

MEDIA RELEASE**26 June 2020****Residential Land Supply and Development**

Auditor-General, Mr Michael Harris, today presented a report on **Residential Land Supply and Release** to the Speaker for tabling in the ACT Legislative Assembly.

Mr Harris says ‘ACT Government agencies have implemented effective processes for the development of the Indicative Land Release Program’. Most recently the amount of land released has exceeded anticipated demand, with this approach taken as an affordability measure and in order to establish an inventory of land.

In the three years between 2016-17 and 2018-19, the Suburban Land Agency (and its predecessor the Land Development Agency) has released land for up to 12,420 dwellings. While this land has been counted as ‘released’, because it has been offered to the market, it may not necessarily have been sold however. As at May 2020 the Suburban Land Agency had land for 1,549 dwellings available for sale across a range of locations and land for 886 dwellings relating to the former Northbourne Flats (Braddon and Turner) remains unsold after its release in June 2018. The Suburban Land Agency has identified and reported the financial implications of not selling land for residential purposes as expected, namely lower revenues received from lower land sales. Expectations for land sales in 2019-20 are expected to remain subdued, and have latterly been further impacted by the COVID-19 pandemic

A key action of the *ACT Housing Strategy* (2018) is to ‘dedicate at least 15 per cent of the Indicative Land Release Program each year to affordable, community and public housing’. Targets for affordable housing were not met in 2017-18 and 2018-19. Although land has been released for affordable housing purposes, there has been poor take-up of this land to date by the ACT community. This is likely to be a reflection of affordable housing land releases thus far being primarily 1 or 2 bedroom units, while the majority of eligible purchasers are seeking 3 bedroom dwellings and single houses on compact blocks.

The audit report made seven recommendations for improvement, including recommendations aimed at improving the utility and transparency of ACT Land and Property Reports, modelling for the development of the Indicative Land Release Program and the management of the Affordable Home Purchase Program.

The summary of the **Residential Land Supply and Release** audit, with audit conclusions, key findings and nine recommendations are attached to this media release.

Copies of **Residential Land Supply and Release: Report No. 04/2020** are available from the ACT Audit Office’s website www.audit.act.gov.au. If you need assistance accessing the report please phone 6207 0833 or go to 11 Moore Street, Canberra City.

SUMMARY

The *ACT Housing Strategy* (2018) and its associated implementation plan were released in October 2018. The strategy has a ten-year timeframe and ‘provides a roadmap for housing in the ACT for the next decade’. The Indicative Land Release Program is an annual rolling four-year program that accompanies the ACT Budget. The program sets out the Government’s intended land releases including the supply of residential land. The Environment, Planning and Sustainable Development Directorate (EPSDD) is responsible for preparing the program in consultation with other ACT Government Directorates. The Suburban Land Agency and City Renewal Authority deliver the programmed land releases.

The audit considered the effectiveness of the processes for land release and supply for residential purposes in delivering the Government’s housing strategy goals. Specifically, the audit reviewed the processes used to develop the ACT Government’s Indicative Land Release Program and the delivery of the program against agreed targets and timeframes.

Conclusions

GOVERNANCE AND ADMINISTRATIVE ARRANGEMENTS

The Environment, Planning and Sustainable Development Directorate, in conjunction with the Suburban Land Agency and City Renewal Authority, is in the process of implementing improved governance arrangements for the development and delivery of the Indicative Land Release Program. The improved governance arrangements include cross-agency working groups (the ILRP Steering Committee and ILRP Working Group) and policy and procedural guidance.

Since their commencement in July 2019 the ILRP Steering Committee and ILRP Working Group have effectively facilitated improved cross-agency relationships and communication in relation to land supply and release. However, policy and procedural guidance to inform the development and delivery of the Indicative Land Release Program is not yet effective. The majority of policy and procedural guidance remains in draft (despite being developed as early as 2018) and evaluation mechanisms explicitly identified in the draft guidance have not been implemented.

DEVELOPMENT OF THE INDICATIVE LAND RELEASE PROGRAM

ACT Government agencies have implemented effective processes for the development of the Indicative Land Release Program. These processes include modelling of housing demand and supply against different scenarios and cross-agency collaboration and input. The modelling of housing supply can be improved, however, by taking into account actual data on dwellings in the developers’ and builders’ pipelines (as opposed to the use of estimates).

In recent years the Indicative Land Release Program has varied and changed considerably across the years, including the total number of dwellings expected to be provided for by land releases over each four year period as well as specific year’s land releases. This demonstrates the

adaptability of the program to change according to different circumstances and changes to assumptions and inputs to decision-making. Most recently the amount released has exceeded anticipated demand. In advice to Government in relation to the *2019-20 Indicative Land Release Program*, this approach was taken '[as] an affordability measure for both home buyers and renters and to establish an inventory of serviced land'. This directly aligns with and supports some of the ACT Government's key principles for land supply strategy (*Deliver housing diversity and affordable housing choice* and *An inventory of land in the planning, development and building pipeline*).

ACT Land and Property Reports, which are expected to inform the development of the Indicative Land Release Program and inform the community on land supply and development activities, are not effective. While the reports provide some useful information on land and property issues in the ACT, the publication of the reports on an annual basis, more than six months after the quarter to which it relates, diminishes their value. The reports do not provide useful information on forecasts or projections and are not effective in informing the community on contemporaneous issues associated with land release and development in the ACT.

LAND RELEASE ACHIEVEMENTS

In the three years between 2016-17 and 2018-19, the Suburban Land Agency (and its predecessor the Land Development Agency) has released land for up to 12,420 dwellings. The Suburban Land Agency exceeded land release targets in 2016-17 and 2017-18, but did not meet the target in 2018-19. Land has been released for residential dwelling purposes across all of Canberra, thereby contributing to diversity in choice and location for potential buyers, as well as in infill locations, thereby contributing to urban revitalisation and environmental and sustainability objectives. While this land has been counted as 'released', because it has been offered to the market, it may not necessarily have been sold. As at May 2020 the Suburban Land Agency has land for 1,549 dwellings available for sale across a range of locations and land for 886 dwellings relating to the former Northbourne Flats (Braddon and Turner) remains unsold after its release in June 2018. Greater clarity and transparency in reporting of land released but not sold in ACT Land and Property Reports would provide more transparency to the community on ACT Government land supply achievements.

The Suburban Land Agency has identified and reported the financial implications of not selling land for residential purposes as expected, namely lower revenues received from lower land sales. The Suburban Land Agency's *2018-19 Statement of Performance* identified revenue from land sales of \$483.0 million against a target of \$701.0 million (a shortfall of \$218.0 million (31 percent)). Expectations for land sales in 2019-20 are expected to remain subdued, and have latterly been further impacted by the COVID-19 pandemic.

A key action of the *ACT Housing Strategy* (2018) is to 'dedicate at least 15 per cent of the Indicative Land Release Program each year to affordable, community and public housing'. Targets that were set for community housing were substantially exceeded in 2018-19. However, the targets for affordable housing have not been met in 2017-18 and 2018-19 and the target for public housing was not met in 2017-18. This is primarily a reflection of delays to key land releases in the program.

Notwithstanding that land has been released for affordable housing purposes, there has been poor take-up of this land to date by the ACT community. Only 16 of the of the 86 affordable housing dwellings offered to the market so far have proceeded to purchase. This is likely to be a reflection of affordable housing land releases thus far being primarily 1 or 2 bedroom units, while the majority of eligible purchasers are seeking 3 bedroom dwellings and single houses on compact blocks. The supply of affordable housing dwellings through the Affordable Home Purchase Program has not met the market’s preferences.

Key findings

GOVERNANCE AND ADMINISTRATIVE ARRANGEMENTS

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The Environment, Planning and Sustainable Development Directorate has primary responsibility for the development of the Indicative Land Release Program. Its responsibilities are primarily established through *Strategic Objective 1 (Deliver a compact and efficient city)* and *Output Class 4 (Land Strategy and Urban Renewal)* (specifically *Output 4.1 (Land Strategy)*) in its annual budget statements. The Suburban Land Agency and City Renewal Authority have primary responsibility for the delivery of the Indicative Land Release Program in the areas that are within their remit and responsibility. Practical and detailed guidance on agencies’ responsibilities are articulated in policy and procedural guidance including the Environment, Planning and Sustainable Development Directorate’s *Indicative Land Release Program Development Standard Operating Procedure*. Through their roles the agencies are required to work collaboratively in the development and implementation of the Indicative Land Release Program.

2.10

In July 2019 the Director-General of the Environment, Planning and Sustainable Development Directorate initiated the ILRP Steering Committee and ILRP Working Group to take responsibility for the development of the Indicative Land Release Program. These groups comprise representatives from the Directorate, the Suburban Land Agency, City Renewal Authority and Treasury as well as representatives of the Transport Canberra and City Services Directorate for the working group. Terms of reference have been established for the groups and they have generally met in accordance with timeframes established in the terms of reference. The establishment of the groups, which contrasts with earlier governance arrangements for the development of the Indicative Land Release Program, has provided useful cross-agency forums for discussion and collaboration.

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In January 2019 the Environment, Planning and Sustainable Development Directorate prepared a *Land Release and Development Governance Framework*, the purpose of which is to enable the ‘identification of the accountabilities, decision points, deliverables and performance measures at each phase of the land release and development process across government’. The Framework divides land release and development into six phases (Identify, Establish, Plan, Develop, Deliver and

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Evaluate) and for each of these phases has identified: an outcome; performance measures; outputs; a milestone; key stakeholders; and the roles and responsibilities of the three key agencies. By establishing governance principles for the land release and development process the Framework provides rigour.

In June 2018 the Environment, Planning and Sustainable Development Directorate developed the first draft of the *Indicative Land Release Program Development Standard Operating Procedure*. The procedure outlines roles and responsibilities; a description of activities that are involved in the preparation and delivery of the Indicative Land Release Program; strategic guidance and objectives for the development of the program and timeframes for the development of the program. The procedure was reviewed and revised in July 2019 but remains in draft. The development of the procedure is useful in identifying and implementing rigour to the process of developing the program, but its lack of finalisation and endorsement impairs its authority as an overarching policy document for the agencies involved in land release and development.

2.45

The Environment, Planning and Sustainable Development Directorate is in the process of drafting an *Affordable, Community and Public Housing Targets Implementation Policy*, which seeks to 'set out the policy position in relation to implementation of the ACT Government's annual affordable, community and public housing targets (the affordable housing targets)'. The document is intended to include 'attachments with detailed standard operating procedures for the implementation of the affordable, community and public housing targets' and its implementation is intended to be evaluated annually. The policy has not yet been finalised or endorsed and there not been a formal annual evaluation of the effectiveness of the affordable housing targets policy. An *Affordable, Community and Public Housing Targets Implementation Standard Operating Procedure*, which is an attachment to the policy, notes the importance of documentation and record keeping and ascribes responsibility with some specificity, describing records associated with different processes, the specific senior executive responsible for documentation and record-keeping and the method for record-keeping. This is useful in promoting specific responsibility and accountability.

2.56

In December 2018 the Environment, Planning and Sustainable Development Directorate implemented a *Land Due Diligence Standard Operating Procedure*, the purpose of which is to: '[provide] the process for conducting due diligence activities that contribute to the delivery of ACT Government policies and priorities as they relate to land development, urban renewal and sustainability'. The procedure provides further guidance on 'outcome measures' associated with the development of the Indicative Land Release Program, which are ascribed to 'senior staff within relevant teams' and are to be measured through a 'biannual sample review of files within Land Development Projects Team and Urban Projects Team'. The

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Environment, Planning and Sustainable Development Directorate has not yet conducted a review of official files.

DEVELOPMENT OF THE INDICATIVE LAND RELEASE PROGRAM

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The *Indicative Land Release Program Development Standard Operating Procedure* provides detailed information on processes associated with the development of the Program as well as timing of the processes. This includes the development of a Program Development Team, with representation from a variety of agencies and a series of activities that is to occur between October and March. However, a Program Development Team was not convened for the development of the *2020-21 Indicative Land Release Program* because the agencies considered that the ILRP Steering Committee and ILRP Working Group provided sufficient project management and oversight. It is apparent that these groups did provide opportunities for consultation and discussion for the review of the existing published Program and the development of a new draft Program and implicit in the activities of these groups was a review of the existing Program and analysis of underlying housing demand.

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The preparation and finalisation of the *2020-21 Indicative Land Release Program* has been hindered by the COVID-19 pandemic. While a draft program was prepared for consultation in late February 2020 and discussed by agencies throughout March 2020, it was not presented to Cabinet for its consideration in early April 2020 as planned. This was due to significant ACT Government attention being directed towards the Territory's COVID-19 response as well as a recognition of the inherent uncertainty associated with the Territory's *2020-21 Budget* (including the Indicative Land Release Program) and the assumptions underpinning these documents. As at May 2020 the *2020-21 Indicative Land Release Program* has not been considered by Cabinet.

3.12

The *ACT Housing Strategy* (2018) identifies ACT Land and Property Reports as a key component of the strategy itself and the development of the Indicative Land Release Program. A report was prepared for the December 2018 quarter and was made public in May 2019. The previous report was prepared for the December 2017 quarter and prior to this reports were prepared intermittently (at three to six month intervals). Recent reports have been released six months or more after the quarter to which they relate. While the report provides useful information on land and property issues and trends in the ACT, the release of the report on an annual basis, more than six months after the quarter to which it relates, diminishes the value of the report in informing the ACT community on land and property trends in the ACT. There is also little information in the report on forecasts or projections including 'ACT Government housing supply and demand projections', which is a key stated aim of the report. Action 1A.1 identified in the *ACT Housing Strategy* (2018) to 'model and publish ACT Government housing supply and demand projections via the ACT Land and Property report' is not being met.

3.23

A key feature of the ACT Land and Property Reports is data associated with house and unit price trends in the ACT. The December 2018 Land and Property Report states that the median price of a free standing house settled in the ACT in the December 2018 quarter was \$700,000 and that the median price of settled units (including townhouses) was \$439,900. This is described in the report as an increase for houses of 4.5 percent 'from the previous 12 months' and no change in unit prices. However, the December 2017 ACT Land and Property Report describes a median price of a free standing house in the December 2017 quarter as \$705,000 and the median price of settled units (including townhouses) was \$450,000. This would suggest that there was a decrease in the median price of houses of 0.7 percent and a decrease of 2.2 percent for units between December 2017 and December 2018. Given the importance of the ACT Land and Property Report to informing the community of land and property issues in the ACT, there is a need for greater clarity and accuracy in the presentation of information in these reports.

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The ACT Land and Property Reports show the number of dwellings in the planning, developers' and builders' pipelines of the greenfield land supply pipeline. The supply of land through the greenfield land supply pipeline represents the majority of land supplied for residential purposes in the ACT, although the supply of land through the private sector is also sizeable (between 22 and 28 percent). Information on the number of dwellings in the planning, developers' and builders' pipelines is only shown at a point in time in the ACT Land and Property Report. By not showing historical trend information (and future projections) it is difficult to understand current land release plans and expectations in the context of historical experience.

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The ACT Land and Property Reports show the median time between when contracts of sale for Suburban Land Agency blocks are exchanged and when these blocks are settled. Since 2014-15 there has been considerable volatility in this figure, but overall the median time has been trending down. For the first two quarters of 2018-19 the median time between exchange and settlement was two months, but this figure was as high as 21 months in 2014-15. While there are a number of factors that may lead to delays in settlement, a key influence has been an increasing focus by the Suburban Land Agency on releasing land in estates that are more advanced in terms of servicing and infrastructure.

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ACT Land and Property Reports show information on multi-unit development activity, including information on the total number of dwellings in planning and under construction according to multi-unit product type: high-density, medium density and townhouses. The total number of multi-unit dwellings in planning and under construction increased from 16,337 in December 2017 to 20,136 in December 2018 (an increase of 23.3 percent). The bulk of multi-unit development activity relates to high density apartments (73.4 percent of multi-unit dwellings in planning and under construction). More recent advice from Colliers International to the Suburban Land Agency in August 2019 suggests that 'there is a total of 24,287 units

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in the supply pipeline within the Canberra market out to 2024', comprising 7,422 units currently under construction and 16,894 units where 'either Development Applications have been lodged or are in the planning stages'.

The *ACT Housing Strategy* (2018) identified the importance of ACT Land and Property Reports to the strategy itself and the development of the Indicative Land Release Program noting 'the ACT Land and Property Report models supply and demand projections; this research is used to inform the government's four year Indicative Land Release Program'. Preparing and publishing the ACT Land and Property Reports was also expected to be a key means to inform 'an understanding of housing need and demand and [support] collaboration and consultation across government, industry and the wider ACT community'. The ACT Land and Property Reports that have been produced have provided some useful information on: numbers of dwellings in the greenfield land supply pipeline; greenfield land sales, including Suburban Land Agency sales results and price trends; apartment and townhouse construction, including number of dwellings in the supply pipeline, types of development and geographical location of development; and housing market conditions. 3.57

However, ACT Land and Property Reports are not produced as frequently as envisaged, with the last report being produced for the December 2018 quarter. There is no evidence that they have been considered and recognised for the purpose of developing the Indicative Land Release Program; there is no reference to the reports in any documentation associated with the ILRP Steering Committee and ILRP Working Group. The infrequency of their production and the lack of contemporaneous information in the document impairs their ability to effectively inform the development of the annual Indicative Land Release Program. While they have the capability to serve a useful purpose in providing public information on aspects of the ACT Government's land supply and development activities, their intermittent release and the lack of trend data for some information, particularly dwellings in the different pipelines, impair the usefulness of the reports in informing the community. 3.58

To facilitate the development of the Indicative Land Release Program, the Environment, Planning and Sustainable Development Directorate uses a Residential Supply and Demand Model. The model is an excel-spreadsheet workbook that estimates supply and demand for residential land in the ACT. The model comprises a series of worksheets, which account for different assumptions and inputs, i.e. for the purpose of scenario testing. Different worksheets account for, for example, different population growth assumptions, different assumptions for future household size and lower-than-expected completion of multi-unit developments. The model is updated as needed to inform discussions on land release and planning, including as an input to the annual Indicative Land Release Program. The model is effectively used in planning for the annual Indicative Land Release Program. 3.68

However, the model could be improved by using actual figures for dwellings in the developers' and builders' pipelines, rather than a blanket assumption that land released through the Indicative Land Release Program will yield dwellings to the market in two years' time. (Such an assumption is likely to be further challenged due to the COVID-19 pandemic).

As at May 2020, however, it is apparent that many of the assumptions underpinning the model will need to be revisited in light of the COVID-19 pandemic and its impact on future demand for housing in the ACT. Demand for housing is expected to be significantly reduced due to reduced population increases from interstate and overseas migrants to the ACT. The longer that interstate movement and overseas immigration is restricted, the bigger the impact on future housing is likely to be. As at May 2020 the Environment, Planning and Sustainable Development Directorate is in the process of working with other agencies to model these impacts and determine their impact on demand for residential housing.

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The Indicative Land Release Program identifies the total number of dwellings expected to be accommodated by the released land. It does not identify or draw a distinction between land released that is expected to accommodate detached houses or multi-unit developments. For the *2019-20 Indicative Land Release Program* approximately two-thirds of the land to be released is expected to be for multi-unit development purposes. While it is acknowledged that variations may occur to planned releases due to ongoing planning, providing information and advice on the expected breakdown of land releases through the Indicative Land Release Program would provide greater information and transparency on land supply to the ACT market.

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Between 2012-13 and 2019-20 the Indicative Land Release Program has varied significantly across the years. The total number of dwellings expected to be provided for by land releases over each program's four year period, as well as specific years' land releases, have varied over time. This demonstrates the adaptability of the program to change according to different circumstances and changes to assumptions and inputs to decision-making. While there have been variations that have both increased and decreased the amount of land to be released for residential purposes, there has been an overall decline to the program in recent years.

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A review of the development of the *2019-20 Indicative Land Release Program* shows that there were a number of different inputs into decision-making associated with the program, including: economic indicators and housing demand; modelled housing demand; and residential land and housing supply, as indicated by land inventory in the planning, development and building pipelines. The number of dwellings expected to be provided for by the program was reduced from the previous year's program due to a recognition that there was 'a significant inventory of released, serviced land not taken up by the market', which was due to 'a combination of many

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years of accelerated land release as well as the recent slow down in market activity'. Notwithstanding the reduction in the target, more land was released than for which there was an anticipated demand. This approach was taken '[as] an affordability measure for both home buyers and renters and to establish an inventory of serviced land'.

Since 2018-19 the Indicative Land Release Program has identified targets for the release of land for affordable, community and public housing purposes. This is commensurate with a commitment in the *ACT Housing Strategy (2018)* for a target of 'at least 15 per cent of the *Indicative Land Release Program* each year to affordable, community and public housing with implementation from the 2019-20 program onwards'. The *2018-19 Indicative Land Release Program* included land releases for the delivery of 552 residential dwellings for public, community and affordable housing purposes (13.6 percent of the total program) and the *2019-20 Indicative Land Release Program* identified land releases for the delivery of 628 dwellings (18.3 percent of the total program). The allocation of affordable housing across Indicative Land Release Program land releases is identified by a cross-agency Housing Targets Reference Group. There is no policy guidance or criteria to determine which sites will have affordable housing or the numbers of affordable dwellings to be identified for each site, but factors taken into consideration include: concentration of affordable/public housing in the suburb already; public transport availability; building expenses for the site; and 'prime' release and commercial viability.

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LAND RELEASE ACHIEVEMENTS

Paragraph

In the three years between 2016-17 and 2018-19, the Suburban Land Agency (and its predecessor the Land Development Agency) exceeded the Indicative Land Release Program target in 2016-17 and 2017-18, but did not meet the target in 2018-19. The Suburban Land Agency did not meet the target by 856 in 2018-19 (21 percent). Key factors in not achieving the target in 2018-19 related to: a delay in releases of land in Whitlam, which accounted for a reduction in released dwellings of 600; a reduction in yield on Block 1 Section 70 Lyons (the former Strathgordon Court), which accounted for a reduction in released dwellings of 208; and a delay in the release of Block 12 Section 50 Lyneham (the former Macarthur House), which accounted for a reduction in released dwellings of 530. These were offset by an increase in the number of dwellings provided for by land released in Taylor, which accounted for an increase in dwellings of 571.

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The release of Block 12 Section 50 Lyneham (the former Macarthur House) was delayed following the unsuccessful sale of the Northbourne Flats (Braddon and Turner) in 2017-18. The former Macarthur House and the Northbourne Flats (as well as Block 1 Section 70 Lyons, the former Strathgordon Court) were part of the ACT Government's Assets Recycling Initiative. In June 2018 the Suburban Land Agency, on behalf of the City Renewal Authority, issued a request for tender for the sale of

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the Northbourne Flats (Braddon and Turner), which was expected to deliver 886 dwellings. While a preferred tenderer was identified, the sale was unsuccessful as the reserve price was not met. The sale of the former Macarthur House did not proceed as a result. (This site has subsequently been released to market through a tender process in April 2020).

A key action of the *ACT Housing Strategy* (2018) is to ‘release an appropriate supply of land in a mix of greenfield and urban renewal locations’. A review of the location of land released for dwelling purposes for the Indicative Land Release Program between 2015-16 and 2018-19 shows:

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- land has been released for residential dwelling purposes across all of Canberra. This contributes to diversity in choice and location for potential buyers;
- land has been released for residential purposes in infill locations, including the inner north and inner south and other parts of Canberra including Lyons. Land for a total of 6,414 dwellings has been released in these locations (39.3 percent of all releases between 2015-16 and 2018-19). This contributes to urban revitalisation and environmental and sustainability objectives;
- the inner north of Canberra has seen the highest volume of land released, which is part of the Public Housing Renewal Program (refer to paragraphs 4.9 to 4.12). Land for a total of 2,972 residential dwellings has been released through this program in 2016-17 and 2017-18, which accounts for 18.2 of all dwelling releases between 2015-16 and 2018-19; and
- key greenfield development fronts such as Gungahlin and the Molonglo Valley have seen significant releases of land for residential development. Land for a total of 4,067 dwellings has been released in Gungahlin (24.9 percent of all releases between 2015-16 and 2018-19), while land for a total of 3,401 dwellings has been released in the Molonglo Valley (20.8 percent of all releases between 2015-16 and 2018-19).

In the context of the Indicative Land Release Program, land is counted as ‘released’ when it has been offered to the market. This is irrespective of whether it has been sold. As at 14 May 2020 the Suburban Land Agency has land for 1,549 dwellings available for sale including land for mixed use dwellings in Phillip and Belconnen, land for multi-unit dwellings in Taylor and 433 single residential blocks (290 of which are in Taylor). These have been reported as released but remain unsold. Land for 886 dwellings relating to the former Northbourne Flats (Braddon and Turner) was also released in June 2018 but this remains unsold. The release of the site of the former Macarthur House with a further 530 dwellings was stopped in 2018-19 as a consequence (but has since been offered to the market in April through a tender process). As at May 2020 290 detached residential blocks that were released for sale remain unsold in Taylor. Clarity and transparency in the public reporting of the take-

4.19

up of land releases would assist better community understanding of demand for ACT Government Indicative Land Releases.

The Suburban Land Agency has identified and reported the financial implications of not selling land for residential purposes as expected, namely lower revenues received from lower land sales. As part of its *2018-19 Statement of Performance* the Suburban Land Agency reported land revenue of \$483.0 million against a target of \$701.0 million; a shortfall of \$218.0 million (31 percent). The Suburban Land Agency's *2018-19 Annual Report* reported that there were a range of factors leading to lower land sales including 'a slowing housing market in the ACT ... [and that] Outcomes from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, uncertainty leading up to the Federal election; and negative sentiment from other major housing markets in Australia, were all influential factors in a slowing Canberra housing market'.

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A December 2019 quarterly report to the Minister identified continuing challenges for the sale of land in the ACT and noted that full year land sales revenue, as forecast at the end of the quarter, was expected to be significantly less than budgeted. This estimate may be further impacted by the advent of the COVID-19 pandemic in early 2020.

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Since 2017-18 the Suburban Land Agency has reported against an inventory turnover ratio Accountability Indicator in its annual Statement of Performance. Inventory turnover is a function of expenditure on activities associated with the preparation of land to be sold and land sales; the higher the ratio the better it means for performance. In 2017-18 the Suburban Land Agency reported an inventory turnover ratio figure of 24.9 percent against a target of 52.7 percent and in 2018-19 it reported an inventory turnover ratio figure of 33.4 percent against a target of 66.0 percent. The Suburban Land Agency reported that the lower than expected inventory turnover ratio was 'due to sustained land development activities in line with the land release program despite lower sales resulting from a decline in market conditions'. The low inventory turnover ratio figure since 2016-17 demonstrates that the Suburban Land Agency has continued to incur costs associated with the preparation of land to be sold, but this has not been matched by expected sales.

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A key action of the *ACT Housing Strategy* (2018) is to 'maintain a land planning and development pipeline equivalent to four years' demand'. The Environment, Planning and Sustainable Development Directorate monitors the greenfield residential land pipeline and uses this information to prepare ACT Land and Property Reports. As at June 2019 the Directorate identified that there were 19,327 dwellings in the planning pipeline and 12,715 dwellings in developers' pipeline. While there are variations across the different categories, these figures are comparable to other figures previously reported in ACT Land and Property Reports in December 2018 and

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December 2017. This indicates that the greenfield residential land pipeline is being maintained and is stable.

A key action of the *ACT Housing Strategy (2018)* is to 'dedicate at least 15 per cent of the Indicative Land Release Program each year to affordable, community and public housing' and 'set an annual target to increase affordable home purchase opportunities as part of the commitment to dedicate 15% of the indicative land release program to public, community and affordable housing'. While targets set for community housing were substantially exceeded in 2018-19, targets for affordable and public housing were not met in 2017-18 and 2018-19. This is because the release of land for affordable and public housing is closely linked to the delivery of the Indicative Land Release Program. Any delays to the delivery of the program (as seen in 2018-19 with reduced releases for Block 12 Section 50 Lyneham (the former Macarthur House), Whitlam and Strathnairn impact the delivery of affordable and public housing. The targets for the delivery of affordable housing dwellings have not been met with 65 less dwellings being delivered in 2017-18 and 146 in 2018-19 and the targets for the delivery of public housing have not been met with 30 less dwellings being delivered in 2017-18.

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The *Affordable Housing Action Plan (2007)* first established a target for the release of land for affordable housing as part of the Indicative Land Release Program. The initial commitment required 15 per cent of the blocks released each year to target house and land packages within the \$200,000 to \$300,000 price range. The price range was indexed and the target later increased to 20 percent. A March 2016 internal *Review of the ACT Government's Affordable Housing Action Plans from 2007 to 2016* found that 'the rising cost of land ... outstripped increases in general dwelling construction costs and ... the indexing method used did not properly account for this' and 'an expansion of the criteria in 2012 to include smaller high density housing ... has resulted in an increased number of 1 bedroom units and lack of diversity'. The opportunity to purchase affordable house and land packages was not targeted or means-tested.

4.61

Following the *ACT Housing Strategy (2018)* and its commitments to the delivery of land for affordable housing purposes, the Environment, Planning and Sustainable Development Directorate developed the Affordable Home Purchase Program. Eligibility requirements have been established for participation in the program and potential purchasers are required to complete an Application Form and provide various documents as evidence of their eligibility along with certified copies of original documents in some instances. Affordable housing price thresholds have been established, which operate on a tiered model specifying the maximum price which developers can charge for an affordable dwelling according to the area of the living space. Affordable housing price thresholds correspond with income levels for people at 25th percentile, midpoint and 75th percentile of the second income quintile. The Affordable Home Purchase Program is administered through a Register

4.75

of potential purchasers, which is maintained by the Suburban Land Agency. Potential purchasers identify their housing preferences and, if affordable housing is being developed that matches their preferences, the Suburban Land Agency provides their details to the developer. The development of eligibility criteria for the program and the identification of affordable housing price thresholds with reference to the second income quintile means that the program is better targeted. The use of the Register, and the incorporation of affordable housing requirements in project delivery deeds, provides ACT Government agencies with better visibility over the management of the program.

As at March 2020 there are 455 registrations on the Affordable Home Purchase Program Register. Only 16 of the 86 affordable housing dwellings offered to the market so far have proceeded to purchase (applications for some of the dwellings are still being processed). The majority of affordable housing dwellings offered to the market so far have been 2 bedroom units (62 out of 119 dwellings, 52.1 percent) followed by 1 bedroom units (34 out of 119 dwellings, 28.6 percent). As at May 2020 16 affordable housing purchases have proceeded for 86 affordable housing dwellings offered to the market for which there has been an outcome. This is not in accordance with the preferences of potential purchasers, the majority of which (69 percent) prefer 3 bedroom dwellings and single houses on compact blocks. This indicates that there has been a mismatch between the preferences of potential purchasers and the dwellings that have been supplied to the market.

4.82

The Suburban Land Agency has advised that 'the collection of this data will enable the [Suburban Land Agency] to influence product type and location through the management of the Housing Targets and Project Delivery Deeds associated with each relevant land release'. However, the implementation of the Affordable Home Purchase Program comes at an administrative cost to the Suburban Land Agency (associated with the administration of the program) and an opportunity cost to the Territory (associated with not selling land for development purposes at the maximum price the market is willing to pay). Following further testing of potential refinements to the program, such as changing the mix of affordable housing dwellings released to the market, there is a need to review the effectiveness of the program in meeting affordable housing policies and objectives of the Territory.

4.83

Recommendations

RECOMMENDATION 1 POLICY AND PROCEDURAL GUIDANCE

The Environment, Planning and Sustainable Development Directorate should:

- a) finalise and endorse for use draft policy and procedural guidance relating to land release and supply; and
- b) implement review and evaluation processes as described in the draft policy and procedural guidance.

RECOMMENDATION 2 ACT LAND AND PROPERTY REPORTS

The Environment, Planning and Sustainable Development Directorate should improve the utility of the ACT Land and Property Report to the ACT community by:

- a) producing the report on a six monthly-basis, as quickly as possible after the quarter to which it relates;
- b) including historical information and trend data for different parts of the report, including dwellings in the planning, developers' and builders' pipelines; and
- c) including future projections for housing demand and supply.

RECOMMENDATION 3 RESIDENTIAL SUPPLY AND DEMAND MODEL

The Environment, Planning and Sustainable Development Directorate should improve the utility of the Residential Supply and Demand Model by using actual figures of dwellings in the developers' and builders' pipelines to inform the future new housing supply.

RECOMMENDATION 4 INDICATIVE LAND RELEASE PROGRAM DWELLING TYPE

The Environment, Planning and Sustainable Development Directorate should provide greater information and transparency on land supply to the ACT market by identifying the nature of dwellings expected to be yielded through the Indicative Land Release Program, i.e. detached housing or multi-unit developments.

RECOMMENDATION 5 AFFORDABLE HOUSING SITING CRITERIA

The Environment, Planning and Sustainable Development Directorate should develop policy guidance and criteria for the identification and allocation of affordable housing across the Indicative Land Release Program land releases.

RECOMMENDATION 6 ACT LAND AND PROPERTY REPORTS

The Environment, Planning and Sustainable Development Directorate should include reporting in ACT Land and Property Reports of land released (including dwelling yield) through the Indicative Land Release Program that has not been sold.

The Environment, Planning and Sustainable Development Directorate, Suburban Land Agency and City Renewal Authority should:

- a) review and amend the nature and type of affordable housing dwellings offered to the market through the Affordable Home Purchase Program in order to better meet market demand; and
- b) following these changes, plan for an evaluation of the Affordable Home Purchase Program to review the effectiveness of the program in meeting affordable housing policies and objectives of the Territory.

Agency response

In accordance with subsection 18(2) of the *Auditor-General Act 1996*, the Environment, Planning and Sustainable Development Directorate, Suburban Land Agency and City Renewal Authority were provided with:

- a draft proposed report for comment. All comments are considered and required changes reflected in the final proposed report; and
- a final proposed report for further comment.

In accordance with subsection 18(3) of the *Auditor-General Act 1996* the Chief Minister, Treasury and Economic Development Directorate was also provided with a draft proposed report for comment and a final proposed report for further comment.

No comments were provided for inclusion in this Summary chapter.