

# Post Implementation Review of the ACT Land Rent Scheme

## **REPORT**

for the ACT Government  
Department of Treasury

**Epic** dot gov

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## **ABOUT THE AUTHORS**

The three consultants who worked for EpicDotGov on this project were:

Dr Peter Phibbs

Dr Vivienne Milligan; and

Dr Hazel Blunden

Dr Phibbs is a planner and social economist with wide experience in housing research. He has worked with the Australian Housing and Urban Research Institute, housing authorities, local government authorities and non government agencies across Australia and on a range of applied housing research projects. Dr Phibbs has also worked in the area of program and policy evaluation as a consultant, including on projects involving financial evaluations of housing and other public sector programs. Dr Phibbs and Dr Milligan have previously advised the ACT Government on the Land Rent Scheme and other components of its Affordable Housing Strategy.

Dr Milligan is a geographer and housing policy analyst with extensive experience in strategic policy and program development, management and research and evaluation in the housing field, both in Australia and overseas. She has been at the forefront of recent initiatives to develop research and policy frameworks for affordable housing in Australia and has been studying innovative approaches to financing and delivering affordable housing nationally and internationally for the past eight years. In addition to undertaking consultancy services, Dr Milligan works part time as an Associate Professor in the City Futures Research Centre at the University of NSW.

Dr. Blunden has extensive experience in housing policy including four years at Shelter NSW and four years in a housing advisory role in NSW State Parliament. She has authored various reports including on the effectiveness of Rent Assistance (with ACOSS), housing impacts of the Olympic Games (for Centre for Housing Rights and Evictions, Geneva), key workers and local government employment. In addition to assisting on the current consultancy, Dr. Blunden is working on a variety of housing and homelessness research projects at the University of Western Sydney.

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## EXECUTIVE SUMMARY

### *Purpose of the report*

This report presents the findings of an independent review of the ACT Government's Land Rent Scheme (LRS) that was conducted between November 2011 and February 2012.

The terms of reference for the review were:

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.

The review is intended to complement an internal government review that was undertaken in 2010, which considered the effectiveness of the LRS in meeting its objectives and its administration.

### *The Land Rent Scheme*

The Land Rent Scheme is an initiative of the ACT Government. It forms one component of a broader integrated affordable housing strategy, the 2007 Affordable Housing Action Plan, that aims to drive down housing costs in the ACT. The LRS gives households and other entities (such as builders and investors) the option of paying rent on residential land, rather than purchasing it, thereby significantly reducing the upfront costs of developing and buying housing. It is available to all households in the ACT but offers the greatest support to qualified lower income households who might otherwise not be able to afford to purchase.

General participants in the scheme pay 4 per cent per annum of the unimproved value of land in rent to the ACT Government. This charge is set at a level to recover the costs to the ACT Government of providing the land rent block. To achieve improved housing access and affordability for lower income buyers, a discounted rate of 2 per cent applies for those who qualify.

There is no similar scheme operating in Australia. However, the scheme shares some characteristics with a broader family of shared equity and shared ownership schemes in Australia and elsewhere that use innovative financing arrangements to improve access to forms of home ownership.

The LRS has been in operation since July 2008. From commencement until November 2011, 316 land rent contracts have been settled with a Crown Lease registered; and 727 land rent contracts have been exchanged. Over 2,500 people have undertaken training which is a requirement to participate in the scheme (on the first occasion). The scheme had a slow start up in the context of the global economic downturn, and a lack of familiarity with the product among both buyers and lenders. However, it is now well-established and experiencing growing demand.

### *Review methods*

The methodology for the review involved: analysis of administrative data and scheme documentation; an on-line survey of participants in the scheme; stakeholder interviews and a roundtable with ACT Government agencies that have been involved in its design and operation. These methods were directed to assessing the performance of the scheme, ascertaining any issues with its appropriateness, efficiency and effectiveness and identifying options for improvement.

In total, 193 survey responses were received to the on-line survey of participants in the scheme. This has provided the first opportunity to formally assess customer views of the scheme.

### *Main findings*

The ACT Land Rent Scheme has been a growing success with significant interest and an increasing take-up rate. The concept of the scheme received strong support from a large majority of those surveyed or interviewed for this review. Overall, the review has found that the performance and outcomes of the scheme so far are in accord with its policy objectives.

The scheme offers an innovative purchase option that is suited to an array of buyers including first home buyers, moderate income households, builders seeking to reduce their costs (and hence sale prices) and, potentially, older households trading down to release equity. It is a flexible, open market product that can be converted to conventional house/land purchase or on-sold at any time without additional fees.

Financial analysis indicates that the scheme significantly reduces the cost of entering home ownership. This is corroborated by many participants in the survey indicating that they could not have bought their house in the ACT without accessing this scheme. However, financial and administrative entry barriers for lower income aspirant home buyers remain. One indication of this problem is that only one quarter of completed land rent contracts are held by participants paying 2 per cent land rent. Drop out rates have also been higher than expected in the early years of the scheme – among other reasons, this may indicate that numbers of applicants have not been able to achieve home ownership despite their aspirations, an assessment that was supported by the main lender to land rent customers. Accordingly, the review recommends further consideration be given by the ACT Government to strategies that will assist those eligible for the 2 per cent product to increase their participation in the program. Possible changes include: increasing the supply of smaller blocks and low cost house and land packages; offering a brokerage service specifically designed to assist this target group to access the scheme; streamlining application processes; and restructuring of government duty costs. These changes aim to drive the scheme further toward those who need it most.

Land rent blocks are only a small component of overall land sales in the ACT (2.1 per cent in 2010). Presently access to the LRS is only available via ballots conducted by the Land Development Agency (LDA) in specified land release areas on Canberra's fringes. In view of the growing support for the concept of the scheme, several stakeholders mentioned extending it in various ways – for example to en globo land sales and to strata-titled multi unit blocks. The review considers that coverage could be extended to other suitable infill or redevelopment sites throughout the ACT to give more choice of locations. However, one limiting factor is that the scheme is not suitable for strata-titled dwellings due the nature of those titling arrangements.

One factor hampering the operation of the LRS in its early years has been participation by lenders. Until late 2011, only one lender was offering mortgages to customers in the scheme; a second

lender has now joined. A number of survey respondents indicated in their comments that they would like to have more choice of lenders. Having multiple lenders is important to support access to the scheme and to promote competitive financing products. Therefore, the ACT Government should continue to pursue strategies to bring more lenders into the scheme.

There are a number of specific administrative issues that have arisen with the LRS (as occurs with any new program). A series of adjustments has been made as the scheme has been rolled out to address these issues. Further procedural changes were suggested as a result of the 2010 internal review and these have now been incorporated into proposed amendments to the Land Rent Act 2008 (see Land Rent Amendment Bill 2012). The independent review has identified a number of additional operational issues raised by survey respondents and stakeholders, as detailed in the following report.

In particular, the review has found that complexity is still an issue for participants. Mandatory training introduced for the scheme has been one of its key successes that has been welcomed by participants and should continue, with some modifications along the lines of those discussed in the body of the report. Additionally, better packaging of information and streamlining of application processes for assistance will help to reduce complexity for consumers and lower costs to government.

Based on the findings of the various reviews, a number of legislative, policy and administrative changes are desirable to ensure the scheme continues to perform effectively and meets its objectives optimally. Ongoing scrutiny of the scheme is also recommended especially given the volatility of the housing market and the expected level of continuing demand for land rent blocks. Exit rates should also be monitored. As the scheme expands, a strong monitoring regime will help to ensure that longer term outcomes and market impacts are known and that any emerging risk to government can be identified at an early stage. A specific strategy that could be investigated further is establishment of an affordable housing fund using net proceeds of land sales under the scheme, which are likely to increase over time through capital growth and transfers out of the scheme. This will help to mitigate any unforeseen financial risks and create a fund that could be used to expand affordable housing in the longer term.

#### *Recommended directions*

In response to the findings set out above, the report that follows identifies a number of interconnected strategies for maintaining and improving the effectiveness of the Land Rent Scheme. These proposals are general in nature and will require further development by government officials and a period of consultation with stakeholders before they could be adopted. In summary, they can be grouped into a number of key recommended directions as follows:

- Overcoming barriers to participation by the 2 per cent LRS target group;
- Widening availability of LRS blocks;
- Enhancing communications, information and training for the LRS;
- Monitoring of the demand, cost and market impacts and longer term outcomes of the LRS;
- Reducing dropout rates; and
- Risk managing the scheme

Specific strategies to be given further consideration are listed in Table 9.

# 1 INTRODUCTION

The ACT Land Rent Scheme (LRS) commenced on 1 July 2008 and has now been in operation for over three and a half years. It allows for households and other entities to pay rent on residential land, rather than purchase it, thereby significantly reducing the size of the mortgage required for home owners or reducing the holding costs of builders and investors. The Scheme aims to reduce the up-front costs of buying a home. It is available to all households but offers the greatest support to qualified lower income households who might otherwise not be able to afford to purchase. The LRS forms one component of a broader integrated affordable housing strategy, the Affordable Housing Action Plan<sup>1</sup>, which aims to drive down housing costs in the ACT (ACT Government 2007).

The ACT Government undertook its own internal review of the Land Rent Scheme in 2010. This review found that the Scheme had achieved its original policy objectives. However, it found that administrative processes and protocols across government were unnecessarily time consuming and complex. A number of processes were identified for improvement.

In a review of residential land supply and development in 2011, the ACT Auditor General also considered the scheme, focussing on risks to land supply and budget implications of the LRS (ACT Auditor General's Office 2011). The main concerns identified from these perspectives related to the rate of cancellations of land rent applications and (overly) lengthy settlement periods.

To complement these reviews, the ACT Treasury sought expert consultants to undertake an independent review of the outcomes of the ACT Government Land Rent Scheme measured against its primary policy objectives, and to consider areas of improvement for the scheme, including recommending necessary changes. This led to the appointment of EpicDotGov consultants to undertake an independent post-implementation review.

The terms of reference for the post-implementation review are:

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.

This report will:

1. Document key aspects of the performance of the LRS over the period since implementation of the scheme (July 2008) (Section 2);
2. Report the findings of an on-line survey of participants in the LRS (Section 3);
3. Present an analysis of selected aspects of the LRS as identified through the stakeholder consultations and participant survey (Section 4).
4. Identify issues concerned with the design and operations of the LRS that arise from the findings of the review and discuss possible policy and administrative responses (Section 5);
5. Make recommendations about policy and administrative matters that are directed at improving the performance of the LRS against its policy goals (Section 6).

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<sup>1</sup> The Land Rent Scheme was initiative number 28 of the Plan

## 2 THE PROJECT METHODOLOGY

The methodology used in this review involved:

1. An analysis of administrative data (up to November 2011);
2. A survey of participants in the LRS undertaken in February 2012;
3. A series of interviews with key stakeholders undertaken in January 2012; and
4. A roundtable with relevant ACT Government agencies held in January 2012.

Each of these methods is discussed in more detail below.

### 2.1 Analysis of administrative data

ACT Treasury provided the review team with the most up-to-date information on the LRS including information about how many persons have entered into the scheme, land values, and the status of the transaction (whether contracts exchanged or settled). Information was provided in the form of a client spreadsheet that contained records of suburb, section and block numbers; land value; the dates where contracts were entered into and settlement dates, and the status of the process (exchanged or settled).

A separate spreadsheet was provided for participants who had commenced in the LRS (by reserving a block) but had later withdrawn. In this report this group of people are identified as 'cancellers'.

As well as providing information about land values and status of transaction, these lists were used to generate samples and a mailing list for the survey sent to LRS participants. Analysis of the data is presented in Sections 3 and 4.

### 2.2 The online surveys

In order to gauge participants' experience of the LRS, two online surveys were constructed. The first was aimed at those who had entered the scheme and were now paying land rent on a block that has been settled. These participants were identified using the records of the ACT Revenue Office. In total 130 invitations to participate in the on-line survey were distributed via mail to this group of LRS participants in early February 2012.<sup>2</sup>

The second survey was aimed at those who had not moved far enough through the process to be clients of the ACT Revenue Office but rather had cancelled the transaction prior to settlement or had only reached the stage of exchange of contract. The sample was primarily aimed at the large number of participants who had reserved a block but decided not to proceed with the LRS (the cancellers). In total, 560 invitations to participate in this on-line survey were distributed via email in early February 2012.

The researchers did not directly contact those being surveyed. The ACT Government used its client lists to generate mailed and emailed letters which invited participants to undertake the online survey and directed them to the appropriate webpage.

The survey period was approximately 21 days.<sup>3</sup> The surveys were reasonably short and easy to complete in less than ten minutes. An incentive of a chance to win a \$300 gift voucher was offered. Respondents were assured of full confidentiality where they provided personal details.

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<sup>2</sup> A mail survey was used because email addresses were not available for these participants.

<sup>3</sup> The invitations for the larger group were distributed over two days.



The survey was limited to one person per household and referred to one block of land held per party (whether an entity or individual held more than one lot). Where the party was a corporate entity, some questions were excluded since there was no purpose in collecting some socio-economic data (such as the age of the respondent).

### *Survey responses*

For the land rent paying group, 29 surveys were returned, a response rate of 22 per cent.

For the larger non-land rent paying group, 164 surveys were returned, a response rate of 29 per cent.

These response rates are within industry norms. The lower response for the first group may reflect the fact that the ACT Government did not have email addresses for this group so the surveys were posted to the last known address. The higher response rate for the second survey group, who were able to be contacted via email, might also have been associated with the relative convenience of clicking on a link within an email rather than having to enter in a URL from a mailed letter.

The response rates mean that the responses to the survey are best understood as an opportunity for motivated participants to raise issues rather than as a survey that provides comprehensive views of all participants. There is a tendency for responses in surveys with lower response rates (less than 50 per cent) to be dominated by those with strong views (either for or against) on a topic/issue/product.

Findings from the surveys are presented later in the report.

## **2.3 Stakeholder interviews**

In order to broaden the analysis for the review, the researchers undertook 1½ days of structured interviews with key stakeholder groups. Stakeholders were identified by the reviewers in consultation with ACT Treasury<sup>4</sup>. The interviews took place over 24 and 25 January 2012 and included non government organisations (ACT Shelter, CHC Affordable Housing), educators (Canberra Institute of Technology), the finance industry (Community CPS Australia), and the building Industry (the Housing Industry Association – ACT branch). An additional interview with the CEO of Community CPS Australia also took place in February in Adelaide. Each interview took approximately an hour and was structured around specific questions relevant to each stakeholder group.

The views emerging from the stakeholder interviews are discussed in the relevant sections throughout this report.

## **2.4 The roundtable**

The half-day roundtable meeting was held on 25 January and included ACT Treasury, ACT Revenue, the Economic Development Directorate, the Land Development Agency, and the consultants. The purpose of the meeting was to provide feedback from each agency on the LRS in terms of both policy aims and administrative matters from that agency's perspective. The consultants also updated officials on the next steps in the review. The meeting provided good insights and an array of suggestions for improvements to the scheme, as well as allowing for a valuable exchange of perspectives across different government agencies.

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<sup>4</sup> There was no formal public submission process for this review. After completion of the draft report, one agency contacted one of the authors seeking to contribute to the review. An open submission period for future reviews could be considered to ensure all interested stakeholders are given an opportunity to offer their views.

Table 1 summarises the program objectives, and how the methods described above relate to each objective.

Table 1: Methods used to examine the various objectives of the LRS

<b><i>Objective</i></b>	<b><i>Methods of evaluation</i></b>
Assist all households to purchase their own home but provide the greatest support for those with low to moderate income.	<p>Analysis of LRS documents and records including the client data base.</p> <p>Analysis of typical financial benefits to recipients.</p> <p>On line survey of participants. Survey provided household costs (mortgage and land rent costs) and income ranges. Participants asked whether they received the 2% discount.</p> <p>For cancellers, questions were aimed at the reasons for withdrawing from LRS, as well as income range.</p>
Involve the private sector in the provision of mortgage finance.	<p>Interviews with LRS finance provider to ascertain current housing finance lending conditions for the target market in the ACT and lender views of the factors driving participation/non-participation in the scheme.</p> <p>On line survey covering financing issues faced and sources of finance.</p>
Be administratively simple.	<p>Review administrative issues and possible solutions identified through 2010 internal review of LRS.</p> <p>Roundtable of agency officials (as recommended by ACT Treasury) to consider outstanding issues and ways to address administrative and procedural issues.</p>
Avoid adding excessive demand side pressures in the housing market.	<p>Review current indicators of housing and land market trends.</p> <p>Interviews with stakeholders.</p>
Interact with other housing affordability measures.	<p>Interviews with stakeholders.</p> <p>On line survey. Survey participants were asked whether they were first home owners and income range, and if they would have bought otherwise if not for the LRS.</p>

### 3 THE LAND RENT SCHEME IN OPERATION

The LRS aims to assist households who might not otherwise be able to afford to buy their own home to access home ownership and to reduce the costs of housing in the ACT. The scheme is open to all households as well as to builders and investors. There is a limitation on the number of blocks that can be held to five at any one time. In line with affordability objectives, a discount rate of land rent of 2 per cent of the unimproved value (UV) of the land is offered to low to moderate income households. All other households and entities are charged 4 per cent of the UV. This higher charge is set at a level to recover the costs to the ACT Government of providing the land rent block.

The following principles were adopted in developing the Land Rent Scheme:

- Assist all households to purchase their own home but provide the greatest support for those with low to moderate income
- Involve the private sector in the provision of mortgage finance
- Be administratively simple
- Avoid adding excessive demand side pressures in the house market; and
- Interact with other housing affordability measures.

#### 3.1 The process for participants

The sequential process for participants in the LRS is set out below. All steps are not necessarily taken in this sequence – for instance the required training can take place up until settlement in some circumstances.

##### *Training*

Each initial participant<sup>5</sup> in the LRS must attend a Canberra Institute of Technology (CIT) information session prior to applying for a land rent lease. A certificate of completion must be obtained. The sessions are run at regular intervals, responsive to demand. Table 2 shows frequencies and attendance levels over 3½ years. This indicates the strong increase in demand for the training, as the LRS has become established. In total, 2,559 people had attended the training to December 2011. The Land Development Agency (LDA) requires applicants to attend the CIT information session by the earlier of (a) 60 days after exchange of the First Grant Contract and (b) settlement. After attending the training, the applicant must submit the Acknowledging Attendance statement to the LDA.

**Table 2: Land rent training sessions 2008–2011**

Year	No of seminars	Average attendance	Total participants
2008 (June to Nov)	16	20	318
2009	17	20	342
2010	47	21	985
2011	41	22	914
TOTAL	121		2,559

**Source: CIT**

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<sup>5</sup> The training is not compulsory for buyers who purchase subsequent land rent properties.

### *The ballot and block selection*

The LDA decides where new land releases are to be and runs ballots of new land release blocks on a regular basis. Persons interested must register their interest by submitting an Online Ballot Application, and be provided with a Ballot Number in order to enter the next upcoming ballot. They are informed of the two options available: Standard Crown Lease and Land Rent Lease. The ballot draw takes place at a certain day and time. The applicant that is drawn first receives first choice of available land block, and so on. The successful applicants are granted a Block Selection Appointment, visit the land release areas in person or look online, and select a block (or blocks). The successful applicant may choose a smaller or larger block, which vary in price, and choose from a number of new release sites in the ACT.

### *Exchange and settlement*

Once the applicant has chosen their block, those who wish to participate in the LRS complete a land rent application form when they apply to take part in the sales event. New release blocks are not 'allocated' as land rent blocks – rather the applicant, by applying, determines that the new release block will be a land rent block. After block selection, the buyer exchanges a First Grant Contract, signs a Buyer Statutory Declaration and completes an Application for Land Rent Lease (and pays the non-refundable application fee if they wish to hold more than one block). They also pay the normal amount of duty on the lease transfer. They can attend the CIT course at this stage (or prior to this stage) but this has to be prior to settlement.

### *Paying land rent*

When a land rent lease is granted, lessees will commence on the standard land rent rate of 4 per cent of the unimproved (capital) value (UV). Lessees who are eligible for the discounted land rent rate must apply to the Commissioner for ACT Revenue (the Commissioner) using the Application for Discount form. To be eligible the applicant must provide household income details and be a first home buyer. The total annual income of all lessees must not exceed \$85,500, increasing by \$3,330 per child up to a maximum of \$102,150 for five or more children. Eligibility is reviewed annually and there is also an obligation on the discount land renter to inform the ACT Government about an increase in income.

### *The building process*

Upon selecting a block the applicant reserves it until such time as it is development-ready. The period between block selection and settlement may be lengthy. This process can take 12-18 months depending on infrastructure provision (roads, sewage etc). If the applicant intends to build a dwelling they would undertake the necessary planning process, seek quotes for building of a dwelling, etc. Once settled they would need to seek mortgage finance which requires a deposit, and show that plans have been drawn up and approved.

If a dwelling has already been built on the land (for example if the applicant was buying from a builder with a land rent block), the buyer would again (normally) have to obtain finance.

### *Conversion from Land Rent Lease to standard 99-year Lease*

In the ACT, the Crown owns all land and grants standard 99-year leases to homeowners. The term of a lease attached to a specific lot runs for 99 years, notwithstanding any transfers of the lease, and is subject to renewal every 99 years. No rent is currently payable on these leases; rather the lessee-owner is charged a premium for the lease equal to the market value of the land and dwelling.

Land rent lessees have the option of converting the land rent lease to a normal 99-year Crown lease at any time by purchasing the land value component of the lease. The amount payable to convert the lease from a land rent lease to a standard lease is based on the lesser of assessed

market value or the unimproved market value of the land at the time of conversion. There is no duty payable on conversion by the lessee. Any land rent paid is not counted towards this amount. A land renter may have spent \$250,000 on building a new home and paid land rent every year based on the unimproved land value. However after some years when their mortgage has reduced they can decide to purchase the lease on the land also which may necessitate extending their mortgage.

### *Selling*

When a land renter wishes to sell, the buyer can either opt to buy the house and land with the land rent arrangements in place, or convert to a Crown Lease. Or, they can land rent for a period and convert later. The buyer pays duty on the lease transfer in the normal manner.

## **3.2 Take up**

Since the commencement of the Land Rent Scheme in July 2008 to November 2011:

- 316 land rent contracts have been settled with a Crown Lease registered; and
- 727 land rent contracts have been exchanged.

The significant difference between these two figures is largely a result of the long time period between exchange and settlement, which is a function of the time associated with completing the land subdivision process (involving the installation of water, sewage, roads, drainage etc).

In terms of the geographical spread of the scheme, the location of land rent blocks reflect the land release activities of the LDA since the scheme commenced. As of November 2011, 651 blocks have been rented at Bonner, 13 at Dunlop, 5 blocks at Franklin, 125 at Harrison, and 243 at Wright (all new release areas). The median land value under the scheme is approximately \$256,000 per block, with prices ranging from \$86,000 to \$567,000.

In terms of targeting lower-income buyers, it is estimated that 27 per cent are eligible for the 2 per cent discount rate, according the figures provided by ACT Revenue on the number of discount rent payers. First home buyers eligible for the First Home Owners Grant and/or those eligible for the Home Buyer Concession Scheme are estimated to be around 25 per cent of the total (the correlation between this percentage and the discount rent percentage is to be expected given they are a similar cohort).

An analysis of raw data on clients indicated that approximately 38 per cent of land renters are multiple block holders (ranging from individuals holding two blocks to corporate entities holding up to 5 blocks). Eighteen per cent of blocks were held by a Propriety Limited Company. Some corporate entities or individuals are likely to be holding more than 5 blocks by using multiple companies and proxies.

## 4 SURVEY FINDINGS

The on-line survey revealed a range of interesting findings. Detailed findings are provided in Appendix 1. This section highlights the findings that are likely to be of most policy interest. Note that a number of the issues raised may have been superseded by developments in the scheme. For example a number of respondents commented that only one lender participates in the scheme. This was true for part of the time the scheme has operated but two lenders are now participating.

### 4.1 Who responded to the survey?

The respondents to the survey of holders of Crown Leases were largely made up of households who were living or who intended to live on the land rent lot (91%), with the remainder being property investors. Sixty percent were paying the discounted (2%) rate. About two thirds of these respondents indicated that they could not have purchased their own home without the LRS. About sixty percent of the respondents were couples with children living at home. Almost 50 percent of the respondents were from a non English speaking background.

The respondents to the survey of participants who had yet to settle or who had cancelled before settlement comprised 13 per cent builders and 18 per cent property investors. Only about 30 per cent of these respondents indicated that they would be eligible for the discount (2%) rate.

### 4.2 General impressions of the scheme

In general, respondents were very positive about the scheme, although they had a range of suggestions about how the scheme could be improved. Of the land renters that responded, only 7 per cent would not recommend the scheme to a friend. Of the other respondents, only 8 percent would not recommend the scheme to a friend, despite a large proportion of this group having withdrawn from the scheme. Overall, 4 in 5 people said they would recommend the scheme to others (Table 3).

**Table 3: Would you recommend the ACT Land Rent Scheme to a relative or friend?**

Yes	80%
No	7%
Unsure	13%
Total	100

Source: Combined survey results

Many positive comments were contributed to the open ended segment of the survey. Some of the most positive responses are included below.

*"I have been approached by a number of people considering doing land rent and I have raved about how good it is to everyone. This was the best option for a person in my situation and I am so grateful for being able to do land rent."*

*"Changed my life. Gave me the head start I needed"*

*"Thank you ACT Government for catering to the needs of new migrants like us and giving us the opportunity to have our own dream home."*

*"I have recommended this scheme to over 10 close friends who have all gone*

*in the ballots and are now building their first houses to live in.”*

*“It is one of the best and most effective government schemes to help reduce the financial burden on the people who intend to build their own homes.”*

### 4.3 How did participants first find out about the scheme?

The majority of participants first found out about the LRS via “word of mouth”. More conventional sources of information were much less important (Table 4).

**Table 4: How did you FIRST find out about the ACT Government Land Rent Scheme?**

Radio	2%
TV	2%
Newspapers/magazines	6%
Canberra Institute of Technology website	1%
ACT Government agency	27%
From a friend, colleague, family member	52%
Other	10%
TOTAL	100

Source: Combined survey results

### 4.4 Attitudes to training

Respondents from both surveys were positive about the training provided by the CIT with three quarters of respondents rating it ‘good’ or ‘excellent’ (Table 5).

The more negative sentiments were driven by two attitudes:

- For some participants the material was too simple (e.g. basic budgeting):

*“Most people buying a home would be well aware of most of the information that was supplied. The course should be voluntary.”*

- For other participants, especially those seeking the 2 per cent rental option, there wasn’t enough detailed information about the details of the scheme.

*“It needs to be specifically about the rules of the scheme and the application form for rebate, rules on transferring etc.”*

*“Presenters had a broad understanding of the scheme but not about the technicalities.”*

*“There should be two sessions – one for the certificate and one to provide clarification and answer questions which would be voluntary.”*

The respondents provided a number of detailed suggestions about how the course content/delivery could be improved. These are discussed in the Section 6.

**Table 5: How would you rate the effectiveness of the compulsory Canberra Institute of Technology Information session**

Excellent	23%
Good	51%
Average	20%
Poor	6%
TOTAL	100

Source: Combined survey results

#### **4.5 Reasons why participants withdraw from the scheme**

As part of an open ended question, respondents were asked to explain why they withdrew from the scheme. There was a range of responses but common issues included:

- They were unable to access finance
- They did not realize what they were getting into when they commenced the process:
 

*“At the end I did not go with renting land – somehow it looked too complicated for a newcomer like me.”*
- When they really did their homework on the scheme they decided it would expose them to financial stress (largely because the land was too expensive)
- They decided the block of land they had received in the ballot was not suitable (e.g. too steep)
- They decided they did not like the suburb where their lot was located
- They could not raise the money to pay their stamp duty costs.

#### **4.6 What was the main reason people were attracted to the scheme?**

The responses to this question were split into respondents who were attracted to the scheme because it enabled them to access home ownership, and those who were attracted by the ability of the scheme to reduce their holding costs on land.

Typical comments from the first group were:

*“Land rent scheme enables us to get on the property ladder. We are unable to get a mortgage over more than \$500,000 even though we both work so this is the only option for us.”*

*“It enables us to enter the property market, but only require 50 per cent of the initial home loan. Once we’ve got some equity in the loan, it will be easier for us to increase the amount, and convert the lease to a standard lease.”*

Comments of the second group included:

*“Not having to pay the 10 per cent deposit while waiting for your land to be ready, which is a long time - 1.5 years.”*

*“To avoid 10 per cent deposit and to pay less interest in the first year.”*



## 4.7 Other comments from survey

Respondents were invited to provide other comments about the scheme. A little over half of the respondents provided some comment.

The major issues raised in these comments are listed in Table 6, as well as a tally of the number of respondents that raised the issue.

**Table 6: Issues raised by respondents in open ended question asking for further comments**

Issue	Tally
Need a greater choice of lenders	22
Affordability is still an issue	14
Should get a discount on land price at conversion because of rent payments	10
More/better information is required about the scheme	9
Land is too expensive	5
The scheme should be better targeted to people in need	5
Process is too long and public officials need to be better informed	5
Stamp duty should be reduced/waived	4
Appropriate builders need to be identified to assist land renters	2
The sharp increase from 2% to 4% is not fair and reduces incentives for promotion	2
Deposit is too large	1

Source: Combined survey results.

The major issues raised in these comments are illustrated by direct quotes below.

→ There should be more competition between lenders

*“The ACT Government needs to attract more banks or lenders to the scheme. Currently only one bank will offer home loans to land renters. This is discriminatory as we cannot choose our own home loan or negotiate with other lenders like other people. We have no choice in the matter.”*

→ The Land Rent Scheme still does not deliver affordability due to land cost.

*“Even with the land rent scheme, because of the high cost of land, housing is still not affordable”*

*“The land is far far far too dear.”*

*“Would be good to decrease the percentage of the rent especially for the blocks in Molonglo that costs an arm and a leg. It’s very high rent since blocks are in the high \$300k.”*

*“It is not affordable. If I build a house on a land value \$300k, the repayment of land rent, building cost is so high. Government must reduce the land value and wipe out stamp duties for affordable housing especially for the first home buyers.”*

→ Participants are concerned that the scheme is not more focused on households in need.

*“Should be restricted to buyers and not builders. Should be solely aimed at those who need it.”*

→ The process was not clear to some and there needs to be better information about accessing First Home Owner Grant (FHOG).

*“It seemed very straightforward in theory but practically very complex. “*

*“The scheme does not seem to clearly specify, give enough information or educate the public on FHOG conditions on the scheme. It is confusing at this stage when filling in the forms.”*

- Participants should get a discount for rent paid and/or the price of land should be fixed.

*“Excellent Scheme but the ONLY set back is the option to convert to a purchase at a later date whereby the purchase price is based on market value at time of purchase, which means that (say in 15 years), the land could be valued at twice or even triple the original price.”*

*“It would be nice if some part of the land rent payment went towards the payment for the crown lease in the future.”*

- The threshold for exemption of duty for eligible land renters is too low.

*“I think it is a great scheme – except for the stamp duty.”*

*“If only they could do a maximum limit like \$300k for the stamp duty [concession].”*

- There is difficulty finding appropriate builders.

*“Needs to be tied to supportive builders even in so called prestige estates such as Wright where I will be building most project builders do not want to sell a basic house here...one company has refused to build a 150 sq m house on "such a good block"...it is hard for them to believe I have a strict budget.”*

- The deposit required is too large

*“With banks requiring a huge deposit. If people had that amount of deposit they could just buy a house in the normal market.”*

## 5 FURTHER ANALYSIS

This section uses administrative data about the LRS in order to assess some major issues raised by the survey respondents and other stakeholders. The analysis will assist the discussion of major issues and suggested directions of the scheme in the next section.

The main issues examined in this section are:

1. How affordable is the scheme? What are the barriers to the scheme increasing participation amongst the discount (2%) cohort?
2. How complex is the scheme? What are the administrative/information barriers being faced by LRS participants?

### 5.1 Affordability analysis

#### *Housing affordability*

A widely used measure of affordability analysis is the proportion of household income that is spent on housing costs. A benchmark of 30% of gross income spent on housing costs is often the 'rule of thumb' used in the housing affordability literature as an indicator of affordability problems for households the bottom two income quintiles (Yates and Milligan, 2007).

An analysis of the affordability of moderate income households in the scheme (those eligible for the 2% rate) is shown in Table 7. Analysis in the table is based on the following assumptions:

- Participants construct/purchase a dwelling for \$250,000 and have a 10% deposit;
- The interest rate is set at current levels of about 7.5% (the comparison rate); and
- The value of the lot is set at either the top of the duty exempt price range (Scenario 1) or at the median land lot price (Scenario 2)

**Table 7: Testing affordability of LRS participants**

	<b>Scenario 1</b>	<b>Scenario 2</b>
2% LRS income eligibility	\$85,000	\$85,000
Lot price	\$202,000	\$254,501
Deposit on dwelling	\$25,000	\$25,000
Duty	\$20	\$7,672
Mortgage insurance	\$3,500	\$3,500
House price	\$250,000	\$250,000
Interest rate	7.50%	7.50%
Land rent per fortnight	\$155	\$196
Mortgage payments per fortnight**	\$793	\$793
<b>Total housing costs per fortnight</b>	<b>\$948</b>	<b>\$989</b>
Estimated private rental comparator*(rent per fortnight)	\$1,000	\$1,000
Annual payments	\$24,658	\$26,436
<b>Proportion of gross income paid in housing in LRS</b>	<b>29%</b>	<b>30%</b>

\*3 bedroom house: median rent Canberra is 500 per week(RP Data).

\*\* 30 year loan

Source: Authors

Using the same scenarios, assumptions and prices, Table 8 compares affordability for the same household in the LRS with a household buying house and land.

**Table 8: Comparing affordability of full purchase with LRS**

	Scenario 1	Scenario 2
<b>2% LRS income eligibility</b>	<b>\$85,000</b>	<b>\$85,000</b>
Lot price	\$202,000	\$254,501
House price	\$250,000	\$250,000
<b>Total</b>	<b>\$452,000</b>	<b>\$504,500</b>
Mortgage and rent payments per fortnight Land Rent Scheme	\$948	\$989
Mortgage payments per fortnight house and land purchase*	\$1,429	\$1,594
<b>Proportion of gross income paid on housing costs in LRS</b>	<b>29%</b>	<b>30%</b>
<b>Proportion of gross income paid on house and land purchase</b>	<b>44%</b>	<b>49%</b>

\*30 year loan.

Source: authors

The analysis shows that the housing costs associated with the LRS align with affordability benchmarks and that the housing costs of LRS participants compare favourably with participants in the private rental market. If participants were buying their house and land the proportion of gross income paid increases to 44% and 49% for scenarios 1 and 2 respectively, as shown in Table 8, showing a marked decline in affordability. The difference – a gain of 15% and 19% in the two scenarios above - indicates the large affordability gains available to buyers under the LRS..

#### *Deposit gap analysis*

There is a substantial housing literature in Australia that has highlighted that lack of wealth is the major constraint to accessing home ownership in Australia. Bourassa (1995:1163) writes:

*As wealth is the binding constraint for most constrained renters, the article concludes that government programmes to encourage first-time buyers should focus on reducing deposit requirements.*

More recent research by Flatau et al. (2004, p. 30) concludes:

*It is clear that house prices have reached levels at which up-front cash requirements will prevent many rental tenants from becoming home owners, unless they benefit from gifts or inheritances or are single and marry existing homeowners.*

Yates (2012) shows how this problem has developed over time. Her analysis of long term trends in the deposit gap is reproduced at Appendix 2.

*In the 1950s and 1960s, when home ownership was affordable for moderate income households, average weekly earnings were sufficient to support a loan that was more than adequate to purchase the Australia-wide median priced home. There was no deposit gap. By the 1970s, however, a significant deposit gap began to emerge as inflation, and associated increases in nominal interest rates, created front loading problems for home purchasers. By the 1980s, the impact of high inflation and high interest rates meant that would be first home buyers with average earnings had to save the equivalent of one year's*

*income before the loan they could afford would be enough to purchase a median priced home.*

Despite the reductions in the size of their mortgage, the up front cash requirements of a LRS participant are considerable. However, they have improved since Community CPS began offering a 10 per cent deposit requirement (with mortgage insurance), rather than the previous 20 per cent.

The up-front cash charges include:

- A minimum of 10% of the dwelling cost: say \$25,000
- Mortgage insurance: approximately \$4,000
- Possible duty costs of about \$7,700 on a median priced block (though these can be deferred with interest)
- Other transaction costs including legal fees etc.

For first home buyers there is a grant of \$7,000 that helps to offset some of these costs. However, net costs to first home buyers will still be well in excess of \$30,000.

It is the view of the authors that the sum of these costs would be acting as a barrier to entry for moderate income households. Therefore, reducing front end costs is likely to have most impact on increasing participation of moderate income households, as discussed in more detail in the next section.

#### *Price of land*

New release blocks do not become land rent blocks until the buyer indicates a preference that the block come under the Scheme. There are no allocations by government in new release areas; the allocation is via consumer preference.

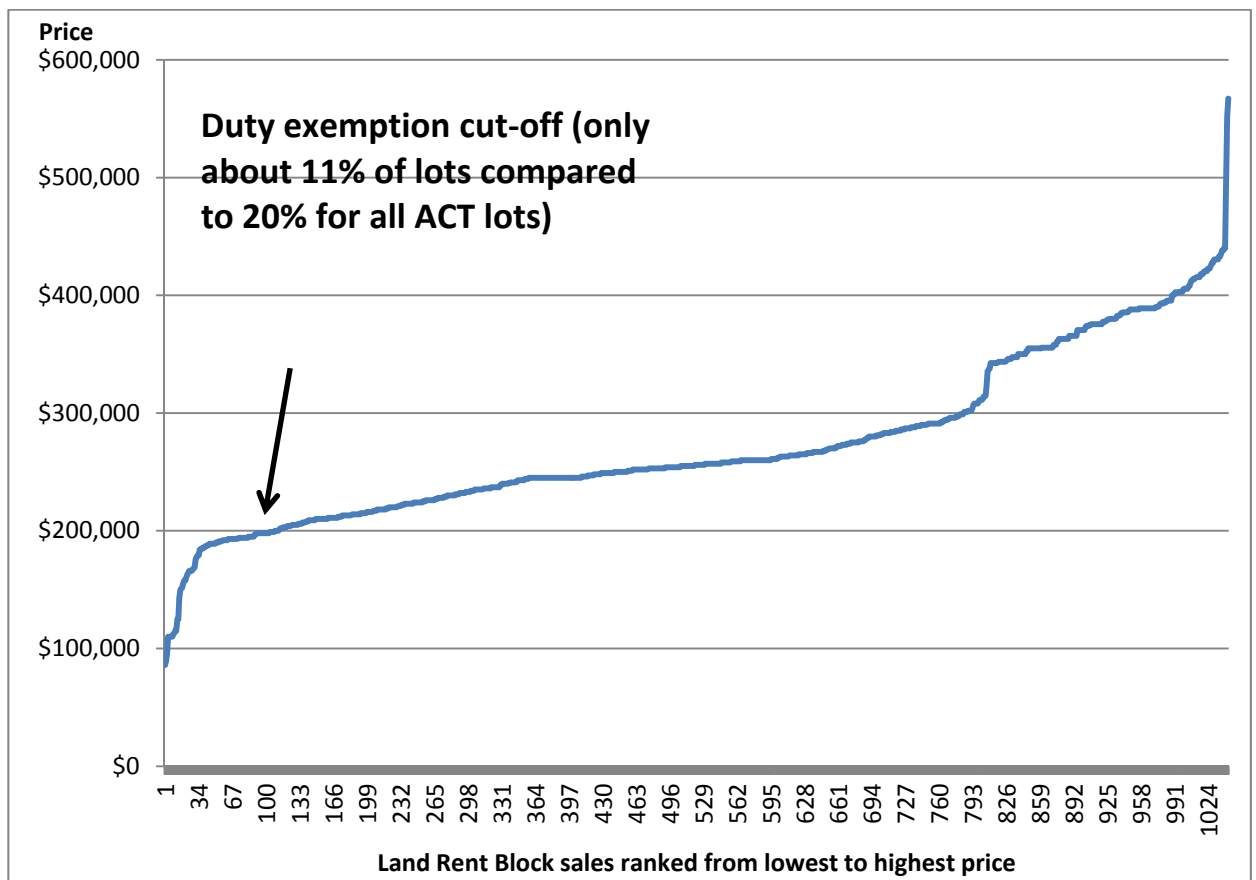
The median land value of land coming under the LRS is approximately \$256,000 per block, with prices ranging from \$89,000 to \$567,000. The median lot size of land rented blocks is 532 square metres with the minimum size being 187 square metres and the maximum size being 1,202 square metres.

Based on data for the period from the ACT Revenue office, the median value of land sales in the ACT for March to October 2011 is \$254,500; the lowest quintile (20 per cent) of land sales range from \$0 to \$202,000. As discussed below, duty is not payable on these land sales for 2% land renters and others eligible for the ACT's Home Buyer Concession scheme.

Land which enters the LRS via a buyer indicating a preference for this does seem to be more expensive than the value of ACT block sales in general. Figure 1 graphs the distribution of land rent lots that are currently in the scheme as of November 2011. This shows that only 11 per cent of the total land rent blocks are below the lowest quintile of land values for residential lots in the ACT of \$202,000. This may be simply as a result of the nature of the development areas that have been available to land rent since the scheme commenced in 2008, or indicate the buyer is extending their borrowing power due to the discount, or because of some other issues.

This situation has implications for take up of the scheme by moderate income households. It indicates another area where adjustments (such as to block sizes) could be made to improve the match of the scheme to households who can benefit most from it.

**Figure 1: Distribution of sales prices –Land rent blocks to November 2011**



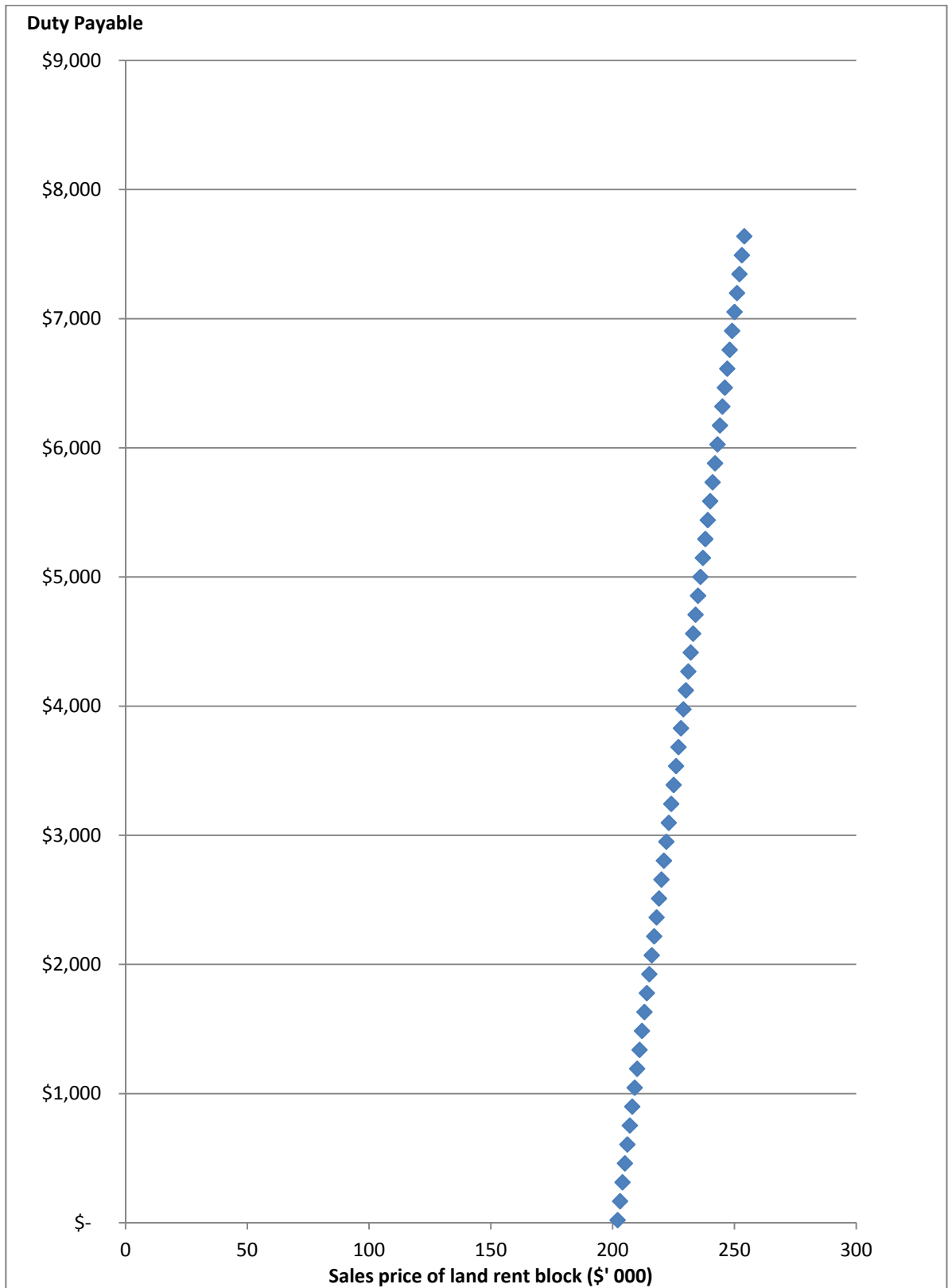
Source: ACT Government data – note that cancelled sales are excluded.

#### *The impact of duty*

Land rent blocks are subject to payment of duty in the ACT. Home buyers who are eligible for first home owner grant or home buyer concessions in the ACT can defer payment of duty (over \$1,000) (subject to interest) or pay a concessional rate under certain conditions. Nevertheless, duty payable will reach nearly \$8,000 for land valued at the threshold of eligibility of \$254,300 (2011 rates) and will exceed that amount for land valued above that threshold. There is a steep rise in amount payable between the minimum payment and where the concession cuts out, as shown in Figure 2. Offsetting these upfront costs, LRS participants have already paid duty at the time of conversion to a Standard Crown Lease.

Given the distribution of prices of land rent lots (see Figure 1), a large proportion of land rent lots are subject to duty. The significant nature of these costs will act as a barrier to the take up of the discount (2%) scheme for potential participants.

**Figure 2: Changes in duty for Home Buyer Concession scheme\*, residential blocks, July - December 2011**



\* Maximum duty concession applies to land worth less than \$202,000, No concession for land valued at \$254,300 per lot or greater.

Source: Calculated by authors.

## 5.2 Administrative complexity

In addition to normal conveyancing processes, participants in the discount (2%) LRS who are seeking to minimise their costs will need to apply and/or participate in the following programs:

- CIT Training
- LDA ballot
- Home Buyer Concession scheme
- Deferral of Duty Application Form
- First Home Owner Grant
- Application for Discount Land Rent

Most of these programs require the completion of substantial application forms (usually 4 pages) asking for similar information. Many of these programs also have some different thresholds and rules which require careful examination by potential applicants. Timing of applications occurs at different points in the purchase process over a considerable time period. All of these factors contribute to a substantial administrative load on applicants and on government officials. They could be a particular burden for the many applicants from non English speaking backgrounds, who are using the scheme. As shown in the previous section, complexity was one theme in survey responses of both cancellers and participants.

### *Timely and streamlined access to the discount rate*

To achieve the scheme's objective to provide affordable housing for those who need it, it is important that the discount rate is responsive to change of circumstances such as where a household would be eligible to move from the 4% scheme to the 2% scheme. Under the current legislation, households' who are eligible to change from the standard rate to the discount rate only start paying discounted rent at the start of the next year, unless they are able to demonstrate hardship. Under the currently proposed amendments to the Act (Land Rent Amendment Bill 2012) households that become eligible for the 2% scheme will have their payment rate aligned with their date of application. This means that all households who apply successfully for the discount rate will be able access it immediately. Adjustments to payment levels will be backdated as required and hardship will not have to be demonstrated. This is a desirable amendment that will ensure all households who are eligible for the 2% scheme receive assistance immediately.



## 6 DISCUSSION OF ISSUES AND RECOMMENDED DIRECTIONS

This section of the report discusses the main issues raised by the data analysis, the survey findings, the stakeholder interviews and the roundtable of officials. Based on the evidence collected during the review, the section also provides broad suggestions and options for adjustments to the scheme and its administration for further consideration by the ACT Government.

### 6.1 Increasing the proportion of lower income households in the LRS

Arguably the most important issue to emerge from the review concerns who is utilising the LRS. LRS is a general market product that is open to all comers buying sites to which the scheme applies in the ACT. The scheme's open market access is an intentional characteristic that is strongly supported by many stakeholders (industry, government officials).

For example, the CEO of Community CPS Australia, the chief financier to participants in the scheme commented that whilst the general public can sometimes think that housing affordability is only relevant to persons on lower incomes, it is important to make home affordability available to everyone in the community .

Being an open market product is a desirable feature of the scheme, which distinguishes it from many affordable housing products that are limited to clients who meet strict eligibility conditions. Such schemes sometimes fail to win wider community support or acquire a stigma in the market place.

However, some stakeholders (ACT Shelter, survey respondents, policy officials) have questioned whether the LRS is being well enough directed to buyers at the margins of home ownership, given that a core aim is to provide greatest support to lower income households who may not otherwise be able to enter the market. Eligibility for the 2% discount scheme – \$85.5K to \$102.15K, depending on family size– is well matched to households with incomes in the second and third income quintiles of the income distribution in the ACT. In 2009/10, the upper limit of quintile two was \$87,724 and that of quintile three was \$124,540 in the ACT (ABS 2010).

However, as shown in the analysis above, take up by this lower income target group has been slower than was anticipated<sup>6</sup> and is not strong, with those paying the discount rate of 2 per cent totalling only about one quarter of total participants. Instead, the majority of demand appears to be coming mostly from well informed industry players (builders and investors) and households with incomes above the threshold for accessing the 2 per cent product. The survey findings that most people (60 per cent) hear about the scheme through friends and networks suggests it does not need further marketing to those segments, but rather marketing via the media to a broader section of the ACT public as we discuss later.

Lack of take up by households eligible for the discount LRS product is attributable to many factors some of which reflect general barriers faced by lower income households, such as obtaining finance and a lack of adequate information. The timing of when eligibility for discounted rent is determined (at the end of the process is also a specific factor contributing to cancellations, as discussed in Section 6.2). LDA officials dealing regularly with clients, along with survey respondents, also suggested that the responsibilities of managing housing construction and unfamiliarity with a new product may be added barriers. Survey respondents also reported unwillingness by some builders to provide 'basic housing' (meeting client specified price points) in their developments.

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<sup>6</sup> Although no targets were set at the outset, the scheme was originally only made available at the 2% rent level to test demand. After a slow start, the scheme was opened to all buyers.

Other barriers reported by the respondents to the survey who had withdrawn from the scheme were:

- 'Stamp duty' costs
- Complexity
- Lack of information
- High cost of land (so even at 2 per cent rent, the cost is too high).

The potential significance of all of these factors has been borne out in the analysis in Section 5.

It is important to the public policy function of the scheme that it continues to achieve its core goal of promoting access of clients with greatest need for it. Barriers suggested by this review are indicative of a need for more effort to target the scheme. There are a number of additional strategies that could be considered to enhance access by households eligible for the 2 per cent product.

Specific suggestions include:

- Enhancing marketing and outreach to the 2 per cent market segment.
- Offering a brokerage service to assist clients manage the construction process (to drive affordability down) and to navigate legal and financial services.
- Increasing the built product range, especially smaller starter housing. This may entail the ACT Government offering more built homes, as it does in the OwnPlace scheme, and increasing the share of smaller lots in the scheme.
- Holding ballots for LRS sites when land is ready for building.
- Reviewing concessions for duty on property for the 2 per cent market segment.

Several suggestions about information and marketing are made later in this section. The other specific suggestions are elaborated below.

### *Brokerage*

The authors suggest consideration could be given to funding a development officer for two years to drive the scheme further into the 2 per cent market segment. Core functions of this service would be to:

- Identify clients eligible for the 2 per cent product.
- Assist with their assessment and prequalify them.
- Assist with site selection and offer project management services during the construction phase, where required.
- Link clients to financial and legal services.

The service would be offered at no cost to 2 per cent clients but could also be made available to 4 per cent clients on a fee-for-service basis, if there was demand. The development officer position could be placed at arms-length from government. One option is for CHC Affordable Housing to take on this function as part of their wider participation in the LRS (see below). At the end of the 2-year period, the service could be reviewed, taking into account service performance and evidence of changes in demand.

One of the potential target groups for the LRS is older home owners who are ready to trade down to a smaller dwelling and realise some equity in their senior years. Facilitated access to LRS could assist this group to adapt their housing at the same time releasing under-occupied housing to the market. Testing interest in this sub-market could be another function of the brokerage service. A

wider range of locations (than the fringe) to which the scheme applies (see below) would assist in reaching this market segment.

There was some specific evidence from the survey that some owner builders could not get finance to participate in the scheme. The review could not investigate the causes and extent of this problem but it could perhaps be mitigated through the brokerage service via owner builders having access to additional advice and support.

#### *House and land packages*

The LDA's OwnPlace Program offers house and land packages within a specified affordable price range to qualified buyers included LRS participants. This program aims to help to overcome builder resistance to provision of basic affordable housing, such as smaller homes. The scheme has been successful in introducing a lower cost product into the market. Expanding supply under the OwnPlace Program is another means of increasing potential take-up by buyers in the 2 per cent market segment.

#### *Lower priced lots*

The analysis in Section 5.1 showed that land rent blocks were more expensive on average than all land released in the ACT and that a wide range of lot sizes is being offered. This might in part be a function of the particular release areas where land rent blocks are offered. However, it is another factor mitigating against lower income access. The LDA should ensure there is ample supply of lower cost (smaller) lots for LRS in release areas. Training/information/brokerage should also highlight the need to select a lower price lot.

#### *Land ready ballots*

Holding ballots for sites closer to when land is ready for building is a desirable option when stocks permit. This approach is supported by the LDA as it will assist in reducing the time between reservation and settlement, as well as increasing choice of sites for potential customers of the scheme. However, access to the scheme should not be restricted to this option.

#### *Duty*

The survey results suggested that the amount of duty is acting as a further barrier to lower income LRS participants. This is augmented by the analysis of land rent sale prices (Figure 1) which show that only 11 per cent of sales in the scheme fell below the threshold at which only a nominal duty applies and that the rate of duty payable increases steeply above the threshold (Figure 2). These costs, along with deposit and insurance requirements are running counter to the objective of reducing up front costs. It is suggested that the ACT Government give consideration to changing the nature of the curve for their duty concession program to reflect the need for greater assistance for purchasers buying in the lowest quintile of land prices.

## **6.2 Cancellation / take up rates**

Before this review, there has been concern expressed by the ACT Auditor General that up to 15 per cent of people who reserve a land rent block were not proceeding to settlement. While a level of dropouts will be associated with any affordable housing scheme due to changes in circumstances, difficulties in obtaining finance etc, the view of some stakeholders is that the level of dropouts is associated with some participants signing up too early in the process (after the ballot) and considering the consequences later. This suggests there may be some inefficiencies in the current design and operation of the scheme that could be reduced. It is an issue not just for government agencies but also for lenders who see a proportion of clients who are not suited to the product.

The main factors contributing to cancellations appear to be:

- Clients participating in the land ballot at an early stage when they have little or no information about the scheme and without knowing their financial position – that is whether they can service a mortgage and/or whether they will be eligible for the 2 per cent LRS.
- Subsequent difficulties in obtaining finance either because of borrowing capacity being too low or a lack of financial institutions supporting the scheme, especially in its early phase.
- Lack of buy-in to lot selection by participants, resulting in a subsequent change of mind. A limiting factor is the extent of choice of blocks that a participant will have is dependent on how well they do in the ballot – this in turn is likely to affect their satisfaction.
- Delayed settlement periods (between land release and readiness to build) which increases attrition rates, through client change of mind or change of circumstances, and as a result of changes in site conditions.<sup>7</sup>
- Clients' rights to withdraw at any stage without penalty and with full refund of block holding fees.

Several interconnected strategies have been considered for addressing this set of issues. The main approaches suggested by stakeholders are to discourage uninformed or speculative participation in LRS by:

- Improving information and training about the scheme; and
- Introducing a deposit or administrative fee at the time of lot selection, or having a financial penalty for withdrawal. (Note that a deposit has already been introduced for those holding multiple blocks.)

Better information and enhanced training are key to addressing this issue. Specifically, applicants should be encouraged to self assess their capacity to borrow and their eligibility for the 2 per cent LRS at an earlier stage. In light of the comments received from participants in the survey, it is recommended that the information and tools currently available for this purpose on the ACT Revenue Office website be reviewed to overcome perceived customer difficulties. The original lender to the scheme, Community CPS, has offered to assist the ACT Government and the training institution, CIT, to develop suitable training materials and tools for this purpose.

During the course of the review, there has been considerable discussion about introducing additional financial conditions into the scheme (to complement an enhanced information strategy), with the aim of encouraging potential participants to make decisions to proceed, or withdraw, earlier in the process. Suggestions by stakeholders have included payment of rent-in-advance or a deposit, an administrative fee, or a penalty for withdrawal. Bearing in mind the primary objectives of the scheme being to reduce upfront costs of ownership and thereby improve access to affordable housing, paying only a small deposit for each block selected is the preferred option<sup>8</sup>.

A deposit of around \$1,000 could be introduced for the first block selected, not just for second and subsequent blocks as applies currently. This would be refundable on cancellation, possibly subject to a small administrative charge. If the participant proceeds to settlement, the deposit would be credited against initial rent payments.

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<sup>7</sup> On the other hand, the survey results also show that some people are attracted to LRS because they do not need to service their full mortgage while their home is being built (and while they are still paying rent). Advanced availability of LRS may actually help such people into the market.

<sup>8</sup> A fee or penalty would act against the intent to encourage participation by lower income households and create conditions for disputes about factors contributing to cancellation.

Taking deposits for each block is designed to have some impact on speculative and uninformed participation, as participants will have a stake in the process at an early stage. In particular it is intended to promote more informed selection of lots. However, there are trade offs to be made with the objective of increasing access by moderate income households discussed above. A deposit adds to the upfront costs identified previously, which is most adverse to those households who are eligible for the 2 per cent LRS. On balance the authors consider that more evidence is required about whether a deposit on single blocks will reduce drop outs. As part of enhanced monitoring discussed below, it is suggested that drop out rates for single block allocations be specifically monitored over a twelve month period before consideration of an extension of the deposit to single blocks.

Strategies proposed elsewhere in this report should also assist to reduce drop out rates. Having a higher proportion of development ready blocks will help to reduce attrition rates due to the passage of time. Offering house and land packages and/or intermediary services to assist clients manage the building and financing process will help to reduce cancellations arising from these factors being impediments.

### **6.3 Extensions of the scheme**

Presently access to the LRS is only available via LDA ballots in specified land release areas on Canberra's fringes. There is growing support for the concept of the scheme and several stakeholders mentioned extending it in various ways – for example to en globo land sales and to strata titled multi unit blocks.

Extending LRS to en globo sites could be explored further. While this strategy broadens availability of the product, it increases outlays by Treasury on the scheme. However, it was noted during the review that the ACT Government already buys back a portion of sites in private developments at pre-agreed prices, so bringing LRS into the mix would increase options for home buyers. Negotiations with the development sector could determine a possible target LRS component, noting that presales operate best as a counter cyclical tool (i.e. in periods of market downturn) to assist maintain lot production and prevent demand side pressures building up.

Extending to strata-titled multi unit blocks of apartments is not considered to be feasible because land valuations on which to base land rent are not available due to the vertical nature of the built form. In addition the collective nature of strata title arrangements requires the owners' corporation to require all units in a scheme to be party to an application and hence it is not feasible to include strata schemes in the land rent scheme.

#### *Participation by CHC Affordable Housing*

Currently CHC Affordable Housing (like other builders) pays 4 per cent for LRS blocks that are directly allocated to them (i.e. not via ballot). They have specifically sought access to the 2 per cent scheme for their developments for rental and for-sale to reduce their procurement and financing costs and this was agreed in principle with the former Chief Minister.

As a not-for-profit housing developer, CHC Affordable Housing currently receives a variety of forms of direct and indirect assistance from government. Extending the benefits of the 2 per cent scheme to them (and other registered affordable housing providers) is in keeping with the mission and charitable purpose of such organisations to provide housing at below market cost. A limitation would be any strata titled developments in which CHC had ownership.

However, it is also proposed that if CHC are given access to the 2 per cent scheme their performance agreement with the ACT Government should be renegotiated to achieve commensurate additional social benefits. One option would be for CHC Affordable Housing to offer a home ownership product to their tenants as their circumstances improve, with requirements to achieve a target level of conversions (renters to owners) over a 5- to 10-year

period. There would be synergies for CHC Affordable Housing in hosting the brokerage service suggested above and taking on this function. Another option would be to improve the targeting of CHC Affordable Housing's home ownership products to those in the 2 per cent market segment.

As the current legislation does not allow for organisations to rent at the discount rate (only persons), legislative amendment will be required to enable participation by affordable housing organisations.

The Land Rent Amendment Bill 2012 currently before the ACT Parliament proposes to recognise registered affordable housing providers under the Housing Assistance Act 2007 and that the Commissioner for Revenue may determine that a registered affordable housing provider is entitled to pay discounted land rent for a land rent lease. These amendments if accepted will mean that any registered affordable housing provider in the ACT can be granted the discount rate.

## **6.4 Number of lenders**

A limiting factor in the operation of the LRS to date has been participation by lenders. Until recently only one lender was servicing clients in the scheme; a second lender has now joined. A number of survey respondents indicated in their comments that they would like to have more choice of lenders. Having multiple lenders is important to support access to the scheme and to promote competitive financing products. Marketing the success of the scheme (as discussed further below) may encourage more lenders to consider participating.

## **6.5 Pricing**

This section considers issues about the pricing regime for the scheme that were raised during the review. Some survey respondents noted that when the scheme commenced interest rates were higher than at present, making the 4 per cent LRS product more attractive relative to mortgage interest rates at that time rather than now when the gap is less. One suggestion therefore was that price should adjust with interest rates. However, having a fixed price for LRS helps to contain demand for the scheme when market finance costs are lower (and hence demand pressures increase in the general market). It also creates incentives for conversion to a Standard Crown Lease over time. Therefore no adjustment to the 4 per cent rate is recommended.

An issue to emerge from the customer survey concerning the 2 per cent scheme is the potential for the rate of land rent to switch suddenly to 4 per cent if a household's circumstances change, such as through promotion. Presently changes in land rent that result from steep adjustments to land values are moderated. A similar approach may be required for 2 per cent customers when there is an improvement in household income to prevent work disincentives arising. However, this should not be too generous as an increase in income (and rent) will also encourage conversions to a Standard Crown Lease, which is desirable to militate against the LRS being oversubscribed, as more customers enter but do not exit.

## **6.6 Transitioning to a Standard Crown Lease**

A variety of issues were raised by participants, officials and stakeholder groups about transitioning to a Standard Crown Lease.

One issue concerns people converting soon after settlement, suggesting they may not have been in genuine need. A possible loophole being utilised is the provision to opt for the lower of the market value or UV when converting. This was introduced to give people comfort about valuation methods and to reduce the risk of disputes over value. The problem that has emerged could be addressed by a simple adjustment – only allowing conversions to be at full market value for early converters. Genuine customers are unlikely to be adversely impacted by this rule change.

A related issue is selling shortly after settlement. This appears to mainly involve non-resident participants such as builders, who may sell to either an LRS or non-LRS customer. If the latter occurs, the benefits of the LRS may not be passed on to the end user. Greater targeting of the scheme, as discussed above, will help to address this issue.

Another set of issues concerns how long participants stay in the LRS. Given the growing success of the scheme in the general market, one viewpoint is that there may need to be additional incentives to encourage conversion and/or to discourage further investment in house improvements (rather than land purchase). However, judging by the response of customers there is good awareness of the financial implications of remaining in LRS, including mounting rent costs, lack of access to capital growth and land value increases that add to the cost of conversion. Although it was a small sample, no respondents indicated that they were definitely not going to convert to a Standard Crown Lease in the short to medium term (54 per cent said they intended to convert and 46 per cent were unsure). Indeed, several respondents argued that they should be given additional assistance to buy (such as a share of capital growth) to assist with the affordability of conversion. The evidence so far, therefore, suggests there are strong aspirations to convert. The rent payment regime and the lack of access to capital growth should offer sufficient incentives for people to convert to a Standard Crown Lease when their circumstances permit.

It is too early in the life of the scheme to assess whether conversion rates will be an issue into the future. Therefore, it is recommended that the duration of LRS contracts, alterations and additions and sales are closely monitored (see below), but that no specific adjustments are made to the scheme at this time with the aim of influencing conversion patterns.

There will be continuing risks to the reputation and viability of the scheme around conversion rates. If land prices continue to increase above inflation, the ACT Government will make capital gains on the land they are renting. As well, under these circumstances, households assisted may find it more difficult to purchase the land. On the other hand, there remains a risk to government that land prices fall and, furthermore, that this becomes material to government if participants take advantage of this situation to buy in that part of the market cycle.

One way of mitigating these risks would be for the government to establish an Affordable Housing Fund with the proceeds of land sales under the scheme (after paying land development costs and holding costs). The purpose of this fund would be twofold. First it would offset government risk from a more volatile land market. Second, as the fund grows, it will provide a source of funding for additional affordable housing initiatives at no additional cost to government. Having such a fund will help to stem possible criticism that it is the government, not households, who have benefited from the scheme, in the event that appreciation in land values continues.

## **6.7 Monitoring access, demand and costs**

Access to LRS is not means tested, unlike for many other government backed home ownership products. This reflects the open market philosophy of the scheme and helps to avoid product stigmatisation. Builders and investors have been significant participants in the scheme, with data indicating around one fifth of participants are companies and about a third hold multiple blocks. Provided that this results in an increased supply of more affordable housing, this should not be a problem. To limit speculative participation, the scheme was adjusted so that participants can only reserve a maximum of five blocks at a time. However, there is evidence that some participants are getting around this by using different identities, such as different companies with the same Directors. As identified by the Auditor General (2011), holding multiple blocks may have the unintended outcome of reducing land available to other potential buyers. Therefore a further tightening of this condition may be warranted – one simple suggestion made by officials that could be investigated further is tying identification to a builder's licence rather than to a corporate entity. However, this will not address investor shopping or corporate entities, who are not

builders but contract with builders. A more stringent approach is needed, perhaps requiring applicants to sign a declaration that they declare all of their interests in real estate in the ACT whether in their name, in a company name or in a name of a family member, and signal that penalties apply for giving misleading information.

Demand for LRS is clearly ramping up particularly for the 4 per cent scheme. Survey and interview results confirm the scheme is gaining a good reputation and interest / support is broadening. More contentiously, the housing industry has advised that LRS sales in some suburbs (e.g. Bonner) are crowding out regular house and land package sales. However, as survey respondents indicated, land prices are so high that the LRS product is all that is affordable to many market entrants. Nevertheless, it was clearly never intended that the LRS product should lead the market and displace normal land sales. Thus it is very important from government and industry viewpoints that the LRS continues to be closely monitored so that unintended market impacts are picked up.

The ongoing approach to monitoring needs to track various issues identified in this review, such as land values, drop out rates and conversion rates, by type of participant. This could be facilitated by use of a single registration number for each participant. It is proposed that a revised monitoring regime be used to track the behaviour of key groups:

- Multiple block holders
- Corporate entities
- Single lot holders – 4% scheme
- Single lot holders – 2% scheme
- First home buyers.

Depending on the evidence from monitoring the scheme more closely and on market conditions, at some stage, additional strategies may become warranted, such as greater targeting, increasing the price of the unsubsidized product or the introduction of quotas on the numbers of LRS blocks released. Another suggestion that could be given consideration in future is to limit availability of the land rent product to smaller blocks – this would help to define a market niche for the product that is closely aligned with its affordability objectives.

## **6.8 Information and training**

Finally we expand on how information and training could be enhanced based on the review's findings. This complements other suggestions being made about information on, and marketing of, the scheme – see strategies directed at reaching the 2 per cent market segment group and reducing cancellation rates.

Information and training received a lot of comments in the customer survey. Satisfaction with the compulsory training was rated good to excellent by a large majority of respondents. However, many people added comments to the effect that the course was too general and did not address specific issues with LRS. Streaming people into a general, voluntary course about home buying and a specific, compulsory one about LRS was suggested by several respondents, many of whom said that they did not need the general aspects of the current course. Whether or not streaming is pursued, there seems to be a need to include more technical information on the LRS in the training. This should cover factors relating to the decision to contract as well as ongoing procedures and requirements once a contract is signed – perhaps in the form of a step-by-step guide to the process. There also seems to be a need to ensure that all presenters are fully knowledgeable about LRS and are kept up to date. Ability to respond to specific questions or to refer them effectively is critical. As a next step it is suggested that ACT officials get together with



the training institution to review the survey findings, streamline the training and develop additional modules.

An issue that emerged clearly from the survey and discussed further in Section 5.2 concerns the complexity of the application process under LRS, especially for those seeking the various concessions for which they may be eligible. We have already suggested that a brokerage service may be desirable to assist participants to manage the land selection, house building, financing and contracting processes.

Additionally, we recommend that the ACT government reviews the way information is provided with a view to bringing together all relevant government information in one package for lower income client segments (i.e. those to whom some or all concessions apply) to assist them to participate in affordable home ownership programs – in other words information would be client-centred not program-centred. A single application form (on line) that would enable an applicant to be assessed for all forms of assistance simultaneously should also be developed. This would reverse the need for the client to duplicate information and to seek out different components of assistance and it would enable officials to match clients to products and concessions for which they are eligible.

The review has also identified a general need for better information flows amongst key actors in the LRS. A regular bulletin about the scheme would assist a variety of players connected to the scheme, including trainers, lenders, solicitors, builders and advisory services.

Specifically in relation to conveyancing, there is general agreement about the need to increase the awareness and knowledge of the scheme among solicitors. Officials intend approaching The Law Society to negotiate a specific professional development program on the scheme. This should be a priority for action. When established, the brokerage service could also notify its customers of solicitors who work with LRS.

Finally in terms of broader information and marketing strategies, it would be appropriate to consider promoting the aims and outcomes of this innovative scheme to the ACT community, through peak bodies, community organisations and the media. Survey results and our interviews confirm there is growing community awareness of, and support for, the scheme. Key messages could cover:

- LRS's role in promoting access to more affordable housing for all Canberrans;
- Access and affordability benefits for households in the 2 per cent segment; and
- The support LRS offers to the housing industry and affordable house builders in the ACT, especially through the scheme's role in broadening and deepening the home buyer market and assisting builders to supply house and land packages at more affordable prices through their access to the scheme.

## **6.9 Summary of recommended directions**

A summary of the main proposals canvassed in this section is provided as Table 9.

**Table 9: Summary of main recommended directions and strategies**

Main directions	Strategies	Implementation
Overcome barriers to participation by two per cent LRS target group (moderate income households)	<p>Increase supply of smaller lower priced lots , including land ready blocks</p> <p>Continue to provide house and land packages on LRS blocks aimed at 2 per cent LRS market segment</p> <p>Offer a brokerage service</p> <p>Promote self assessment of suitability of LRS products at pre-reservation stage, including review of present information and tools</p> <p>Information package and single on line application form for moderate income target group</p> <p>Consider restructured duty concession</p> <p>Introduce capped/stepped increases in rent rate from 2-4%</p>	<p>LDA to increase small block and house and land package inventories</p> <p>Establish brokerage function at CHC or other NFP agency</p> <p>ACT Revenue develop assessment tools in consultation with lenders</p> <p>ACT Revenue to streamline application process and provide a single information package</p> <p>ACT Treasury</p> <p>ACT Revenue</p>
Widen availability of LRS blocks	<p>Consider extending coverage to a component of en globo sales</p> <p>Extend 2 per cent scheme to CHC Affordable Housing (and other registered affordable housing providers) with conditions</p>	<p>Negotiate with development industry</p> <p>ACT Treasury renegotiate CHC Affordable Housing's performance targets</p>
Enhance marketing, information and training for LRS	<p>Revise training program to increase content specifically related to LRS and keep up to date</p> <p>Issue regular bulletins about scheme's operation and any changes to the training institution, brokers and other players</p> <p>Promote success of scheme to encourage participation by builders, lenders and inform other professionals.</p>	<p>ACT Government and CIT</p> <p>ACT Treasury</p> <p>ACT Government to devise a communications strategy</p>
Monitor demand, cost and market impacts and longer term outcomes	<p>Pick up unintended outcomes and ensure scheme is responsive to market dynamics and behaviour of different participant types</p> <p>Information and training strategies as above</p>	<p>Review of performance measures being used by ACT Treasury</p> <p>ACT Government and CIT</p>

	<p>Increase availability of land ready sites in LRS</p> <p>Consider introducing deposit for single block selections</p>	<p>LDA</p> <p>ACT Treasury</p> <p>LDA</p>
<p>Monitor and attempt to reduce cancellation rates</p>	<p>Monitor drop outs</p> <p>Information and training strategies as above</p> <p>Increase availability of land ready sites in LRS</p> <p>Consider introducing deposit for single block selections</p>	<p>ACT Treasury</p> <p>ACT Government and CIT</p> <p>LDA</p> <p>LDA</p>
<p>Risk manage the scheme</p>	<p>Establish affordable housing fund with net proceeds of LRS sales to cover risks as scheme expands and build a future fund for additional affordable housing initiatives</p>	<p>ACT Treasury</p>

## 7 CONCLUSIONS

The ACT Land Rent Scheme has been a growing success with significant interest and a healthy take-up rate. The finding from the survey of participants that 85 per cent of those who responded would recommend this scheme to others seems to be indicative of the scheme's acceptance, utility and appropriateness.

In concluding, this section considers briefly how the main findings of the post implementation review relate to the review's terms of reference.

### 7.1 Determine if the original policy objectives have been achieved

The primary policy objectives of the Land Rent Scheme are concerned with assisting households into home ownership and providing greatest support for those on low to medium incomes, while not adding to demand pressures in the housing market.

The LRS has received strong support from those surveyed and interviewed for this review and demand for the land rent product is increasing. Financial analysis indicates the scheme considerably reduces the cost of entering into home ownership as land costs are typically around 40 – 50 per cent of house and land packages in the ACT and mortgage interest costs are around 7.5 per cent (compared to 4 per cent or 2 per cent for land rent depending on income). Based on the survey responses, many participants could not have bought their house in the ACT without accessing this scheme.

The scheme offers an innovative purchase option that is suited to an array of buyers including first home buyers, moderate income households, builders seeking to reduce their costs, and, potentially older households trading down to release equity. It is a flexible, open market product that can be converted to conventional house/land purchase or on-sold at any time without additional fees. Land rent blocks are only a small component of overall land sales in the ACT (2.1 per cent in 2010) and, therefore, could be extended to other suitable infill or redevelopment sites throughout the ACT to give more choice of locations. Overall, the review has found that the performance and outcomes of the scheme so far are in accord with its policy objectives and no adverse housing market impacts have been identified.

However, in terms of supporting moderate income households, take up rates have been lower than expected. Entry barriers for many in this group remain; especially the amount of upfront costs that need to be met. This is likely to be the main reason for the lower than expected demand from this group. The review has found that more could be done to target and assist those eligible for the 2 per cent product to increase their share of the program to meet the objective of supporting those who need it most, and to foster continuing political and community support for the scheme.

As an aspirational target, the authors suggest that government could aim for the 2 per cent customer segment to be 50 per cent of lessees, about double the present share. The main strategies that are proposed to help achieve greater participation by more marginal buyers include: a brokerage service to help unfamiliar buyers navigate the application, procurement, financing and legal processes; a higher proportion of smaller (lower priced) lots or house and land packages being on offer (and targeted to this group through the broker and the LDA); streamlined information and application processes; enhanced training directed to this market segment especially; restructuring concessional duty payments and involving not-for-profit developers.

## **7.2 Review the current administrative processes and protocols across the ACT Government in relation to the Land Rent Scheme and identify any areas for improvement**

There are a number of specific administrative issues that have arisen with the LRS and a series of adjustments has been made as the scheme has been rolled out to address these issues.

Mandatory training introduced for this new and complex scheme has been one of its key successes, welcomed by participants. Administrative complexity is still an issue for participants, however. Better packaging of information and streamlining of application processes for assistance will reduce complexity for them and lower costs to government.

Cancellation rates were also singled out by some stakeholders as an ongoing process issue. As outlined in detail in the body of the report, further improvements to training, more self-selection, the brokerage service, and cutting down the time between exchange and settlement should help to reduce cancellation rates.

Procedural changes to be considered in conjunction with the outcomes of this review have been identified by ACT Department of Treasury in their internal review and are not reproduced in this report. Several of these changes have been incorporated in the 2012 Land Rent Amendment Bill (see below).

## **7.3 Identify any issues with current legislation and recommend any changes considered necessary**

The ACT Land Rent Act 2008 provides the definitions and formulas necessary to effect operation of the Land Rent Scheme. The regulation consists of only the requirement in relation to training.

As with all relatively new legislation, there has been a need for minor amendments to the Act since its commencement. A set of desirable legislative changes were flagged in the internal review of the scheme completed in 2010. In March 2012, an amending Bill (the Land Rent Amendment Bill 2012) was introduced into the ACT Legislative Assembly. Some of the proposed amendments address issues identified in this review, as indicated where appropriate in the body of the report.

This review has not determined whether other legislative changes will be required to execute the strategies summarised in Table 9. Such determinations will depend on more detailed consideration of these strategies by the ACT Government and on subsequent specialist legal advice.

## **7.4 Comment on any other issues of relevance which emerge during the project**

The report has highlighted a range of interconnected strategies that aim to ensure the scheme is responsive to consumer feedback and different stakeholder interests. These are summarised in Table 9. Issues for attention not covered at other terms of reference include the need for enhanced monitoring of participants in the scheme to ensure that changing demand, emerging issues and unintended outcomes are identified, and consideration of a broader marketing and communications strategy to promote the scheme, especially with a view to encouraging more lenders and building community awareness.

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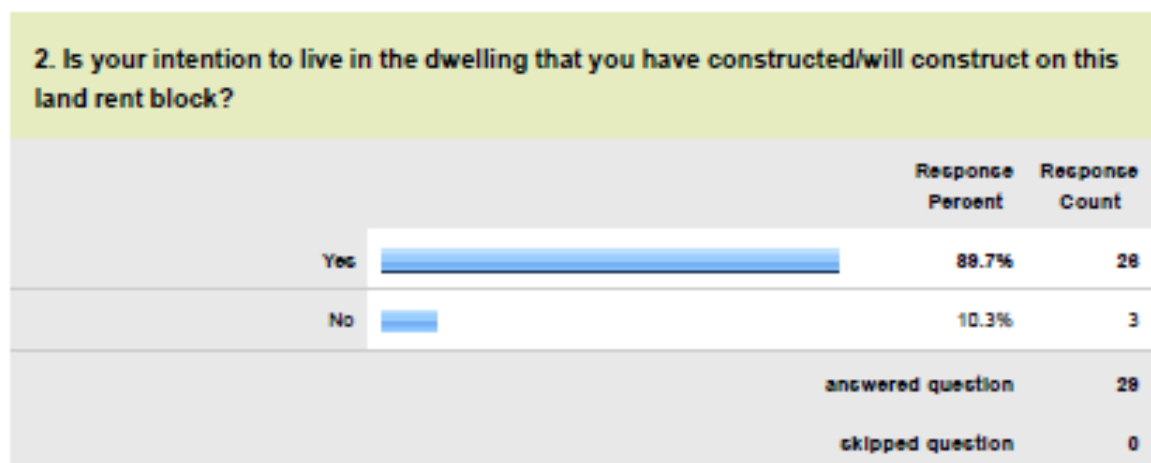
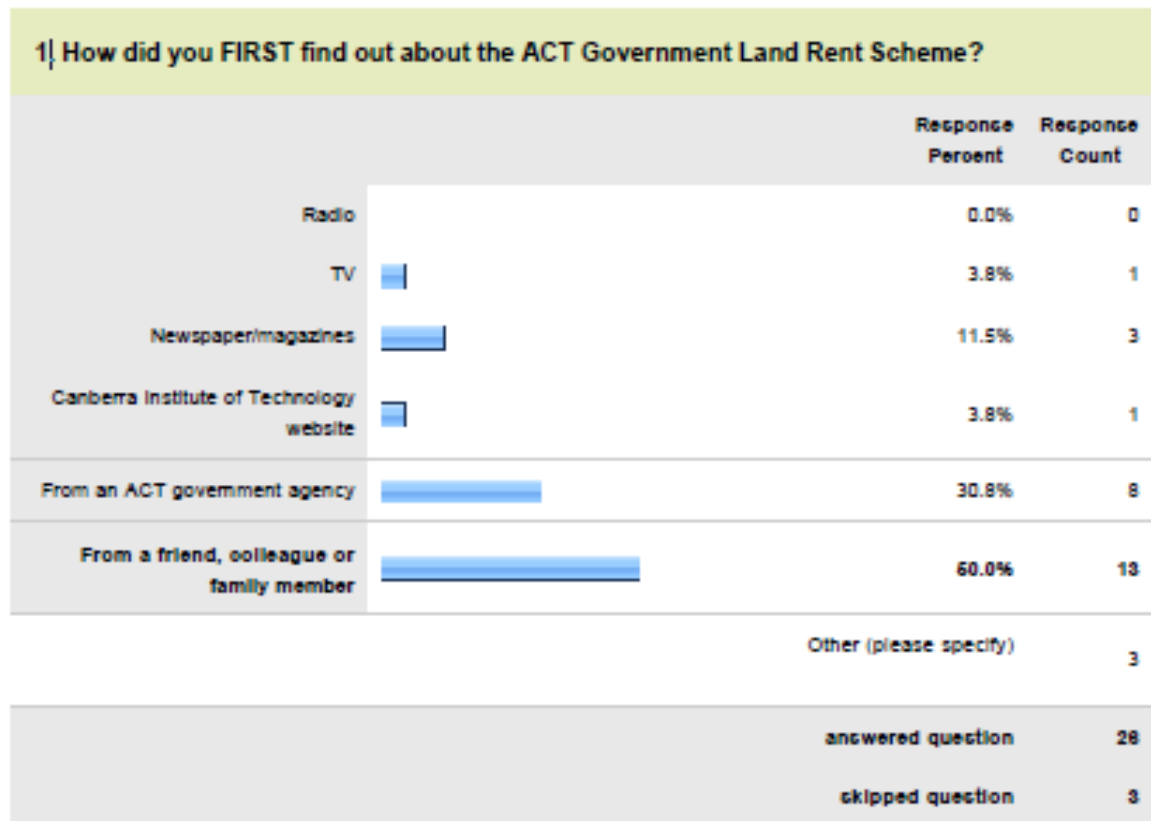
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## APPENDIX 1: DETAILED SURVEY RESPONSES



### 1. Land Rent Paying Group.






### 3. Are you a builder?

		Response Percent	Response Count
Yes		0.0%	0
No		100.0%	4
answered question			4
skipped question			26

### 4. Are you property investor?

		Response Percent	Response Count
Yes		100.0%	3
No		0.0%	0
answered question			3
skipped question			28

### 5. In relation to the ACT Government Land Rent Scheme, can you indicate how far you have got through the process? Pick the option that best describes where you are now in the process.

		Response Percent	Response Count
a. Been approved, exchanged contracts and settled on the land		15.4%	4
b. Been approved, settled on the land and started building a dwelling		34.6%	9
c. Been approved, settled on the land and completed construction of the dwelling		60.0%	13
answered question			28
skipped question			3



### 6. Approximately how much are you planning to spend on your house?

		Response Percent	Response Count
a. \$0-\$149,000		0.0%	0
b. \$150,000-\$199,000		0.0%	0
<b>c. \$200,000-\$249,000</b>		<b>66.8%</b>	<b>6</b>
d. \$250,000 - \$299,000		0.0%	0
e. \$300,000- \$349,000		44.4%	4
f. \$350,000+		0.0%	0
answered question			8
skipped question			20

### 7. Approximately how much did you spend on your new house?

		Response Percent	Response Count
a. \$0-\$149,000		8.3%	1
b. \$150,000-\$199,000		8.3%	1
c. \$200,000-\$249,000		25.0%	3
<b>d. \$260,000 - \$299,000</b>		<b>60.0%</b>	<b>8</b>
e. \$300,000- \$349,000		8.3%	1
f. \$350,000+		0.0%	0
answered question			12
skipped question			17

**8. What is the monthly housing costs (Land Rent payments and Mortgage repayments) the household incurs?**

	Response Count
	10
answered question	10
skipped question	18

**9. How did you fund your land rent house?**

	Response Percent	Response Count
a. I paid for it outright from savings	9.5%	2
b. I borrowed money from family or friends	4.8%	1
c. I borrowed money from a financial institution	86.7%	18
answered question		21
skipped question		8

**10. What was the name of the financial institution that provided finance for your house?**

	Response Count
	18
answered question	18
skipped question	11

### 11. Were you a first home buyer when you accessed the Land Rent Scheme?

		Response Percent	Response Count
a. Yes		80.0%	16
b. No		40.0%	10
		answered question	26
		skipped question	4



### 12. Are you eligible for the discounted Land Rent Scheme rate? (i.e. do you pay 2% rather than 4%)

		Response Percent	Response Count
a. Yes		80.0%	16
b. No		40.0%	10
		answered question	26
		skipped question	4



### 13. Would you have bought your own home without the Land Rent Scheme?

		Response Percent	Response Count
a. No, I couldn't afford it		80.0%	16
b. Yes, but it would have taken much longer to save up		20.0%	5
c. Yes, but not in Canberra		8.0%	2
d. Unsure		12.0%	3
		answered question	26
		skipped question	4


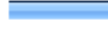



#### 14. Did you use a solicitor or a conveyancer when you leased your block of land?

		Response Percent	Response Count
Yes		80.0%	16
No		40.0%	10
answered question			26
skipped question			4







#### 15. Did you have any problems engaging a solicitor or conveyancer to assist with your land rent transactions?

		Response Percent	Response Count
a. Yes		33.3%	5
b. No		88.7%	10
answered question			16
skipped question			14

#### 16. What is your age range?

		Response Percent	Response Count
a. 18-24		6.7%	1
b. 25-34		26.7%	4
c. 35-44		48.7%	7
d. 45-54		13.3%	2
e. 55-64		6.7%	1
f. 65+		0.0%	0
answered question			16
skipped question			14

#### 17. What is your household type?

		Response Percent	Response Count
a. Lone person		14.3%	2
b. Couple only		7.1%	1
c. Couple with children living at home		67.1%	8
d. One parent family		7.1%	1
e. Multiple families		7.1%	1
f. Sharing with friend/Group household		7.1%	1
g. Other (please specify)			1
answered question			14
skipped question			16

### 18. Prior to your involvement in the Land Rent Scheme, were you:

		Response Percent	Response Count
a. Renting a standard house privately		42.9%	8
b. Renting public or community housing		7.1%	1
c. Renting another form of accommodation (for example, caravan, boarding house)		7.1%	1
d. Living with parents or friends rent-free		14.3%	2
e. Owned a home without a mortgage		0.0%	0
f. Owned a home with a mortgage		28.6%	4
		answered question	14
		skipped question	16

### 19. Is English your first language?

		Response Percent	Response Count
a. Yes		80.0%	8
b. No		40.0%	6
		answered question	16
		skipped question	14

20. Did you move to the ACT to take advantage of the Land Rent scheme?

		Response Percent	Response Count
a. Yes		6.7%	1
b. No		83.3%	14
answered question			16
skipped question			14




21. What is your household's combined annual gross (before tax) household income?

		Response Percent	Response Count
a. \$0 - \$6,000		0.0%	0
b. \$6,001 - \$37,000		6.7%	1
c. \$37,001 - \$80,000		63.3%	8
d. \$80,001 - \$180,000		40.0%	6
e. \$181,000 - \$280,000		0.0%	0
f. \$280,001 + over		0.0%	0
answered question			16
skipped question			14



22. Are you intending to buy the land (convert from land renting to a normal crown lease) at some time in the future?

		Response Percent	Response Count
a. Yes		63.8%	16
b. No		0.0%	0
c. Unsure		46.4%	13
answered question			28
skipped question			1

23. When are you planning to do this? (ie purchase the land)

		Response Percent	Response Count
a. Within 1 year		33.3%	5
b. 1- 6 years		48.7%	7
c. 5-10 years		20.0%	3
d. 10+ years		0.0%	0
e  Unsure		0.0%	0
		answered question	16
		skipped question	14




24. Would a deposit (non-refundable) at the time of reserving a block of, for example, \$1500, have affected your decision to go ahead with the Land Rent Scheme?

		Response Percent	Response Count
a. Yes		40.0%	6
b. No		60.0%	9
		answered question	16
		skipped question	14

25. What was the main reason you were attracted to the ACT Land Rent Scheme?

	Response Count
	28
answered question	28
skipped question	1


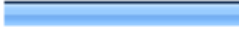


26. Would you recommend the ACT Land Rent Scheme to a relative or friend?

		Response Percent	Response Count
a. Yes		71.4%	20
b. No		7.1%	2
c. Unsure		21.4%	6
answered question			28
skipped question			1

27. Do you have any other comments about the scheme?







	Response Count
	24
answered question	24
skipped question	6


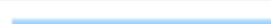


28. How would you rate the effectiveness of the compulsory Canberra Institute of Technology information session the Land Rent Scheme that you attended?

		Response Percent	Response Count
a. Excellent		21.4%	6
b. Good		48.4%	13
c. Average		28.6%	8
d. Poor		3.6%	1
answered question			28
skipped question			1



## 2. Non land rent paying group

1. How did you find out about the ACT Government Land Rent Scheme?			Response Percent	Response Count
Radio			2.0%	3
TV			1.3%	2
Newspapers/magazines			6.0%	9
Canberra Institute of Technology website			0.7%	1
From an ACT government agency			30.0%	45
From a friend, colleague or family member			80.0%	80
		Other (please specify)		17
		answered question		160
		skipped question		14

2. How would you rate the effectiveness of the compulsory Canberra Institute of Technology information session the Land Rent Scheme that you attended?			Response Percent	Response Count
a. Excellent			23.5%	38
b. Good			61.8%	84
c. Average			17.9%	29
d. Poor			6.8%	11
		answered question		182
		skipped question		2

3. Do you have any specific comments or suggestions about the information session?

	Response Count
	69
answered question	88
skipped question	86

4. What was the main reason you were attracted to the ACT Land Rent Scheme?

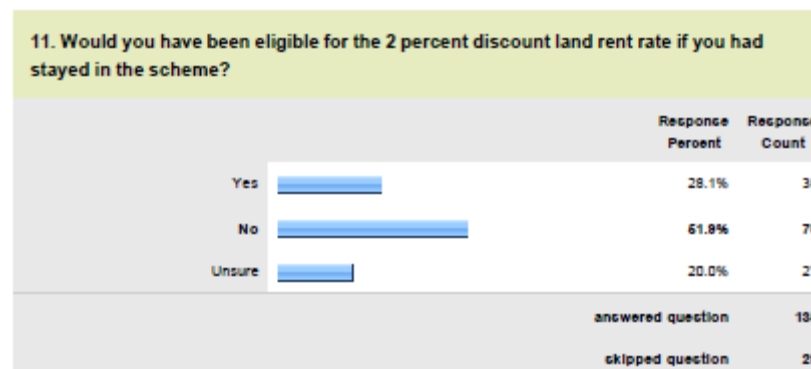
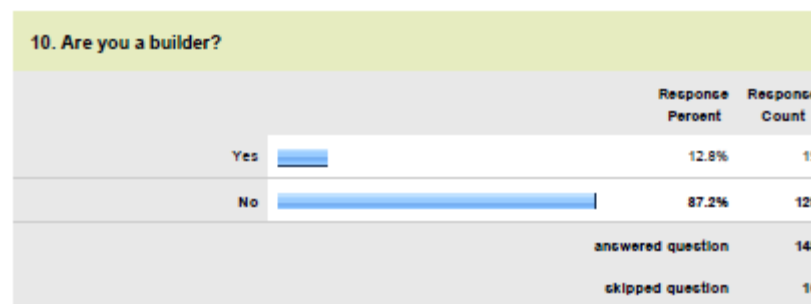
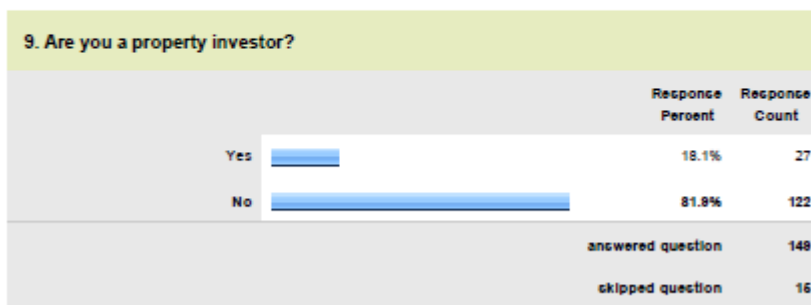
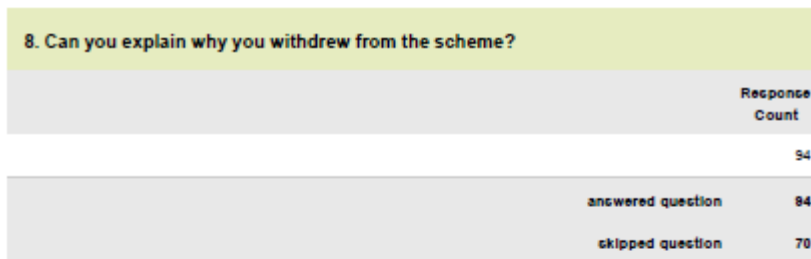
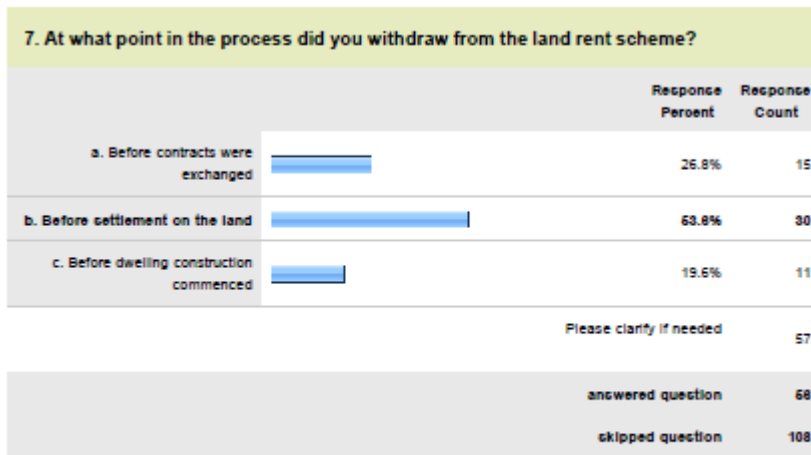
	Response Count
	155
answered question	166
skipped question	8

5. Would you recommend the ACT Land Rent Scheme to a relative or friend?

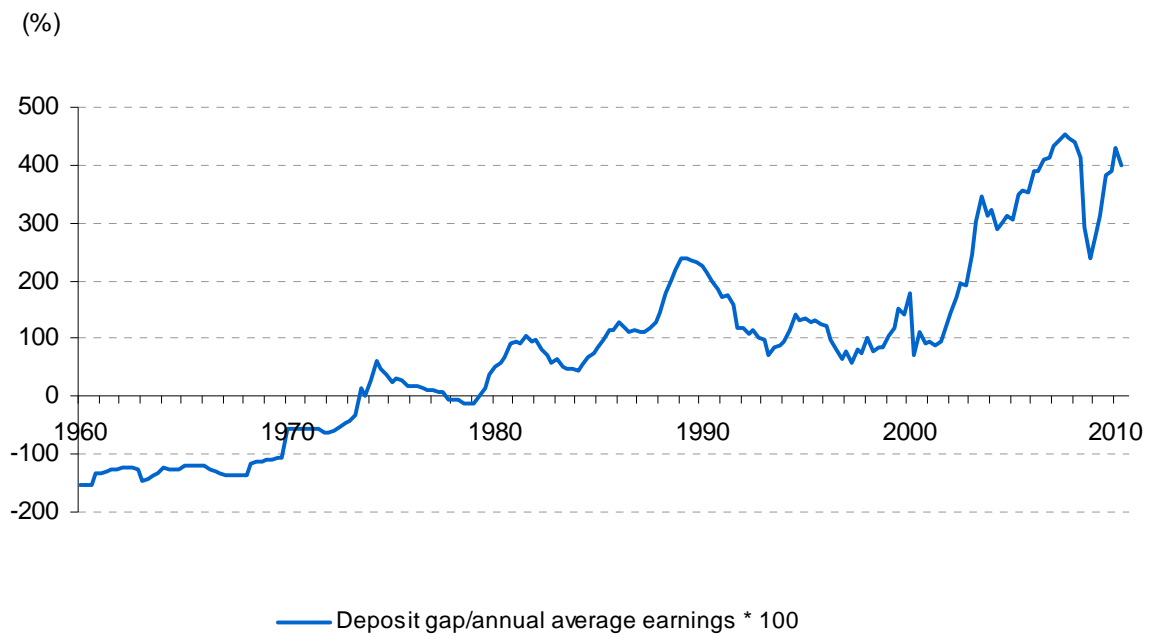
		Response Percent	Response Count
a. Yes		81.6%	128
b. No		7.0%	11
c. Unsure		11.5%	18
	answered question		167
	skipped question		7

6. Do you have any other comments about the scheme?

	Response Count
	92
answered question	82
skipped question	72



## APPENDIX 2: DEPOSIT GAP MEASURE OF HOUSING ACCESSIBILITY, 1975-2010, AUSTRALIA



Source: Yates (2012)