



Legislative Assembly for the Australian Capital Territory

Standing Committee on Economy and
Gender and Economic Equality

Inquiry into Housing and Rental Affordability

Legislative Assembly for the Australian Capital Territory
Standing Committee on Economy and Gender and Economic Equality

Approved for publication

Report 8
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June 2023

About the committee

Establishing resolution

The Assembly established the Standing Committee on Economy and Gender and Economic Equality on 2 December 2020.

The Committee is responsible for the following areas:

- Chief Minister's Responsibilities
- Economic development and diversification
- Tourism
- Industrial relations and workplace safety
- Social impacts and outcomes of economic policies including gender considerations (excluding Office for Women)
- Minister of State responsibilities (excluding Justice and Community Safety Directorate reporting areas)
- Business and better regulation
- Arts

You can read the full establishing resolution [on our website](#).

Committee members

Ms Leanne Castley MLA, Chair

Ms Suzanne Orr MLA, Deputy Chair

Mr Johnathan Davis MLA

Secretariat

Sophie Milne, Committee Secretary (from 21 November 2022)

Joanne Cullen, Committee Secretary (from 12 September 2022)

Samuel Thompson, Committee Secretary (to 9 September 2022)

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About this inquiry

Under Standing Order 216, standing committees can self-initiate an inquiry into any subject area it is given responsibility for by the establishing resolution. The Standing Committee on Economy and Gender and Economic Equality resolved to conduct an Inquiry into Housing and Rental Affordability on 14 April 2022.

The Committee informed the Assembly of its intention to conduct this inquiry on 3 May 2022.¹

The full [Terms of Reference](#) for the Inquiry are available [on our website](#).

¹ ACT Legislative Assembly, *Minutes of Proceedings*, No 46, 3 May 2022, p 602.

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Acronyms

Acronym	Long form
ACHLTE	Affordable Community Housing Land Tax Exemption Scheme
ACT	Australian Capital Territory
ACTCOSS	ACT Council of Social Service
ACT YAS	ACT Youth Advisory Council
AFI	Advocacy for Inclusion
AUV	Average Unimproved Value
CAD	Canadian Dollars
CBD	Central Business District
The Committee	Standing Committee on Economy and Gender and Economic Equality
CPA	Communist Party of Australia
DSP	Disability Support Pension
ILRP	Indicative Land Release Program
LVC	Lease Variation Charge
MLA	Member of the Legislative Assembly
NCDC	National Capital Development Commission
PAL	Property Action Levy
VPT	Vacant Property Tax
VRLT	Vacant Residential Land Tax

Recommendations

Finding 1

The Committee finds that there is insufficient evidence to accurately determine the number of vacant properties in the ACT.

Finding 2

Subsequently, the Committee is unable to accurately determine if a vacancy tax is the best response to reduce the number of vacant properties in the ACT.

Recommendation 1

The Committee recommends that the ACT Government consider ways to provide more public, social and affordable housing in the ACT.

Recommendation 2

The Committee recommends that the ACT Government support a greater diversity of medium and high density housing throughout the ACT, including encouraging and supporting the construction of more 3 bedroom and 4 bedroom apartments and townhouses.

Recommendation 3

The Committee recommends that the ACT Government invest in increased promotion of the affordable land tax concession scheme. Specifically, the ACT Government should consider promoting the affordable land tax concession scheme clearly on land tax notices.

Recommendation 4

The Committee recommends that the ACT Government explore regulatory and policy solutions to address negative local impacts of short-term rental accommodation on the supply and price of long-term rental properties in the ACT.

1. Referral and decision to inquire

- 1.1. On 24 March 2022 the Legislative Assembly passed a resolution requesting that the Standing Committee on Economy and Gender and Economic Equality (the Committee) consider inquiring into housing and rental affordability in the ACT.²
- 1.2. At a private meeting on 14 April 2022, the Committee resolved to conduct the inquiry.
- 1.3. The Committee advised the Legislative Assembly of its decision to conduct the inquiry through a statement under Standing Order 246A on 3 May 2022.³

Conduct of the inquiry

- 1.4. On 14 April 2022, the Committee resolved to conduct an inquiry into housing and rental affordability.
- 1.5. On 3 May 2022, the Committee resolved to call for submissions as part of the inquiry.
- 1.6. On 28 July 2022, the Committee resolved to extend the deadline for submissions from 29 July 2022 to 8 August 2022.
- 1.7. The Committee received 18 submissions which were published on the inquiry webpage and are listed in [Appendix A](#).
- 1.8. A public hearing was held on Friday, 16 September 2022. The Committee heard evidence from witnesses listed in [Appendix B](#). The transcript and video recording are available on the Legislative Assembly website.
- 1.9. The Committee had 5 Questions Taken on Notice from the public hearings. The details are listed in [Appendix C](#).

² ACT Legislative Assembly, *Minutes of Proceedings*, No 42, 24 March 2022, pp 547–548.

³ ACT Legislative Assembly, *Minutes of Proceedings*, No 46, 3 May 2022, p 602.

2. Vacancy tax

Vacancy taxes

- 2.1. Across the developed world, there has been a growing trend to address issues of homelessness and housing affordability through the use of tax settings by implementing Vacant Property Taxes (VPT) (i.e., a ‘vacancy tax’), targeting either vacant homes or apartments, or vacant land.⁴
- 2.2. In the context of both residential and commercial properties, the idea of a vacancy tax is a simple one – address the issue of supply in the market by discouraging speculation and incentivising more efficient use of the property (such as making it available to the rental market, or developing the land if the land is vacant).⁵
- 2.3. Despite its broad title ‘Housing and Rental Affordability’, this inquiry specifically considered the issue of a vacancy tax in the context of the below, which is taken from the motion⁶ which referred this inquiry to the Committee:
 - a) the rapidly increasing cost of renting or buying a home in the Territory;
 - b) the impact of intentionally vacant habitable dwellings on the housing and rental affordability crisis in Canberra;
 - c) the ways to determine whether a residential property is vacant;
 - d) the impact of intentionally vacant habitable dwellings on the land release program and development in greenfield areas;
 - e) how we may reinvigorate local shopping centres by addressing long-term commercial vacancies at these sites using a vacancy tax; and
 - f) options for changes to legislation or taxation of vacant habitable dwellings in the ACT and the impact of this on the cost of housing.

Jurisdictional examples of vacancy taxes

- 2.4. In Australia, the only jurisdiction that currently has a dedicated vacancy tax is Victoria, which introduced a Vacant Residential Land Tax (VRLT) in 2018. The VRLT sees residential properties in middle and inner Melbourne taxed at one percent of their capital improved value if they are left vacant for more than six months of the year. There are exceptions for

⁴ Dr Jonathan Barrett, ‘Vacant property Taxes and the Human Right to Adequate Housing’, *Australian Journal of Taxation*, Vol 20, (<http://classic.austlii.edu.au/au/journals/JlATax/2018/2.pdf> (accessed 24 February 24), p 125.

⁵ See, for example: Brett Thomas, ‘Growing calls to impose vacant property tax on owners of ‘ghost homes’ to ease affordability pressures’, *realestate.com.au*, <https://www.realestate.com.au/news/growing-calls-to-impose-vacant-property-tax-on-owners-of-ghost-homes-to-ease-affordability-pressures/> (accessed 24 February 2023); Astrid Haas & Mihaly Kopanyi, *Taxation of vacant urban land: from theory to practice*, <https://www.theigc.org/publications/taxation-vacant-urban-land-theory-practice>, (accessed 24 February 2023), p 1; The World Bank, ‘Progressive Taxation of Vacant land’, <https://urban-regeneration.worldbank.org/node/38> (accessed 24 February 2023).

⁶ ACT Legislative Assembly, *Minutes of Proceedings*, No 42, 24 March 2022, p 550.

residents who either use the property for at least four weeks a year as a holiday home or for at least 140 days of the year for the purposes of attending their workplace or business.⁷

- 2.5. From 1 July to 30 June 2022, the Northern Territory had a Property Activation Levy (PAL), which applied to vacant land and ground floor non-residential buildings within a designated area of the Darwin CBD. The PAL applied annually at a rate of two percent for vacant land and one percent for unoccupied non-residential buildings based on the unimproved capital value of the property. Property owners could reduce their liability by ‘activating’ their property (i.e., ensuring their property ‘contributes to the overall amenity of the CBD’).⁸
- 2.6. Queensland’s Parliament very briefly considered a vacancy tax in October 2022, with the introduction of the Land Tax and Other Legislation (Empty Homes Levy) Amendment Bill 2022.⁹ Under the proposed legislation, investors would be charged a five percent levy on the capital improved value of their residential property or vacant residential land if it is vacant for 6 months or more in a year, and would be in addition to other land taxes in Queensland. Unlike the Victorian scheme, the proposed Queensland levy would not be self-reporting, and would apply to all land in Queensland.¹⁰
- 2.7. Since 2017, there has been a VPT in place at the federal level, with the Commonwealth Government levying an annual vacancy fee on foreign owners of residential property in cases where the property is not occupied or rented out for at least 6 months in a year.¹¹ The program was specifically designed ‘as a financial incentive for foreign owners to make their dwelling available for rent and increase available housing in Australia’.¹² As this is a Commonwealth tax, it applies in the ACT, as well as every other State and Territory.
- 2.8. The cities of Vancouver and Toronto in Canada have implemented a similar vacancy tax of one percent on any residence that is not considered the owner or renter’s primary residence.¹³ In Vancouver, principal residences occupied for at least 6 months of the year, and properties rented for at least 6 months of the year (in periods of 30-plus consecutive days) are exempt. Short-term rental accommodations, such as Airbnb properties, are

⁷ ACT Government, *Submission 5*, p 7.

⁸ Department of Treasury and Finance, Northern Territory Government, ‘Property Activation Levy’, <https://treasury.nt.gov.au/dtf/territory-revenue-office/property-activation-levy#:~:text=The%20levy%20will%20apply%20annually,capital%20value%20of%20the%20property> (accessed 24 February 2023).

⁹ As the Bill was a Private Member’s Bill, it was ruled out of order on the same day by the Speaker as it breached the long-standing convention on the financial initiative of the Crown; Yale Hudson-Flux, ‘Parliamentary update: 25 October to 28 October 2022’, *Proctor*, <https://www.qlsproctor.com.au/2022/11/parliamentary-update-25-october-to-28-october-2022/> (accessed 24 February 2023).

¹⁰ Sarah Shaw, ‘Queensland Greens introduce ‘empty homes levy’ into parliament’, KPMG, 18 October 2022, <https://kpmg.com/au/en/home/insights/2022/10/queensland-greens-introduce-empty-homes-levy-into-parliament.html> (accessed 24 February 2023).

¹¹ ACT Government, *Submission 5*, p 7.

¹² Australian Taxation Office, ‘Vacancy fee for foreign owners’, <https://www.ato.gov.au/General/Foreign-investment-in-Australia/Vacancy-fee-for-foreign-owners/> (accessed 27 February 2023).

¹³ See, for example: Astrid Haas & Mihaly Kopanyi, *Taxation of vacant urban land: from theory to practice*, <https://www.theigc.org/publications/taxation-vacant-urban-land-theory-practice>, (accessed 24 February 2023), p 10; City of Toronto, *Vacant Home Tax*, <https://www.toronto.ca/services-payments/property-taxes-utilities/vacant-home-tax/> (accessed 24 February 2022).

taxable.¹⁴ In Toronto, where the tax was approved by the Toronto City Council in 2021, the Vacant Home Tax is expected to raise anywhere from CAD\$55 million to CAD\$66 million in gross tax revenue per year.¹⁵

- 2.9. Other jurisdictions which have introduced taxes targeting vacant residential properties or land include France, Scotland, Ireland, South Korea, Marikina City (Philippines), Bogota (Columbia), Washington DC and Seattle (both United States of America).¹⁶

Residential and commercial contexts

Residential properties and housing affordability

- 2.10. Almost all submissions and witnesses to this inquiry addressed the issue of a vacancy tax within the context of residential properties and the issue of housing affordability.
- 2.11. The ACT Council of Social Service (ACTCOSS) in its submission to this inquiry laid bare the issue of housing affordability in the ACT, with more than 73 percent of lower income private rental households in Canberra spending more than 30 percent of their incomes on housing.¹⁷ In addition, ACTCOSS pointed out that Canberra has been the nation's most expensive capital city to rent a house in since late 2018 and to rent a unit in since late 2020.¹⁸ In March 2022, not a single private property advertised for rent in Canberra and Queanbeyan was affordable for households receiving a working-age social security payment.¹⁹
- 2.12. This was reinforced by Greater Canberra during their appearance before the Committee:

The housing crisis is the largest policy challenge facing our city. Canberra has the highest housing costs in the country. It is the most expensive city to rent in, and it is the second most expensive one in which to buy. The housing crisis impacts every person in this city and every aspect of our society and our economy. It is the principal driver of poverty and homelessness in our city, as families working full time struggle to afford shelter. As we speak, there are thousands of children in Canberra who are in poverty due to our elevated housing costs.

However, the impact of the housing crisis is not just restricted to our most vulnerable. It is the largest brake on the discretionary income of the middle class. It makes it hard for businesses to compete and attract skilled labour because a \$90,000 salary in Melbourne checks out to be about the same as \$105,000 salary

¹⁴ Dr Jonathan Barrett, 'Vacant property Taxes and the Human Right to Adequate Housing', *Australian Journal of Taxation*, Vol 20, (<http://classic.austlii.edu.au/au/journals/JlATax/2018/2.pdf> (accessed 24 February 24)), p 135.

¹⁵ Astrid Haas & Mihaly Kopanyi, *Taxation of vacant urban land: from theory to practice*, <https://www.theigc.org/publications/taxation-vacant-urban-land-theory-practice>, (accessed 24 February 2023), p 2.

¹⁶ See, for example: Astrid Haas & Mihaly Kopanyi, *Taxation of vacant urban land: from theory to practice*, <https://www.theigc.org/publications/taxation-vacant-urban-land-theory-practice>, (accessed 24 February 2023), p 10; Dr Jonathan Barrett, 'Vacant property Taxes and the Human Right to Adequate Housing', *Australian Journal of Taxation*, Vol 20, (<http://classic.austlii.edu.au/au/journals/JlATax/2018/2.pdf> (accessed 24 February 24)), p 138.

¹⁷ ACTCOSS, *Submission 16*, p 2; Ms Gabrielle Robertson, ACTCOSS, *Committee Hansard*, 16 September 2022, pp 32–33.

¹⁸ ACTCOSS, *Submission 16*, p 2.

¹⁹ ACTCOSS, *Submission 16*, p 3.

here after housing and tax costs are accounted for—for the average house, that is. Everyone in Canberra knows someone who has left our city because they could not afford to stay here and imagine a life where they could raise a family.²⁰

- 2.13. In their submission, Greater Canberra note that rents in the ACT have grown by sixteen percent over the last five years, despite rents in Melbourne and Sydney remaining relatively constant.²¹
- 2.14. ACTCOSS also states that there is a shortfall of approximately 3,100 social housing dwellings in the ACT, with 8,500 additional social housing dwellings needed by 2036 to meet the city's current unmet and projected need.²² Whilst social housing dwellings has been decreasing as a proportion of all households (7.6 percent in 2014 to 6.7 percent in 2021), the number of applicants for public housing has increased by 21 percent over the last year.²³
- 2.15. Advocacy for Inclusion (AFI) noted to the committee that '[in] Canberra, the cost of living and the income disparities are so great that it is possible for a double-income couple on a low or casual income to not be able to afford to get into a private rental property without experiencing significant housing stress'.²⁴
- 2.16. They also noted to the Committee that:

We have people in situations that would otherwise be described as homelessness—people living in housing that is unsuitable for them, given their needs, or staying with parents and elderly relatives for far longer than they should. At the acute end we have people stuck in nursing homes and hospitals that need to be released from them. We have people in group houses. There are a whole lot of people with disabilities in inadequate, crowded, insubstantial housing.²⁵

Support for a vacancy tax

- 2.17. For a number of submissions, this is an unacceptable situation that demands a solution.
- 2.18. Joel Dignam of Better Renting commented in his submission that 'when people are going homeless, or struggling to afford their homes, the presence of vacant potential homes in the ACT is an insult'.²⁶
- 2.19. This was echoed by another submission:

²⁰ Mr Howard Maclean, Greater Canberra, *Committee Hansard*, 16 September 2022, p 1.

²¹ Greater Canberra, *Submission 15*, p 4.

²² ACTCOSS, *Submission 16*, p 2.

²³ ACTCOSS, *Submission 16*, pp 2–3.

²⁴ Mr Craig Wallace, Advocacy for Inclusion, *Committee Hansard*, 16 September 2022, p 23.

²⁵ Mr Craig Wallace, Advocacy for Inclusion, *Committee Hansard*, 16 September 2022, p 20.

²⁶ Better Renting, *Submission 3*, p 1.

It is unacceptable that a home-owner/investor can purchase a property and simply just leave it – vacant – when there are people screaming and crying in the streets (literally and figuratively) for a safe place to live.²⁷

- 2.20. The Communist Party of Australia’s (CPA) Canberra Branch similarly commented ‘[that] even a single person should sleep rough through winter while houses go empty and unused is crime.’²⁸

- 2.21. The idea of a vacancy tax as a solution to this issue was summarised neatly by one submission:

Economics 101: increase supply, decrease demand. Reducing residential property vacancy would enable a greater supply of housing for tenants (and those fortunate enough to purchase) in the ACT.²⁹

- 2.22. Similarly, Better Renting argued in their submission that the existing application of land tax to vacant properties only ‘equivalised their treatment compared to tenanted properties’, hence why, in their view, an additional vacancy tax is needed to encourage property owners to add intentionally vacant properties to the rental market.³⁰

Factors contributing to Residential Vacancies

Low supply, high prices

- 2.23. For most submissions and witnesses the problem of vacant properties was symptomatic of a broader problem within Canberra’s housing market in which there is high demand, but people cannot find affordably priced homes to buy or rent due to dwindling supply.

Supply

- 2.24. Greater Canberra emphasised in its oral evidence before the Committee that the main issue was one of supply:

Canberra’s rental market woes are driven by scarcity. There are not enough homes where people want to live, and this drives up costs and rents. A consistent finding in academic literature is that increasing the supply of homes in places where people want to live reduces rents and makes housing more affordable. We need to build more homes. We need to build homes in places close to jobs and amenities where people want to live.³¹

- 2.25. This was supported by Peta Stamell:

²⁷ Name withheld, *Submission 4*, p 2.

²⁸ Community Party of Australia (Canberra Branch), *Submission 11*, p 1.

²⁹ Name withheld, *Submission 4*, p 2.

³⁰ Better Renting, *Submission 3*, p 1.

³¹ Mr Howard Maclean, Greater Canberra, *Committee Hansard*, 16 September 2022, p 2.

I am increasingly furious over the state of housing in Canberra and the rest of the country. It is causing harm to members of our community that will last generations and cost us in lost productivity.

I have witnessed a marked increase in homelessness in Canberra. I have heard countless stories of individuals and families unable to find affordable homes or even unaffordable homes to rent.³²

2.26. AFI also emphasised a similar point with respect to those with a disability:

[W]e need a better understanding of supply, and we have not seen evidence that there is a large amount of accessible housing that is sitting vacant. What is most needed is new, fit-for-purpose, affordable, accessible rental housing in Canberra that is available to people on a DSP earning under \$450 a week without experiencing housing stress. This requires a response primarily through public and social housing in the short term, plus efforts to grow accessible private rental housing in the medium-term instance.³³

2.27. They later relayed to the Committee:

We need many thousands of homes here in the ACT, in order to respond to the lack of affordable housing for anyone on a medium to low income, or on income support.³⁴

2.28. The ACT Youth Advisory Council (ACT YAC) also stated to the Committee that ‘more supply of housing that is affordable for young people’ was the major solution to the main issues facing young people when it comes to housing affordability.³⁵

2.29. Several submissions highlighted that the then-current rental vacancy rate in Canberra or Canberra and neighbouring Queanbeyan was less than one percent.³⁶ As of June 2022 it was at 0.8 percent.³⁷ By comparison, Melbourne and Sydney were at 1.5 percent and 1.4 percent respectively, and the national rate was at one percent.³⁸

³² Peta Stamell, *Submission 13*, p 1.

³³ Mr Nicholas Lawler, Advocacy for Inclusion, *Committee Hansard*, 16 September 2022, p 16.

³⁴ Mr Craig Wallace, Advocacy for Inclusion, *Committee Hansard*, 16 September 2022, p 22.

³⁵ Mr Nicholas Villiers, ACT Youth Advisory Council, *Committee Hansard*, 16 September 2022, p 37.

³⁶ Caroline Le Couteur, *Submission 8*, p 2.

³⁷ Domain, *Vacancy rates: June 2022*, <https://www.domain.com.au/research/vacancy-rates-june-2022-1149519/> (accessed 28 February 2023).

³⁸ Domain, *Vacancy rates: June 2022*, <https://www.domain.com.au/research/vacancy-rates-june-2022-1149519/> (accessed 28 February 2023).

Capital city	May-23	Apr-23	May-22
Sydney	1.1%	1.0%	1.4%
Melbourne	0.9%	0.9%	1.8%
Brisbane	0.8%	0.7%	0.6%
Adelaide	0.3%	0.4%	0.3%
Canberra	1.8%	1.7%	0.7%
Perth	0.4%	0.4%	0.6%
Hobart	1.1%	1.1%	0.4%
Darwin	0.7%	1.4%	0.9%
National	0.9%	0.8%	1.0%

Table 1 - Monthly Vacancy Rates as of May 2023. Source: Domain, Vacancy rates: May 2023

- 2.30. The ACT Government observed in its submission that '[a] rental vacancy rate of around 3 percent is considered to provide appropriate balance between landlords and renters'.³⁹ However, the ACT has had a rental vacancy rate of below two percent for the past 20 years, and as of July 2022, has had a vacancy rate below one percent.⁴⁰
- 2.31. ACT Shelter observed that:
- Years ago, in the market in Canberra, when we had a vacancy rate of over four percent, we were not facing these sorts of issues. But the social housing component in the market has not grown at all, so it is completely skewed. If people are moving into affordable housing and community housing then that affects what is happening in the private market and it does not need to expand.⁴¹
- 2.32. They contend that the social housing sector has 'stayed pretty much the same' for the last decade, due to all their money and resources being taken up by the task of maintaining their properties.⁴²
- 2.33. In its submission, the ACT Government highlighted that for the rental vacancy rate to increase to three percent, 'around 1,000 additional rental dwellings would be required immediately, with further housing stock required for population growth'.⁴³
- 2.34. Other submissions also highlighted that with respect to social and government housing, supply is not keeping up with demand.⁴⁴ As of June 2020, the ACT Government owned and provided to the Canberra community 111,921 dwellings, of which 936 were community housing, making up 6.4 percent of total ACT Housing stock.⁴⁵

³⁹ ACT Government, *Submission 5*, p 3.

⁴⁰ ACT Government *Submission 5*, p 3; Domain, *Vacancy rates: June 2022*, <https://www.domain.com.au/research/vacancy-rates-june-2022-1149519/> (accessed 28 February 2022).

⁴¹ Ms Deb Phippen, ACT Shelter, *Committee Hansard*, 16 September 2022, p 44.

⁴² Ms Deb Phippen, ACT Shelter, *Committee Hansard*, 16 September 2022, p 44.

⁴³ ACT Government, *Submission 5*, p 10.

⁴⁴ Caroline Le Couteur, *Submission 8*, p 2; Capital Estate Developments, *Submission 7*, p 3.

⁴⁵ Capital Estate Developments, *Submission 7*, p 2.

- 2.35. The ACT Government is aware of this issue, noting in its submission that it has committed to increasing the housing supply by releasing land to supply dwellings for around 41,000 Canberrans over the five-year Indicative Land Release Program (ILRP) from 2021-2022 to 2025-2026.⁴⁶

Prices and 'pricing out'

- 2.36. In their submission, Greater Canberra observed that low vacancy rates cause upward pressure on prices, among other consequences.⁴⁷
- 2.37. Similarly, Capital Estate Developments notes that 'The low vacancy rate, Canberra's above national average income, jobs growth and only 30.7% of total dwellings being in the rental pool, are factors contributing to the high rentals paid'.⁴⁸
- 2.38. The increased pressure on housing and rental prices was a key issue highlighted in other submissions.
- 2.39. Kevin Cox highlighted in his submission that it roughly costs an Australian double the proportion of their income in order to service a new mortgage than it did 20 years ago.⁴⁹
- 2.40. The CPA's Canberra Branch submitted that 'demand [for rentals] is exorbitant, allowing landlords to raise their prices to worrying levels. As a result, it is not an uncommon sight to see twenty or thirty prospective renters at inspections, if not more'.⁵⁰
- 2.41. Holly Zapasnik recounted in her submission:

I have heard of people being priced out of Canberra.

I wanted to have a family here. But at this rate, I'll have to leave Canberra. I can no longer recommend this as a place for people to look for work, have a strong community, and a safe place to live.

The truth of the matter is that none of us are 'safe' here, as we are being priced out of our own community.⁵¹

- 2.42. Similarly, another submission relayed:

I attribute the causes of vacancies to be – in layman's terms – residents "tapping out" of the Canberra housing market, and by extension, tapping out of Canberra. Share house groups regularly advertise room vacancies as housemates relocate out of the city, seeking opportunities elsewhere. The difficulty of being a renter here is definitely a factor in individual's decisions to remain, no matter "how good Public Servant salaries" are[...] ... Canberra will struggle to retain motivated and

⁴⁶ ACT Government, *Submission 5*, p 10.

⁴⁷ Greater Canberra, *Submission 15*, p 7.

⁴⁸ Capital Estate Developments, *Submission 7*, p 4.

⁴⁹ Kevin Cox, *Submission 6*, p 1.

⁵⁰ Communist Party of Australia (Canberra Branch), *Submission 11*, p 1.

⁵¹ Holly Zapasnik, *Submission 10*, p 1.

engaged talent if the city continues on its pressured trajectory, restricting the ability of residents to secure affordable and adequate housing.⁵²

- 2.43. Data from Domain shows Canberra is currently the second most expensive capital city in the nation to purchase a house or a unit, is the most expensive capital city to rent for houses, and is the second most expensive to rent for units.⁵³

Capital City	Mar-23	Dec-22	Mar-22
Sydney	\$1,459,856	\$1,441,554	\$1,594,192
Melbourne	\$1,023,116	\$1,028,133	\$1,091,033
Brisbane	\$805,818	\$806,802	\$847,374
Adelaide	\$795,364	\$792,474	\$753,409
Canberra	\$1,047,112	\$1,073,961	\$1,142,900
Perth	\$672,177	\$664,324	\$633,762
Hobart	\$689,127	\$709,801	\$764,452
Darwin	\$623,600	\$643,879	\$635,716
Combined Capitals	\$1,020,191	\$1,016,628	\$1,075,210

Table 2 - Capital City Median House Prices. Source: Domain, March 2023 House Price Reports

Capital City	Mar-23	Dec-22	Mar-22
Sydney	\$758,664	\$753,330	\$796,064
Melbourne	\$527,828	\$554,624	\$581,154
Brisbane	\$450,004	\$452,428	\$443,217
Adelaide	\$418,203	\$421,645	\$383,273
Canberra	\$579,094	\$573,759	\$576,040
Perth	\$360,428	\$369,438	\$364,054
Hobart	\$565,036	\$538,932	\$558,030
Darwin	\$356,859	\$373,852	\$369,882
Combined	\$592,166	\$598,147	\$619,082

Table 3 - Capital City Median Unit Prices. Source: Domain, March 2023 House Price Reports

⁵² Name withheld, *Submission 4*, p 2.

⁵³ See, for example: Domain, *March 2023 House Price report*, <https://www.domain.com.au/research/house-price-report/march-2023/> (accessed 7 June 2023); Domain, *March 2023 Rental Report*, <https://www.domain.com.au/research/rental-report/march-2023/> (accessed 7 June 2023).

Capital City	Mar-23		Dec-22		Mar-22	
	Houses	Units	Houses	Units	Houses	Units
Sydney	\$660	\$620	\$650	\$580	\$600	\$500
Melbourne	\$500	\$480	\$480	\$450	\$450	\$390
Brisbane	\$560	\$500	\$550	\$480	\$500	\$430
Adelaide	\$520	\$420	\$500	\$400	\$460	\$370
Perth	\$550	\$450	\$530	\$430	\$480	\$400
Hobart	\$550	\$480	\$550	\$470	\$523	\$450
Canberra	\$690	\$550	\$690	\$560	\$690	\$540
Darwin	\$650	\$520	\$620	\$520	\$600	\$490
Combined Capitals	\$565	\$550	\$550	\$500	\$500	\$450

Table 4 - Capital City Median Rent Prices. Source: Domain, March 2023 Rental Report.

- 2.56. As an indication of the affordability issue, some witnesses reference Anglicare Australia's 2021 Rental Affordability Snapshot, which found that those on working age social security (such as JobSeeker, Youth Allowance, or the Disability Support Pension) could not afford any of the 1,002 private rental properties listed at the time.⁵⁴
- 2.57. This was reinforced by AFI with respect to people with disabilities:

The difference for people with disabilities is that the people we represent face both a lack of affordable housing and a lack of appropriate and accessible built forms. Rental affordability is a major barrier. The disability support pension is the main source of income for 56 percent of people with a disability. According to Anglicare, a DSP recipient could not afford any of the 1,354 private rentals advertised in the ACT and Queanbeyan in March 2022. The median rental was more than their entire primary income.⁵⁵

Impact of housing preferences in the ACT

- 2.58. Chief Minister and Treasurer, Mr Andrew Barr MLA, noted to the Committee that a factor contributing to the higher cost of housing in the ACT is housing preferences, with the ACT building the largest houses in the country, which leads to higher building costs:⁵⁶

To a certain extent, the size of the house people build is linked to the size of the land which they have purchased. Obviously, the larger the block of land, the higher the cost as well. There is a regulatory question here that goes to issues that

⁵⁴ Communist Party of Australia (Canberra Branch), *Submission 11*, p 1; Dr Emma Campbell, ACTCOSS, *Committee Hansard*, 16 September 2022, p 29.

⁵⁵ Mr Nicholas Lawler, Advocacy for Inclusion, *Committee Hansard*, 16 September 2022, p 16.

⁵⁶ Mr Andrew Barr MLA, Treasurer, *Committee Hansard*, 16 September 2022, pp 51–52.

have already been raised around the planning system, but there is also a philosophical question at play. “Should the government seek to limit the size of homes and to use the planning system to do so,” is a philosophical question. Now, the answer to that varies in different parts of Canberra, based on historic precedent, land availability and the like. They are all factors that are under consideration by the Assembly in the context of planning system reform. The question is about how much regulation is applied, as it relates to plot ratios, which would then impact on the size of dwellings, based on the average suburban block that is released. It is clearly going to make a significant contribution to improving housing affordability if the dwellings we build are not 259 square metres, for example.⁵⁷

- 2.59. Simultaneously, as the Chief Minister highlighted to the Committee, the number of residents per dwelling is reducing:

We have seen shifts in demand for dwelling types reflecting the demographic changes in the ACT. So I guess a perverse trend here is that although our houses are getting bigger, the number of people in them continues to reduce. You can track, on the five-yearly census data, that we are down to 2½ people per dwelling on average in our greater-than-200-square-metre properties. That tells you something about the amount of space per person.⁵⁸

Other factors

- 2.60. Several factors were highlighted in submissions as contributing to the issue of vacant residential properties, or at least the perception that a residential property is vacant.

Housing as an investment

- 2.61. Several submissions⁵⁹ pointed to the treatment of housing as an investment rather than a human right as a key issue, with capital gains and negative gearing as particularly influential factors.
- 2.62. For example, Joel Dignam of Better Renting argued:

Vacancies in residential properties happen because investors can make so much money from capital gains that they decide not to bother with renting a property out. Gives them more optionality and makes it easier to sell if and when they choose.

The fundamental problem here is that the property is treated as an asset, rather than a place that could be someone’s home.⁶⁰

⁵⁷ Mr Andrew Barr MLA, Treasurer, *Committee Hansard*, 16 September 2022, p 52.

⁵⁸ Mr Andrew Barr MLA, Treasurer, *Committee Hansard*, 16 September 2022, p 52.

⁵⁹ See, for example: ACT Shelter, *Submission 18*, p 5; Communist Party of Australia (Canberra Branch), *Submission 11*, p 1; Chris Warren, *Submission 9*, p 1; Kevin Cox, *Submission 6*, p 1; Peta Stamell, *Submission 13*, p 1; Dr Emma Campbell, ACTCOSS, *Committee Hansard*, 16 September 2022, p 28.

⁶⁰ Joel Dignam, Better Renting, *Submission 3*, p 1.

2.63. This was echoed by ACT Shelter:

[P]eople go into investment in the private market not to be altruistic, not to help people. It is an investment and they want to make money out of it, whether it is in the short term or the long term. That is something that always needs to be remembered. It is not a commodity. Housing is not just an investment in a commodity. It is an essential service. It is a human right and it needs to be addressed and regulated in those sorts of terms.⁶¹

Under-occupation

2.64. Advocacy for Inclusion noted during the public hearing that homes occupied by people with a disability may appear to be under-occupied:

People with disabilities may live in homes that appear to be under-occupied but are not. This includes people in homes with larger rooms or extra bedrooms in order to allow for wheelchairs or walkers, overnight stays by carers, or the storage of equipment. Downsizing from larger housing as people age can be difficult due to logistical, financial, emotional and other factors which are making moving home challenging and stressful.⁶²

Community and public housing turnover

2.65. The Committee heard from ACTCOSS that one potential factor contributing to vacant properties was the lack of efficiency in the way Housing ACT manages the ACT Government's housing:

The average [turnover period] for community housing is probably in the period of weeks—maybe two weeks—and in the public housing space it is a period of, on average, months.

...From all of the anecdotal evidence that we hear, from the experiences of public housing tenants, there could be improvements in the efficiency of Housing ACT in the management of its housing stock.⁶³

2.66. ACTCOSS, in response to a Question Taken on Notice, highlighted that in 2021, a Canberra Times article reported that 'more than 30 ACT Government-owned units in Kaleen sat empty for 15 months despite worsening housing affordability in Canberra because officials sought a better rental revenue deal'. The article also reported that while Housing ACT originally blamed COVID-19 and bushfires for the delay, the houses were in fact vacant because of government delays in deciding a model for a community housing provider to manage the units.⁶⁴

⁶¹ Ms Deb Pippen, ACT Shelter, *Committee Hansard*, 16 September 2022, p 16.

⁶² Mr Nicholas Lawler, Advocacy for Inclusion, *Committee Hansard*, 16 September 2022, p 16.

⁶³ Dr Emma Campbell, ACTCOSS, *Committee Hansard*, 16 September 2022, p 27.

⁶⁴ Dr Emma Campbell, ACTCOSS, *Answer to QTON 3: Public housing turnover time*, 16 September 2022 (received 29 September 2022), p 2.

- 2.67. They have advocated for ‘a more thorough and consistent schedule for maintaining public housing dwellings’ by the ACT Government, so that ‘properties do not require significant repairs between tenancies and to ensure that Housing ACT properties are safe, secure and dignified homes for their tenants’.⁶⁵

Vacancy tax in the context of commercial properties

- 2.68. The inquiry received limited evidence on the issue of commercial vacancies with only a handful of submissions canvassing the topic. The inquiry also received no comment from the ACT Government in its submission on this issue.

Arguments in favour of a vacancy tax

- 2.69. During the public hearing, Mr Johnathan Davis MLA outlined to the Chief Minister what he had heard from constituents on the issue of commercial vacancies:

...I put it to you that the reason ... I had originally proposed a vacancy tax, was in response to many of my constituents frustrated by long-term vacant commercial shops in their suburbs. You say that the owner has not fixed it up or the owner has not met market rate, or it is not a desirable location. What, if any, government intervention could be made—a carrot or stick—to oblige those property owners? It is not just the one home; it is a suburban amenity. It is utility.⁶⁶

- 2.70. In his submission, Chris Warren noted that Canberra has low commercial and residential rental vacancy rates, which reflects a ‘seller’s market’ in which landlords benefit from high demand and accommodation stress. This encourages owners to increase rents above normal market prices which prices out of the market those in the lower quintiles in family income.⁶⁷

- 2.71. High prices as a factor in commercial vacancies seemed was echoed by the CPA’s Canberra Branch:

High rents raise the barrier to entry for small business owners, ensuring only those with a lot of capital can hope to succeed in business, further entrenching class divisions.⁶⁸

- 2.72. In his submission, Tom Adam, President of the Phillip Business Community, contended these issues stem from the artificially high prices of commercial properties ‘Due to the nature of Canberra’s layout, the slow release of commercial land, and the restricting of commercial land to specific centres’ which has seen the ownership of commercial properties concentrated.⁶⁹ He writes that in Canberra ‘it can cost 2-3 times as much to take

⁶⁵ Dr Emma Campbell, ACTCOSS, *Answer to QTON 3: Public housing turnover time*, 16 September 2022 (received 29 September 2022), p 2.

⁶⁶ Mr Johnathan Davis MLA, *Committee Hansard*, 16 September 2022, p 61.

⁶⁷ Chris Warren, *Submission 9*, p 1.

⁶⁸ Communist Party of Australia (Canberra Branch), *Submission 11*, p 2.

⁶⁹ Tom Adam, Phillip Business Community, *Submission 1*, p 1.

out a commercial lease for the exact same size, space and proximity to customers, that could expect in other cities'.⁷⁰

- 2.73. The Phillip Business Community submitted that many of the owners of commercial properties have a 'complete reluctance to improve buildings due to the complete lack of competition. Meaning that building quality is old and dated, tenants are forced to pay higher prices for leases for lower quality buildings when trying to be in the centrally located commercial districts'.⁷¹ Other issues with buildings are the lack of parking at many of them and the high electricity costs owing to the lack of upgrades to improve energy efficiency.⁷²
- 2.74. The Phillip Business Community also cites landlord behaviour as a factor contributing to the commercial vacancy problem, with many landlords reluctant to support new tenants with entry terms like rent-free periods or rebates for fit-out costs, not passing on Government concessions from the COVID-19 pandemic, or abusing tenants.⁷³ Landlords' reluctance to reduce rents in order to encourage tenants also appears to be a problem, with Tom Adam writing 'How can it be justified to have hundreds of square meters of commercial space left vacant for a decade plus and the land lords advertise higher and higher commercial rent rates when enquiries are made'.⁷⁴
- 2.75. He argues that 'the introduction of a vacancy tax could be a useful tool to encourage landlords to provide short-term and/or lower price increases and encourage more business investment'.⁷⁵
- 2.76. Another submission pointed also out that currently the existing 'vacancy tax' via Land Tax does not apply to commercial properties.⁷⁶

Government response

- 2.77. In response to questioning from the Committee on this issue, the Chief Minister contended that a vacancy tax was 'a level of intervention in the market that is probably defying market forces to the point that it is just not viable for a tenant. If someone could make a go of a business in that area, they would...'.⁷⁷
- 2.78. In response to a question around the status of a shopping centre in Coombs, the Chief Minister noted that was an 'abnormal case' owing to an 'eccentric landlord', but ultimately was of the view that 'in the end, the government cannot regulate the behaviour of landlords to the extent that they will, I guess, defy their own economic interests and keep things vacant'.⁷⁸
- 2.79. Mr Barr also suggested that there 'There is also a broader range of market force questions, here' contributing to the commercial vacancies, stating:

⁷⁰ Tom Adam, Phillip Business Community, *Submission 1*, p 2.

⁷¹ Tom Adam, Phillip Business community, *Submission 1*, p 1.

⁷² Tom Adam, Phillip Business community, *Submission 1*, pp 1–2.

⁷³ Tom Adam, Phillip Business community, *Submission 1*, p 2.

⁷⁴ Tom Adam, Phillip Business community, *Submission 1*, p 3.

⁷⁵ Tom Adam, Phillip Business community, *Submission 1*, p 3.

⁷⁶ Caroline Le Couteur, *Submission 8*, p 4.

⁷⁷ Mr Andrew Barr MLA, Treasurer, *Committee Hansard*, 16 September 2022, p 61.

⁷⁸ Mr Andrew Barr MLA, Treasurer, *Committee Hansard*, 16 September 2022, p 61.

We have to be honest with ourselves. If our shopping preferences are larger and online, which has been an undeniable trend for consumers over an extended period of time, and suburb x, when the shops were put in had 10,000 residents, and, because of aging of the population and shifting demographic trends, it now only has 5,000—in a hypothetical example—it is just not going to be feasible for that local catchment to support the same number of shops as what the NCDC decided in 1954.⁷⁹

- 2.80. The Chief Minister also pointed out to the Committee in a Question Taken on Notice Response that there is a low rate of Crown lease non-compliance issues associated with vacant commercial properties in the ACT, and as a result, ‘there has not been a need to identify further specific interventions’.⁸⁰

⁷⁹ Mr Andrew Barr MLA, *Committee Hansard*, 16 September 2022, p 61.

⁸⁰ Mr Andrew Barr MLA, Chief Minister, *Answer to QTON 5: Long-term Vacant Commercial Properties*, 16 September 2022 (received 10 October 2022), p 1.

3. Implementing a vacancy tax in the ACT

Implementation, administration and enforcement

- 3.1. The main issue noted in several submissions with implementing a vacancy tax were the requirements for implementing, administering and enforcing such a tax.

Time taken to implement

- 3.2. The Under-Treasurer, Mr Stuart Hocking, noted that an issue with introducing such a tax would be its requirement to be legislated:

[O]therwise there would be no compliance that you could do in relation to it. All these questions about what the intent is, and the coverage in particular—what is the tax base; what is the rate; which vacant properties are we trying to tax?—would need to be sorted out as part of the legislative framework. Then, assuming the legislation passed, the systems of compliance would need to be built in the Revenue Office'.⁸¹

- 3.3. The Under-Treasurer was also of the view that developing a implementing a new mechanism would be no quick task, taking approximately twelve months.⁸² This was supported by the Treasurer's own observations:

Well, no legislation makes its way through the Legislative Assembly inside three months. That has been my experience. There would be an inquiry into it, no doubt, and we would have this conversation again. There would be six to nine months of legislative process, I imagine... it is certainly not something about which I could say this afternoon, "Yes, I'll have that in place next week or next month." It would be 12 months from now.⁸³

Issues in calculating vacant properties

- 3.4. In its submission, the ACT Government noted the difficulty of measuring the number of vacant residential dwellings, defined as habitable dwellings that are not in the rental market and intentionally left vacant for a medium (longer than six months) or long period of time (longer than one year).⁸⁴
- 3.5. Like other Australian jurisdictions, the ACT Government relies on water usage data to identify vacant dwellings. In its submission, the ACT Government identified that there were 2,397 residential sites that recorded an average of less than or equal to 50 litres per day

⁸¹ Mr Stuart Hocking, Under-Treasurer, Chief Minister, Treasury and Economic Development Directorate, *Committee Hansard*, 16 September 2022, p 57.

⁸² Mr Stuart Hocking, Under-Treasurer, Chief Minister, Treasury and Economic Development Directorate, *Committee Hansard*, 16 September 2022, p 57.

⁸³ Mr Andrew Barr MLA, Treasurer, *Committee Hansard*, 16 September 2022, p 57.

⁸⁴ ACT Government, *Submission 5*, p 3.

between March 2021 and February 2022 (approximately 1.9 percent of all dwellings that have an individual meter).⁸⁵

3.6. However, in coming up with this figure, the ACT Government noted the following limitations in using this method:

a) The data cannot distinguish if the dwelling is habitable, under construction, or unavailable (including due to hospitalisation or a deceased estate).

b) However, this measure does not include units as Icon water cannot determine consumption for individual units or flats which are measured through a single common property meter (which is most often the case – Icon water has some 62,000 unmetered units/flats on record).⁸⁶

3.7. In attempting to work around these limitations, the ACT Government utilises electricity data for units, identifying 5,924 dwellings with very low utilities usage (3.1 percent of all dwellings).⁸⁷ In coming up with this figure, the ACT Government caveats that ‘this figure should be used with caution as electricity usage is a less accepted methodological approach to determine vacancies.’⁸⁸

3.8. By comparison, Prosper Australia found that approximately 69,000 dwellings (4.1 percent of homes) in Melbourne with very low water usage were likely to be vacant in 2019.⁸⁹

3.9. Census data also identifies that Canberra has a low proportion of unoccupied private dwellings when compared to other major capital cities in Australia, with only 6.6 percent of private dwellings being unoccupied on the night of the 2021 Census.⁹⁰

⁸⁵ ACT Government, *Submission 5*, p 4.

⁸⁶ ACT Government, *Submission 5*, p 4.

⁸⁷ ACT Government, *Submission 5*, p 4.

⁸⁸ ACT Government, *Submission 5*, p 4.

⁸⁹ ACT Government, *Submission 5*, p 4.

⁹⁰ Australian Bureau of Statistics, *2021 Census*, <https://www.abs.gov.au/census> (accessed 27 February 2023).

Number of unoccupied private dwellings on Census night, 2020-21		
	<i>Unoccupied private dwellings</i>	<i>Percentage of all private dwellings</i>
ACT	11,988	6.6%
Greater Sydney	164,628	8.3%
Greater Melbourne	198,685	10.0%
Greater Perth	72,701	8.5%
Greater Brisbane	66,060	6.8%
Greater Adelaide	40,066	7.0%
Greater Darwin	5,025	9.6%
Greater Hobart	7,522	7.3%

Table 5 - Number of unoccupied private dwellings on Census night. Source: 2021 Census, Community Profiles for Greater City areas and the ACT

3.10. Due to the small proportion of vacancies, the ACT Government believe that vacant residential dwellings are not a significant issue in the ACT, and consequently believe that a vacancy tax would not be a useful tax setting to improve housing affordability.⁹¹

3.11. As noted earlier by the ACT Government, there is an inherent difficulty in accurately identifying vacant residential dwellings:

Currently, state and local Governments have limited means to identify properties that are intentionally left vacant. Therefore, there is a significant level of speculation as to the level of vacancy.⁹²

3.12. In the examples of Melbourne, Vancouver, and Toronto, these systems rely on self-reporting, which presents a potential weakness in such a scheme. The ACT Government points in their submission to research from Prosper Australia demonstrating that of the 60,000 properties that were likely to be vacant in Melbourne in 2019, less than one percent reported that their properties were vacant.⁹³

3.13. This was expanded upon by the Under-Treasurer during the public hearing:

Probably the more important point is how you would ascertain whether properties were vacant and what the intention of the tax was, because there are a lot of properties that are vacant for what you might consider legitimate reasons. They are not deliberately held out of the market—they are vacant because people are in hospital, it is a deceased estate, or it has only just been constructed. If the intent is to focus on the ones that are being deliberately held out of the market, how would the Revenue Office actually determine that? I note that in Victoria

⁹¹ ACT Government, *Submission 5*, p 5.

⁹² ACT Government, *Submission 5*, p 4.

⁹³ ACT Government, *Submission 5*, p 4.

they have a self-assessment system. Basically, people who have vacant properties assess that. They have had a very low rate of self-assessment compared to the initial estimates of how many properties were vacant. So that is quite a difficult issue in terms of how you would administer the regime, and what sort of compliance you would get with it, assuming that you are relying on people reporting that their properties are vacant. Typically, in a small jurisdiction, as the head of Treasury that runs the Revenue Office, I am very conscious of the resourcing that they have as well.⁹⁴

- 3.14. The ACT Government also highlighted to the Committee that the compliance effort required for such a tax would also be tied to the model:

If we take the Victorian example, where they introduced one a few years ago, I guess one initial point is that they have levied the tax on the improved value of the property, and at the moment our other property tax regimes are based on unimproved value. So there is a choice there, and if there was a desire to tax the improved value, we would have to set up a whole new regime of collecting improved values.⁹⁵

- 3.15. The Treasurer ultimately surmised the idea of implementing an additional or new vacancy tax as one ‘that falls very firmly into the category of a solution looking for a problem, according to the data that we have and the ability to identify properties that would fall within that remit’.⁹⁶

Existing financial incentives

- 3.16. The ACT Government submits that ‘There are existing economic incentives for ensuring residential dwellings are made available to the rental market where possible ... Property owners ... do not derive an economic advantage by leaving a property vacant for a long period of time to benefit from capital gain’.⁹⁷ Not only are property owners in the ACT liable for General Rates, Land Tax and possibly strata fees (if a unit), but they also potentially forgo up to \$29,120 (for units) or \$40,092 (for houses) in rent by choosing to keep the property vacant.⁹⁸

- 3.17. A similar argument was made by Greater Canberra during the public hearing:

I think part of this is that if you own a \$2 million house, let’s say in the inner south, and you are keeping it vacant, the total rates and land tax on that is—it is just a rough ballpark figure—about \$30,000 a year. You have to wonder who is out there copping \$30,000 a year in rates and taxes who is not renting it out, but would rent it out if the bill was \$50,000 a year. I suppose that forms the fundamental core of our concern, which is that we do think that an additional

⁹⁴ Mr Stuart Hocking, Under-Treasurer, Chief Minister, Treasury and Economic Development Directorate, *Committee Hansard*, 16 September 2022, p 56.

⁹⁵ Mr Stuart Hocking, Under-Treasurer, Chief Minister, Treasury and Economic Development Directorate, *Committee Hansard*, 16 September 2022, p 56.

⁹⁶ Mr Andrew Barr MLA, Treasurer, *Committee Hansard*, 16 September 2022, p 58.

⁹⁷ ACT Government, *Submission 5*, p 7.

⁹⁸ ACT Government, *Submission 5*, pp 6–7.

vacancy tax would put new houses on the market; we just think that the quantum is probably very low.⁹⁹

3.18. In their submission, the ACT Government point out that since 2018, Land Tax also applies to residential properties in the ACT that are not a principal place of residence and are fit for occupation. Prior to this change Land Tax was only levied against properties that were rented out. The ACT Government notes that this change 'sought to encourage property owners to offer any vacant residential dwelling on the market.'¹⁰⁰

3.19. Indeed, during the public hearing the Chief Minister put to the Committee that there was no need for a vacancy tax on the basis that there was effectively already one in place:

...we had the more elegant solution which we put in place, which was to enable people who own multiple properties to only claim one as their principal place of residence. Any other properties that you own are, by default, not your principal place of residence and therefore are subject to land tax. That then puts in place a pretty strong financial driver towards earning an income from them. That is behavioural economics 101.¹⁰¹

3.20. Land Tax is calculated using a property's Average Unimproved Value (AUV) calculated over a five-year period. This, the ACT Government submits, 'means that properties that increase in value (not related to improvement) are liable to pay higher tax the following year' and 'reduces the financial benefit that can be received from capital growth along with any incentive to leave a property vacant and without a rental return'.¹⁰²

3.21. The ACT Government also pointed out in their submission that there are disincentives also currently in place, with the Commonwealth's vacancy fee for foreign owners (see paragraph 2.6), as well as the fact that Commonwealth income tax deductions for most rental property expenses are also not available for those with vacant dwellings or vacant land.¹⁰³

Modest impact

3.22. Another reason noted from submissions why introducing a vacancy tax may not be the most effective option, is that its impact is limited, or modest at best.

3.23. Greater Canberra argued before the Committee that the existing low proportion of vacant residential properties in the ACT would mean introducing a new vacancy tax would only have a very modest impact in terms of new properties coming onto the market:

If somebody owns a home that is fit to be rented out, there is not a better market for landlords than right now, and the idea that they are not doing that and that we could create a substantial number of additional rental dwellings via an

⁹⁹ Mr Howard Maclean, Greater Canberra, *Committee Hansard*, 16 September 2022, p 9.

¹⁰⁰ ACT Government, *Submission 5*, p 6.

¹⁰¹ Mr Andrew Barr MLA, Treasurer, *Committee Hansard*, 16 September 2022, p 58.

¹⁰² ACT Government, *Submission 5*, p 6.

¹⁰³ ACT Government, *Submission 5*, p 7.

additional rental vacancy tax in addition to the vacancy tax that we already have implicitly, by applying land tax to it, is pretty small...

The impact of an additional vacancy tax would probably be quite modest—maybe around 13 percent. A lot of these vacant homes will be homes that are vacant for various reasons.¹⁰⁴

3.24. A similar position was also held by Advocacy for Inclusion with respect to accessible housing:

We are not convinced that there is a whole lot of supply that is accessible and that is currently vacant for people with disability. What is needed is new housing that is purpose-built to the standards.

The reason we are not convinced is that the standards are not in at the moment. It makes sense that you would have a whole lot of accessible housing that was built, say, 20 or 30 years ago, that has outgrown the needs of an older person, and that would now be available for a person with a disability to move into. We are certainly not seeing in our advocacy work housing that has been successfully obtained by people with disability which involves a person with a disability moving into a home that has already been built and vacated by someone else, which would be one indicator of supply.

The other indicator is that, in the Saturday morning rental and auction markets, people with disabilities do not report having a lot of success in those venues.¹⁰⁵

Adverse impact

3.25. Another concern of witnesses around a vacancy tax was its potential to have adverse impact, with Advocacy for Inclusion commenting:

We are a little bit worried about it. We are worried about punitive measures. For some people, under-occupied housing is not actually under-occupied, because those people need a bit of extra space and room within their places in order to ambulate and live successfully. For older people with disabilities, there are a lot of logistical, environmental and social challenges, as well as the challenges of setting up in a community that involves moving away from a house that might be under-occupied.

Our concern is that a tax might be experienced as a punitive measure by people with disability and certainly would not answer the issue which we think we have for people with disabilities, in that we do not have enough new purpose-built rental housing for them that is affordable.¹⁰⁶

¹⁰⁴ Mr Howard Maclean, Greater Canberra, *Committee Hansard*, 16 September 2022, p 5.

¹⁰⁵ See, for example: Mr Craig Wallace, Advocacy for Inclusion, *Committee Hansard*, 16 September 2022, p 17; Advocacy for Inclusion, *Submission 12*, p 1.

¹⁰⁶ Mr Craig Wallace, Advocacy for Inclusion, *Committee Hansard*, 16 September 2022, pp 18–19.

- 3.26. AFI were also concerned of the outcome of a vacancy tax in creating supply, but not necessarily that which is suitable to people with a disability:

I make the observation that high-density residential areas, including apartment complexes, are sometimes plainly being used as a default option. For some people with disability, including people with justice and mental health issues, it is not always a good experience. It can be experienced as ghetto-isation, and can result in people being placed in communities that are away from supports.¹⁰⁷

Low priority

- 3.27. For many submissions and witnesses, the issue of property vacancy and implementing a vacancy tax was a lower-order priority for resolving the housing affordability issue, compared to other potential measures to increase the supply of housing.
- 3.28. AFI expressed that they would like to see more affordable and accessible housing:

We do not think that the main game is scrabbling around in vacant housing, trying to find housing that is accessible. That is very much a lucky dip for people with disabilities. We need more housing that is affordable and accessible for people on DSP. DSP is around \$450 a week. The median rent in Canberra is \$650, so you already have a gap, without taking into account utilities and the other expenses that people have.

We need more housing to be built to that gold standard. While acknowledging the work by the ACT government to introduce mandatory features that require silver standard, we will have a job ahead of us to convince investors, including in the rental market, to pitch in and start building product that is accessible to people with disabilities. I find that a bit strange, given what we know about having an ageing population here. It should be a relatively good bet, but it has not come out of voluntary regulation. We are not seeing a lot of it in the market. It needs market development work.¹⁰⁸

- 3.29. This was also echoed by ACTCOSS:

ACTCOSS's view is that it is not apparent to us that the problem with our housing situation would be resolved by a vacancy tax. Certainly, on the face of it, the evidence suggests that vacancy is not a huge issue in the ACT when compared to other jurisdictions.

Even if we have a problem, it is not clear that a tax would fix that problem, because many of these properties are owned by people on higher incomes. If they find that it is useful to make money from an Airbnb, or find it useful to have a vacant property, you need to have evidence that a tax will actually make a difference and deliver more properties to the market.

¹⁰⁷ Mr Craig Wallace, Advocacy for Inclusion, *Committee Hansard*, 16 September 2022, p 19.

¹⁰⁸ Mr Craig Wallace, Advocacy for Inclusion, *Committee Hansard*, 16 September 2022, p 20.

More to the point, the types of properties that we are talking about are not properties that will make a significant difference to the cohort of Canberrans that ACTCOSS represents. We know that, for people on JobSeeker, there is not a single property in the private rental market that is available to rent. If you are on youth allowance, there is not even a room in a shared house that is affordable to rent in the ACT or in Queanbeyan, in New South Wales.

I am not sure that returning empty properties, probably primarily owned by people on higher incomes, to the market will make much difference to the 2,000 people that are experiencing homelessness every day in the ACT or the thousands of people on our public housing waiting list; nor will it make up the shortfall regarding the 3½ thousand social houses that we need to build.¹⁰⁹

- 3.30. For ACTCOSS, the ACT Government's priority should be providing more social and affordable housing, not investigating the issue of a vacancy tax:¹¹⁰

[J]umping over to a huge project around vacancy when, day after day, experts on this are explaining to the ACT government what the solution to our housing problem is, would cause some significant frustration within the advocacy sector. It is one part of a very big problem. We know what the immediate solution can be, and that is where we should be focusing our attention.¹¹¹

- 3.31. Even when asked a hypothetical of applying a vacancy tax to Housing ACT, ACTCOSS thought a vacancy tax would have limited impact:

I am not sure that a tax would achieve the outcomes, but I do think that those differences, and the time that Housing ACT is taking to turn over its properties, should be cause for reflection and for thinking about how it can do things better.¹¹²

- 3.32. They also felt it would not be worth the effort, commenting in their submission:

If the ACT has a significant number of vacant properties and short-term rentals, the resources required to implement measures to successfully return those properties to the market may outweigh the benefit. If any properties were returned to the market, most properties returned would likely be high-cost rentals and would not support people on the lowest income quintiles who are most at risk of housing insecurity and homelessness.¹¹³

- 3.33. Even for ACT Shelter, which was of the opinion that 'any increase in the entire market for people is going to be significant. A couple of hundred houses, if that works, is going to be a

¹⁰⁹ See, for example: Dr Emma Campbell, ACTCOSS, *Committee Hansard*, 16 September 2022, p 25; ACTCOSS, *Submission 16*, p 4.

¹¹⁰ Dr Emma Campbell, ACTCOSS, *Committee Hansard*, 16 September 2022, p 26.

¹¹¹ Dr Emma Campbell, ACTCOSS, *Committee Hansard*, 16 September 2022, p 26.

¹¹² Dr Emma Campbell, ACTCOSS, *Committee Hansard*, 16 September 2022, p 28.

¹¹³ ACTCOSS, *Submission 16*, p 6.

good thing because the vacancy rate is so low across the ACT’ still thought that there were other priorities that demanded more resourcing than investigating a vacancy tax.¹¹⁴

- 3.34. Indeed, ACT Shelter noted that even if there was more supply created in the private rental market, people would still face difficulties in securing accommodation due to issues arising from the simple fact that landlords get to pick the tenant:

It may be that what you are looking at is that rents may go down eventually if there is more supply out there. That is the way that the rental market works. And so, yes, there may be more affordable rents but a lot of people are still up against all of the other issues in the private rental market—discrimination and all of those things.

For young people, their experience of trying to get into the private market is that, because of the way that the market is set up, a landlord will look at 50 applications and go, “I want to pick the person who has the most money; I want to pick the person that I like the most that is the right colour and the right gender,” And they are able to do that. It is in the market and they are able to do that. What social housing can provide is an alternative and somewhere where people can go if they cannot access the private market. That will always be needed. Our population has grown, so we need increases in social housing.¹¹⁵

- 3.35. The ACT Youth Advisory Council noted that similarly, a vacancy tax is not front of mind for young people when it comes to the issue of housing affordability.¹¹⁶ Instead, issues like housing costs, share house living arrangements, financial literacy are more pressing.¹¹⁷ They also noted that things like the inability of first-time renters to provide other types of housing references like university accommodation and ageism based on negative stereotypes were significant barriers to young people securing housing in the rental market.¹¹⁸

Committee comment

- 3.36. The Committee is of the view that due to the difficulties in administering a new tax, as well as its potentially limited or adverse impact, it may not be the best option for reducing the number of vacant properties in the ACT.

Finding 1

The Committee finds that there is insufficient evidence to accurately determine the number of vacant properties in the ACT.

¹¹⁴ Ms Deb Pippen, ACT Shelter, *Committee Hansard*, 16 September 2022, p 46.

¹¹⁵ Ms Deb Pippen, ACT Shelter, *Committee Hansard*, 16 September 2022, p 45.

¹¹⁶ Mr Nicholas Villiers, ACT Youth Advisory Council, *Committee Hansard*, 16 September 2022, p 36.

¹¹⁷ Mr Nicholas Villiers & Ms Lily Harrison, ACT Youth Advisory Council, *Committee Hansard*, 16 September 2022, pp 34–36, 37, 38.

¹¹⁸ Ms Lily Harrison, ACT Youth Advisory Council, *Committee Hansard*, 16 September 2022, pp 39–40.

Finding 2

Subsequently, the Committee is unable to accurately determine if a vacancy tax is the best response to reduce the number of vacant properties in the ACT.

4. Alternative areas of focus

- 4.1. The Committee heard from several witnesses and submissions of various alternative areas of focus that they felt would have a greater impact on housing (and perhaps commercial) affordability than an additional vacancy tax. Most of these were planning-related, but some extended to market interventions.¹¹⁹

Planning reform

- 4.2. Greater Canberra advocated for the use of zoning reform, arguing that the RZ1 zoning rule should allow unit-titled duplexes, triplexes and terraced housing on larger blocks, and multi-unit projects, which would ‘unlock a significant amount of new potential housing in the ACT’.¹²⁰

- 4.3. They felt that zoning reform would make greater sense:

[T]he academic literature strongly suggests that housing affordability and rental affordability are strongly related to supply. Supply in the territory is regulated by our planning framework, so it is very difficult to have a conversation about how we bring rental prices down without talking about the processes and how we create and decide where we locate housing in the territory...

In our view, the best method that we have to increase large amounts of additional housing supply is zoning reform. And zoning reform is quite cheap. All we need to do is go through the effort of redesigning the zoning rules and equivalent planning processes. That is not free, but compared to the amount of additional housing construction that we have seen in Auckland following the 2016 Unitary Plan, this, for government at least, is a very cheap way to create a lot of additional housing in quite a short space of time, in planning terms.

... Our view is that the government should pursue the methods that work best for the amount of effort that they involve, and the policy that we think is best suited to that is zone reform of RZ1 and RZ2.¹²¹

- 4.4. Part of their reason for this is that it would, in their view, be a better use of the Territory’s resources:

As a general principle, we think that the land tax system should be simple rather than complex, on the basis that most systems of taxation and policy should be simple rather than complex; it makes it easier for people to navigate them. Our own impression is that if a residential property that could be rented is vacant for a long period of time, and paying the rates and forgoing rental income that could be gained from that, it is usually because the situation is quite complex or

¹¹⁹ See, for example: Kevin Cox, *Submission 6*, p 3; Kevin Cox, *Submission 6.1*, p 1; Communist Party of Australia (Canberra Branch), *Submission 11*, p 2.

¹²⁰ Greater Canberra, *Submission 15*, p 12.

¹²¹ Mr Howard Maclean, Greater Canberra, *Committee Hansard*, 16 September 2022, pp 4–5.

complicated in terms of potential ownership or other things that are happening there. If it is inexplicable, then it is usually inexplicable because there is some difficulty that might be shrouded from view. So we are not sure, with a policy like that, how many additional properties it would really create. That would be our concern. Given that we may be talking about a few dozen or a few hundred additional properties, is that the best use of the territory's resources in a way that also increases the complexity of our land tax system?¹²²

4.5. It was also partly due to their opinion that rezoning could be a way to reduce the monopolisation of housing in the Territory:

In regard to this general policy area, we are aware that, in the current structure, the way that additional housing is added in the ACT has strong cartel risks, purely because there are relatively few developers and market players that create most of the housing. While we acknowledge that that is a problem, part of our view about the best ways to approach it is to simply allow there to be more competition in the housing market in a way that, if we created up-zoning in RZ1 and RZ2, suddenly everyone who owns RZ1 and RZ2 land, if the price of housing is high, can simply enter the housing or redevelop their house to add additional ones, rather than it being a handful of large property developers.¹²³

4.6. Greater Canberra also felt that rezoning could also be applied to public and social housing:

Our view is that general up-zoning also applies to public and social housing. If you increase the amount of homes that can be built all throughout the ACT, in all RZ1 and RZ2 places, including the number of homes that Housing ACT can build on the blocks that they own, then you manage to create more housing, effectively by altering the regulations that determine the upper limit on what can be built. Therefore the ACT government can build more without needing to acquire more land.¹²⁴

4.7. They also advocated for 'up-zoning' (i.e., changing the zoning to increase density) near commercial centres, the city centre and major public transport points to permit more mixed-use apartments and townhouses. They point to a similar move by the New Zealand Government in 2021 which re-zoned all residential blocks in the city of Auckland to medium density allowing townhouses to be constructed, and which has tripled the dwelling capacity of the city according to the local council.¹²⁵ It is argued by Greater Canberra that following this approach could create up to 50,000 new homes.¹²⁶

¹²² Mr Howard Maclean, Greater Canberra, *Committee Hansard*, 16 September 2022, p 6.

¹²³ Mr Howard Maclean, Greater Canberra, *Committee Hansard*, 16 September 2022, pp 7–8.

¹²⁴ Mr Howard Maclean, Greater Canberra, *Committee Hansard*, 16 September 2022, p 12.

¹²⁵ See, for example: Greater Canberra, *Submission 15*, p 12; Markus Mannheim, Australian Broadcasting Corporation, 'Could a simple change to zoning laws solve Canberra's housing affordability crisis?', <https://www.abc.net.au/news/2022-04-08/can-radical-rezoning-solve-canberras-housing-crisis/100974080> (accessed 27 February 2023); Ryan Greenaway-McGrevy, 'New Zealand's bipartisan housing reforms offer a model to other countries', *Brookings Institute*, <https://www.brookings.edu/blog/the-avenue/2022/01/24/new-zealands-bipartisan-housing-reforms-offer-a-model-to-other-countries/> (accessed 27 February 2023).

¹²⁶ Greater Canberra, *Submission 15*, p 12.

4.8. Bruce Paine similarly argued for rezoning:

Canberra's urban area, particularly the inner suburban areas, have many areas where the current population density is low – specifically in areas currently zoned R1.

My suggestion is that the Assembly actively consider allowing denser development in these areas, with stronger safeguards to protect the environment and new and existing residents.¹²⁷

4.9. As did Caroline Le Couteur:

ACT planning rules do not encourage smaller properties. In particular 80% of Canberra is zoned R1. In RZ1 you can build a large house but not two or more units of the same total size or smaller...Change RZ1 rules to allow multi-occupancy developments.¹²⁸

4.10. ACTCOSS also advocated for rezoning, primarily in relation to church land, so that church members can deliver more community housing.¹²⁹

4.11. Tom Adam – without mentioning zoning specifically by name – advocated for smaller commercial property opportunities distributed around the city that will allow smaller business to get a foothold in the market and drive competition.¹³⁰

4.12. On the issue of commercial vacancies, the Chief Minister acknowledged the government has undertaken zoning-related reforms to revitalise local shopping centre precincts, citing examples in Ainslie and Aranda:

Building residential above local shopping centres brings more people and more business into the catchment and provides more housing. So that is a sensible way forward. The residential zoning changes and commercial zoning changes and mixed-use zones have allowed that to occur.¹³¹

4.13. The ACT YAC highlighted the importance for young people of centrality and proximity of public transport and essential services:

It has been identified by the council that young people need access to public transport and need to be able to access essential services, whether that be health services, education or even the grocery store. With those suburbs that you have just mentioned, if they are further outside of Civic or places where a lot of those essential services exist then we would not recommend that that be the housing supply for young people, because it then disadvantages them, in that they cannot

¹²⁷ Bruce Paine, *Submission 2*, p 1.

¹²⁸ Caroline Le Couteur, *Submission 8*, p 3.

¹²⁹ Dr Emma Campbell, ACTCOSS, *Committee Hansard*, 16 September 2022, p 31.

¹³⁰ Tom Adam, Phillip Business Community, *Submission 1*, p 1.

¹³¹ Mr Andrew Barr MLA, Treasurer, *Committee Hansard*, 16 September 2022, p 63.

access those services or they have to go out of their way to access those services.¹³²

- 4.14. They also noted however, that in favouring apartments in more central locations, these come with the drawback that they are generally smaller one or two bedroom apartments, and so this inhibits their ability to share the cost of living through share housing arrangements.¹³³
- 4.15. When prompted about this issue, the Chief Minister acknowledged there was a ‘missing middle’ of medium-density housing types in the ACT.¹³⁴

Increasing public and social housing supply

- 4.16. Greater Canberra, along with several other submissions,¹³⁵ also advocated for greater investment in public housing by the Government, as well as broader changes to allow community housing providers to construct more social housing and affordable and accessible housing.
- 4.17. Once organisation is Advocacy for Inclusion, who advocated for the construction of more accessible and affordable homes via the Land Release Program:

The new ACT planning system should prioritise the development and construction of affordable and accessible housing at scale. We should move forward with work to reflect the changes to the national construction codes for houses, out houses and apartments. In addition to the minimum requirements, we should be encouraging more housing built to the gold standard, which is fully accessible. We also believe that there is a need for market development as we work to implement these to improve the capacity of the housing industry. Likewise, we need to encourage entry-level investment in accessible rental housing.

Accessibility should be prioritised within the Indicative Land Release Program of 15 percent minimum target for social and affordable housing. AFI supports public housing. It is accessible and affordable, and remains a vital part of the housing response for people with disability experiencing poverty and low incomes. Around 38 percent of public housing tenants across Australia have a disability. We also believe that there needs to be improved processes for people with disability seeking public housing, which includes the ability to access housing modifications and maintenance so that public housing remains suitable.¹³⁶

- 4.18. They also advocated for dedicated rent-to-build housing for people with disabilities that ‘involves a social premium and is affordable for people with disabilities’.¹³⁷

¹³² Ms Tegan Clark, ACT Youth Advisory Council, *Committee Hansard*, 16 September 2022, p 39.

¹³³ Ms Lily Harrison, ACT Youth Advisory Council, *Committee Hansard*, 16 September 2022, p 39.

¹³⁴ Mr Andrew Barr MLA, Treasurer, *Committee Hansard*, 16 September 2022, p 53.

¹³⁵ See, for example: Greater Canberra, *Submission 15*, p 14; Caroline Le Couteur, *Submission 8*, p 2; Samantha Simpson-Morgan, *Submission 14*, p 1; ACTCOSS, *Submission 16*, p 6; ACT Shelter, *Submission 18*, p 6; Ms Deb Pippen, ACT Shelter, *Committee Hansard*, 16 September 2022, p 43.

¹³⁶ Mr Nicholas Lawler, Advocacy for Inclusion, *Committee Hansard*, 16 September 2022, p 17.

¹³⁷ Mr Craig Wallace, Advocacy for Inclusion, *Committee Hansard*, 16 September 2022, p 21.

- 4.19. The Chief Minister recognised that there is a need for many build-to-rent dwellings to have gold standard accessibility requirements.¹³⁸ More broadly however, the Chief Minister talked through the government's ambitions to vastly increase the number of rental properties in the Territory through 'large-scale institutional build-to-rent':

We are already seeing the private sector respond, but the answer—to take 50,000 rental dwellings to 55,000 and then 60,000—is to do them in lots of 500, not one at a time. We will all be very old if we are waiting for one investor at a time to do it, so that is not the pathway to get to the desired outcome. It is through large-scale institutional build to rent. It is an asset class that is emerging in Australia. It is massive overseas, but it has been relatively recent in the Australian market. There are a handful of projects in Sydney and Melbourne...

I want thousands of additional rental properties, but they will be owned by superannuation funds principally; that is where the main investment interest is. Their ability to attract ACT government tax concessions will be linked to them being rented long term for below market rent. That is the project that is underway. There is a site on Northbourne Avenue in Turner that is the first pilot site. We will release other blocks of land for that purpose.

Also, we are getting unsolicited proposals now from private land holders seeking the opportunity to undertake build-to-rent projects on their own land. So I am optimistic that the momentum is there to add thousands of additional rental properties. Those that would attract an ACT government tax subsidy will be those that are rented below market rental.¹³⁹

- 4.20. Capital Estate Developments point to the Lease Variation Charge (LVC) as another alternative mechanism at the government's disposal to 'speed up development in existing suburbs and assist in housing affordability'.¹⁴⁰ This charge is based on the increase in value that arises from the granting of additional lease conditions.
- 4.21. Capital Estate Developments argue that the government can reduce the LVC in order to 'facilitate additional development and affordable housing, particularly in areas with urban renewal sites'.¹⁴¹ They comment that such a policy would 'inject additional housing into the market and support the ACT Planning Strategy of achieving a compact and efficient city with 70% of development as infill'.¹⁴²
- 4.22. ACT Shelter advocated for greater subsidised housing, noting 'The biggest impediment to increasing affordable and social rental stock in the ACT is the gap between the market asking price for land purchase and the costs of readying it for residential development'.¹⁴³

¹³⁸ Mr Andrew Barr MLA, Treasurer, *Committee Hansard*, 16 September 2022, p 54.

¹³⁹ Mr Andrew Barr MLA, Treasurer, *Committee Hansard*, 16 September 2022, pp 54–55.

¹⁴⁰ Capital Estate Developments, *Submission 7*, p 4.

¹⁴¹ Capital estate Developments, *Submission 7*, p 4.

¹⁴² Capital Estate Developments, *Submission 7*, p 4.

¹⁴³ ACT Shelter, *Submission 18*, p 19.

- 4.23. The Chief Minister noted during his appearance before the Committee that while there was a role for the Territory Government to play, it was his view that the ACT Government could not afford to do all the heavy lifting and would depend on a holistic approach:

Any holistic policy response requires all of the different sectors of the housing market to be pushing or pulling in the same direction—depending on, I guess, the preferred language. There is clearly a role for government to incentivise particular types of housing construction, and, through its planning system, to enable more diversity and more housing to be built where people want to live. This goes back to the preferences issue we started the discussion with.

The reality is that the government's balance sheet cannot fund every single new housing dwelling that is needed in the territory. We have to attract private capital into housing. That is not a radical concept. The question, really, is: to what extent can we seek to distort the market through government incentives or government regulation to supply more housing to meet the needs of people whose housing needs are not being met by the market? We have started the discussion on that. There has been quite a lot of debate around that question.¹⁴⁴

- 4.24. Mr Barr was however cognisant of the market and economic constraints on the government's – and by extension the ACT's – ability to rapidly build new residential properties to increase supply:

Our local construction sector is operating at full capacity. There are material constraints and resources. We have an unemployment rate at 2.7 percent. There are two job vacancies for every unemployed person at the moment. So the economy is at full tilt. There is no surplus capacity.

So, existing projects—public sector and private—would need to be abandoned in order to shift resources into housing construction. There is then a question of the skills. If you were shifting from project x into housing, do those people have the constructions skills, and do they have the licenses to build houses? So it is not straightforward. Obviously, the government cannot just click its fingers. This is not China or North Korea. We operate in a free market economy. The government does not just make five-year rolling plans and shift things in that regard.

I think that it is classic ACT that it is always the government that has to do all of these things. We can enable, but I do not employ builders to build houses...¹⁴⁵

Committee comment

- 4.25. The Committee is of the view that the ACT Government should consider ways in which to provide more affordable and accessible housing, including extending the land release program and zoning reform.

¹⁴⁴ Mr Andrew Barr MLA, Treasurer, *Committee Hansard*, 16 September 2022, p 55.

¹⁴⁵ Mr Andrew Barr MLA, Treasurer, *Committee Hansard*, 16 September 2022, p 62.

- 4.26. The Committee is also of the view that the ACT Government mandate a percentage of larger apartments (i.e., three to four bedrooms) to be built within new developments to provide an affordable alternative to three to four bedroom houses.

Recommendation 1

The Committee recommends that the ACT Government consider ways to provide more public, social and affordable housing in the ACT.

Recommendation 2

The Committee recommends that the ACT Government support a greater diversity of medium and high density housing throughout the ACT, including encouraging and supporting the construction of more 3 bedroom and 4 bedroom apartments and townhouses.

Increasing Awareness of Land Tax Exemption Scheme

- 4.27. The Committee heard from Advocacy for Inclusion that they did not know about the ACT Governments' Affordable Community Housing Land Tax Exemption Scheme (ACHLTE).¹⁴⁶
- 4.28. Under this scheme, up to 250 ACT property owners who rent out their property through a registered community housing provider at a rate at least 25 percent lower than market rates, are provided with a limited exemption from ACT land tax.¹⁴⁷
- 4.29. The difference between the market rent and the affordable rent is then tax deductible by the property owner, as the market rent discount is seen as a tax-deductible donation to the administering community housing provider.¹⁴⁸
- 4.30. Greater Canberra observed in a response to a Question Taken on Notice that:

The ACHLTE does not directly work to reduce barriers to building new homes; rather it provides a significant government subsidy for landlords who choose to rent their property out for 25% below market rate. This mechanism allows the government to bring additional dwellings into affordable housing schemes without an upfront capital investment.¹⁴⁹

- 4.31. The Committee heard from ACTCOSS that there is perhaps a need to encourage more participation given the cap of 250 properties is yet to be reached:

¹⁴⁶ See, for example: Mr Craig Wallace, Advocacy for Inclusion, *Committee Hansard*, 16 September 2022, p 22; Mr Nicholas Lawler, Advocacy for Inclusion, *Committee Hansard*, 16 September 2022, p 22.

¹⁴⁷ Mr Howard Maclean, Greater Canberra, *answer to QTON 1: Reducing land tax liability and number of places*, 16 September 2022 (received 27 September 2022), p 1.

¹⁴⁸ Mr Howard Maclean, Greater Canberra, *answer to QTON 1: Reducing land tax liability and number of places*, 16 September 2022 (received 27 September 2022), p 1.

¹⁴⁹ Mr Howard Maclean, Greater Canberra, *answer to QTON 1: Reducing land tax liability and number of places*, 16 September 2022 (received 27 September 2022), p 1.

Perhaps if we can think about how we can encourage more people to participate, that might be the first step, or understand why people are not participating. Again, the people that do this are really wonderful people, and I know that it has delivered some great outcomes. It is a small project that I think is needed, but we need some big answers because this is such a big question.¹⁵⁰

- 4.32. Greater Canberra observed to the Committee that ‘The subsidy does not appear to be generous enough to induce significant new housing investment under most circumstances’.¹⁵¹ That being said, they acknowledged that expanding the scheme from 250 places could have some benefit for reducing housing stress for low-income households that qualify, although they were doubtful of its potential broader impact on the supply of housing in the ACT.¹⁵²

Committee comment

- 4.33. The Committee is of the view that the ACT Government needs to provide to owners of multiple properties more information resources on the Affordable Land Tax Scheme to increase awareness and uptake of the scheme.

Recommendation 3

The Committee recommends that the ACT Government invest in increased promotion of the affordable land tax concession scheme. Specifically, the ACT Government should consider promoting the affordable land tax concession scheme clearly on land tax notices.

Short-term rental accommodation

- 4.34. The Committee also heard from ACT Shelter specifically on issues facing the management of properties in the private rental market:

It also has to be pointed out that the private rental market does not just fail people in terms of cost. That is not something that is a solution across the board, because it fails to provide secure housing and it does not provide transparent management. There is nowhere that people can go if they have issues with the way that their properties are managed, in the same way that public housing and community housing tenants have. That is especially important when you are looking at more disadvantaged people in the community who are not going to be able to assert themselves and assert what their rights are and things like that.

What we would say is that we recognise that there is going to be reliance on the private market. What needs to happen, as well as increasing the supply, is that we

¹⁵⁰ Dr Emma Campbell, ACTCOSS, *Committee Hansard*, 16 September 2022, p 30.

¹⁵¹ Mr Howard Maclean, Greater Canberra, *answer to QTON 1: Reducing land tax liability and number of places*, 16 September 2022 (received 27 September 2022), p 2.

¹⁵² Mr Howard Maclean, Greater Canberra, *answer to QTON 1: Reducing land tax liability and number of places*, 16 September 2022 (received 27 September 2022), p 2.

have to look in a lot more detail at the private market and what the experience is in the private market: how properties are managed and how people experience it and what the effects are of living in private rental.¹⁵³

- 4.35. One particular issue noted by ACT Shelter was the impact of short-term rental accommodation services - like Airbnb and Stayz - on the supply of long-term properties for rent, and whether it this is an area that needs to be regulated.¹⁵⁴ ACT Shelter referred to them as 'disrupters' due to them 'disrupting the traditional way that the market would operate'.¹⁵⁵
- 4.36. ACT Shelter notes that this market has 'changed from being people staying in a property to actually renting out entire properties. That disrupted the private rental market because it took properties out of the private rental market. It also disrupts the hotel industry and the way that that operates, because people who have those types of houses do not have the same types of regulation as the hotel industry does'.¹⁵⁶
- 4.37. As a consequence, ACT Shelter advocates for the Government to look into regulating short term accommodation services.¹⁵⁷

Committee comment

- 4.38. The Committee is of the view that the Government should consider reviewing the regulatory framework for short-term accommodations.

Recommendation 4

The Committee recommends that the ACT Government explore regulatory and policy solutions to address negative local impacts of short-term rental accommodation on the supply and price of long-term rental properties in the ACT.

¹⁵³ Ms Deb Phippen, ACT Shelter, *Committee Hansard*, 14 September 2022, p 43.

¹⁵⁴ Ms Deb Phippen, ACT Shelter, *Committee Hansard*, 16 September 2022, p 43.

¹⁵⁵ Ms Deb Phippen, ACT Shelter, *Committee Hansard*, 16 September 2022, pp 48–49.

¹⁵⁶ Ms Deb Phippen, ACT Shelter, *Committee Hansard*, 16 September 2022, p 49.

¹⁵⁷ Ms Deb Phippen, ACT Shelter, *Committee Hansard*, 16 September 2022, p 49.

5. Conclusion

- 5.1. While the Terms of Reference were very specific to the proposed idea of a vacancy tax for both residential and commercial properties, it was clear that a vacancy tax was not a priority, with most submissions and witnesses taking this inquiry as an opportunity to comment on the state of housing affordability more generally.
- 5.2. It was also evident that vacant properties were not found to be a particularly pressing issue compared to other areas which are seen as more important in the minds of many, such as simply building more houses, through to regulating the short term rental accommodation market.
- 5.3. Given this, the Committee found that a vacancy tax is not the best option for addressing the residential property affordability, and that the government should focus its resources into other areas.
- 5.4. The Committee has made 2 findings and 4 recommendations in this report.

Ms Leanne Castley MLA

Chair

22 June 2023

Appendix A: Submissions

No.	Submission by	Received	Published
1	Tom Adam, President, Phillip Business Community	14/07/22	28/07/22
2	Bruce Paine	18/07/22	28/07/22
3	Better Renting	26/07/22	28/07/22
4	Name Withheld	26/07/22	28/07/22
5	ACT Government	28/07/22	28/07/22
6	Kevin Cox	28/07/22	28/07/22
6.1	Kevin Cox (Supplementary Submission)	05/08/22	11/08/22
7	Capital Estate Developments	28/07/22	11/08/22
8	Caroline Le Couteur	29/07/22	11/08/22
9	Chris Warren	29/07/22	11/08/22
10	Holly Zapasnik	29/07/22	11/08/22
11	Communist Party of Australia (Canberra Branch)	29/07/22	11/08/22
12	Advocacy for Inclusion	29/07/22	11/08/22
13	Peta Stamell	29/07/22	11/08/22
14	Name withheld	29/07/22	11/08/22
15	Greater Canberra	08/08/22	11/08/22
16	ACT Council of Social Service	09/08/22	11/08/22
17	ACT Youth Advisory Council	19/08/22	08/09/22
18	ACT Shelter	01/09/22	08/09/22

Appendix B: Witnesses

Friday 16 September 2022

ACT Government

Mr Andrew Barr MLA, Chief Minister and Treasurer

Mr Stuart Hocking, Under-Treasurer, Treasury

Greater Canberra

- **Mr Andrew Donnellan**, Secretary
- **Mr Howard Maclean**, Convenor
- **Mr Aymon Wuolanne**, Chief Executive Officer

ACT Council of Social Service (ACTCOSS)

- **Ms Gabrielle Robertson**, Policy Support Officer
- **Dr Emma Campbell**, Chief Executive Officer

Advocacy for Inclusion

- **Mr Craig Wallace**, Head of Policy
- **Mr Nicolas Lawler**, Chief Executive Officer

ACT Youth Advisory Council

- **Ms Tegan Sinikka Annikki Clark**, Member
- **Ms Lily Harrison**, Co-Chair
- **Mr Nicholas Villiers**, Co-Chair

ACT Shelter

- **Ms Deb Pippen**, Research and Policy Coordinator

Appendix C: Questions Taken on Notice

No.	Date	Asked of	Subject	Response received
1	16/09/2022	Greater Canberra	Reducing land tax liability and number of places	27/09/2022
2	16/09/2022	ACTCOSS	Increasing land tax liability for unoccupied property	29/09/2022
3	16/09/2022	ACTCOSS	Public housing turnover time	29/09/2022
4	16/09/2022	ACTCOSS	Government built community housing vs sourcing from private market	29/09/2022
5	16/09/2022	Treasury	Long-term vacant commercial properties	10/10/2022