NSW Government by the former Governor of the Reserve Bank of Australia, Glenn Stevens, made it clear that housing affordability was linked to housing supply and that the planning system in NSW was too slow and complex and that standards that add to housing costs should be reviewed.”

“Claims by the Community Housing sector that England and America provide massive percentages of affordable housing must be moderated by an understanding of the tax systems and incentives applied in these countries.”

“The Urban Taskforce has proposed an incentive based policy for affordable housing that could provide 40,000 new affordable rental homes over a 10 year period. The policy is based on the NSW Government’s Affordable Rental Housing SEPP and could provide 20 percent of a project as affordable housing for a 10 year period with a 20 percent floor space uplift.”

The link to the Urban Taskforce Affordable Rental Housing proposal is [here](#).



The **Urban Taskforce** is a property development industry group, representing Australia’s most prominent property developers and equity financiers.

**Media Enquires: Chris Johnson, Chief Executive Officer: 0412 258 283.**

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