

2013

**THE LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

**GOVERNMENT RESPONSE TO
POST IMPLEMENTATION REVIEW OF THE ACT LAND RENT SCHEME**

**Presented by
Andrew Barr MLA**

Treasurer

The ACT Government welcomes the findings of the *Post Implementation Review of the ACT Land Rent Scheme*.

The review was undertaken in 2012 by the consultants EpicDotGov. The Terms of Reference of the Review included:

1. determine if the original policy objectives have been achieved;
2. review the current administrative processes and protocols across the ACT Government in relation to the Land Rent Scheme and identify any areas for improvement;
3. identify any issues with current legislation and recommend any changes considered necessary; and
4. comment on any other issues of relevance which emerge during the project.

Overall, the review found that the ACT Land Rent Scheme has met its policy objectives and offers an innovative and flexible option for low to moderate income households entering the housing market. The review also found the scheme significantly reduced the cost of home ownership for Canberrans.

The review found that there is room for improvement to the scheme overall and has provided six recommended directions with 20 underlying strategies and approaches for implementation.

Overall, the ACT Government is happy with the directions proposed in the Report and has already taken action to respond to and/or implement a number of the recommendations.

The Government is committed to ensuring the scheme is effective, meets the policy objectives and provides the greatest support for those households who need it the most.

The Government will continue to monitor the scheme with a view to improvement, and in this context, will give consideration to the full range of recommendations made in the Report.

Actions underway or completed

A number of the recommendations provided for in the Report have already been undertaken to date. These include:

- increasing the supply of smaller blocks in the Territory;
- better targeting duty concessions to reflect the need for purchasers of small land blocks;
- providing CHC Affordable Housing with access to the discount rate;
- ensuring that information is regularly updated for the information of industry and the public;
- introducing a deposit for land rent blocks; and
- monitoring the rate of rescission of the scheme.

Supply of Affordable Housing

The Government remains committed to increasing the supply of affordable land ready blocks. While there are a number of factors which can limit the total supply of smaller blocks in any given release, the Government has made changes to its Affordable Housing Thresholds Policy in 2012, which aim to encourage a greater diversity of affordable housing products to be delivered in new estates, including more affordable detached and semi-detached dwellings.

Concessions

The Government has implemented a number of reforms to ensure that the Territory's duty concession scheme remains available for those who need it most.

That is why the ACT Government offers a range of concessions, including the Home Buyer Concession Scheme which will continue to be available to eligible land renters to acquire land rent blocks, and is targeted to provide greater assistance for lower priced land.

The Government has expanded the eligibility criteria and property value thresholds for the Home Buyer Concession Scheme in both the 2012-13 and 2013-14 Budgets. The Scheme underwent significant reform in the 2012-13 Budget. The scheme was retargeted to offer greater assistance for new properties in the Territory. The Government has also significantly increased the income thresholds for accessing the scheme.

The Government has also made further reforms in the 2013-14 Budget. From 5 June 2013, the Government has increased the partial concession threshold for land only to \$290,000, and the full concession threshold to \$250,000. The income threshold for this scheme has also been increased to \$160,000.

The First Home Owner Grant will also continue to be available for first home buyers entering the scheme, further reducing the cost barrier of buying a first home. From 1 September 2013, the Government will significantly increase the First Home Owner Grant from \$7,000 to \$12,500 for new houses only.

The Government is committed to abolishing conveyance duty. The 2012-13 Budget announced the abolition of conveyance duty over the next 20 years and the 2013-14 Budget reaffirms this reform program.

Information monitoring

The Government will continue to monitor the scheme to ensure it provides the greatest support for Canberrans who need it the most.

The Government regularly reviews training material and collects feedback from scheme participants. In response to feedback from participants, the Land Rent training course has recently been streamlined by splitting the training program into two sessions – the first

session covers land rent only and is compulsory, while the second is targeted to first home buyers and is compulsory for those wishing to access the discount rate.

The Government will continue to refine the information strategy with a focus on promoting self assessment.

The Government will continue to engage with stakeholders and closely work with the industry participants to promote the scheme. Updated information will be provided to stakeholders and the general public through the Economic Development Directorate website at <http://www.economicdevelopment.act.gov.au/>.

CHC Affordable Housing

The Government has allowed CHC Affordable Housing to access the discount rate of Land Rent. This was done through the Disallowable Instrument *Land Rent (Discount - Registered Affordable Housing Providers) Determination 2013 (No 1)*.

This will allow CHC Affordable Housing to participate in the Land Rent Scheme and pay rent at the discount rate. There is an option for other registered affordable housing providers to access the discount rate in the future.

Introduction of a Deposit

The Government has introduced a security payment on all land rent leases designed to discourage and reduce land speculation under the scheme. A security payment of \$10,000 is required for a standard land rent lease and \$2,000 for a discount land rent lease.

The security payment acts as security against the costs that are associated with holding and re-selling the block if the purchaser does not proceed with the contract. Upon settlement, the security amount is credited against future land rent payable.

The introduction of a deposit will help reduce land speculation and is expected to reduce the rate of rescission of the scheme.

Future actions

The Government will continue to reform the Land Rent Scheme and give ongoing consideration to all other recommendations made in the Report.

The Government will continue to monitor market dynamics, participants' behaviour and the rate of rescission to ensure the scheme is working as intended. The Government will continue to explore opportunities to increase the availability of land ready sites in the Territory, and will further explore the option of extending the land rent scheme to components of englobo sites.

As part of the 2013-14 Budget, the Land Rent Scheme will be modified to provide improved access to housing for low to medium income households, by retargeting the eligibility

requirements to focus on those cohorts. New entrants will no longer be able to access the scheme at the standard rate. However, existing lessees currently in the scheme at the standard will be able to continue in the scheme.

There are some recommendations in the Report which, by their nature, require greater consideration of the implementation impacts. In the context of its commitment to ongoing monitoring and improvement of the scheme, the Government will give further consideration to the following suggestions:

- offering house and land packages;
- offering a broker service;
- capped or stepped rent increased from 2 per to 4 per cent; and
- establishment of an Affordable Housing Fund.