

## LANGFORD-JONES HOMES

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Inquiry into First Home Ownership  
Productivity Commission  
LB2 Collins Street East  
MELBOURNE VIC 8003

Dear Sir/Madam

Thank you for the opportunity to make a submission into the Productivity Commission Inquiry into First Home Ownership.

Langford-Jones Homes are a medium to large sized building company located in Victoria. We are a family owned and run business that builds approximately 120-150 homes per annum. We build predominantly lightweight homes in the coastal areas of Gippsland along with some high quality unit and town house developments in the inner south east of Melbourne. Our aim is to provide a quality driven yet affordable style of housing.

I write this submission to highlight a number of costs which are creeping into the housing market. **Most consumers are unaware that these regulatory** matters are a major cause of increasing house prices. These are over and above the cost of the basic house and are largely driven by planning regulations in the region. I must add that as a company it is our basic philosophy to work with Council regulations and requirements. In no way do we seek to circumvent due processes but we do believe there is a lack of consideration for housing affordability when many of the fees and charges are applied.

### **Regional Victoria - House Prices**

It is our experience in regional Victoria that the average land allotment in a standard residential subdivision is now in the vicinity of \$135,000. Coupled with an average house price in the area of around \$140,000 the average buyer of a new home will be paying \$275,000 for a new home. Whilst recognising this is still \$101,000 less than the median house price for an existing home price in metropolitan Melbourne, it is still not close to the affordability realm of many first home buyers. At Langford Jones homes we are aiming to keep our houses at an "affordable" level, however this is becoming increasingly difficult as planning regulatory costs are added to the house price adding up to \$20,000 to the price of a base level home.

Recognising that the domestic housing industry is a good source of regional employment for many builders and tradesmen, rising costs, if not stemmed will have grave repercussions for the region.

I wish to highlight one example in my submission but the items listed mostly apply to all of the homes we build. Partly therefore my submission is made from the frustration of new homebuyers we work with as all additional expenditure and costs incurred over and above the cost of the house are shouldered by the home buyer.

Following on from the highlighted example, I have made several suggestions that may assist in alleviating the problems.

### **Regulatory Costs - Working Example**

We have a client who has contracted us to build a single dwelling on rural property in Gippsland. The client has selected a location for a new small three bedroom home (which will be a primary place of residence) on the property that will take advantage of the water views the property enjoys. There are no neighbours within sight of the proposed new home site. However, the proposed dwelling requires a town planning permit. The proposed property is located within a zone that requires a permit to construct a dwelling and the land also is covered by a significant landscape overlay. In this case the owner proposes only to clear a small space for the house to be sited. There are no plans to clear any other vegetation on the site.

The proposed dwelling has been advertised under the required planning process and no objections have been received. Council has prepared a proposed report that is to be considered by a Council delegated Committee and the proposed town planning permit will in all likelihood be approved and a permit issued.

On the surface this would appear to be a routine way of dealing with a planning application, however here are some of the additional facts and costs incurred around the application.

#### **1 The cost of delays in the planning process.**

The town planning permit was lodged with Council in February 2003. I have been advised that despite no objections being received from any neighbouring properties, the matter is scheduled to be heard by a delegated Council Committee on the 17 October 2003. It will have taken some 8 months to receive the permit. It would have been much longer if there were any objections. Councils under Victorian Planning legislation are allowed 60 statutory days to process an application. Notwithstanding there are referral periods within the process whereby external departments and authorities are required to assess the application, 8 months still appears to be an extraordinary amount of time to wait for a single house to be approved.

When there is a delay in commencing the project, all of the costs associated with the building of the house has meant that a house that was commissioned 8 months ago, will now cost considerably more to build. Whilst Councils sit on applications, the cost of labour and materials increases. Therefore the house has already incurred another \$6000 of (holding) cost to the owner through no fault of theirs or us as builder.

In this case the owner of this property is living in a shed on property (in sub standard) conditions and is genuinely shocked at how a single house permit could take up to 8 months to achieve approval.

#### **2. The cost of planning overlays**

In this example, Council advised they were not initially happy with the site selected for the new dwelling. Despite the owners intention to respect the Councils opinion that the property is located in an area where planning control restricts vegetation removal (through a planning overlay), it seems unreasonable that a small area of the 30 acre property can't be cleared for the purposes of constructing a dwelling.

As builders we have had to provide Council with significant landscaping plans, landslip studies along with soil testing, and in some cases (not this one) heritage information. This is required because the house requires a planning permit and therefore the application is subject to the full extent of planning scrutiny, not just in the landscaping.

On a broader scale, there are a number of planning overlays being added into Victorian Planning Schemes that regulate a variety of matters. These overlays remain after subdivision has taken place. We would suggest that the concerns about overlays should be dealt with at the subdivision stage so the homebuyer is clear on the conditions on their land before they purchase it. A purchaser of a new home site would expect that within reason, they would be able to build a regular house without incurring additional costs of heritage surveys, wildfire studies and landslip consultants.

In our example, despite all of this extra time and cost the preferences of planning staff has led to a compromise on the design of the home as well as the house now being located on the site at the Council's preferred location, not the owners.

### 3. The cost of councils preferred design and requirements

From our experience of building frequently in the Shire in question, I realise that our permit, when it is available, will most likely have a number of standard conditions applied, that are common to most planning permits issued in the region.

I mention this as my understanding of the town planning system is that it should cover the siting arrangements of a dwelling. Planning should also protect the residents and neighbours amenity (in this case there are none).

However there are a number of requirements in this particular Shire which are being called for in most applications, without consideration for their cost implications, including:

Requirement for a Colorbond roof	\$1200	
Requirement for all build products to be in "muted" tones		\$700
Requirement for a Sewage Treatment plant on site	\$7000	
Fire protection (all land in the region is zoned either low, moderate or high requiring varying products to be installed on the house. Costs average	\$0 - low 1500 moderate or \$2500 high	
Water tank (min 10,000) and pump for fire protection	\$3000	
<b>Total Additional Cost</b>	<b>13000 per dwelling</b>	

Adding in the additional \$6000 of higher costs from the 8 month planning process and this new home buyer will be paying an additional **\$19,000 on top of the actual cost of the house.**

These costs and their validity is not questioned or scrutinized by any authority. There is no consideration given to affordability issues as these costs are included in an ad hoc manner.

### Conclusions

I realise the abovementioned example is just one. But I have used it to highlight the issues which appear to be common to many of the applications we are dealing with.

There are a number of conclusions that can be drawn from the example and a number of recommendations made below that could assist housing affordability. Most of these require action from a State Government and Council perspective.

#### 1. Reduce Planning Requirements to Multi Units

Review the provisions that require a town planning permit for a single dwelling on a single lot. If a land has been subdivided for home building, only a building permit should be required to ensure the building is structurally sound which would eliminate the costs associated with planning delays.

#### 2. Review of the number planning overlays and in particular require all conditions of overlays to be dealt with at the subdivision stage.

Additional survey work on land and investigations are onerous costs for the homebuyers to deal with. Where wildfire and landscape overlays exist on land homebuyers should be advised before purchase of the up front of the types of costs they could incur as a result of these planning requirements. Preferably homebuyers should only be accountable for the particular issue the overlay raises. For example if it is a landscape overlay then deal with landscape issues only. Homebuyers should not be subject to a full planning assessment .

#### 3. Introduce Systems that reduce delays in the Planning System

One way to ensure this is to make the uptake of pre-lodgment certification compulsory for all Councils at least giving the builder the ability to have the application assessed by a private operator who can verify the application meets the requirements of Council, therefore reducing the delays in the system.

#### *4. Encourage the use of Standard Planning Permit Conditions*

Where a town planning permit is required for a single dwelling, councils should be encouraged to have a single set of standard conditions so new homebuyers when they purchase the land can factor in additional features required into their costings. In our example highlighted in this submission, one such condition could have been that there would be no vegetation removal on the site except to the house site and a clearance zone of say 2 metres around the house site.

I would be pleased to expand on any of the items raised in this submission in person as required and can be contacted on (03) 9579 2277.

Yours sincerely

**Bruce Langford Jones**

Director