



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PLANNING, TRANSPORT, AND CITY SERVICES
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Submission Cover Sheet

Inquiry into Property Developers Bill 2023

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A Submission to the Inquiry into the Property Developers Bill 2023

Kevin Cox 29th February 2024

The objectives of the bill are:

- *Protect the public by ensuring that residential development activities are carried out by people that are competent and have the capacity and capability to undertake those activities.*
- *Protect the public by ensuring property developers engaged in residential development activity are held responsible and accountable for the development activities they carry out.*
- *Promote public confidence in the standard of residential development activities undertaken by property developers.*

This submission doesn't suggest changes to the Property Developers Bill but would like assurance that the bill will not affect the ability of both corporate and individual owners/builders to develop and build residential buildings without a financing developer. If an individual or business can construct a building they will occupy and use for some time, the legislation should not stop or restrict the development.

In particular, it should encourage the development of Permanent Housing Markets where the people who build and finance a property will occupy the building for a significant period. The building is built for an entity paid by the entity and occupied by the entity without any change in ownership.

Permanent Housing Markets

Permanent Housing Markets comprise a set of buildings owned by a corporation or cooperative. Individual investors purchase shares in the entity. Investor shares are general shares in the company and are not tagged as belonging to any particular dwelling. However, they are 100% backed by the dwellings in the permanent housing market. Investors receive a fixed percentage of new shares each month, and the percentage they receive is set by the shareholders in the company. Shares can be bought and sold at any time for no cost and are always \$1; hence, there is no need for a market to set the internal price. The fixed percentage of new shares for investors is set at 5% per year.

Each year, investors must sell 5% of their shares to occupiers or prospective occupiers. This ensures a continuous market in shares and that the sale of houses is continuous and permanent. Each year all shareholders receive more shares to compensate for CPI inflation.

Occupiers pay rent of 25% of their disposable income or 2.5% of the value of the dwelling, whichever is the maximum. If they live in the house, 50% of their payments will purchase shares from investors. These shares are tagged as shares in the occupied house. The other 50% pays for the shares provided to the investors for the company's operation; the remainder is a profit or loss. If it is a profit, it is distributed as more shares; if it is a loss, the distribution is negative.

Developers, Builders and Suppliers are paid either from the sale of shares or with shares.

If an Investor has \$10,000 in shares, then each year, they receive \$500 worth of new shares, and they sell \$500 worth of shares to occupiers.

Each year, an occupier with a salary of \$100,000 pays \$25,000 to occupy a house. \$12,500 buys shares from investors; typically, \$5,000 pays for the investors' new shares, \$2,500 pays to operate the company, and \$5,000 is surplus for the company to improve existing assets.

Financial Modelling of a Permanent Housing Market

The purpose of a Permanent Housing Market is to remove the cost of debt, the cost of the real estate market and the cost of transferring titles. These costs are replaced by the cost of transferring shares and government taxes that the government might impose. Typically the savings over twenty years are about the same as the cost of the dwelling.

Modelling shows that an occupier will pay about 50% less to purchase a dwelling while investors will receive a 10% inflation-adjusted annuity twice as long as the average superannuation-allocated pension. Investing in a Permanent Housing Market will become very attractive to self-managed and industry superannuation funds.

Permanent Housing Markets will include existing houses. People who already own a house can sell it for shares to a Permanent Housing Market, continue to live in their house, and pay rent for the existing house, where the rent builds up equity in the new construction.

Permanent Housing Markets and Government Regulations

Permanent Housing Market transactions will require changes to existing government regulations because housing finance assumes debt finance. For example, self-managed superfund regulations may not allow a director of a Permanent Housing Market to be a shareholder or occupier in a Permanent Housing Market.

A new house occupant does not require a change in house title with the associated government charges and taxes. Governments may wish to collect some revenue on transfers.

First-home buyer grants are unnecessary as the selection of a new occupier by a Permanent Housing Market is not determined by the occupier's wealth but by the occupier's need.

Rent-assistance regulations may need to change as rent payers will also acquire equity in the house.

The ATO will need to clarify whether share issues are income or capital gains and whether tax is payable at the time of share issue or only when the shares are sold.

The Benefits of Permanent Housing Markets

- Permanent Housing Markets remove the cost of debt and the cost of markets establishing prices. Home buyers do not shoulder the cost of increasing the money supply as existing assets and money cost less than using new money to transfer housing.
- Permanent Housing Markets remove many of the issues of responsibility for fixing building problems as there is no change in ownership from developers to homeowners.
- Many builders and architects may replace traditional developers and remove the developer role for many projects.
- The savings will likely be spent on higher-quality housing - including double glazing and other energy and maintenance savings.
- It will make it easier for individuals to change housing as their needs change.
- It makes it easier for superannuation funds to invest in housing.
- It restores the advantage of traditional Building Societies and Mutual Funds, which can give interest-sharing loans to Permanent Housing Markets if there are not enough investors.
- Socially, it allows the acquisition of wealth for all rentpayers and speeds up the transfer of money.
- Economically, it improves the productivity of Capital and means wealth hoarding reduces, increasing the economy's productivity.

To see more details, please review the [Submission on Climate Change and a Just Transition](#) and the upcoming public hearings of that committee.

Summary

Today, house purchases are financed with new money from bank loan debt. Debt incurs an interest cost. A community of investors and occupiers of housing can eliminate the cost of debt by removing the need to create new money. Instead, they use existing money and assets through a corporate structure. The savings in interest are used to cover or eliminate the risk of substandard construction. The community funding approach may need government regulation support.