



# HIA submission to the Inquiry into Climate Resilience

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## Contents page

1. INTRODUCTION .....	1
2. DISCUSSION .....	2
3. CONCLUDING COMMENTS.....	5





## 1. INTRODUCTION

The Housing Industry Association (HIA) welcomes the opportunity to provide a submission to the Legislative Council Environment and Planning Committee Inquiry into *climate resilience*.

The Housing Industry (HIA) is Australia's peak residential building industry association. HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building and development industry.

As the voice of the residential building industry, HIA represents a membership of 60,000 across Australia. HIA members are involved in land development, detached home building, home renovations, low & medium-density housing, high-rise apartment buildings and building product manufacturing.

As per the terms of reference, the *"House requires the Environment and Planning Committee to inquire into*

*(a) the main risks facing Victoria's built environment and infrastructure from climate change and the impact these will have on the people of Victoria;*

*(b) how the Victorian Government is preparing for and mitigating the impacts of climate change on our built environment and infrastructure;*

*(c) the barriers facing Victoria in upgrading infrastructure to become more resilient to the impacts of climate change, including barriers in rebuilding or retrofitting infrastructure, including but not limited to, issues relating to insurance and barriers faced by local government;*

*(d) the adequacy of the current Victorian planning system as it relates to its adaptation to, preparation for, and mitigation of climate change impacts;*

*(e) what more could be done to better prepare Victoria's built environment and infrastructure, and therefore the community, for future climate disaster events; and*

*(f) whether further inquiries or investigation may be needed into other aspects of climate change adaptation and climate disaster preparedness in Victoria, noting that climate change will have far-reaching impacts on all aspects of Victorian life, including but not limited to biodiversity, human health, primary production, industry, emergency services and more, and that while these areas may overlap with the matters covered in this inquiry, they may also warrant further investigation in their own inquiries."*

The Committee's Terms of Reference is very broad, encompassing natural and built environments, government policy and infrastructure. HIA focuses its submission on reinforcing the need for:

- governments taking a national approach, through consistent policies and actions at all levels in addressing climate change and strategies to achieve net zero emissions
- mitigating the impacts of climate change on our built environment and infrastructure in ways that do not impose additional unnecessary regulatory burdens or costs on Victorian builders and therefore on consumers
- ensuring governments are responsible for funding and providing infrastructure that responds to the impacts of climate change that is in the interest of community protection.



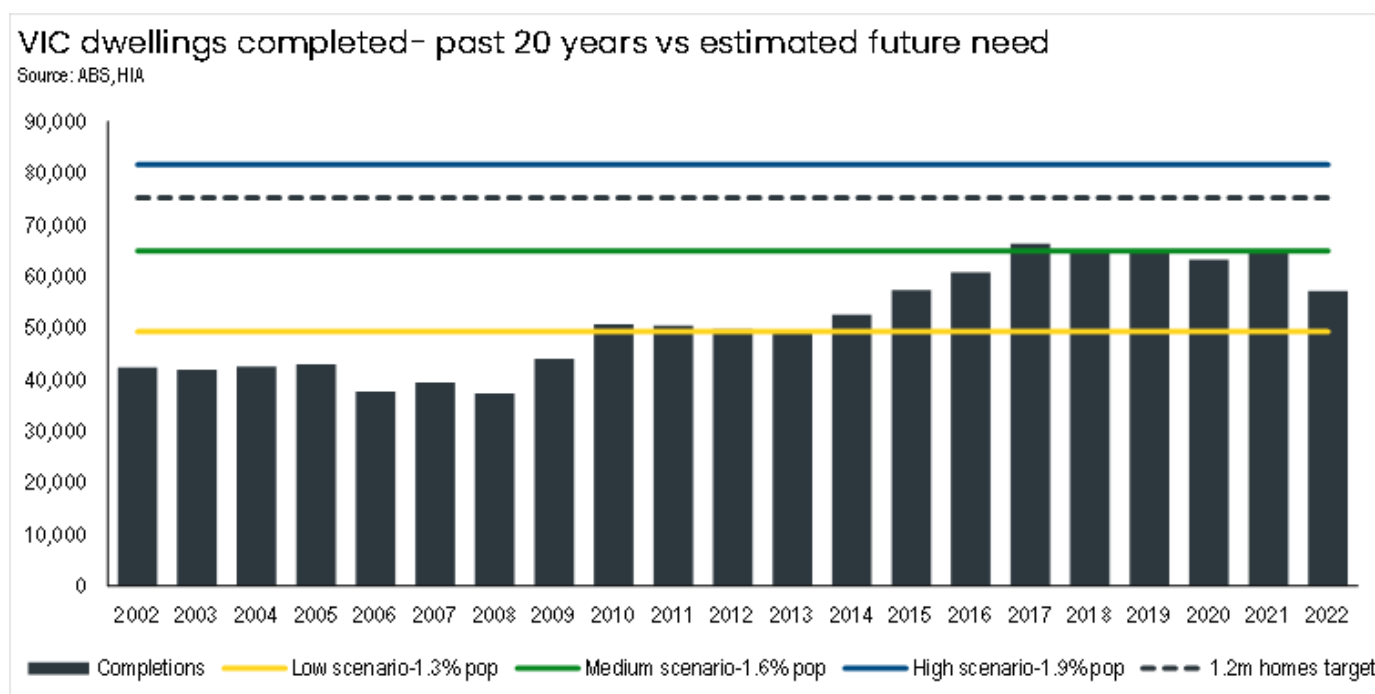
Victorian home builders face an increasing array of regulation, increased complexity in building codes, expanding warranty obligations, rising insurance premiums, taxation and business compliance obligations that are all acting as significant barriers to the delivery of more homes. These barriers also add significant upfront costs to housing construction which impact home buyers, especially new entrants to the housing market.

While this inquiry is undertaken, there should be a freeze on any new green – or red tape – being introduced. This is needed to enable the Victorian housing industry to focus on building Victoria’s share of the National Housing Accord target of 1.2 million homes over the next 5 years. This is an aspiration of 800,000 new homes in Victoria over 10 years (average 80,000 p.a.).

## 2. DISCUSSION

### Dwelling supply is falling well short of demand, with little change forecast in the short-term

HIA estimates over the next five years, new home completions will average around 57,000 per annum. This is substantially short of the Victorian Government’s target of 800,000 additional dwellings over 10 years (average 80,000 p.a.). This implies the Government will need to encourage new housing in established suburbs, existing greenfield sites, and appropriate regional areas.



Source: HIA Economics

### Uncontrolled ‘red’ and ‘green’ tape burden is crippling the planning system

The management of natural hazards and environmental constraints, such as landslip, erosion and flooding, through the zoning and development process is generally well understood and the community accepts these are matters that should be considered in land use planning. This is reflected in HIA’s national policy *Environmental Constraints and Planning Regulatory Creep*.



Responses to mitigate these impacts have been introduced into regulations by governments to meet community expectations around improved environmental outcomes from urban development. Sometimes without due cause, policy makers use planning systems to mandate new environmentally sustainable design (ESD) standards for development (e.g. 'green' tape).

These reforms often duplicate or hold to a different standard than the NCC, a dwelling's environmental performance. HIA believes the National Construction Code (NCC) adequately manages this and needs to do so as it is not the domain of the planning system. The NCC provides the minimum necessary requirements for safety, health, amenity and sustainability in the design and construction of new buildings throughout Australia. There is a tendency for authorities to apply different discretionary ESD standards across the planning system for residential development, that are not consistent with the NCC.

The Victorian Planning Provisions (VPPs) already have a robust policy framework that govern the use and development of land. Planning schemes contain both policies and planning provisions (e.g. zones and overlays) guiding long term strategies and application decisions at an individual level. Estimates are that individual planning schemes range from 800-1,800 pages.

The VPPs are provided for by the Planning and Environment Act 1987 (the Act), which sets out procedures for preparing and amending the VPPs and planning schemes. In its Housing Statement, the Victorian Government has committed to reforming the Act, *"to build a modern, fit-for-purpose planning system."* We note the Act has grown from 110 pages in 1987 to 579 pages in March 2024. Subordinate legislation has been even more voluminous.

Regulations impose costs, barriers and administrative burdens on business and in particular, the delivery of an adequate supply of new and affordable housing. This is reflected in HIA's national policy *Regulatory Reform and Red Tape Reduction*. Changing regulations does not always lead to an overall improvement in built form outcomes or reduced administrative burden.

HIA supports regulatory reforms that eliminate unnecessary regulation, reduce red tape and the administrative burden on business, facilitate the orderly operation of the residential building industry and improve conditions so as to facilitate more efficient and effective delivery of housing across Australia.

### **New dwelling construction is already held to a high account for its energy performance**

New residential buildings built since 2004 have made significant contributions to meeting Australia's omissions objectives. The most recent NCC2022 edition requires all new detached dwellings in Victoria to achieve at least a 7-star Nationwide House Energy Rating Scheme score (NatHERS) from 1 May 2024. For multi-unit development, it is an overall average of 7-stars, with no individual dwelling less than 6.5. This is an increase of one star on the previous NCC2019 requirement (i.e. 6-star).

NatHERS ratings do the 'heavy lifting' when it comes to improving thermal performance and reducing a dwelling's environmental footprint. It covers things like insulation, lights/power, building orientation, window glazing, shading, subfloor finish, water heating, air conditioning. Currently it is only new dwellings that are held to minimum energy ratings, imposing a cost 'premium' for new home buyers at a time when building costs have risen an estimated 40-60 per cent from pre-pandemic levels. If the government is



serious about a wholistic response to the performance of housing stock towards net zero emissions, consideration should also be given to the future role of underperforming existing stock.

### **A national integrated government response to climate change**

As per HIA's national policy *Government Responses to Climate Change*, HIA recognises that governments are taking actions to respond to the impacts of climate change. We believe it is imperative that a national approach is taken to guide a consistent set of policies and actions for all levels of government, to achieve their commitment to Australia reaching a goal of net zero emissions. This national approach should be underpinned by an appropriate evidence base that verifies how the policy or action will directly achieve the intended outcome and deliver a net cost benefit to the home owner.

HIA will work with governments as they develop policies and actions in response to climate change that impact on the supply of housing to ensure that they can be achieved in a practical manner and that they maintain an adequate level of affordability in the design and construction of new homes.

### **Appropriate community infrastructure for the impacts of climate change is a government responsibility**

In principle, HIA's supports the provision of community infrastructure which provides resilience to the impacts of climate change. This should be planned, developed and implemented in a coordinated manner by all levels of government, in consultation with the residential development/building industries, and must have a minimal impact on the affordability of new housing. This position is reflected in HIA's national policy *Government Infrastructure Investment*.

As beneficiaries of the provision of new infrastructure, it should be government funded with the whole community sharing the cost of that benefit. The residential construction industry is under extreme pressure from these emerging new 'red' and 'green' tape burdens, making it harder and more costly to supply much needed housing.

According to the August 2021 report *Development Contributions: How should we pay for new local infrastructure* by NHFIC (now Housing Australia), development contributions are increasingly being used for social infrastructure with no clear nexus to development, as opposed to local essential infrastructure.

The NHFIC report states *"If the scope of developer charges doesn't have a clear nexus to the new housing development or costs aren't apportioned appropriately between the beneficiaries of the local infrastructure, developer contributions ultimately can act like a tax and discourage development."*

Indicative case studies sourced by Housing Australia show that developer contributions can ultimately amount to between \$37,000 and \$77,000 per dwelling in Victoria (~2016 dollars for 'greenfield development'), which is a substantial cost levied on a new home. These costs may be for (not limited to) community infrastructure such as public shelters, drainage/flood mitigation assets, river levees, energy transmission systems, etc. which benefit the wider community more than the individual home owner.

This is reflected in HIA's national policy *Infrastructure Charges and Levies on Residential Development*. The imposition of up-front charges and levies on new home buyers for *community, social and regional infrastructure* is inequitable, discriminatory, inflationary and erodes housing affordability.



### 3. CONCLUDING COMMENTS

In recent years the amount of regulatory burden imposed on builders has increased during a period of inflationary building costs, skilled worker shortages and rising tax/holding costs.

HIA is a signatory to the Victorian Government's Affordability Partnership and supports the plan to build 800,000 new homes in Victoria over the next decade. It is our longstanding view that meaningful rather than piecemeal planning reform will be key to achieving this target. This will require a statewide step change in the way our current planning system operates to:

- create more consistent, efficient and streamlined processes, and reduce unnecessary red tape to support the delivery of new housing
- create better places that reflect the diverse needs and aspirations of all Victorians
- make our planning system easier to understand and navigate, for planning practitioners, builders, homebuyers, and the community at large
- improve transparency in decision making processes.

HIA calls on the Government to place a pause on any additional 'red' and 'green' tape regulatory burden (including but not limited to responding to the impacts of climate change) and let industry focus on building Victoria's share of the National Housing Accord target of 1.2 million homes over the next 5 years.

This should be supported by a national approach to guide a consistent set of policies and actions for all levels of government, to achieve their commitment to Australia reaching a goal of net zero emissions.