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THE LEGISLATIVE ASSEMBLY FOR THE

AUSTRALIAN CAPITAL TERRITORY

ELEVENTH ASSEMBLY

# ACT economic performance – Impact on housing and construction sector - Assembly Resolution of 5 February 2025

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**Introduction**

The ACT Government is committed to supporting more Canberrans into homes where they want to live, close to shops, services and public transport.

As part of the Government's commitment to deliver 30,000 more homes by 2030 and to support more housing affordability and choice, the Government is pursuing a range of comprehensive reforms to support these goals. These include:

- Developing the Missing Middle Design Guide and associated Major Plan Amendment to the Territory Plan to support more well-designed, human scale housing including multioccupancy housing, townhouses terraces and low-rise apartments;
- Development of an ACT Housing Pattern Book of endorsed building designs;
- Further planning reform along key transit corridors and in local and group centres, including urban infill, shop-top housing and mixed-use development; and
- Phasing out stamp duty for more Canberrans part of the Territory's broader tax reform program.

The ACT Government acknowledges the ongoing challenges being faced by construction sector. The ACT Government has been pursuing the following steps to support the construction sector, beyond the public investments we have been making in housing, land release and infrastructure.

In March, the ACT Government announced the *ACT Construction Productivity Agenda* to work with the construction industry together on a range of agreed practical measures to support the aims of the national housing accord.

Similar to the *Better Regulation Taskforce*, this work will identify specific, targeted and agreed reforms to inform future regulatory change with the aim of supporting supply and affordability of housing.

This will be complemented by a detailed review of Security of Payment laws, to make sure businesses and workers are not left of pocket, and work being led to review the *Public Unleased Land Act* and *Urban Forest Act*, to ensure our legislative framework aligns with government priorities for improving productivity within the housing supply sector.

In responding to the Assembly resolution of 5 February 2025, the ACT Government considers that ongoing macroeconomic effects are putting significant pressure on the construction sector. Particularly prolonged inflation in the sector, high interest rates and relatively low unemployment have led to ongoing challenges. The ACT Government considers that as inflation continues to fall into the target range of the Reserve Bank of Australia (RBA), and further interest rates cuts are handed down, these pressures will ease.

**ACT economic conditions and the 2024-25 Budget Review**

The ACT Government is committed to balancing economic growth, fiscal responsibility, and community wellbeing in the face of evolving economic conditions and policy priorities. The 2024-2025 Budget Review details the Government's fiscal strategy and plan.

The ACT Government's Infrastructure Investment Program is forecast to be $8.2 billion over the five years to 2028-29. The government continues to support investment in housing-enabling infrastructure, key transport corridors and community infrastructure.

The ACT continues to experience a tight labour market, with very low unemployment, strong wage growth and high workforce participation. While these factors are supporting continued economic growth for the Territory, the Government recognises the challenges that are facing the construction sector in maintaining a skilled workforce.

The 2024-2025 Budget Review outlines a number of risks, challenges and opportunities facing the Territory. The challenges we face as a jurisdiction are not unique and many jurisdictions are facing pressures that are impacting government expenditure. The Territory's economy remains robust, and the Government continues to have a AA+ credit rating from S&P.

The ACT Government continues to prioritise investment that strikes the right balance in enhancing the wellbeing of Canberrans, and delivering critical services and infrastructure, and sound fiscal management to strengthen our economy over the long term.

The Government is currently working through a range of proposals in the context of delivering the 2025-26 Budget. The Government will consider further steps that may need to be taken to support the Territory's continued high performing economy and efforts to respond to the comments of the rating agencies following the 2024-2025 Budget.

As part of each Budget, the Government publishes the Indicative Land Release Program (ILRP). The ILRP identifies ACT Government land planned for release for a range of uses over the next five years. The ILRP for 2024-25 to 2028-29 targets the release of land to support 21,422 new homes.

In addition, analysis of December quarter 2024 data from Colliers shows that between now and 2030, the private sector will deliver an estimated 9,090 new homes on land owned by the private developers.

Together, the ACT Government land release and development on private sector land will enable around 30,512 new homes for Canberrans over the next five years. The Government will also provide an update as part of the 2025-26 ACT Budget.

**<u>Fiscal and regulatory reforms that incentivise the delivery of public, community and affordable housing and the broader construction sector</u>**

The Government's strategy focuses on growing housing supply at a faster rate than population growth, including growing public, affordable and community housing to increase access, choice and affordability.

The ACT Government is providing a wide range of initiatives across the housing continuum to deliver 5,000 additional affordable and social rental homes by the end of 2030. This includes the Affordable Housing Project Fund, tax incentives to deliver affordable rentals, supporting Community Housing Providers (CHPs), supporting Build-to-Rent, rental assistance, strengthening tenancy rights and planning reforms.

The 2024-25 Budget included more than $285 million in funding for housing initiatives.

The ACT Government has also committed to regulatory reforms that seek to incentivise the construction of more homes. In the planning space, these include:

- Developing a package of 'missing middle' planning reforms to support the Government's commitment to deliver new housing opportunities. Through a design-led approach, the reforms include development of a 'Missing Middle Housing Design Guide' and amendments to the Territory Plan to enable 'missing middle' housing and housing choice within both the RZ1 and RZ2 zoned areas.

- Development of an ACT Housing Pattern Book of endorsed building designs. This is anticipated to follow initial 'missing middle' housing reforms and would assist in fast tracking more low-rise 'missing middle' homes for Canberrans.

- Progressing planning for urban infill in areas such as transport corridors, including the current and future light rail corridors and around our local shops and group centres, where we will encourage more mixed-use developments and 'shop top' housing with a particular focus on the use of underutilised land at group centres.

**Reforms being undertaken by the New South Wales and Victorian Governments**

The Victorian Government is undertaking a range of reforms intended to increase housing supply through its Future Homes Program and other policy settings. Changes enacted or proposed include:

- the use of Better Apartment Design Standards for apartment buildings of five or more storeys;
- changes to planning provisions and an accompanying design guide to promote 3 storey apartment buildings;
- proposed changes to planning provisions and a proposed design guide to promote the development of 3 to 6 storey townhouses and apartments;
- updates to Victorian residential development provisions for townhouses and apartments up to four storeys, including codification of existing requirements and development of a medium density housing design guide and practice notes;
- proposed changes to allow various scale residential projects to be fast-tracked if they meet economic or affordable housing criteria; and
- a 12-month cut to stamp duty for all off-the-plan units and townhouses as part of Victoria's $5.3 billion Big Housing Build initiative to deliver 12,000 new social and affordable homes.

The New South Wales Government is also undertaking reforms, including:

- Low and Mid-Rise Housing Policy – Stage 1 (commenced 1 July 2024) included permitting dual occupancies and semi-detached homes in RZ2 Low Density residential across NSW. Stage 2 (commenced 28 February 2025) introduced new planning controls to allow dual occupancies, terraces, townhouses, apartments and shop top housing in low and mid-rise housing areas across the following regions:
  - Greater Sydney
  - Central Coast
  - Lower Hunter and Newcastle
  - Illawarra-Shoalhaven
- Ongoing development of the NSW Housing Pattern Book incorporating accelerated approval pathways for preprepared designs covering low rise (terraces, dual occupancies, 2-storey apartment buildings) and apartment buildings of up to 6 storeys.
- Homes NSW Centre for Design established in 2018 to provide design policy development, design procurement advice, design review, systems thinking, change management and co-design processes with a social housing focus.
- The NSW Government is expediting development with financial incentives for councils to meet new planning benchmarks. This includes $200 million in financial incentives for councils that meet the new expectations for development applications (DAs), planning proposals and strategic planning.

- The NSW Government has committed $5.1 billion to build at least 8,000 public homes. At least half of the homes will be prioritised for survivors of family and domestic violence.

**Development approvals, completions and activity**

Between 2015 and 2024, 354 DAs were lodged for single residential dwellings (249 of these were for new housing stock), and another 1,072 DAS for dual occupancies to deliver new housing stock. Then a further 1,005 DAs were lodged for multi-unit housing (being more than two dwellings) again for new housing stock.

Within this same period, 342 DAs for single residential dwellings were approved, 1,028 DAs were approved for dual occupancies, and 935 DAs were approved for multi-unit housing. It should also be noted that DAs which have been refused may have been subject to reconsideration, and or appeal through ACAT.

The Territory Planning Authority does not currently have data readily available as to which of the aforementioned DAs were related to townhouses or terrace houses, or the number of storeys for each development, as this would require a manual review of each application, which is both time and resource intensive.

Comparing the number of DAs lodged and approved for this period demonstrates the ACT Government has been supportive of enabling development across public and private investment, through providing a pipeline of projects which are able to proceed with appetite from the market.

This appetite can be represented by the number of new residential developments completed. Again, looking at the period between 2015 and 2024:

- 8,366 new single residential dwellings;
- 522 new dual occupancy blocks, resulting in 1,044 new dwellings;
- 1,134 new townhouse developments (the number of individual townhouses constructed is not readily available); and
- 436 multi-unit complexes (the number of individual units constructed is not readily available) were completed.

DAs are assessed and determined by delegates of the Territory Planning Authority within the Statutory Planning Division in the Environment, Planning and Sustainable Development Directorate (EPSDD), with assistance from Access Canberra regarding some administrative functions. The current total FTEs involved in processing DAs are:

- 30 FTEs in the Statutory Planning Division, EPSDD.
- 12 FTEs in LPBS, Access Canberra.

The ACT Government is also progressing with structural changes in Government, that which will see agencies involved in the planning and building sector, into one Directorate through machinery of government changes.

The ACT Government does not collate data about how many FTEs in other government jurisdictions assess and determine DAs. This information should be requested from each jurisdiction.

**Consultation and engagement**

To support government to monitor how the planning system is delivering outcomes that are important to the community, EPSDD has established the ACT Planning System Evaluation Framework 2024-29 (the framework). The framework commenced from 1 July 2024 and will span five years to June 2029. Early implementation of the framework is now underway within government, with work progressing to identify suitable baseline data. This work is essential to establish a strong foundation for monitoring and evaluating planning system outcomes over the next five years and beyond.

Consultation on the framework has occurred through the Environment and Planning Forum (EPF). The first major evaluation under the framework is planned to take place in 2025-26—the framework's second year. This evaluation will focus on the initial implementation of the new planning system. EPSDD will consult with EPF as scoping and planning for the first evaluation progresses.

To date, feedback from the EPF on the new planning system is generally from community and advocacy groups rather than through key construction and building stakeholders.

**Conclusion**

The ACT Government has an ambitious plan to deliver more homes for Canberrans where and how they want to live. The Government will deliver this through the next stages of planning reform, our commitment to work further with the sector on a housing productivity agenda and our continued ambition to phase out stamp duty and deliver comprehensive tax reform.