



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY
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Submission Cover sheet

Inquiry into Housing and Rental Affordability

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Submission to Inquiry into Housing and Rental Affordability by Standing Committee on Economy and Gender and Economic Equality

From Caroline Le Couteur

Introduction

Lack of appropriate and affordable residential and commercial spaces can be the cause of considerable hardship, so I thank the committee for their interest in the subject.

In responding to the terms of reference, I assume the committee is only interested in ACT government settings. However the federal government with its taxation, public service and immigration policies probably has more impact on vacancies than the ACT government.

I do not have the resources or time to cover all the issues raised by the terms of reference, but I will include some areas where I think the ACT government could act to improve in particular our residential, and possibly commercial, supply.

Lease purpose clauses

Canberra has a leasehold system, and leases in Canberra have lease purpose clauses. Residential ones require residences to be built on them, but there is no requirement that the building is occupied.

Commercial leases normally require the leaser to conduct an appropriate commercial activity on the location. To the best of my knowledge, the ACT government has never cancelled a commercial lease due to non compliance with the lease purpose clause. A recent high profile example of non compliance is the Phillip swimming pool. It did not open last summer. I understand that a number of service centre sites have remained vacant for extended periods despite their lease conditions. It was explained to me that as long as a small part of the site was used even one day a year for a relevant business then the lease could claim to be fulfilling their lease conditions.

I would think that a more rigorous application of lease conditions would be a way to address vacant commercial property and stop land banking.

I note that the ACT government has said as part of its summary document about the new planning bill that "The reformed planning system aims to be more accessible and easier to use. The existence of lease and development conditions is inconsistent

with this easier to use vision. For that reason, the Planning Bill will not provide for the continued operation of lease and development conditions.”

I understand they will be ‘replaced’ with development conditions that say what will be developed on a site, but these conditions will only be relevant to the building not the long term operations on the site. So they will not be able to be used to stop vacancies after construction.

Recommendations

Enforce existing lease purpose clauses where there is no good reason for lack of compliance. In particular enforce where it appears there is land banking. Retain lease purpose clauses in the revised planning system.

Increasing housing supply

Construction prices have increased massively in the last couple of years as have land values. It would seem to be hard to build affordable housing in Canberra.

While some social housing is being built, it is not keeping up with demand. The waiting list is just over 3,000 households. In the private market ACT vacancy rate is less than 1% and ACT has the dubious honour of being the most expensive place to rent in Australia (<https://www.abc.net.au/news/2022-02-07/canberra-rents-still-most-expensive-as-market-tightens-further/100808868>).

The ACT government, as part of the Parliamentary and Governing Agreement for the 10th Assembly, has committed to increased social and affordable housing.

Recommendations

Accelerate purchase and construction of social and affordable housing. Consider purchase of existing dwellings where this is a more cost effective and quicker option than construction.

Increase the goal for more social housing and express it as a proportion of all ACT housing so it keeps pace with ACT’s growth.

Better utilising the existing housing stock

It takes years to build new housing. In addition new housing also has a considerable environmental cost thus it is useful to look at ways of better utilising our existing housing stock. This was the idea behind the Housing Innovation Fund which was an outcome from the 2016 ACT Greens and Labor Parliamentary agreement which said “Create an innovation fund to support new approaches to affordable housing,

starting with support to establish HomeGround Real Estate, Homeshare for older Canberrans, and the Nightingale Housing Model in Canberra”.

HomeGround Real Estate was started and is still operational. Nightingale has not come to Canberra and a combination of high land prices and planning requirements means that I do not think it is likely to come.

There was some money to start Homeshare for disabled Canberrans, but not enough to establish a viable model see <https://www.homeshareact.org.au/>.

I still believe a viable model is possible, like Better Together housing. Its website (<https://bettertogetherhousing.com.au/>) describes it as “ Better Together Housing (BTH) is an innovative program, co-created by two leading charities on the Sunshine Coast in partnership with women in the community. It’s primary purpose is to address the rising cost of living and the risk of social isolation facing single women over 55 years old living alone.” Or see <https://iview.abc.net.au/show/compass/series/34/video/RN1911H004S00>.

The ACT government could provide funding for the house sharing services so that rentals or house sharing can be facilitated for people who are not comfortable with traditional house sharing formation and rules. There are many older women in large family homes that don’t suit them very well anymore, but they don’t want to leave. And as new townhouses cost as much or more than older houses in Canberra, it is often not very economically feasible for older people to downsize to something in the same neighbourhood. Thus a house share option could be very attractive if it enables people to continue in their own home for longer. It would also better utilise existing houses and provide cost effective rental/share accommodation.

Recommendation

Provide multiyear funding to facilitate home sharing for older or other vulnerable people who are not suitable for existing home sharing schemes.

Changing Planning rules

ACT planning rules do not encourage smaller properties. In particular 80% of Canberra is zoned RZ1. In RZ1 you can build a large house but not two or more units of the same total size or smaller. In older areas we are seeing a lot of knock down of older modest houses and rebuilds of larger houses. Thus we are ending up with a Canberra increasing full of large unaffordable and underutilized houses. We can increase green spaces and people at the same time by building smaller, more sustainable housing.

Recommendations

Change RZ1 rules to allow multi occupancy developments. Use the learning's from the Housing Choices process, in particular the attached Greens submission, to guide better development.

Change rules to support small dual occupancies which currently have much more onerous notification conditions than knock down rebuilds which are often bigger.

Change parking rules, in particular where a development is near to good public transport.

Change rules in particular on parking and its location to facilitate cohousing.

Change planning fees so they get more expensive as developments get more expensive rather than having a decreasing rate. Ensure that small development applications are dealt with quickly by ACTPLA.

Provide support for boarding houses, co-living and other build to rent developments. Given the high cost of development, they will become more important.

Allow existing larger homes to be effectively used as multiple dwellings where they are large enough.

Allow caravans and tiny homes on residential blocks as is the case in much of NSW. This can be a low cost way of increasing housing quickly but preferably should not be a large part of a long term solution.

Financing

Traditionally banks have been reluctant to loan money for small dwellings.

Recommendations

The ACT Government could provide mortgage insurance for small dwellings in the same way that the federal government has for some lower income home purchasers.

Provide a low interest or no interest scheme for house renovations that increase housing supply in the same way as the energy efficiency and renewable loan scheme operates. This would typically be renovations of bathroom or kitchens which have reached end of life while the house as a whole is still functional. This could enable the house to be used for decades more, possibly as part of a house sharing scheme.

Land tax

Land tax is only paid on ACT properties that are not the owner's principal place of residence. During my time in the Assembly I was instrumental in extending ACT land tax to include properties that are vacant and removing it where a property is rented below market rate via a community housing provider.

Land tax does not apply to commercial properties in the ACT.

In 2020 ACT Treasury published a review of the ACT tax reform project (<https://www.treasury.act.gov.au/taxreform>) has an appendix which covers land tax on page 52 (https://www.treasury.act.gov.au/_data/assets/pdf_file/0006/1618413/natsem-tpi-final-report-and-appendices.pdf). It says "Because residential land tax changes are not part of tax reform, residential land tax rules applied in the modelling are the same between the new and old tax policies." It also includes a history of ACT land tax rates on the same page,

As land tax has increased considerably since 2012, not including its impact on the housing market is a substantial omission.

So looking at land tax from first principles, tax is paid to the ACT government by landlords. However this does not mean that the tax actually reduces the income of landlords by the amount of the land tax.

There are 3 entities whose income might be reduced or expenditure increased by land tax.

Firstly the commonwealth government. In 2018 when land tax was increased Mr Barr said (<https://www.canberratimes.com.au/story/6139127/act-treasurer-andrew-barr-denies-land-tax-hike-will-hit-renters/>) "Landlords could write off the cost in their tax returns, so in the end the Commonwealth would wear some of the cost, he said. To the extent that is so, land tax will not influence rental availability, rental affordability or vacancies.

Secondly the landlords or property investors. In the recent past capital gains on real estate have been much greater than returns from rental income so landlords may not have been greatly affected by land tax. Given that house prices are currently dropping, rental returns will become an increasing issue for property owners.

Thirdly the tenants. Landlords are legally able to increase rents to cover increased government charges. In that same Canberra Times article Mr Barr said "I suspect the impact on the rental market will be negligible and, given what's in the supply pipeline and the fact that ultimately rents are an interaction of supply and demand, it's highly likely that rents will continue to fall in the territory in the short term," he said.

Recommendation re land tax

It is inequitable to tax on the basis of property tenure. For this reason the Quinlan tax review recommended that land tax be ceased in its current form. In effect it would be merged into rates paid by all landowners.

Abolishing land tax could increase rental availability or decrease rents paid by decreasing costs to landlords. The economic influence of land tax will increase as capital growth of houses decreases.

Caroline Le Couteur

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