

ACT AUDITOR-GENERAL'S REPORT
RESIDENTIAL LAND SUPPLY AND RELEASE
REPORT NO.4 / 2020

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PA 19/07

The Speaker
ACT Legislative Assembly
Civic Square, London Circuit
CANBERRA ACT 2601

Dear Madam Speaker

I am pleased to forward to you a Performance Audit Report titled 'Residential Land Supply and Release' for tabling in the Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely



Michael Harris
Auditor-General
26 June 2020

The ACT Audit Office acknowledges the Ngunnawal people as traditional custodians of the ACT and pays respect to the elders; past, present and future. The Office acknowledges and respects their continuing culture and the contribution they make to the life of this city and this region.

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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

Paragraph

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.

2.27

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 Evaluate) and for each of these phases has identified: an outcome; performance measures; outputs; a milestone; key stakeholders; and the roles and responsibilities

2.36

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 Environment, Planning and Sustainable Development Directorate has not yet conducted a review of official files. 2.64

DEVELOPMENT OF THE INDICATIVE LAND RELEASE PROGRAM Paragraph

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 3.11

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.

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. 3.32

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.

3.40

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.

3.43

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 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'.

3.53

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. 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).

3.68

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.

3.69

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

3.76

Program would provide greater information and transparency on land supply to the ACT market.

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.

3.81

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 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'.

3.89

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.

3.103

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

4.11

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.

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 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:

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

4.19

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'.

4.32

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.

4.33

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.

4.34

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

4.43

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 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.

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.

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

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.

RECOMMENDATION 7 AFFORDABLE HOME PURCHASE PROGRAM

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.

1 INTRODUCTION

Land supply and release

1.1 The supply and release of land for development is a key activity of the ACT Government.

Indicative Land Release Program

1.2 The ACT Government plans for, and manages, the supply and release of land through its annual Indicative Land Release Program. The Indicative Land Release Program sets out the Government's intended land releases of residential, mixed use, commercial, industrial, and community and non-urban land for the next four years. It is released in conjunction with the ACT Budget.

1.3 The Environment, Planning and Sustainable Development Directorate's *Indicative Land Release Program Development Standard Operating Procedure* notes:

The ILRP plays a significant role in catering for Canberra's population growth and economic diversity and supporting housing choice for greater diversity and affordability.

1.4 ACT Government principles for the supply of land, as articulated in the Environment, Planning and Sustainable Development Directorate's *Indicative Land Release Program Development Standard Operating Procedure*, are as follows:

- deliver housing diversity and affordable housing choice;
- contribute to the strategic planning for Canberra;
- meet the demand for land in the Territory across all sectors and attract investment to diversify the economy;
- develop an inventory of land in the planning, development and building pipeline;
- develop a competitive land development and construction industry; and
- achieve satisfactory returns to the Territory Budget.

1.5 In addition to the *ACT Planning Strategy (2018)*, the supply and release of land, and the Indicative Land Release Program, is undertaken in the context of a series of ACT Government strategies and plans including:

- the *ACT Housing Strategy (2018)*; and
- the *Affordable Housing Action Plan (2007)*.

- 1.6 The Environment, Planning and Sustainable Development Directorate's *Indicative Land Release Program Development Standard Operating Procedure* notes the importance of land for the achievement of a range of possible government priorities and outcomes:

Canberra is growing and changing with the vision to be a sustainable, competitive and equitable city as set out in the ACT Planning Strategy 2018. The ACT Government is in the unique position of being able to plan how the city will grow and change as well as managing a supply of land to influence growth and change and, in doing so, deliver on Government policies and priorities.

Affordable housing strategies and plans

ACT Housing Strategy (2018)

- 1.7 The *ACT Housing Strategy* was released in October 2018. The strategy 'provides a roadmap for housing in the ACT for the next decade'. The *ACT Housing Strategy (2018)* states:

In recognition of the unique and complex challenges that exist in the ACT housing market, the strategy puts in place policy interventions to meet the Territory's diverse and changing needs now and into the future; most importantly, it includes a sustainable supply of housing for households at all income levels.

- 1.8 The *ACT Housing Strategy (2018)* further states that a key purpose is to provide an equitable approach to housing for all Canberrans:

The strategy provides a framework for government and the community to address the multiple factors that influence the supply and demand of housing. The strategy considers the levers that can be used to influence the delivery of housing, outlines actions that will provide an equitable approach to housing for all Canberrans now and in the future, and highlights matters for continued monitoring.

- 1.9 The *ACT Housing Strategy (2018)* acknowledges its linkage with the previous *Affordable Housing Action Plan (2007)*:

This first dedicated housing strategy builds on the actions and outcomes of the 2007 Affordable Housing Action Plan (the AHAP) which included elements of a housing strategy.

Vision and purpose of the ACT Housing Strategy

- 1.10 The *ACT Housing Strategy (2018)* states:

The strategy builds on the considerable achievements of the 2007 Affordable Housing Action Plan, what the ACT Government heard through its conversation with the ACT community in 2017, including the Housing and Homelessness Summit, an analysis of the issues by housing industry and community leaders, and research and analysis relevant to the housing sector.

- 1.11 The *ACT Housing Strategy (2018)* states that it:

- establishes an overarching housing vision and sets the course for ACT housing and homelessness policy over the next 10 years;
- responds to Territory-specific housing challenges and community needs;

- articulates the ACT Government's role in the housing sector;
- centralises all existing housing policies, objectives and priorities into a single integrated strategy;
- identifies further strategic work, projects and actions that will contribute to the achievement of the vision; and
- delivers on the 2016 Labor election commitment and the Parliamentary Agreement for the 9th Legislative Assembly.

1.12 The vision of the *ACT Housing Strategy (2018)* is to 'encourage and promote a housing market that meets the diverse and changing needs of the Canberra community, and enables a sustainable supply of housing for individuals and families at all income levels'. The vision is supported by five strategy goals each with a set of strategy objectives.

Strategy Goals and Strategy Objectives

1.13 The five Strategy Goals identified in the *ACT Housing Strategy (2018)* are:

- An equitable, diverse and sustainable supply of housing for the ACT community;
- Reducing homelessness;
- Strengthening social housing and assistance;
- Increasing affordable rental housing; and
- Increasing affordable home ownership.

1.14 For each of the Strategy Goals there are Strategy Objectives. There are between two and six Strategy Objectives for each Strategy Goal. Figure 1-1 shows the *ACT Housing Strategy (2018)* Strategy Goals and Strategy Objectives.

Figure 1-1 ACT Housing Strategy Goals and Strategy Objectives

STRATEGY GOALS				
1	2	3	4	5
AN EQUITABLE, DIVERSE AND SUSTAINABLE SUPPLY OF HOUSING FOR THE ACT COMMUNITY	REDUCING HOMELESSNESS	STRENGTHENING SOCIAL HOUSING ASSISTANCE	INCREASING AFFORDABLE RENTAL HOUSING	INCREASING AFFORDABLE HOME OWNERSHIP
STRATEGY OBJECTIVES				
<p>Provide land and housing development opportunities to meet demand.</p> <p>Set a 15% target for social and affordable housing.</p> <p>Maintain a healthy land and housing development pipeline.</p> <p>Provide a diverse mix of housing types and choice.</p> <p>Facilitate innovative design and delivery mechanisms.</p> <p>Encourage well designed, environmentally sustainable and accessible housing.</p>	<p>Build strong ACT Government and community sector partnerships to effectively address homelessness in the ACT.</p> <p>Intervene early and reduce the intergenerational impacts of homelessness.</p> <p>Address gaps in our services system and respond to new and emerging groups vulnerable to homelessness.</p> <p>Improve pathways out of homelessness.</p> <p>Develop a strong and sustainable homelessness services sector supported to enhance workforce and organisational capability.</p> <p>Establish an integrated and coordinated human services system across the ACT Government.</p>	<p>Grow and renew social housing to better meet demand.</p> <p>Build a range of housing options that are designed to better meet the diverse and contemporary tenant needs.</p> <p>Develop a tenancy service that focuses on client outcomes and responds to individual needs.</p> <p>Provide a better customer experience through a modern and digital service platform for current and future tenants.</p>	<p>Grow and diversify the community housing sector.</p> <p>Grow the supply of affordable private rental properties.</p> <p>Strengthen rights and protections for tenants.</p> <p>Provide targeted advice and support to tenants and landlords.</p> <p>Target programs to increase supply of affordable housing for vulnerable and disadvantaged households.</p>	<p>Provide more affordable homes for purchase.</p> <p>Increase home ownership through alternative finance and occupancy models.</p>

Source: ACT Housing Strategy (2018), p.5.

ACT Housing Implementation Plan

- 1.15 In addition to the strategy document, an *ACT Housing Strategy Implementation Plan* was also released in October 2018. The implementation plan outlines the actions to deliver on the goals and objectives of the *ACT Housing Strategy (2018)*.
- 1.16 The *ACT Housing Strategy (2018)* states ‘while the strategy has a 10-year timeframe, the associated implementation plan outlines immediate and short-term actions, with defined outcomes and indicators to measure progress’. Specifically, the implementation plan sets

out 74 actions each with a timeframe for delivery, designating the directorate or agency with responsibility and an outcome/indicator of success.

- 1.17 The *ACT Housing Strategy (2018)* acknowledges the role of the *ACT Housing Strategy Implementation Plan* and how it is intended to be monitored and reviewed:

The implementation plan contains the actions to deliver on the goals and objectives of the ACT Housing Strategy. The implementation plan will be monitored, reviewed and updated annually.

Goal 1 – supply of housing for the ACT community

- 1.18 The focus of the audit was Goal 1 of the *ACT Housing Strategy (2018)* ‘An equitable, diverse and sustainable supply of housing for the ACT community’.

- 1.19 The *ACT Housing Strategy (2018)* notes:

Providing an equitable, diverse and sustainable supply of housing for households at all income levels is a fundamental pillar of the strategy. Across all stakeholders, community groups and industry professionals who were consulted during the development of the ACT Housing Strategy, it was clear that housing pressure and stress points could be alleviated through a better supply of the right type of housing, in the right locations.

Goal 1 sets the platform for improving the supply, choice and affordability of housing for all ACT residents; however, it is not without its challenges.

- 1.20 Specifically, of the six objectives of Goal 1, the audit focussed on:

- Objective 1A: Provide land and housing development opportunities to meet demand;
- Objective 1B: Set a 15% target for social and affordable housing; and
- Objective 1C: Maintain a healthy land and housing development pipeline.

Affordable Housing Action Plan

- 1.21 The *ACT Housing Strategy (2018)* was preceded by the *Affordable Housing Action Plan*. There have been three phases to the *Affordable Housing Action Plan* since its initial release in 2007.

Affordable Housing Action Plan – Phase 1

- 1.22 In August 2006, the Chief Minister announced the establishment of the Affordable Housing Steering Group ‘to advise the Government on initiatives to increase the supply of affordable housing in the ACT’. The Steering Group was chaired by the Chief Minister’s Department, with participation from the ACT Department of Treasury, and the Department of Disability, Housing and Community Services. In March 2007 the *Report of the Affordable Housing Steering Group* was released and the ACT Government agreed to all recommendations of the report.

- 1.23 In April 2007 the ACT Government released the *Affordable Housing Action Plan*. The *Affordable Housing Action Plan* aimed to ‘support the supply of affordable housing and to

ensure that all individuals, irrespective of circumstances, are able to access accommodation suitable to their needs'. The *Affordable Housing Action Plan (2007)* was announced as a 'far-reaching, innovative and comprehensive plan that provides options and solutions for those seeking to buy a home, for those renting in the private market, for those who use public and community housing and for those who require emergency accommodation'.

1.24 The *Affordable Housing Action Plan (2007)* identified 63 different initiatives to address housing affordability at different stages of the housing continuum, namely:

- Home Ownership;
- Private Rental;
- Community and Not For Profit Housing;
- Public Housing; and
- Supported Accommodation, including Emergency Housing.

Affordable Housing Action Plan – Phase 2 and Phase 3

1.25 Phase 2 of the *Affordable Housing Action Plan* was released in 2009. It followed the reconvening of the Affordable Housing Steering Group 'to advise the Government on options to increase the supply of affordable housing for older Canberrans and further initiatives to address homelessness'. A further 21 initiatives were added to the *Affordable Housing Action Plan* as part of Phase 2.

1.26 In June 2012 Phase 3 of the *Affordable Housing Action Plan* was released. A further 14 initiatives were added to the *Affordable Housing Action Plan* as part of Phase 3.

Land Supply initiatives

1.27 Relevant *Affordable Housing Action Plan* initiatives relating to land supply were outlined in Phase 1. These are outlined in Table 1-1.

Table 1-1 Affordable Housing Action Plan initiatives relating to land supply

Initiatives
Adopt the principles of the land Supply Strategy 2006-07 to 2010-11 as the foundation for addressing housing affordability
Supplement the land release targets in the Land Supply Strategy by initiatives relating to community housing and institutional investment in rental accommodation
Introduce over-the-counter sales of land at a range of block sizes and prices, with particular emphasis on the release of land that provides for dwellings in the price range of \$219,000 to \$328,000. Transitional arrangements should apply in the short term, but be in place for no more than 6 months
Establish quarterly targets for over-the-counter sales, and implement monitoring systems to ensure performance against those targets
To limit speculation in the land market, announce a program of regular englobo land releases, targeting two land sales annually with at least one third released by this means

Urgently review the need for trunk infrastructure to meet land supply, community housing and private land release needs and ensure budget funding is provided to meet these needs
Benchmark land development costs every two years through independent analysis
Develop more robust mechanisms for calculating and monitoring the developers' and builders' pipeline and distinguish between the Greenfields and redevelopment pipelines
In addition to the planning pipeline, adopt a four year builders' and developers' pipeline (one year builders' and three year developers') maintaining inventory on the shelf at each stage of the pipeline to improve responsiveness
Add an additional inventory to the pipeline of approved Estate Development Plans (EDPs) accounting for 8 to 12 months of current demand
Progress with implementation and status of the pipeline to be reported twice a year
Review the practices, processes and delegations associated with land supply (including direct sale). This review should cover the financing, planning, land release and development approval aspects of land supply
Incorporate principles from the Land Release Strategy and Affordable Housing Steering Group report into the Statements of Intent for both ACTPLA and Land Development Agency. In particular, key activities for 2007-08 to 2010-11 should include clear, quantitative measures for delivering affordable housing outcomes
Incorporate into the work plans of other agencies relevant elements of the land release Strategy and the Affordable Housing Steering Group Report

Source: *Affordable Housing Action Plan 2007, ACT Government*

- 1.28 Elements of the *Affordable Housing Action Plan* initiatives relating to land supply have continued under the *ACT Housing Strategy* (2018).

Roles and responsibilities

Environment Planning and Sustainable Development Directorate

- 1.29 According to the Environment, Planning and Sustainable Development Directorate's *2019-20 Budget Statement*:

The Environment, Planning and Sustainable Development Directorate (the Directorate) promotes the orderly growth of our city, strengthens the Territory's response to climate change, provides an integrated planning and land use system that contributes to the sustainable development and future of the ACT and manages the Territory's parks and reserves.

- 1.30 The Environment, Planning and Sustainable Development Directorate has key policy and planning responsibility for the supply and release of residential land in the ACT. The directorate is responsible for the coordination of the implementation of the *ACT Housing Strategy* (2018) as well as the implementation of a large number of the specific actions.
- 1.31 The Planning Land and Building Group, within the Environment, Planning and Sustainable Development Directorate, is responsible for strategic planning including integrated transport and land use planning and policy, master plans, greenfields planning, and the implementation of key planning documents.

Suburban Land Agency

1.32 The Suburban Land Agency is a statutory authority established under the *City Renewal Authority and Suburban Land Agency Act 2017*. The Suburban Land Agency is responsible for delivering the ACT Government's suburban development program, including urban renewal in established town centres and suburbs. This comprises releases for residential, commercial, industrial, mixed use and community purposes.

1.33 The functions of the Suburban Land Agency include:

- encouraging and promoting:
 - inclusive communities by delivering people-focused neighborhoods;
 - suburban development and urban renewal (other than in the City Renewal Precinct);
 - growth and diversification of the Territory's economy; and
- operating effectively to deliver value for money using sound risk management practices.

1.34 The Suburban Land Agency *Statement of Intent 2018* states that 'in balancing public sector and commercial priorities, the Agency will grow and maintain good relationships with the private sector and across the ACT Government'.

City Renewal Authority

1.35 The City Renewal Authority was established under the *City Renewal Authority and Suburban Land Agency Act 2017*. Its functions include:

- encouraging and promoting:
 - a vibrant city through the delivery of design-led, people-focussed urban renewal;
 - social and environmental sustainability; and
- operating effectively, in a way that delivers value for money, in accordance with sound risk management practices.

1.36 The City Renewal Authority's precinct covers parts of Dickson, Northbourne Avenue, Haig Park, the City and West Basin.¹ The City Renewal Authority has stated its vision as:

Our precinct will be the vital heart of a dynamic and internationally competitive city, cherished by its people.

¹ The precinct is defined in *City Renewal Authority and Suburban Land Agency (Urban Renewal Precinct) Declaration 2017* Notifiable instrument NI2017-425.

Audit objective and scope

Audit objective

1.37 The objective of the audit is to provide an independent opinion to the Legislative Assembly on the effectiveness of ACT Government agencies' processes for land release and development for residential purposes.

Audit scope

1.38 The scope of the audit included consideration of:

- ACT Government agencies' processes for the development of the annual residential *Indicative Land Release Program*. This included consideration of research, modelling and consultation undertaken by the Environment, Planning and Sustainable Development Directorate and other agencies to develop residential *Indicative Land Release Programs* that align with, and support, ACT Government objectives and priorities; and
- the delivery by ACT Government agencies, including the Suburban Land Agency and the City Renewal Authority, of the residential *Indicative Land Release Program* against agreed targets and timeframes.

1.39 ACT Government objectives and priorities were identified with reference to:

- relevant legislation;
- the ACT Housing Strategy and its predecessor, the Affordable Housing Action Plan;
- statements of expectations and intent; and
- other relevant ACT Government policy statements.

1.40 The audit referenced Strategy Goal 1 (An Equitable, Diverse and Sustainable Supply of Housing for the ACT Community) of the *ACT Housing Strategy* (2018) and its associated actions and the actions in the *Affordable Housing Action Plan* (the predecessor of the *ACT Housing Strategy*). Specially, of the six objectives of Goal 1, the audit focused on:

- Objective 1A: Provide land and housing development opportunities to meet demand;
- Objective 1B: Set a 15% target for social and affordable housing; and
- Objective 1C: Maintain a healthy land and housing development pipeline.

1.41 The audit focussed on the development and delivery of the Indicative Land Release Programs since 2015-16.

Audit criteria, approach and method

Audit criteria

- 1.42 To form a conclusion against the objective, the following criteria were used:
- Do ACT Government agencies have effective processes for the development of the annual residential Indicative Land Release Program, which ensure consistency and alignment with ACT Government priorities and objectives?
 - Have ACT Government agencies effectively delivered the residential Indicative Land Release Program, including agreed targets and timeframes, in accordance with ACT Government objectives and priorities?

Audit approach and method

- 1.43 The audit approach and method consisted of:
- identifying and reviewing relevant planning documentation (including risk management) for the development of the indicative land release program, including related policies and procedures and relevant reports;
 - identifying and documenting procedures used to give effect to relevant governance arrangements and the associated monitoring and reporting of the land release and development arrangements to determine their relevance and reliability for decision making;
 - identifying and documenting procedures used to give effect to relevant governance arrangements and the associated monitoring and reporting of the affordable housing elements of the ACT Housing Strategy to determine their appropriateness for monitoring and reporting;
 - reviewing relevant literature, and work undertaken on this subject by other jurisdictions;
 - interviews and discussion with key staff and other stakeholders as identified; and
 - an engagement quality control review.
- 1.44 The audit was performed in accordance with *ASAE 3500 – Performance Engagements*. The audit adopted the policy and practice statements outlined in the Audit Office's *Performance Audit Methods and Practices (PAMPr)* which is designed to comply with the requirements of the *Auditor-General Act 1996* and *ASAE 3500 – Performance Engagements*
- 1.45 In the conduct of this performance audit the ACT Audit Office complied with the independence and other relevant ethical requirements related to assurance engagements.

Disclosure of deliberative information

1.46 Section 20 of the *Auditor-General Act 1996* (the Act) relates to the disclosure of ‘deliberative information’ in Audit Office reports. Section 20 of the Act provides that the Auditor-General may only include ‘deliberative information’ in a report:

- if the Auditor-General considers that it is in the ‘public interest’ to do so; and
- after consulting with the Chief Minister.

1.47 ‘Deliberative information’ is defined in the Act as ‘information that discloses a deliberation or decision of the Executive’.

Report references to Cabinet material

1.48 This report includes references to Cabinet material. The material is included to provide information on the advice provided to the Budget Committee of Cabinet with regards to the development of the *2019-20 Indicative Land Release Program*.

Reasons why the Audit Office considers that the inclusion of Cabinet material in the report is in the public interest

1.49 Cabinet documentation used to support the findings and conclusions of this audit has been referenced and sometimes quoted. This was done in the public interest because documentation represents the only evidence, or the most reliable and accurate evidence, available to the Audit Office.

Consultation with the Chief Minister

1.50 The Chief Minister was consulted regarding information to be included in the report. On 10 June 2020 the Chief Minister was provided with extracts of the draft proposed report that referenced Cabinet material. The Chief Minister advised:

Noting the primacy of Cabinet documents in establishing the Government’s policy in relation to the 2019-20 Indicative Land Release Program I have no specific comments on the release of the Cabinet material identified.

2 GOVERNANCE AND ADMINISTRATIVE ARRANGEMENTS

- 2.1 This chapter considers governance and administrative arrangements in place to support the development of the Indicative Land Release Program. It focuses on roles and responsibilities for the development of the program, key governance groups that have been established to facilitate inter-agency cooperation on the development of the program and policy and procedural guidance that has been developed to guide agencies involved in the development of the program.

Summary

Conclusions

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.

Key findings

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.

Paragraph

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.

2.27

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 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.

2.36

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

2.56

documentation and record-keeping and the method for record-keeping. This is useful in promoting specific responsibility and accountability.

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 Environment, Planning and Sustainable Development Directorate has not yet conducted a review of official files. 2.64

Roles and responsibilities

Directorate and agency responsibilities for the Indicative Land Release Program

Environment Planning and Sustainable Development Directorate

2.2 *Strategic Objective 1 (Deliver a compact and efficient city)* in the Environment, Planning and Sustainable Development Directorate's *2019-20 Budget Statement* states that the directorate is responsible for a range of activities including to '[d]evelop and monitor delivery of the Indicative Land Release Program, including undertaking necessary due diligence activities'. The Environment, Planning and Sustainable Development Directorate's responsibilities for the development of the Indicative Land Release Program are provided for by virtue of *Output Class 4 (Land Strategy and Urban Renewal)* and *Output 4.1 (Land Strategy)* through which the directorate seeks to:

Provide strategic, policy and planning direction and support, including preparation of the four-year Indicative Land Release Program (ILRP). The ILRP sets out the Government's intended program for land release and seeks to facilitate housing diversity, provide affordable housing, stimulate economic activity, and meet the demand for land in the Territory and support a competitive land development and construction market. An element of this includes undertaking due diligence for land that contributes to the ILRP.

2.3 By virtue of *Output 4.2 (Urban Renewal)* under *Output Class 4 (Land Strategy and Urban Renewal)*, the Environment, Planning and Sustainable Development Directorate also has responsibilities with respect to urban renewal:

Urban Renewal delivers projects that involve multiple policy outcomes. This work includes the identification of key precincts and individual projects, prioritisation of projects based on community need, undertaking feasibility studies and due diligence, and project delivery including demolition and minor works. This work seeks to integrate urban renewal opportunities across Government around defined urban renewal precincts, including within town and group centres and within pockets of established suburbs, such as local centres.

- 2.4 The Environment, Planning and Sustainable Development Directorate's role in planning and monitoring the Indicative Land Release Program is practically articulated in the Directorate's *Indicative Land Release Program Development Standard Operating Procedure*:

Responsibility for the development of the ACT Government ILRP sits with the Directorate, specifically the Planning, Land and Building Group, Land Economics, Land Strategy and Policy section.

The Directorate is also responsible for undertaking due diligence on sites prior to inclusion on the ILRP. This is undertaken in Development Projects within the Planning, Land and Building Group.

Suburban Land Agency and City Renewal Authority

Suburban Land Agency

- 2.5 Section 39 of the *City Renewal Authority and Suburban Land Agency Act 2017* establishes the functions of the Suburban Land Agency. These include activities to:

- (a) to buy and sell leases of land on behalf of the Territory; and
- (b) to ensure a mixture of public and private housing in new suburbs; and
- (c) to increase the supply of affordable and community housing; and
- (d) to meet housing targets determined under section 65 (Affordable, community and public housing targets) ...

City Renewal Authority

- 2.6 Section 9 of the *City Renewal Authority and Suburban Land Agency Act 2017* establishes the functions of the City Renewal Authority. These include activities to:

- (a) carry out urban renewal; and
- (b) buy and sell leases of land on behalf of the Territory; and
- ...
- (e) manage orderly urban renewal, including holding, managing and selling land and other property; and
- ...
- (h) meet housing targets determined under section 65 (Affordable, community and public housing targets) ...

- 2.7 According to the Environment, Planning and Sustainable Development Directorate's *Indicative Land Release Program Development Standard Operating Procedure*:

The *City Renewal Authority and Suburban Land Agency Act 2017* established the two organisations as land delivery entities for, respectively, urban renewal in the defined City Renewal Precinct and for delivering greenfield development and encouraging and promoting urban infill development outside the defined City Renewal Precinct.

- 2.8 In practice, the Suburban Land Agency and City Renewal Authority have primary responsibility for the delivery of the Indicative Land Release Program. The City Renewal Authority has a very well-defined geographic area of responsibility that is the Urban

Renewal Precinct which includes Dickson, Northbourne Avenue, Haig Park, Civic and the West Basin.

- 2.9 Table 2-1, which is extracted from the Environment, Planning and Sustainable Development Directorate's *Indicative Land Release Program Development Standard Operating Procedure*, outlines roles and practical responsibilities for the development of the Indicative Land Release Program across relevant ACT Government agencies.

Table 2-1 Roles and responsibilities for the Indicative Land Release Program

Business Area	Responsibility
Environment, Planning and Sustainable Development Directorate - Land Economics, Strategy and Policy	For strategic advice of land supply strategy primarily through: <ul style="list-style-type: none"> - Preparing, gaining agreement and publishing the Government's four-year ILRP (policy) to accompany the ACT Budget - Undertaking annual review and mid-year review of the ILRP according to Budget and Treasury timelines - Monitoring delivery and reporting land release outcomes against published targets - Maintaining records of land release outcomes - Modelling demand and monitoring supply across all sectors of current and future land supply across the ACT and region.
Environment, Planning and Sustainable Development Directorate - Development Projects, Planning Land and Building Group	For undertaking and coordinating due diligence and construction activities including site servicing for greenfield sites being managed with and outside the Directorate. The main objective of undertaking due diligence demolition and site servicing is to de-risk sites so that Government release, financial and policy objectives are met.
Environment, Planning and Sustainable Development Directorate - Urban Projects, Urban Renewal Group	For undertaking and coordinating due diligence and construction activities including site servicing for urban renewal and urban infill sites being managed with and outside the Directorate. The main objective of undertaking due diligence demolition and site servicing is to de-risk sites so that Government release, financial and policy objectives are met.
Environment, Planning and Sustainable Development Directorate - Housing Policy Team (Planning, Land and Building Division)	For implementation of the ACT Housing Strategy, affordable housing policy, secretariat of the Housing Targets Reference Group and setting the annual housing targets.
SLA	Delivering the Government's agreed indicative land release program on greenfield and urban renewal sites (outside the City Renewal Precinct).
CRA	Delivering the Government's agreed indicative land release program within the City Renewal Precinct.

Source: *Indicative Land Release Program Development Standard Operating Procedure*

- 2.10 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.

Collaborative groups

- 2.11 According to the Environment, Planning and Sustainable Development Directorate's *Indicative Land Release Program Development Standard Operating Procedure* on 5 July 2019 the Director-General 'initiated the establishment of a Steering Committee (and Working Group) to have responsibility for oversight of the Government's indicative land release program in terms of developing the program, considering any changes (noting these are subject to Ministerial agreement per Cabinet agreed approach), delivery of the program and overall monitoring'.

ILRP Steering Committee

- 2.12 According to the Environment, Planning and Sustainable Development Directorate's *Indicative Land Release Program Development Standard Operating Procedure*:

The Steering Committee will function to provide direction and decisions relating to:

- discussions and preparation of briefing material by the working group for consideration and decision by the Steering Committee on matters relating to land supply policy, land release strategy, due diligence, costs, revenue and risks relating to the program and housing targets
- development of the indicative land release program
- business cases related to land release
- proposals for mid- year review of the program of release and revenue targets
- changes to the program of release, housing targets for Minister(s) decision

- 2.13 The ILRP Steering Committee is chaired by the Deputy-Director General, Land Strategy and Environment of the Environment, Planning and Sustainable Development Directorate and membership of the committee is comprised of specific executive representatives of the directorate, Suburban Land Agency, City Renewal Authority and the Treasury. Meetings are expected to take place every six to eight weeks.

- 2.14 The ILRP Steering Committee first met in August 2019. It has met as a committee four times since then, and also met for the purpose of a workshop on 5 December 2019 'with the goal of reaching a shared view on the purpose, strategic and policy imperatives to be managed and/or balanced through the land release process'. Attendance at the meetings by the

nominated membership is not consistent; some members have attended consistently and others have not.

- 2.15 The ILRP Steering Committee's discussions have focused on policy associated with the development of the Indicative Land Release Program. A focus of the Committee, which was the primary purpose of the workshop in December, was the preparation of a brief to be provided to Cabinet in December 'on the [Indicative Land Release Program] and housing policy and delivery' the purpose of which was 'to provide an update on the current housing market and related delivery of the [Indicative Land Release Program], to provide recommended land sales revenue figures and associated budgetary impact – as a pre-cursor to the scheduled mid-year review process'. Following the December 2019 workshop, the Committee was subsequently focused on preparing another paper for Cabinet in February 2020 which was intended to 'inform the development of the new four year [Indicative Land Release Program] scheduled for budget committee of cabinet consideration in March 2020'. As part of this, discussion and consideration was given to how mid-year changes to the Indicative Land Release Program might be facilitated, noting that mid-year changes to the Indicative Land Release Program previously required Ministerial approval.
- 2.16 This focus has resulted in some standing agenda items not being discussed consistently. For example, there is evidence that the standing agenda item to monitor the progress of the current year's Indicative Land Release Program was only discussed in the first two meetings, while the standing agenda item for the financial update was only discussed in the first meeting. Nevertheless, it is apparent that the Steering Committee has met and discussed policy associated with the development of the Indicative Land Release Program and its membership and representation from different agencies has provided a useful cross-agency forum for discussion.

ILRP Working Group

- 2.17 According to the Environment, Planning and Sustainable Development Directorate's *Indicative Land Release Program Development Standard Operating Procedure*:

The Working Group will function to support the Steering Committee having visibility and strategic oversight of matters relating:

- to land release, land supply policy, land release strategy, due diligence, costs, financial matters and risks relating to the program and housing targets
- track and maintain accurate up to date details on the approval status of individual releases and studies/ clearances required for release
- monitor and report on risks, delays and emerging issues impacting the delivery of the program of release
- identify future release opportunities for feasibility and due diligence investigations
- development of the indicative land release program to align with the budget cycle
- business cases related to land release
- proposals for mid-year review of the program of release and revenue targets

- managing the process for changes to the program of release and impact on the housing targets – for consideration by the steering committee and decision by the Minister(s)

2.18 The Chair of the Working Group is the Executive Group Manager, Planning, Land and Building Division of the Environment, Planning and Sustainable Development Directorate and membership of the committee is comprised of representatives of the directorate, Suburban Land Agency, City Renewal Authority, Treasury and Transport Canberra and City Services Directorate. Meetings are expected to take place every four weeks.

2.19 The Working Group first met in September 2019. It has since met three times since then, with meetings occurring approximately every four weeks towards the end of 2019, but occurring less frequently in 2020. The group has discussed a range of items, including action items provided by the Steering Committee; in doing so, the group has supported the development of various policy papers and positions being pursued by the Steering Committee. The Working Group has also discussed options for how it might fulfil its responsibilities to track progress on the delivery of the Indicative Land Release Program and the types of information and reporting that is needed from various members to achieve this purpose. The Working Group's membership and representation from different agencies has provided a useful cross-agency forum for discussion, but a review of meeting agenda and minutes indicate the group has yet to achieve a consistent and effective mode of operation.

Housing Targets Reference Group

2.20 In February 2018 a Housing Targets Reference Group was established to assist with the identification of land releases suitable for affordable, public and community housing. The group met for the first time to prepare for the *2018-19 Indicative Land Release Program* but has also met for the preparation of subsequent programs.

2.21 The group comprises of representatives from the Environment, Planning and Sustainable Development Directorate, Suburban Land Agency, City Renewal Authority and Community Services Directorate (Housing ACT).

Previous Economic Development Directorate and Land Development Agency activities

2.22 Prior to the establishment of the ILRP Steering Committee and ILRP Working Group in July 2019 and the Housing Targets Reference Group in February 2018, there were no formal committees or groups responsible for the development of the Indicative Land Release Program. The Indicative Land Release Program was prepared by the former Economic Development Directorate, with inputs from various agencies including the former Land Development Agency and Chief Minister, Treasury and Economic Development Directorate.

2.23 In early 2016, the Land Development Agency's Board requested:

... greater detail in the documented process including: enhanced clarity of the discrete steps in the process and associated timeframes; incorporation of an analysis of underlying housing demand; clearer articulation of the key decision points and decision-makers; improved delineation of the allocation of roles and responsibilities, including identification of

accountable officers and details of the personnel/positions involved in the process and any consultation/engagement.

- 2.24 A process diagram was prepared by the Economic Development Directorate in response to this request and was presented to the Land Development Agency's Board in April 2016. The process diagram provided a high-level overview of land release in the Territory, including key inputs, activities, approvals and outputs including the indicative land release program. The process diagram did not include detail such as timeframes or specific activities that need to be undertaken to develop the indicative land release program.
- 2.25 The minutes of the meeting record that the Land Development Agency Board:
- Noted that a collaborative approach between Economic Development and the Land Development Agency is adopted in development of the Indicative Land Release Program that draws on the expertise of the respective agencies, broadly being:
- a) ED leading the work on establishing Land Release Targets, including product mix;
 - b) LDA leading the work on determining land to be released to achieve targets, including provision for 'slippage'.
- 2.26 The minutes of the meeting also record that the Land Development Agency Board agreed:
- ... responsibility for the development and implementation of the Indicative Land Release Program be revised as follows:
- a) Economic Development: The establishment of the overall scale of the land release program and its constituent elements having regard to an assessment of demographic factors and market demand, the impact of other sources of land and the provision of a supply of affordable housing.
 - b) Land Development Agency: The identification and delivery of the detailed elements of the Land Release Program to achieve overall land release and related revenue targets; and the concurrent development of an agreed pipeline of future land releases having regard to issues of planning, site-specific issues and market suitability.
- 2.27 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.

Land Release and Development Governance Framework

- 2.28 In January 2019 the Environment, Planning and Sustainable Development Directorate prepared *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’.

2.29 The *Land Release and Development Governance Framework* notes Administrative Arrangements and the *City Renewal Authority and Suburban Land Agency Act 2017* describe the responsibilities of the Environment, Planning and Sustainable Development Directorate, City Renewal Authority and Suburban Land Agency with respect to land strategy and land release functions. The Administrative Arrangements identify the directorate as the Administrative Unit responsible for supporting Ministers in their responsibilities for the City Renewal Authority and Suburban Land Agency. The *Land Release and Development Governance Framework* notes it:

... has been created to provide a platform for these entities to report on a project from inception to closure, enabling a risk management approach to ensure each project meets its deliverables and government objectives.

2.30 The *Land Release and Development Governance Framework* states that it ‘allows for land release and development projects to enter the process at different phases, and recognises that not all projects follow a linear pathway’ and that:

Supporting processes will be captured in underlying policies, procedures and guidelines. These will be developed in conjunction with relevant areas across Government, including Suburban Land Agency, City Renewal Authority, Treasury and Transport Canberra and City Services (TCCS).

2.31 The *Land Release and Development Governance Framework* has divided land release and development into six phases (Identify, Establish, Plan, Develop, Deliver and Evaluate) and for each of these phases identify:

- an outcome;
- performance measures;
- outputs;
- a milestone;
- key stakeholders; and
- the roles and responsibilities of the three key agencies (Environment, Planning and Sustainable Development Directorate, Suburban Land Agency and City Renewal Authority).

2.32 For these phases seven milestones have been identified ‘that represent critical performance and reporting indicators’ that ‘are common across all land release and development projects’. The milestones:

... have been identified as part of the Framework which underpin the life of the land release and development project from identification (when the project is first identified as a possible land release or development project through a Feasibility Paper) to evaluation (when the project is completed and evaluated).

2.33 The *Land Release and Development Governance Framework* states that it has also identified performance measures for each of the phases that:

... deal with top tier risks and include transparency, stakeholder relationship and community management, reputation and confidence in land release and development. EPSDD, City Renewal Authority and Suburban Land Agency are responsible for these.

2.34 By way of example, the performance measures for the *Establish* phase of the framework, the outcome of which is 'Informed decision on whether to proceed with land release or development opportunity' and the milestone is 'Business Case approved' are:

- Due diligence activities are accurate, reliable and complete
- Business Case on proposed land release considers:
 - Government priorities
 - Reliably considers all constraints and opportunities within existing or proposed statutory planning requirements; and
 - Anticipates community views
- Costs and timeframes are contained within original approved budget
- Stakeholder engagement and collaboration

2.35 No specific performance levels are identified for these performance measures. The performance measures are more in the nature of statements of expectation for the conduct of the work activity.

2.36 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 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.

Policy and procedural guidance

Standard Operating Procedures

Indicative Land Release Program Development Standard Operating Procedure

2.37 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 purpose of which is:

To outline the principles, process, activities, timeline, and key roles and responsibilities for developing the ACT Government's Indicative Land Release Program (ILRP) including land release definitions and terminology.

2.38 The *Indicative Land Release Program Development Standard Operating Procedure* was reviewed and revised in July 2019, but remains in draft. It has not yet been endorsed for use by the Environment, Planning and Sustainable Development Directorate.

2.39 The *Indicative Land Release Program Development Standard Operating Procedure* outlines:

- roles and responsibilities for the development of the Indicative Land Release Program, particularly with respect to the Environment, Planning and Sustainable Development Directorate, Suburban Land Agency and City Renewal Authority;
- 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 Indicative Land Release Program, including principles and a strategy for land supply;
- timeframes for the development of the Indicative Land Release Program; and
- a definition of terms for the purpose of the Indicative Land Release Program and land supply and release.

2.40 With respect to evaluation of the policy, the *Indicative Land Release Program Development Standard Operating Procedure* provides further guidance on 'outcome measures' associated with the development of the Indicative Land Release Program, which are ascribed to the Land Strategy and Policy, Planning Land and Building Division:

Consistency and transparency in understanding the approach to developing the ILRP, land release strategy and monitoring land supply.

2.41 According to the *Indicative Land Release Program Development Standard Operating Procedure*:

The Standard Operating Procedure (SOP) relates to the activities undertaken by the Environment, Planning and Sustainable Development Directorate (the Directorate) to research, analyse and develop the four-year rolling ILRP.

In developing the ILRP, the Directorate engages with key stakeholders, including ACT Treasury, Suburban Land Agency (SLA) and the City Renewal Authority (CRA) and coordinates its activities with the statutory and governance processes of these stakeholders.

2.42 The *Indicative Land Release Program Development Standard Operating Procedure* also notes the importance of documentation and record keeping and ascribes responsibility:

Land Economics, Strategy and Policy area within Planning, Land and Building Group manages relevant records in accordance with the *Territory Records Act 2002* and Directorate policies and procedures.

Strategy and principles for land supply

2.43 The *Indicative Land Release Program Development Standard Operating Procedure* provides a set of principles to guide the Government's land supply strategy and describes how it 'connects with the five themes of the Planning Strategy'. This is shown in detail in Appendix B, but in summary is to:

- deliver housing diversity and affordable housing choice;
- contribute to the strategic planning for Canberra;
- meet the demand for land in the Territory across all sectors and attract investment to diversify the economy;
- an inventory of land in the planning, development and building pipeline;
- a competitive land development and construction industry; and
- achieve satisfactory returns to the Territory Budget.

2.44 In their response to the draft proposed report the Environment, Planning and Sustainable Development Directorate, Suburban Land Agency and City Renewal Authority advised that the *Indicative Land Release Program Development Standard Operating Procedure* 'has not been progressed for finalisation due to the need to await the outcome of this unique audit process'.

2.45 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.

Affordable, Community and Public Housing Targets Implementation Policy

2.46 The Environment, Planning and Sustainable Development Directorate is in the process of drafting an *Affordable, Community and Public Housing Targets Implementation Policy*, the purpose of which is:

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 includes attachments with detailed standard operating procedures for the implementation of the affordable, community and public housing targets.

2.47 The *Affordable, Community and Public Housing Targets Implementation Policy* seeks to address aspects of the implementation of the policy including:

- processes for the establishment of annual affordable housing targets;
- processes for Cabinet endorsement, publication of targets and Notifiable Instruments;
- procedures for the implementation of the Affordable Home Purchase Target, including:
 - development of affordable home buyer eligibility criteria and registration process
 - development of marketing materials and information for affordable home buyers and developers/industry delivering affordable homes to eligible buyers
 - collection of buyer registrations, management of the Eligible Home Buyer Database, compliance checking, provision of eligible buyer details to Suburban Land Agency
 - release/sale of relevant affordable housing sites with appropriate Deeds and Project Delivery Agreements (PDAs) where required and notification of Development Application (DA) lodgement and dwelling details to EPSDD, and monitoring of developer compliance with Deeds and PDAs
 - contingency processes where affordable housing product cannot be matched with purchasers on database
- procedures for the implementation of the Community Housing Target, including:
 - Expression of Interest (EOI) process for the release of sites to registered Community Housing Providers to meet the community housing targets
 - procedure for the implementation of the Public Housing Target
 - provision of sites to Housing ACT to meet the public housing targets

2.48 The *Affordable, Community and Public Housing Targets Implementation Policy* does not provide any guidance or criteria for the identification and allocation of affordable housing (and community and public housing) across Indicative Land Release Program land releases (refer to paragraph 3.102).

- 2.49 The *Affordable, Community and Public Housing Targets Implementation Policy* states an intention to evaluate the effectiveness of the affordable housing targets policy annually, with the policy outcomes to be measured against the delivery of affordable housing sites to relevant target groups:
- eligible home purchasers;
 - registered community housing providers; and
 - Housing ACT.
- 2.50 There has been no formal annual evaluation of the effectiveness of the affordable housing targets policy.

Affordable, Community and Public Housing Targets Implementation Standard Operating Procedure

- 2.51 As an attachment to the *Affordable, Community and Public Housing Targets Implementation Policy* is the *Affordable, Community and Public Housing Targets Implementation Standard Operating Procedure*, the purpose of which is to:
- ... [set] out the procedures to be followed to deliver the Government's annual Affordable Housing Targets in line with the *City Renewal Authority and Suburban Land Agency Act 2017* and in accordance with the *Affordable, Community and Public Housing Targets Implementation Policy*.
- 2.52 The *Affordable, Community and Public Housing Targets Implementation Standard Operating Procedure* notes, with some detail, the procedures and timing associated with the implementation of the policy, with respect to affordable housing targets, community housing targets and public housing targets and ascribes responsibility to specific ACT Government agencies for these activities.
- 2.53 Similar to the *Indicative Land Release Program Development Standard Operating Procedure*, the *Affordable, Community and Public Housing Targets Implementation Standard Operating Procedure* also notes the importance of documentation and record keeping and ascribes responsibility. It does so 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.
- 2.54 The *Affordable, Community and Public Housing Targets Implementation Standard Operating Procedure* includes information on:
- Detailed procedures for the implementation of each of the Affordable, Community and Public housing targets associated with the Indicative Land Release Program, including:
 - activities and processes;
 - documentation to be produced at each step of the process;
 - responsibilities for each step of the process; and
 - timing.

- 2.55 The *Affordable, Community and Public Housing Targets Implementation Policy* (and its associated *Affordable, Community and Public Housing Targets Implementation Standard Operating Procedure*) remains in draft. In their response to the draft proposed report the Environment, Planning and Sustainable Development Directorate, Suburban Land Agency and City Renewal Authority advised that the policy is ‘currently under review to reflect amendments to eligibility for community housing providers’.
- 2.56 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.

Land Due Diligence Standard Operating Procedure

- 2.57 In December 2018 the Environment, Planning and Sustainable Development Directorate drafted 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.
- 2.58 The document was approved for use in December 2018 and was endorsed by the Executive Director of Urban Renewal in the Environment, Planning and Sustainable Development Directorate. The *Land Due Diligence Standard Operating Procedure* notes:
- To support the ACT Government to supply and release land, EPSDD is required to conduct various activities in the form of assessments to ensure that a site is ‘de-risked’ to the extent practicable prior to approval for development and/or sale.
- 2.59 The *Land Due Diligence Standard Operating Procedure* notes that the directorate’s due diligence activities are divided into two stages:
- Initial due diligence – ‘undertaken in the identify phase of the Land Release and Development Framework, which is generally a desktop study/gap analysis’; and
 - Detailed due diligence – ‘which involves detailed site investigations and informs the Business Case provided to Cabinet’.

2.60 The *Land Due Diligence Standard Operating Procedure* identifies various activities within each of these two phases.

2.61 The *Land Due Diligence Standard Operating Procedure* provides guidance on evaluation measures. Figure 2-1 is an extract from the procedure.

Figure 2-1 Extract from the *Land Due Diligence Standard Operating Procedure*

Evaluation		
Outcome Measures	Method	Responsibility
100% of official files reviewed contain documentation which demonstrates compliance with this procedure	Biannual sample review of files within Land Development Projects Team and Urban Projects Team	Senior staff within relevant teams

Source: *Land Due Diligence Standard Operating Procedure*

2.62 The Environment, Planning and Sustainable Development Directorate has not yet conducted a review of official files. The Directorate has advised ‘the [Standard Operating Procedure] was a general guide rather than a checklist, as each project can be very different, setting out the steps necessary to get land through to transmittal to the [Suburban Land Agency]. There is no need for the [Standard Operating Procedure] to activate a review of project files’. In their response to the draft proposed report the Environment, Planning and Sustainable Development Directorate, Suburban Land Agency and City Renewal Authority further advised ‘the bi-annual review of project files is not always activated within the Due Diligence SOP which is only a guide for application on a case-by-case basis. We do not agree with the implication ... that the bi-annual review of project files must be done and has failed to be done’.

2.63 The *Land Due Diligence Standard Operating Procedure* also notes the importance of documentation and record keeping and ascribes responsibility and states:

Evidence of the process and decision making must be evident for all due diligence activities undertaken at each site. At a minimum, the following documents must be kept by the relevant team in accordance with *Territory Records Act 2002*:

- procurement documents
- relevant due diligence reports
- documents relating to land details
- evidence of clearances and approvals

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

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.

3 DEVELOPMENT OF THE INDICATIVE LAND RELEASE PROGRAM

- 3.1 This chapter considers processes associated with the development of the annual Indicative Land Release Program. It includes consideration of inputs into the development of the program and the identification of targets associated with the program.

Summary

Conclusion

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.

Key findings

	Paragraph
The <i>Indicative Land Release Program Development Standard Operating Procedure</i> provides detailed information on processes associated with the development of the	3.11

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.

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

3.32

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.

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. 3.40

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. 3.43

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 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'. 3.53

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 3.57

development and geographical location of development; and housing market conditions.

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. 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). 3.68

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. 3.69

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 3.76

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.

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. 3.81

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 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'. 3.89

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 per cent of the total program) and the *2019-20 Indicative Land Release Program* identified land releases for the delivery of 628 dwellings (18.3 per cent 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. 3.103

Development of the Indicative Land Release Program

3.2 The *ACT Housing Strategy* (2018) states that ‘with 17,000 sites programmed for release over the coming four years, the Indicative Land Release Program will be an important contributor to achieving housing diversity, delivering affordable housing choices, stimulating urban renewal and activating key gateways to the city centre and commercial centres’:

Each year the ACT Government prepares a four-year Indicative Land Release Program (the Program) to accompany the Territory Budget. The Program sets out the Government’s intended land releases of residential, mixed use, commercial, industrial, and community and non-urban land.

The Program plays a strategic role in catering for our population growth, building a compact, liveable city, attracting investment in the ACT land market and strengthening our economic advantage in the ACT region.

3.3 The *2019-20 Indicative Land Release Program* states:

The Indicative Land Release Program aims to make sure enough land is released to the market to cater for Canberra’s growth and change. The program plays a strategic role in catering for our population growth, building a compact, liveable city, attracting investment in the ACT land market and strengthening our economic advantage in the ACT region.

3.4 As noted in paragraph 2.43, the Environment, Planning and Sustainable Development Directorate’s *Indicative Land Release Program Development Standard Operating Procedure* provides a set of principles to guide the land supply strategy and describes how it ‘connects with the five themes of the Planning Strategy’. This is shown in detail in Appendix B, but in summary is to:

- deliver housing diversity and affordable housing choice;
- contribute to the strategic planning for Canberra;
- meet the demand for land in the Territory across all sectors and attract investment to diversify the economy;
- an inventory of land in the planning, development and building pipeline;
- a competitive land development and construction industry; and
- achieve satisfactory returns to the Territory Budget.

3.5 A review of various land release policy documents, including Cabinet submissions associated with annual Indicative Land Release Programs, shows that these principles are consistently referenced.

Processes for the development of the Indicative Land Release Program

3.6 As noted in paragraph 2.39, 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. It identifies the need for the convening of a Program Development Team, with membership from:

- Environment, Planning and Sustainable Development Directorate;
 - Land Supply Policy
 - Urban Renewal
 - Infrastructure Planning
- Treasury;
- Suburban Land Agency;
 - Finance
 - Sales and Marketing
 - Greenfields
- City Renewal Authority
 - Programs.

3.7 The Environment, Planning and Sustainable Development Directorate advised that a Program Development Team was not convened for the development of the *2020-21 Indicative Land Release Program* because of the involvement of the ILRP Steering Committee and ILRP Working Group. The directorate advised that there was no need to convene the team because these groups would provide sufficient project management and oversight.

3.8 The *Indicative Land Release Program Development Standard Operating Procedure* also describes various processes and activities that are to occur including:

- review of existing published Indicative Land Release Program (October to January) – this includes analysis of underlying housing demand and identification of proposed releases for the ‘new’ fourth year of the program;
- preparation of proposed affordable housing targets (December to January);
- development of a draft program for consultation (October to January) – this includes the preparation of a new draft program for consultation and development of a draft four-year infrastructure program;
- consultation with agency executives (December to January) – the procedures identify the need for broad consultation across a range of senior executives across the Environment, Planning and Sustainable Development Directorate, Treasury, Suburban Land Agency and City Renewal Authority;
- consultation with Suburban Land Agency and City Renewal Authority chief executive officers and boards (January to February);

- preparation of relevant Cabinet documentation (January to February);
- all-agency consultation (February); and
- Budget Committee of Cabinet approval (March).

3.9 In the absence of a dedicated Program Development Team, with specific documentation and record-keeping responsibilities, it was difficult to substantiate that these activities occurred as envisaged with respect to the development of the *2020-21 Indicative Land Release Program*. It is noted, however, that the two cross-agency groups, the ILRP Steering Committee and ILRP Working Group, provided opportunities for cross-agency consultation and discussion for the review of the existing published Indicative Land Release Program and the development of a new draft program. Implicit in the activities of these groups was a review of the existing *2019-20 Indicative Land Release Program* and analysis of underlying housing demand. Discussion occurred with respect to the 'new' fourth year of the program and a draft program was prepared for consultation.

3.10 There is evidence that the development of the draft Indicative Land Release Program did not occur according to the timeframes as envisaged. In a submission to the ILRP Working Group from the Suburban Land Agency for the purpose of its meeting on 28 February 2020 it was noted:

The SLA Board was advised that as at 10 February 2020, the draft ILRP was not yet available for circulation. The Board expressed significant concern about the delay in the circulation of the ILRP, which does not allow for timely consideration by the SLA Board.

3.11 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.

3.12 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.

Inputs into the development of the Indicative Land Release Program

3.13 The development of the Indicative Land Release Program is expected to be influenced by a number of inputs, which chiefly include:

- the ILRP Steering Committee and ILRP Working Group;
- ACT Land and Property Reports; and
- a Residential Supply and Demand Model.

ILRP Steering Committee and ILRP Working Group

3.14 The activities of the ILRP Steering Committee and ILRP Working Group were discussed in paragraphs 2.17 to 2.19. With respect to the development of the *2020-21 Indicative Land Release Program*, a draft program was provided to the ILRP Steering Committee and ILRP Working Group for their meetings on 28 February 2020. This followed earlier meetings where a range of land release and development issues were discussed.

ACT Land and Property Reports

3.15 The *ACT Housing Strategy (2018)* identified the importance of the ACT Land and Property Reports to the strategy itself and the development of the Indicative Land Release Program:

The implementation of the strategy will be informed by an understanding of housing need and demand and supported by collaboration and consultation across government, industry and the wider ACT community. 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.

3.16 The *ACT Housing Strategy (2018)* also states that:

The government will monitor market conditions and opportunities for urban renewal and infill development and report on these trends through the ACT Land and Property Report.

3.17 Table 3-1 shows two actions of relevance identified in the *ACT Housing Strategy (2018)* relating to ACT Land and Property Reports.

Table 3-1 Action 1A - provide land and housing development opportunities to meet demand

	Action	Agency	Outcome/Indicator
1A.1	Model and publish ACT Government housing supply and demand projections via the ACT Land and Property report	EPSDD	Projections published
1A.2	Monitor and report on trends in Canberra and the region's land and property markets via the ACT Land and Property report	EPSDD	Report on land and property trends published each year

Source: *ACT Housing Strategy Implementation Plan – October 2018*

3.18 ACT Land and Property Reports are produced by the Land Strategy Team within the Environment, Planning and Sustainable Development Directorate. 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. Prior to this, reports had been prepared every three to six months; September 2017, June 2017, January 2017 and October 2016.

- 3.19 The Environment, Planning and Sustainable Development Directorate has not released any further ACT Land and Property Reports since the December 2018 version. A report was in the process of being prepared for the December 2019 quarter, but this has not been released as at May 2020. The Directorate advised that producing reports on a quarterly basis is time-consuming and not informative, as there may be little change in information from one quarter to the next.

Purpose and content of the report

- 3.20 The December 2018 ACT Land and Property Report contains a range of information, including:

- numbers of dwellings in the greenfield land supply pipeline;
- greenfield land sales, including Suburban Land Agency sales results and price trends;
- sales of Mr Fluffy blocks;
- apartment and townhouse construction, including number of dwellings in the supply pipeline, types of development and geographical location of development; and
- housing market conditions.

- 3.21 The December 2018 ACT Land and Property Report states:

This report was last published in December 2017. This edition of the report does not attempt to compare and contrast the 12-month period from December 2017 but focusses on the activity for the December quarter 2018. This edition does, however, provide a continuation of the time series data used in the December 2017 report where relevant.

- 3.22 The December 2018 ACT Land and Property Report contains a range of contemporaneous and (in some instances) historical information on land and property issues and trends. In some instances the report offers commentary and observations on current conditions. However, there is little information in the report on forecasts or projections including 'ACT Government housing supply and demand projections', which was a key feature of Action 1A of the *ACT Housing Strategy (2018)*.

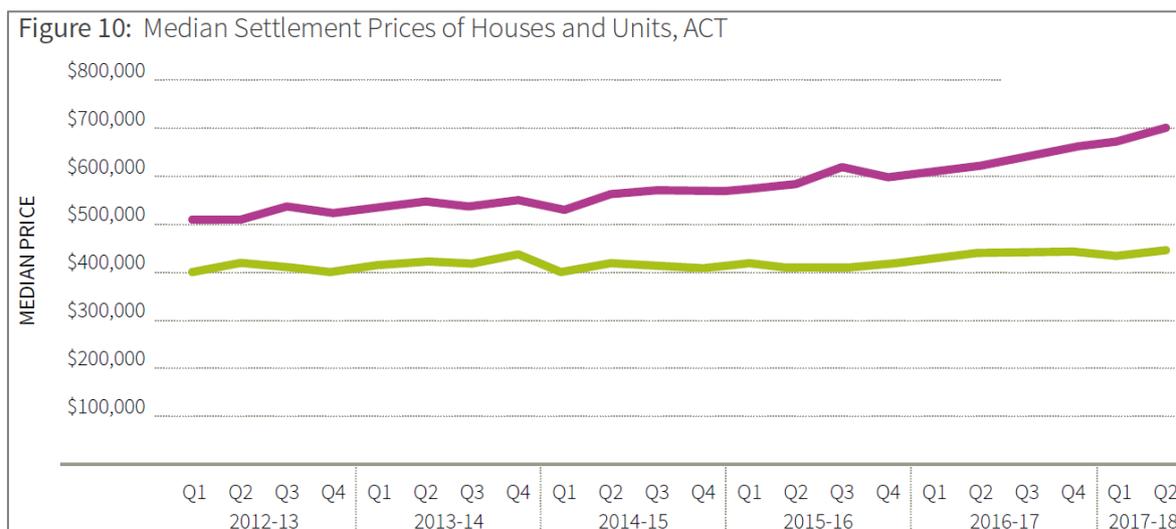
- 3.23 The *ACT Housing Strategy (2018)* identifies ACT Land and Property Reports as a key component of the strategy itself and the development of the Indicative Land Release Program. A report was prepared for the December 2018 quarter and was made public in May 2019. The previous report was prepared 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.

House and unit price trends

- 3.24 A feature of the ACT Land and Property Report is that it provides a range of sales data and associated information for the sale of Suburban Land Agency blocks. The report also provides information on house and unit price trends in the ACT.
- 3.25 A review of the December 2018 ACT Land and Property Report and December 2017 ACT Land and Property Report indicate that this information was presented incorrectly in the reports.
- 3.26 Figure 3-1 is a graph from the December 2017 ACT Land and Property Report. It shows trends associated with the median settlement price of houses and units.

Figure 3-1 Median settlement price of houses and units – ACT Land and Property Report (December 2017)



Source: *ACT Land and Property Report – December 2017*

- 3.27 The December 2017 ACT Land and Property Report states:

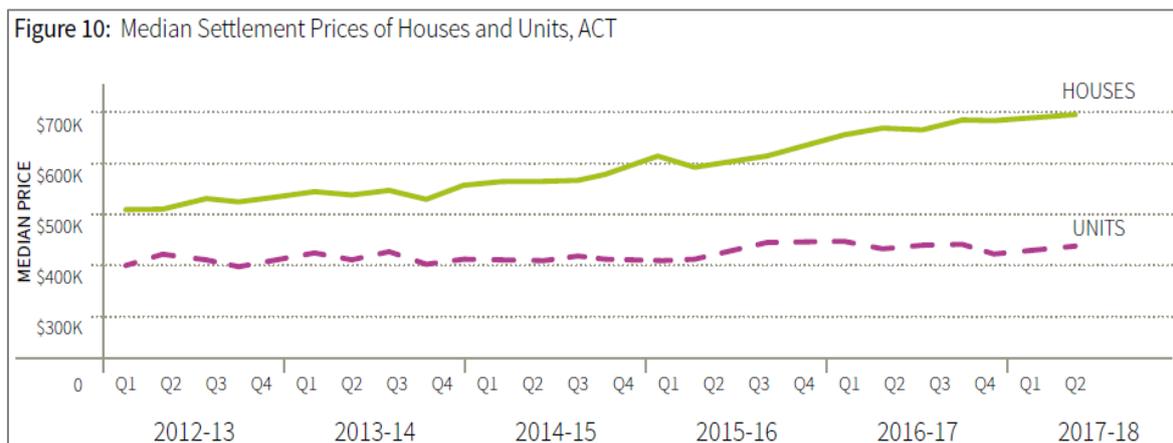
In the December quarter 2017 the median price of a free standing house settled in the ACT was \$705,000, an increase of 13.7 per cent from the previous 12 months. In the same quarter, the median price of settled units (including townhouses) was \$450,000, an increase of 1.1 per cent from the previous 12 months.

...

In the past five years unit prices have shown slow growth relative to house prices. It is likely that this trend will continue given the substantial forthcoming supply of multi-unit dwellings in Canberra.

3.28 Figure 3-2 is a graph from the December 2018 ACT Land and Property Report. It also shows trends associated with the median settlement price of houses and units. It is a very similar diagram to that shown in the December 2017 ACT Land and Property Report, with the graph similarly appearing to conclude in the December 2017 quarter.

Figure 3-2 Median settlement price of houses and units – ACT Land and Property Report (December 2018)



Source: ACT Land and Property Report – December 2018

3.29 The December 2018 ACT Land and Property Report states:

In the December quarter 2018 the median price of a free standing house settled in the ACT was \$700,000, an increase of 4.5% from the previous 12 months. In the same quarter, the median price of settled units (including townhouses) was \$439,900, with no change from the previous 12 months.

...

In the past five years to December quarter 2018, unit prices have shown slower growth relative to house prices. It is expected that this trend will continue given the substantial forthcoming supply of multi-unit dwellings in Canberra in the next 12 months, with unit prices likely to remain flat over this period.

3.30 While the graphs in the two documents appear to be the same, the narrative notes and discusses different figures between the two reports. The narrative in the December 2018 ACT Land and Property Report discusses an increase of 4.5 percent in the median price of a freestanding house in the ACT and no change in the median price of settled units in the ACT. The data would suggest that there was a decrease of 0.7 percent for houses and a decrease of 2.2 percent for units.

3.31 The Audit Office did not undertake a further detailed review of other aspects of the Land and Property Reports to ascertain their accuracy.

3.32 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.

Dwellings in the planning pipeline, developers' and builders' pipelines

3.33 Of particular relevance to the Indicative Land Release Program is information on:

- dwellings in the planning pipeline;
- dwellings in the developers' pipeline; and
- dwellings in the builders' pipeline.

3.34 Further information on dwellings in the planning, developers' and builders' pipelines is shown in paragraphs 4.39 to 4.43. An explanation of definitions and terms associated with the ACT Land and Property Report (including the different pipelines) is shown in Appendix C.

3.35 The number of dwellings in the planning, developers' and builders' pipelines should be a key input into the development of the Indicative Land Release Program. They are part of the continuum of supply of housing and could be expected to be a key influence on the identification of the quantum of releases. However, the number of dwellings in these 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.

3.36 It is noted, however, that the supply of land through the greenfield land supply pipeline is not the only means by which dwellings may be supplied to the ACT market. Private sector supply through urban infill development is also a means by which dwellings may be supplied to the market and it is noted that in the February 2020 update to the Residential Land Supply Model (discussed further in paragraphs 3.59 to 3.69) between 22 and 28 percent of the total supply of land for dwelling purposes in the ACT in each of the three years between 2020 and 2022 is expected to be through private sector supply.

Dwellings in the builders' pipeline

3.37 Table 3-2 shows the number of dwellings in the builders' pipelines of the greenfield land supply pipeline, as reported in the December 2018 ACT Land and Property Report and December 2017 ACT Land and Property Report.

Table 3-2 Dwellings in the builders' pipeline

Pipeline	December 2018 report	December 2017 report
Vacant sites	3,979	5,578
Dwellings under construction	919	789
Total	4,898	6,367

Source: ACT Land and Property Report – December 2018 and December 2017

3.38 A review of the number of dwellings in the builders' pipeline of the greenfield land supply pipeline shows:

- the number of dwellings in the builders' pipeline decreased between January 2018 and January 2019 from 6,367 to 4,898 (23.1 percent); and
- most of the dwellings in the builders' pipeline is in the 'vacant sites' component of the pipeline (3,979 of 4,898 as at January 2019) (81.2 percent). This indicates that land has been released and developed, but dwellings remain unbuilt.

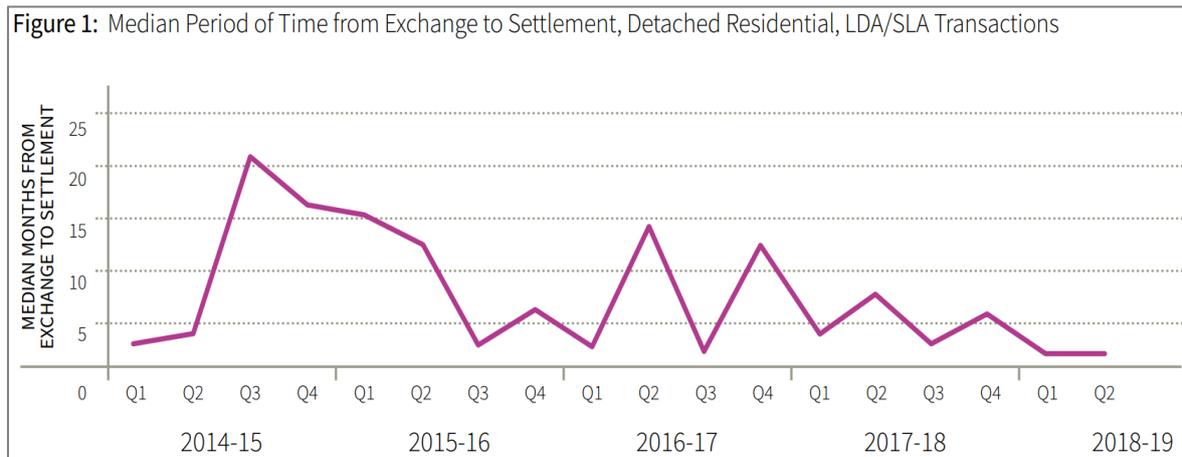
3.39 In June 2019 the Environment Planning and Sustainable Development Directorate identified that there were 7,886 dwellings in the builders' pipeline. In June 2019 there was an estimated 640 dwellings under construction and an estimated 7,240 vacant dwelling sites (91.8 percent).

3.40 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.

Time from exchange to settlement (Suburban Land Agency sales)

3.41 ACT Land and Property Reports show information on the median number of months between when contracts of sale for Suburban Land Agency blocks are exchanged and when these blocks are settled. The Suburban Land Agency (and its predecessor the Land Development Agency) is the key supplier of land for residential detached housing in the ACT through the greenfield land supply pipeline. Information on the time taken for the Suburban Land Agency to settle blocks that have been exchanged shows the readiness of land released through the Suburban Land Agency for building and construction. Figure 3-3 is a graph from the December 2018 ACT Land and Property Report, which shows trend data from 2014-15 to 2018-19.

Figure 3-3 Median period of time from exchange to settlement for detached residential blocks - ACT Land and Property Report (December 2018)



Source: ACT Land and Property Report – December 2018

- 3.42 A review of the time between when contracts of sale for Suburban Land Agency blocks are exchanged and when these blocks are settled shows for the first two quarters of 2018-19, the median time between exchange and settlement was two months. In the preceding years there was some volatility in the median time between exchange and settlement and in some quarters it was as high as 21 months. Overall, the median time has been trending down. The December 2018 ACT Land and Property Report notes ‘there is a high degree of volatility in these results from quarter to quarter although, overall, the median period of time is trending downwards’.
- 3.43 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.

Multi-unit development activity

- 3.44 ACT Land and Property Reports also 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 Apartment Buildings - including ‘apartment buildings that are either more than three storeys or have three storeys spread over a considerable area, for a considerable number of units in a single building’;
 - Medium Density Apartment Buildings – including ‘apartment buildings that are generally three storeys (occasionally four) with a limited number of units and a lower

level of density than high density apartment buildings. Developments that are a mix of townhouses and apartments are included in this category'; and

- Townhouses - including 'both high and low density townhouse products'.

3.45 The December 2018 ACT Land and Property Report notes 'Data in this section is sourced from Colliers International (ACT). Colliers advises that the data excludes multi-unit developments of less than 10 units and covers around 90 per cent of total supply'.

3.46 Table 3-3 shows the number of dwellings associated with multi-unit development activity, as reported in the December 2018 ACT Land and Property Report and December 2017 ACT Land and Property Report.

Table 3-3 Multi-unit development activity

	In planning		Under construction	
	December 2018 report	December 2017 report	December 2018 report	December 2017 report
High Density Apartment	8,997	8,671	5,791	3,726
Medium Density Apartment	2,232	1,048	645	332
Townhouses	848	848	683	683
No data	940	1,002	0	27
Total	13,017	11,569	7,119	4,768

Source: ACT Land and Property Report – December 2018 and December 2017

3.47 A review of multi-unit development activity shows:

- 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); and
- the bulk of multi-unit development activity relates to high density apartments. In December 2018 this represented 73.4 percent of multi-unit dwellings in planning and under construction.

3.48 Similar to earlier observations on the number of dwellings in the planning, developers' and builders' pipelines, the number of multi-unit dwellings in planning and under construction is only shown at a point in time in the ACT Land and Property Report and 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.

Colliers International Property Market Conditions report

3.49 On 30 August 2019 Colliers International provided a *Property Market Conditions* report to the Suburban Land Agency, the purpose of which was to 'provide detailed market analyses and forecasting advice across six designated geographic areas within Canberra' namely

Gungahlin Town Centre; Belconnen Town Centre; Woden Town Centre; Northbourne Avenue Corridor; Coombs; and Taylor.

3.50 Colliers International identified that there were risks associated with the delivery of the Indicative Land Release Program, specifically with respect to units. Colliers International identified ‘our records indicate that there is a total of 24,287 units in the supply pipeline within the Canberra market out to 2024’. Colliers International advised that this comprised:

- 7,422 units currently under construction; and
- 16,894 units where ‘either Development Applications have been lodged or are in the planning stages’.

3.51 The Colliers International figure of 24,287, which dates from August 2019, is an increase of 4,151 over the December 2018 ACT Land and Property Report figure of 20,136. The December 2018 figure was itself an increase of 3,799 (23.3 percent) over the December 2017 ACT Land and Property Report figure of 16,337.

3.52 Colliers International advised:

Based on this data we have forecasted market absorption of 3,300 units per annum within the various districts of Canberra for the next 2 – 3 years increased to 4,000 by 2025.

...

The data clearly indicates that supply outweighs demand with anticipated supply (DA lodged and planning) currently five times the expected demand. The supply pipeline will partly be self-regulated by the ability of developers to obtain pre-sales and finance to commence construction.

3.53 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 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’.

Use of, and reference to, ACT Land and Property Reports

3.54 The *ACT Housing Strategy* (2018) identified the importance of the ACT Land and Property Report to the strategy itself and the development of the Indicative Land Release Program:

The implementation of the strategy will be informed by an understanding of housing need and demand and supported by collaboration and consultation across government, industry and the wider ACT community. 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.

- 3.55 There is no evidence of the Land and Property Reports being referred to, or otherwise used, for the development of the *2020-21 Indicative Land Release Program* by the ILRP Steering Committee and ILRP Working Group.
- 3.56 While the reports are not inputs into the Indicative Land Release Program, they should serve a useful purpose in informing the ACT community about land release in the ACT, trends in sales and pricing and dwellings in the planning, development and building pipelines. However, the intermittent release of the ACT Land and Property Reports and the lack of trend data for some information, particularly dwellings in the different pipelines, impair the usefulness of the ACT Land and Property Reports in informing the community.
- 3.57 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.
- 3.58 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.

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.

Residential Supply and Demand Model

3.59 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. It is currently projected out to 2024. The Directorate advised that the model was first developed in 2011 and has undergone several iterations over time although 'the fundamental components of the model remain the same'.

Net underlying demand

3.60 A key output from the model is the net underlying demand for residential housing in the ACT. Net underlying demand is informed by:

- estimates for the residential population in the ACT; and
- estimates for the number of persons per residential dwelling.

3.61 Estimates are informed by Australian Bureau of Statistics data (through the most recent Census) and ACT Treasury population projections. In estimating net underlying demand an assumption is made that there is a vacancy rate of three percent.

3.62 The Residential Supply and Demand 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. Changes in the assumptions necessarily have an impact on the data in the model.

Supply-Demand Balance

3.63 Another key output from the model is the projection of a Supply-Demand Balance figure. This figure estimates the difference between new housing supply and underlying demand in future years. It is cumulative, i.e. if there is more new housing projected than underlying demand it accumulates over time.

3.64 Future new housing supply is informed by:

- residential land supply targets in the Indicative Land Release Program with a lag time of two years and reduced by five percent. This takes into account the expected delay between land release and construction and an expectation that five percent of the dwelling releases are unlikely to be achieved;
- estimates of private sector dwelling supply, including:
 - private sector urban infill;
 - estimated uplift from the redevelopment of 'Mr Fluffy' blocks; and
 - additional public housing development uplift (not captured in the Indicative Land Release Program).

3.65 The Residential Supply and Demand Model takes a blanket approach to previous land releases and factors in an average lag time of two years. In this respect, the model does not take account of actual dwellings in the developers' and builders' pipelines. Provided the information on dwellings in the developers' and builders' pipelines is accurate, this information is likely to contribute to a more accurate estimate of future new housing supply for the model.

3.66 The Residential Supply and Demand Model was updated in February 2020. It shows that estimates for the net underlying demand for residential dwellings in the four years between 2019-20 and 2022-23 varied between 10,980 and 17,001 across the different assumptions. For all of the estimates, the Supply-Demand Balance figure was positive and was accumulating over time. This indicates a desire to release more land to the market for dwelling purposes, than for which there is a projected need. This is consistent with the advice provided in the Budget Submission to the Budget Committee of Cabinet in relation to the *2019-20 Indicative Land Release Program*. The final approved *2019-20 Indicative Land Release Program* identified that land was to be released for a total of 15,600 residential dwellings in the four years between 2019-20 and 2022-23. It is noted that in providing advice on the *2019-20 Indicative Land Release Program*, the Budget Submission to the Budget Committee of Cabinet noted a preference for establishing an inventory of land in the planning, development and building pipelines through the Program:

The annual residential release targets ... will continue to deliver a level of supply that is over and above the anticipated level of demand for new housing in Canberra. This government approach has been applied with two key purposes – an affordability measure for both home buyers and renters and to establish an inventory of serviced land.

3.67 In April 2020, in discussion with the Audit Office, the Environment, Planning and Sustainable Development Directorate acknowledged that the COVID-19 pandemic was likely to have an impact on future demand for housing in the ACT. The key impact on demand was likely to be felt from reduced population increases from interstate and overseas migrants to the ACT. The longer interstate movement and overseas immigration was restricted, the bigger the impact on future housing was likely to be.

3.68 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. 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).

- 3.69 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.

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.

Indicative Land Release Program targets

- 3.70 The Indicative Land Release Program sets out the land that is expected to be released for residential purposes across the ACT. In doing so it shows the number of residential dwellings expected to be provided through the land release and their location (by suburb, block and section). The *2019-20 Indicative Land Release Program notes*:

The program is reviewed annually and is subject to change by the Minister for Planning and Land Management as Government priorities are adjusted or market conditions shift.

- 3.71 The number of residential dwellings planned to be provided for as part of the *2019-20 Indicative Land Release Program* is shown in Table 3-4. These are also compared with the number of residential dwellings that were planned to be released as part of the *2018-19 Indicative Land Release Program*.

Table 3-4 Comparison of planned residential dwelling releases for 2019-20 Indicative Land Release Program and 2018-19 Indicative Land Release Program

Financial year	2019-20 Program (residential dwellings)	2018-19 Program (residential dwellings)
2018-19	-	4,060
2019-20	3,440	4,250
2020-21	3,874	4,280
2021-22	4,666	4,410
2022-23	3,620	-
Total	15,600	17,000

Source: *Indicative Land Release Program 2019-20 and Indicative Land Release Program 2018-19.*

3.72 A review of the number of residential dwellings planned to be released as part of the *2019-20 Indicative Land Release Program* compared with the number of residential dwellings that were planned to be released as part of the *2018-19 Indicative Land Release Program* shows that the number of residential dwellings planned to be released has been scaled back:

- a total of 15,600 residential dwellings are planned to be released as part of the 2019-20 program. This is a reduction of 1,400 from the 2018-19 program total of 17,000; and
- considerably fewer residential dwellings are planned to be released in 2019-20 according to the 2019-20 program, when compared to the 2018-19 program (3,440 compared to 4,250). Fewer residential dwellings are also planned for 2020-21 (3,874 compared to 4,280).

Land release and type of dwelling

3.73 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 to be released that is expected to accommodate detached houses or multi-unit developments.

3.74 In providing advice on the *2019-20 Indicative Land Release Program* and the reduction in the total number of dwellings planned to be released, the Budget Submission to the Budget Committee of Cabinet noted:

- the release of land for single blocks and compact blocks was expected to comprise 35.4 percent of the total land released, with the balance (64.6 percent) released for multi-unit development purposes; and
- the release of land for single blocks and compact blocks was expected to vary between 30.6 percent and 44.4 percent of total releases across the different years of the program.

3.75 Paragraphs 3.44 to 3.53 discuss multi-unit developments and the significant number of developments in the planning, builders' and developers' pipelines. These paragraphs show

that the number of developments in these pipelines has been increasing over time. Paragraph 3.52 also reflects Colliers International’s August 2019 advice that the supply of multi-units is exceeding demand. While there may be differing views on whether there is an oversupply of land for multi-unit development purposes, greater information and transparency through publicly available information is likely to better inform the community on land supply and release and allow informed community decision-making and discussion.

- 3.76 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.

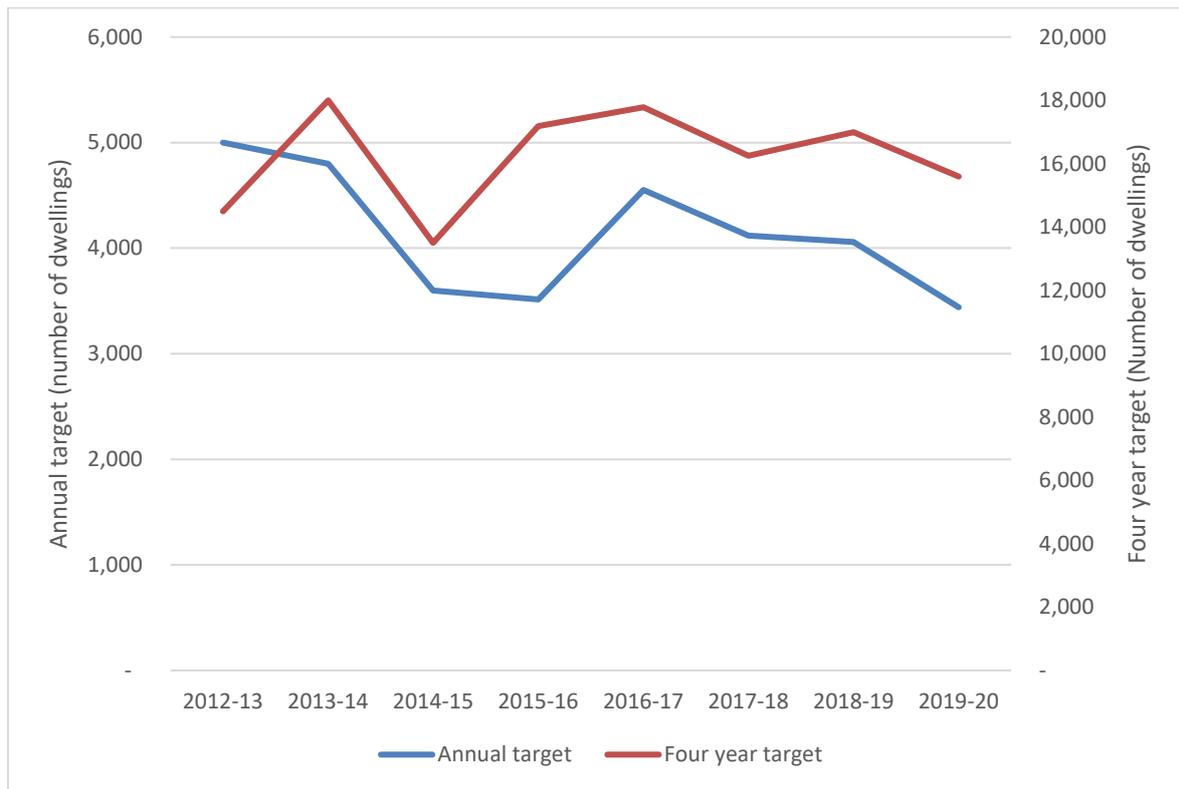
RECOMMENDATION 4 INDICATIVE LAND RELEASE PROGRAM DWELLING TYPE

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.

Trends in the Indicative Land Release Program

- 3.77 Figure 3-4 shows Indicative Land Release Program targets since 2012-13, including:
- the number of dwellings provided for by each program’s planned first year release; and
 - the total number of dwellings provided for by planned releases over the four years.

Figure 3-4 Indicative Land Release Program targets (2012-13 to 2019-20)

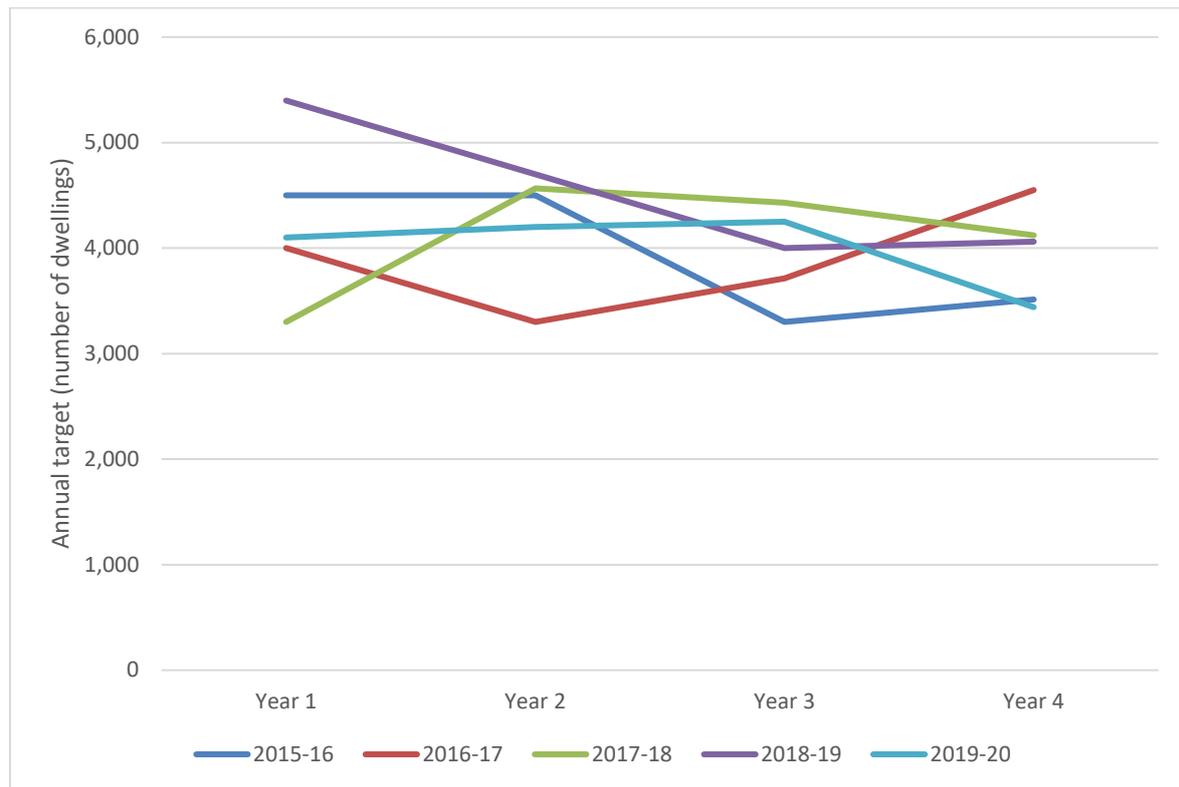


Source: ACT Audit Office, based on figures from the *Indicative Land Release Programs* for 2012-13 to 2019-20.

3.78 A review of Indicative Land Release Program targets since 2012-13 shows:

- the number of dwellings provided for by each program’s planned first year release has varied between 2012-13 and 2019-20, from a high of 5,000 in 2012-13 to a low of 3,440 in 2019-20. The number has declined from 4,550 to 3,440 in the four years to 2019-20; and
- the total number of dwellings provided for by planned releases over the four years has varied between 2012-13 and 2019-20. There were significant variations between 2012-13 and 2015-16, with the total number varying considerably from year to year between 18,000 (2013-14) and 13,500 (2014-15). Since 2015-16, variations have been less significant, ranging between 17,780 (2016-17) and 15,600 (2019-20).

3.79 Figure 3-5 shows the variations in the annual target for the five years between 2015-16 and 2019-20, as demonstrated by the relevant Indicative Land Release Programs. For example, the 2019-20 line shows how the 2019-20 land release target was varied across the 2015-16, 2016-17, 2017-18 and 2019-20 Indicative Land Release Programs.

Figure 3-5 Changes in Indicative Land Release Program targets (2015-16 to 2019-20)

Source: ACT Audit Office, based on figures taken from the *Indicative Land Release Program* for 2015-16 to 2019-20

3.80 A review of the annual target for the five years between 2015-16 and 2019-20 shows there has been significant variation in each annual target over the different years' programs:

- the 2015-16 annual target was initially 4,500 in the *2011-12 Indicative Land Release Program*, before it declined to 3,513 in the 2015-16 Program;
- the 2016-17 annual target was initially 4,000 in the *2012-13 Indicative Land Release Program*, before it declined to 3,300 in the 2013-14 Program and increased significantly to 4,550 in the 2016-17 Program;
- the 2017-18 annual target was initially 3,300 in the *2013-14 Indicative Land Release Program*, and rose as high as 4,566 in the next year's program (2014-15 Program) before declining to 4,120 in the 2017-18 Program;
- the 2018-19 annual target was initially 5,398 in the *2014-15 Indicative Land Release Program*, before it declined to 4,060 in the 2018-19 Program; and
- the 2019-20 annual target was initially 4,100 in the *2015-16 Indicative Land Release Program*, before it declined to 3,513 in the 2019-20 Program.

3.81 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.

Factors influencing the land release program

3.82 In providing advice on the *2019-20 Indicative Land Release Program*, the Budget Submission to the Budget Committee of Cabinet noted:

In developing the land release targets across the sectors, consideration is given to current and likely economic and market conditions, and housing demand over the four years of the program, and the level of supply in the market.

3.83 The Budget Submission to the Budget Committee of Cabinet for the *2019-20 Indicative Land Release Program* provided advice with respect to:

- 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.

3.84 In providing advice on the *2019-20 Indicative Land Release Program* the Budget Submission to the Budget Committee of Cabinet identified:

- the need to take account of current market conditions and demand;
- the desire to ensure an adequate pipeline of land inventory is maintained; and
- the desire to achieve ACT Government priorities for urban infill.

Current market conditions and demand

3.85 In providing advice on the *2019-20 Indicative Land Release Program* and the reduction in the total number of dwellings planned to be released compared to the *2018-19 Indicative Land Release Program*, the Budget Submission to the Budget Committee of Cabinet noted the supply of land through urban infill initiatives (including the ACT Government's Asset Recycling Initiative for ACT Government properties in the Northbourne Avenue corridor) and the availability of greenfield land in Gungahlin were key factors. The Budget Submission also noted that this coincided with 'a slow-down in market conditions and buyer activity':

The reduced target (from previous 17,000) is influenced by several factors; mainly the availability of a pipeline of new urban renewal initiatives and the end of suburban greenfield supply from Gungahlin. The current inventory of residential land (single residential blocks) in the market supports easing residential releases in the short term.

It is important to recognise that over the last four years, sites released as part of the asset recycling initiative (ARI) (including public housing renewal) made a significant contribution to the residential program. ...

The reduced residential target coincides with a slow-down in market conditions and buyer activity, however this reduced residential target does not result from the current market

conditions, but rather is reflective of other issues influencing supply. Broadly, demand for housing in the ACT is expected to remain strong based on forecast population growth.

Inventory of land in pipeline

- 3.86 In providing advice on the *2019-20 Indicative Land Release Program*, the Budget Submission to the Budget Committee of Cabinet noted a preference for delivering land releases that exceed expected demand in order to establish an inventory of land in the planning, development and building pipelines through the Program:

The annual residential release targets ... will continue to deliver a level of supply that is over and above the anticipated level of demand for new housing in Canberra. This government approach has been applied with two key purposes – an affordability measure for both home buyers and renters and to establish an inventory of serviced land.

- 3.87 In this respect the Budget Submission to the Budget Committee of Cabinet noted there was ‘a significant inventory of released, serviced land not taken up by the market’, which was due to ‘a combination of many years of accelerated land release as well as the recent slow down in market activity’:

The forecast level of release for single residential blocks remains ahead of demand for new detached housing.

...

The accelerated pipeline of supply combined with increasing private sector activity in Canberra and the region and the current slow down in the ACT residential land market has resulted in a significant inventory of released, serviced land not taken up by the market. ... It should be noted that this inventory has been achieved through a combination of many years of accelerated land release as well as the recent slow down in market activity (in terms of transaction volumes in the single residential block market). From a land supply strategy perspective, once an inventory has been established supply can be turned off immediately to avoid an over supply or turned on to respond quickly to any changes in demand.

ACT Government priorities for urban infill

- 3.88 The Budget Submission to the Budget Committee of Cabinet also noted that the overall decline in land release dwelling targets was a means to also achieve government objectives of urban infill:

Easing the residential release target also signals a change in the way Government will manage and facilitate growth and change through the land release program. Creating a compact city and supporting sustainable growth by working towards delivering 70 percent of new housing within the existing urban area means the focus is shifting to identifying opportunities for urban infill.

- 3.89 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 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’.

Affordable, community and public housing

3.90 Since 2018-19 the Indicative Land Release Program has also identified targets for the release of land for affordable, community and public housing purposes.

Affordable, community and public housing targets

3.91 Subsections 65(2) and (3) of the *City Renewal Authority and Suburban Land Agency Act 2017* state:

2) The Minister must determine housing targets (a housing target determination) for a development for the minimum number of dwellings in the development for each of the following kinds of housing:

- (a) affordable housing;
- (b) community housing;
- (c) public housing.

3) The housing target determination for a development must state the maximum number of dwellings anticipated to be built in the development.

3.92 By virtue of subsection 65(1) of the *City Renewal Authority and Suburban Land Agency Act 2017* these targets must be applied for:

- the building of dwellings on land leased by the Territory, or unleased territory land, in an urban renewal precinct;
- the building of dwellings on land leased by the Territory, or unleased territory land, in connection with urban renewal other than in an urban renewal precinct; and
- the building of dwellings in a new suburb.

3.93 The *ACT Housing Strategy (2018)* provides 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’.

Rationale for 15 percent target

3.94 No affordable, community or public housing targets were identified for the *2017-18 Indicative Land Release Program* or immediately preceding years. It is noted, however, that the *Affordable Housing Action Plan* had an action item that similarly sought to identify minimum requirements for the release of blocks for affordable housing:

Require 20% of the blocks released each year target house and land packages within the affordable housing requirement range.

3.95 In relation to this requirement, however, a March 2016 *Review of the ACT Government's Affordable Housing Action Plans from 2007 to 2016* found:

The objective was highly ambiguous and when implemented in the early stages of the affordable housing action plan contained no checks and measures once the block was sold resulting in high priced trade up homes being built on these affordable blocks.

The objective was deemed unsuccessful and later abandoned.

3.96 The rationale for the selection of 15 percent as the target for affordable, community and public housing in the Indicative Land Release Program was outlined in advice to the government:

The previous policy of "20 per cent of sites in greenfield estates for affordable home purchase" has seen a declining trend in the overall number of affordable housing sites released as the share of greenfield land release has declined. The broader target of 15 per cent across the full program will restore the quantum of sites released back to the long term average.

2019-20 affordable, community and public housing targets

3.97 The *2019-20 Indicative Land Release Program* states 'for 2019-20 the Government has set a target of releasing 628 dedicated public, community and affordable homes'. This target is categorised as follows:

- 80 new public housing properties;
- 60 new community housing properties; and
- 488 individual properties dedicated for affordable home purchase to eligible low income households.

3.98 This comprises 18.3 percent of the planned land releases for 2019-20.

2018-19 affordable, community and public housing targets

3.99 As part of the *2018-19 Indicative Land Release Program*, land releases were planned to deliver 552 residential dwellings for public, community and affordable housing purposes as follows:

- 60 new public housing properties;
- 20 new community housing properties; and
- 472 individual properties dedicated for affordable home purchase to eligible low income households.

3.100 This comprised 13.6 percent of the planned land releases for 2018-19.

3.101 For both the *2018-19 Indicative Land Release Program* and *2019-20 Indicative Land Release Program* the selection of land releases suitable for affordable, community and public housing was achieved with the assistance of the Housing Targets Reference Group (refer to paragraphs 2.20 to 2.21).

3.102 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. As noted in paragraphs 2.46 to 2.56, the *Affordable, Community and Public Housing Targets Implementation Policy* and associated *Affordable, Community and Public Housing Targets Standard Operating Procedure* does not provide any guidance in this respect. Representatives from the Suburban Land Agency advised that practical implications require rather than taking a blanket approach each site should be considered individually and on its merits. Notwithstanding the lack of set criteria, representatives from the group advise that the following is taken into consideration when determining the allocation of affordable housing across the Indicative Land Release Program:

- concentration of affordable/public housing in the suburb already;
- public transport availability;
- building expenses for the site; and
- ‘prime’ release and commercial viability.

3.103 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.

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.

4 LAND RELEASE ACHIEVEMENTS

- 4.1 This chapter considers achievements with respect to the annual Indicative Land Release Program against the principles of the *ACT Housing Strategy* (2018). It also discusses the Affordable Home Purchase Program.

Summary

Conclusion

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

	Paragraph
<p>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.</p>	4.11
<p>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 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).</p>	4.12
<p>A key action of the <i>ACT Housing Strategy</i> (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:</p> <ul style="list-style-type: none"> • 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 	4.14

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-up of land releases would assist better community understanding of demand for ACT Government Indicative Land Releases. 4.19

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’. 4.32

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. 4.33

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. 4.34

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.

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

4.43

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.

4.51

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.

4.75

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 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

Land release targets and achievements

- 4.2 Goal 1 of the *ACT Housing Strategy (2018)* provides for ‘An equitable, diverse and sustainable supply of housing for the ACT community’. The Housing Strategy notes:

Providing an equitable, diverse and sustainable supply of housing for households at all income levels is a fundamental pillar of the strategy. Across all stakeholders, community groups and industry professionals who were consulted during the development of the ACT Housing Strategy, it was clear that housing pressure and stress points could be alleviated through a better supply of the right type of housing, in the right locations.

Goal 1 sets the platform for improving the supply, choice and affordability of housing for all ACT residents; however, it is not without its challenges.

Providing land and housing development opportunities to meet demand

- 4.3 In relation to Objective 1A, ‘Provide land and housing development opportunities to meet demand’, the *ACT Housing Strategy (2018)* states:

The 2018 ACT Housing Strategy reinforces the important role the ACT Government will play in providing land and housing development opportunities to cater for a growing population.

...

With 17,000 sites programmed for release over the coming four years, the Indicative Land Release Program will be an important contributor to achieving housing diversity, delivering affordable housing choices, stimulating urban renewal and activating key gateways to the city centre and commercial centres. The government will monitor market conditions and opportunities for urban renewal and infill development and report on these trends through the ACT Land and Property Report.

- 4.4 Table 4-1 shows the action of relevance identified in the *ACT Housing Strategy (2018)* relating to the release of land for residential purposes.

Table 4-1 Action 1A - provide land and housing development opportunities to meet demand

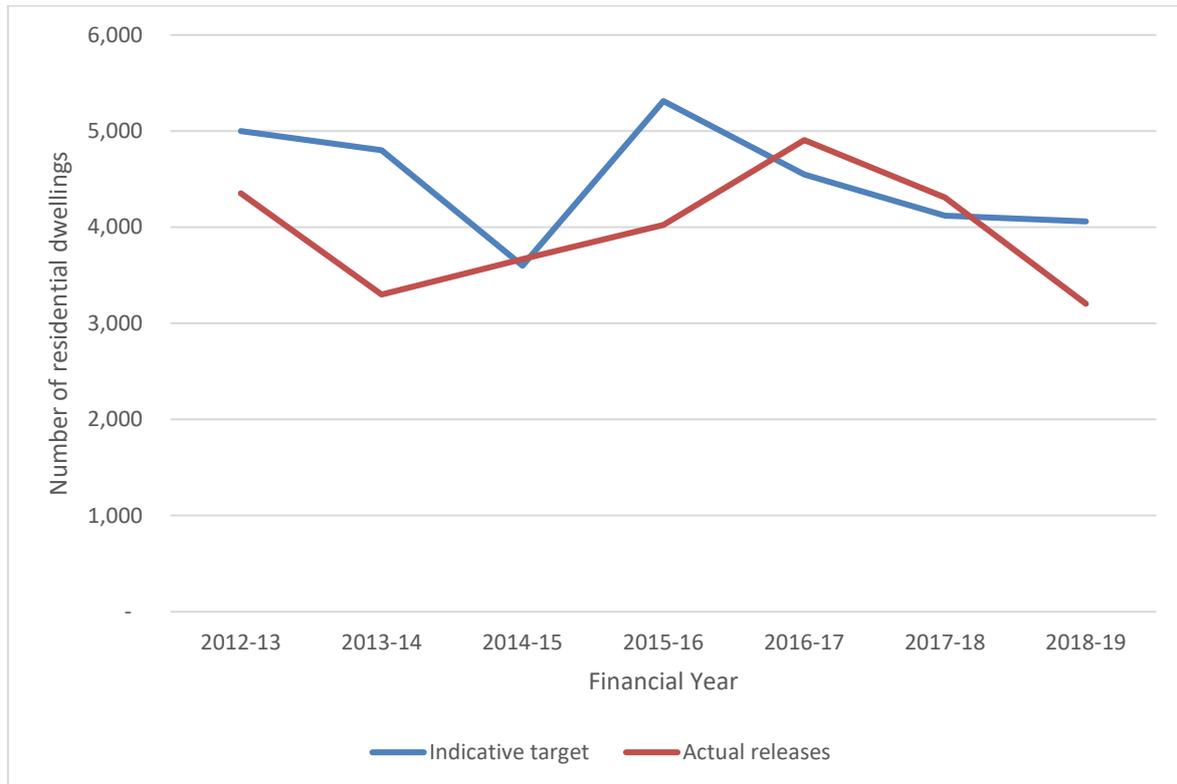
	Action	Agency	Outcome/Indicator
1A.3	Release an appropriate supply of land in a mix of greenfield and urban renewal locations, informed by modelling and market analysis to provide land ahead of demand	EPSDD lead SLA/CRA	Land released and reported by the SLA/CRA

Source: *ACT Housing Strategy Implementation Plan – October 2018*

Numbers of dwellings provided for through land releases

- 4.5 Figure 4-1 shows actual releases of land for residential dwellings against targets between 2012-13 and 2018-19.

Figure 4-1 Indicative Land Release Program targets and actual releases of land for residential dwellings (2012-13 to 2018-19)



Source: ACT Audit Office

4.6 A review of actual releases of land against Indicative Land Release Program targets between 2012-13 and 2018-19 shows there has been variable success in achieving the target over the years:

- in the four years between 2012-13 and 2015-16 the Land Development Agency did not meet the target in three of those years and exceeded the target in one year. The Land Development Agency did not meet the target by 1,501 in 2013-14 (31 percent) and 1,289 in 2015-16 (24 percent); and
- in the three years between 2016-17 and 2018-19, the Suburban Land Agency (and its predecessor the Land Development Agency) exceeded the 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).

Reasons for not achieving target in 2018-19

4.7 The Suburban Land Agency reported its reasons for not achieving its 2018-19 land release target in its *2018-19 Statement of Performance*:

The delay of initial releases in Whitlam to 2019-20 was largely offset by additional multi-unit and single residential sites in Taylor. Lower than expected result was mainly due to:

- withdrawal of Block 40 Section 54 Belconnen as advised by the Minister for Planning and Land Management;
- reduction in yield on Block 1 Section 70 Lyons as a result of planning constraints;

- the delay of Block 12 Section 50 Lyneham to allow lessons learnt from Braddon and Turner tender process to be incorporated; and
- a shortfall in releases in Strathnairn due to an ACT Civil and Administrative Tribunal (ACAT) appeal.

4.8 In relation to the Suburban Land Agency's variation explanation in its *2018-19 Statement of Performance* it is noted that:

- a delay in releases of land in Whitlam accounted for a reduction in released dwellings of 600;
- the release of additional multi-unit and single residential sites in Taylor accounted for an increase in released dwellings of 571 dwellings (the *2018-19 Indicative Land Release Program* identified releases of sites with up to 500 dwellings in Taylor. Sites for 1,071 dwellings were released);
- the withdrawal of Block 40 Section 54 Belconnen accounted for a reduction in released dwellings of 35;
- the reduction in yield on Block 1 Section 70 Lyons accounted for a reduction in released dwellings of 208; and
- the delay in the release of Block 12 Section 50 Lyneham (the former Macarthur House) accounted for a reduction in released dwellings of 530.

Sale of sites under the Assets Recycling Initiative

4.9 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. The Assets Recycling Initiative was initiated following the May 2014 *National Partnership Agreement on Asset Recycling* (the National Partnership Agreement) between the Commonwealth of Australia and all Australian states and territories. Under the National Partnership Agreement, states and territories that sold assets and reinvested the sale proceeds in new infrastructure could receive an Australian Government contribution equivalent to 15 percent of the sale proceeds.

4.10 In June 2018 the Suburban Land Agency, on behalf of the City Renewal Authority, issued a request for tender for the sale of the Northbourne Flats (Braddon and Turner). The sale of the land was expected to deliver 886 dwellings. While a preferred tenderer was identified, the sale was unsuccessful as the reserve price was not met.

4.11 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.

- 4.12 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 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).

Location of dwellings provided for through land releases

- 4.13 Table 4-2 shows the location and number of dwellings released through the Indicative Land Release Program between 2015-16 and 2018-19.

Table 4-2 Location and number of dwellings released through the Indicative Land Release Program (2015-16 to 2018-19)

	2015-16	2016-17	2017-18	2018-19	Total
Belconnen					
Higgins	100				100
Holt	12				12
Lawson			940		940
Strathnairn			66	202	268
West Belconnen		232			232
Gungahlin					
Amaroo		8			8
Gungahlin TC			135	104	239
Moncrieff	710	90		36	836
Taylor		489	440	1,071	2,000
Throsby	543	376	31	34	984
Inner North					
Asset Recycling	515	1,477			1,992

4: Land release achievements

	2015-16	2016-17	2017-18	2018-19	Total
Asset Recycling - Central Canberra			1,495		1,495
City	300				300
Downer	300				300
Watson		26			26
Inner South					
Forrest		168			168
Griffith				484	484
Kingston	500				500
Narrabundah		100		177	277
Yarralumla		380			380
Molonglo Valley					
Coombs	514	231	216	346	1,307
Denman Prospect	301	1,210			1,511
Wright			388	195	583
Tuggeranong					
Greenway	229		492	33	754
Monash		120		30	150
Woden Valley					
Lyons				492	492
Total	4,024	4,907	4,203	3,204	16,338

Source: ACT Audit Office

4.14 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:

- 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).

Definition of land release

4.15 Notwithstanding that land may have been reported as released to the market, it does not necessarily mean that it has been sold. According to the Environment, Planning and Sustainable Development Directorate's *Indicative Land Release Program Development Standard Operating Procedure*:

In the context of the ILRP, land is 'released' when it has been offered to the market, irrespective of whether it has sold.

4.16 Further information as to the release of land is outlined in the Environment, Planning and Sustainable Development Directorate's *Indicative Land Release Program Development Standard Operating Procedure* as follows:

- auction - land is considered released the day of the auction;
- ballot by the Suburban Land Agency, City Renewal Authority or a joint venture partner - land is considered released the day of the ballot;
- over the counter sales by the Suburban Land Agency, City Renewal Authority or a joint venture partner - land is considered released the day the site is available for purchase over the counter;
- direct sale - land is considered released when an offer of land has been accepted to an eligible applicant; and
- a tender - land is considered released when the tender documents have been publicly available.

4.17 By way of example, 886 dwellings was identified as released, relating to the request for tender for the former Northbourne Flats (Braddon and Turner). The request for tender was issued in June 2018 and was counted as released for the purpose of the Indicative Land Release Program in 2017-18.

4.18 In its *2018-19 Annual Report* the Suburban Land Agency reported that there were ‘600 blocks available for purchase across four suburbs at 30 June 2019’. As at 14 May 2020 the Suburban Land Agency has land for 1,549 dwellings available for sale, including:

- land for 1,030 mixed use dwellings available in Phillip and Belconnen;
- land for 86 multi-unit dwellings in Taylor; and
- 433 single residential blocks available with 290 in Taylor, 44 in Throsby, 80 in Wright and 19 in Coombs.

4.19 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-up of land releases would assist better community understanding of demand for ACT Government Indicative 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.

Financial implications

4.20 The Suburban Land Agency has identified and reported the financial implications of not meeting the Indicative Land Release Program land release target, namely lower revenues received from lower land sales. The Suburban Land Agency’s *2018-19 Annual Report* reported that there were a range of factors leading to lower land sales:

... our second year in operation was influenced by a slowing housing market in the ACT. Although economic fundamentals remained strong, the rate of sale for new land within the region was well below long-term averages, and below our budgeted forecasts. 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.

4.21 The Suburban Land Agency's *2018-19 Annual Report* identified that the land sales revenue figure of \$483.0 million² was below expectation:

A land sales revenue of \$483.0 million for this period was largely driven by our residential greenfield estates of North Wright, Taylor and Throsby, as well as the sale of government assets through the Commonwealth Asset Recycling Initiative. This was below the target set within the 2018-19 Statement of Intent, mainly due to decreased land sales resulting from slow market conditions and delayed settlements for Macarthur House, Braddon and Turner on Northbourne, Asset Recycling Initiative sites and single residential sites. This is partially offset by a settlement for Denman Prospect 2 which was delayed from the 2017-18 financial year.

4.22 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. This is a shortfall of \$218.0 million (31 percent), which was reported as being 'predominantly due to decline in market conditions impacting settlements for single residential blocks and the deferred settlement of three [Asset Recycling Initiative] sites to 2019-20';
- operating result from ordinary activities before tax of \$273.0 million against a target of \$328.0 million and an operating result from ordinary activities after tax of \$191.0 million against a target of \$230.0 million. These results are 17 percent lower than expected and are reported as '[corresponding] with the lower Land Revenue'; and
- total return to Government of \$377.0 million against a target of \$503.0 million. This is a shortfall of \$127.0 million (25 percent), which was reported as being 'due to reduced Operating Surplus and lower than budgeted Capital Distributions due to the deferred settlement of three [Asset Recycling Initiative] sites to 2019-20'.

4.23 Notwithstanding these lower revenue results the Suburban Land Agency's *2018-19 Statement of Performance* reported gross profit margin on land sales of 78.7 percent, which was higher than the targeted 70.8 percent. This was reported as being 'due to a number of sites achieving higher revenue outcomes than budgeted while the development costs for these sites remained consistent with budgeted levels'.

4.24 The Suburban Land Agency's *2018-19 Annual Report* noted that, while there were lower residential land sales, and a number of residential blocks remained unsold, this had a benefit in creating an inventory of blocks that were immediately available for purchase:

... we worked to release land in accordance with the [Indicative Land Release Program]. Positively for Canberra, this has resulted in a substantial inventory of stock available 'over the counter'- an outcome that realises the government's intention to take pressure off land prices by offering land in excess of demand.

Inventory turnover ratio

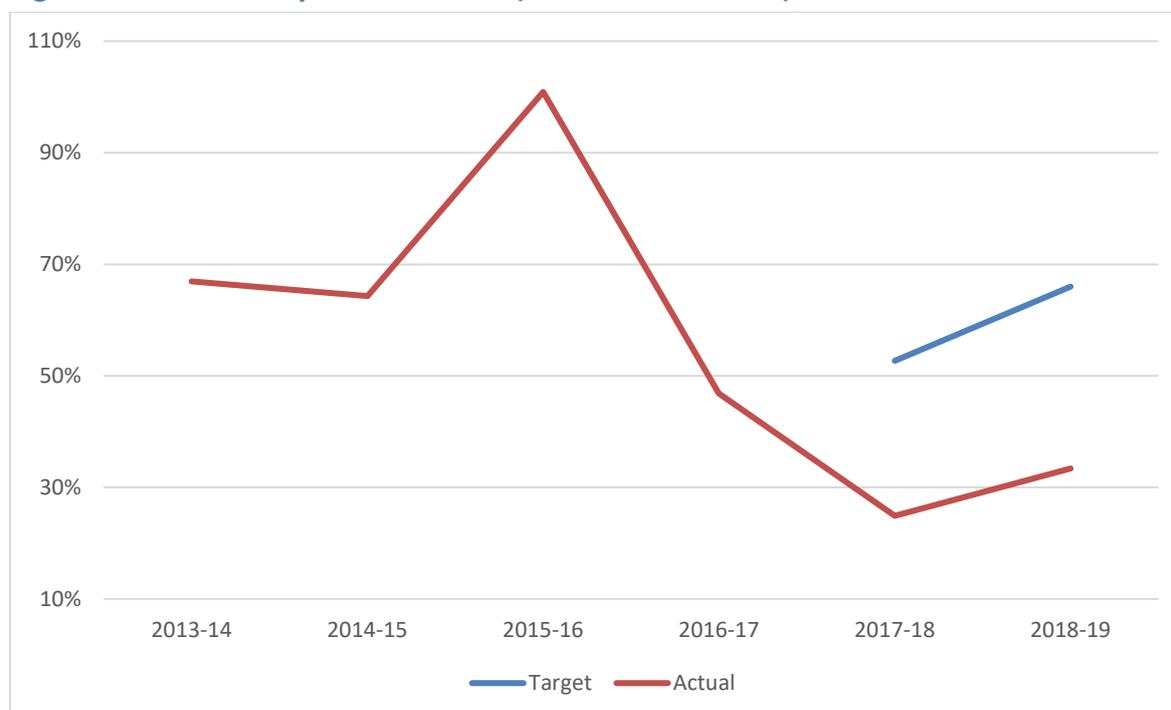
4.25 Since 2017-18, as part of its annual Statement of Performance reporting, the Suburban Land Agency has reported against an inventory turnover ratio Accountability Indicator. Inventory turnover is calculated as the cost of goods sold divided by average inventory. It is therefore

² The land sales revenue figure is primarily driven by residential land sales, although it also includes commercial and industrial land sales.

a function of agency expenditure on activities associated with the preparation of land to be sold and its level of sales; the higher the ratio the better it means for performance.

4.26 Figure 4-2 shows the inventory turnover ratio for the Suburban Land Agency in 2017-18 and 2018-19 and its predecessor Land Development Agency between 2013-14 and 2016-17.

Figure 4-2 Inventory turnover ratio (2013-14 to 2018-19)



Source: ACT Audit Office based on Suburban Land Agency and Land Development Agency information

Note: The inventory turnover ratio is an accountability indicator in the Suburban Land Agency's Statement of Performance. The Land Development Agency, which operated until the end of financial year 2016-17, did not use this accountability indicator in its Statement of Performance. The actual results for financial years 2013-14 to 2016-17 shown above have been calculated by the ACT Audit Office.

4.27 A review of the Suburban Land Agency's (and its predecessor the Land Development Agency) inventory turnover ratio since 2013-14 shows:

- in the two years that the Suburban Land Agency has identified and reported against the ratio as an Accountability Indicator it has not met the target. In 2017-18 it 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; and
- in the three years between 2016-17 and 2018-19 the inventory turnover ratio figure has been at low levels (below 50 percent), although there was an increase between 2017-18 and 2018-19.

4.28 In its *2018-19 Statement of Performance* 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'.

Current and ongoing conditions

- 4.29 In its December 2019 quarterly report to the Minister, the Suburban Land Agency advised of continuing challenges for the sale of land in the ACT. The December 2019 quarterly report advised that full year land sales revenue, as forecast at the end of the quarter, was expected to be significantly less than budgeted.
- 4.30 In relation to forecast market conditions, the Suburban Land Agency's December 2019 quarterly report advised:
- Land sale volumes continue to remain below historical averages within SLA estates, due primarily to a lag in negative market sentiment (following the Sydney and Melbourne markets), coupled with increasing competition from other estates (Googong, South Jerrabomberra and Denman Prospect) and changing housing demand preferences from buyers (from freestanding housing to apartments and townhouses).
- Recent market commentary however indicates that established dwelling market conditions have begun to steady in recent months, with a number of cities (including Sydney and Melbourne) showing a reversal of the declining established dwelling price trend, as well as a recovery in auction clearance rates. Despite this, existing market conditions for single residential blocks have led to historically high levels of inventory held by the Agency and available for sale over the counter.
- 4.31 It is noted that, since the report was provided, the COVID-19 pandemic is likely to have further impacted forecast land sales revenue.
- 4.32 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'.
- 4.33 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.
- 4.34 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.

Maintaining a healthy land and housing development pipeline

4.35 In relation to Objective 1C ‘Maintain a healthy land and housing development pipeline’, the *ACT Housing Strategy (2018)* notes:

The ACT Housing Strategy recognises the important link between a strong and consistent supply of new development opportunities and relieving pressure on the supply and price of housing across the ACT.

The commitment to maintaining four years’ worth of land in the early due-diligence, planning and development pipelines will provide greater certainty for industry and community, allow government to respond to spikes in demand and provide a sustainable supply of new development opportunities to cater for a growing population. Monitoring of the market will provide a basis for ongoing review and consideration of future outlook.

A healthy development pipeline also allows room for the government to adequately consider the need to maintain a compact, efficient and sustainable city and to properly consider environmental and community values.

4.36 Table 4-2 shows the action of relevance identified in the *ACT Housing Strategy (2018)* relating to maintaining a healthy land and housing development pipeline.

Table 4-3 Action 1C - maintain a healthy land and housing development pipeline

	Action	Agency	Outcome/Indicator
1C	Maintain a land planning and development pipeline equivalent to four years’ demand, as determined by regular demand and supply modelling undertaken under objective 1A	EPSDD lead SLA/CRA	Four years’ worth of development opportunities in the pipeline as reported in the Land and Property reports

Source: *ACT Housing Strategy Implementation Plan – October 2018*

Greenfield pipeline monitoring

4.37 The Environment, Planning and Sustainable Development Directorate monitors the greenfield residential land pipeline. It uses this information to prepare ACT Land and Property Reports (discussed in paragraphs 3.15 to 3.23). The greenfield residential land pipeline is monitored with reference to:

- dwellings in the planning pipeline;
- dwellings in the developers’; and
- dwellings in the builders’ pipeline.

4.38 An explanation of definitions and terms associated with these pipelines is shown in Appendix C.

Dwellings in the planning pipeline

4.39 Table 4-3 shows the number of dwellings in the planning pipeline of the greenfield land supply pipeline, as reported in the December 2018 and December 2017 ACT Land and Property Report and estimated in June 2019.

Table 4-4 Dwellings in the planning pipeline

Pipeline	June 2019	December 2018	December 2017
Zoning ready	18,627	13,827	19,600
Planning ready	700	6,330	800
Release ready	0	0	0
Total	19,327	20,157	20,400

Source: Environment, Planning and Sustainable Development Directorate

4.40 A review of the number of dwellings in the planning pipeline of the greenfield land supply pipeline shows:

- there was little change in the volume of dwellings between December 2017 and June 2019, from a total of 20,400 to 19,327; and
- the bulk of dwellings in the pipeline is at the 'zoning ready' stage. There were no dwellings reported to be 'release ready' at any of the times.

Dwellings in the development pipeline

4.41 Table 4-5 shows the number of dwellings in the developers' pipeline of the greenfield land supply pipeline, as reported in the December 2018 and December 2017 ACT Land and Property Report and estimated in June 2019.

Table 4-5 Dwellings in the developers' pipeline

Pipeline	June 2019	December 2018	December 2017
Land released without Estate Development Plan underway	1,000	0	2,210
Estate Development Plan underway	2,935	2,275	2,519
Estate Development Plan seeking approval	1,419	705	650
Estate Development Plan approved without servicing	940	2,373	1,315
Land being serviced	6,421	3,713	6,818
Total	12,715	9,066	13,512

Source: Environment, Planning and Sustainable Development Directorate

4.42 A review of the number of dwellings in the developers' pipeline of the greenfield land supply pipeline shows the total number of dwellings in the developers' pipelines decreased slightly between December 2017 and June 2019 from 13,512 to 12,715 (5.9 percent).

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

Affordable, community and public housing

15 percent target for social and affordable housing

4.44 In relation to Objective 1B ‘Set a 15% target for social and affordable housing’, the *ACT Housing Strategy* notes:

Building on the government’s previous commitment to improving housing affordability through targeted land release, the strategy includes the government commitment to releasing 15% of its annual indicative land release program to affordable, community and public housing.

The new higher overall target will enable the release of an indicative 2550 (15% of the indicative land release program) dwelling sites for public, community and affordable housing over the next four years. The new target will apply to all land released by the ACT Government. It will replace the previous policy to release affordable home purchase sites in greenfield areas only, which has a historical average of approximately 400 dwellings per year under the Affordable Housing Action Plan.

The new target will respond to the changing pattern of urban growth in the ACT. It will better provide for the growth of public and community housing into the future and enable the social inclusion of low income households into new residential development across the whole ACT.

Table 4-6 Action 1B - set a 15% target for social and affordable housing

	Action	Agency	Outcome/Indicator
1B	Dedicate 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	EPSDD lead SLA/CRA	Targets published with the Indicative Land Release Program and notified on the ACT Government’s Legislation Register Land released and reported by the SLA/CRA Home construction against targets to be reported through the ACT Land and Property reports

Source: *ACT Housing Strategy Implementation Plan - October 2018*

4.45 In relation to Objective 5A ‘Provide more affordable homes for purchase’, the *ACT Housing Strategy (2018)* states:

The ACT Housing Strategy builds on the government’s commitment to providing home ownership opportunities to low income households.

As part of the commitment to dedicate at least 15% of the indicative land release program for public, community and affordable housing, the Government will set an annual target to increase home purchase opportunities on government land, in a variety of locations across the city.

Table 4-7 Action 5A - provide more affordable homes for purchase

	Action	Agency	Outcome/Indicator
5A.1	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.	EPSDD / SLA / CRA	Land released annually for dedicated affordable home purchase opportunities.

Source: ACT Housing Strategy Implementation Plan - October 2018

4.46 In accordance with section 65 of the *City Renewal and Suburban Land Agency Act 2017*, affordable, community and public housing targets are published through a Notifiable Instrument. Paragraph 65(4)(c) provides that the targets 'continue to apply until the completion of all dwellings in the development that meet the housing target'. In practice, this means that if a site is released in a later year, then the affordable, community and public housing targets will continue to apply to the site.

Achievements against target

4.47 The Indicative Land Release Programs for 2017-18 and 2018-19 have outlined the targets for affordable housing, community housing and public housing. Table 4-8 shows achievements against these targets, as reported in the Suburban Land Agency's annual reports.

Table 4-8 Releases of land for affordable, public and community housing (2017-18 and 2018-19)

Year	Affordable			Public			Community		
	Target	Actual	Diff	Target	Actual	Diff	Target	Actual	Diff
2017-18	353	288	-65	143	113	-30	34	20	-14
2018-19	512	366	-146	60	61	1	20	59	39
Total	825	654	-211	203	174	-29	54	79	25

Source: Suburban Land Agency annual reports

4.48 A review of actual releases of land for affordable, public and community housing for the financial years 2017-18 and 2018-19 shows:

- the targets for the delivery of affordable dwellings have not been met with 65 less dwellings being delivered in 2017-18 and 146 in 2018-19;
- the target for the delivery of public housing has not been met with 30 less dwellings being delivered in 2017-18 ; and
- the target for community housing was exceeded in 2018-19 with land for 59 dwellings released against a target of 20.

4.49 The Suburban Agency's *2018-19 Annual Report* provides further information and detail on achievements against the 2018-19 targets. Table 4-9 shows the location of affordable, public and community land releases for 2018-19.

Table 4-9 Location of affordable, community and public housing releases

Suburb	Affordable	Community	Public
Gungahlin Town Centre	10		
Taylor	146	59	28
Coombs	82		
Wright	56		
Strathnairn	2		
Lyons	70		
Total	366	28	59

Source: Suburban Land Agency *2018-19 Annual Report*

4.50 The Suburban Agency's *2018-19 Annual Report* identified that:

- 50 affordable housing dwellings were expected to be provided for as part of the release of Block 12 Section 50 Lyneham (the former Macarthur House), 44 affordable housing dwellings were expected to be provided for through the release of land in Whitlam and 60 affordable housing dwellings were expected to be provided for through the release of land in Strathnairn. As these releases did not occur as planned these targets were not met;
- 32 public housing dwellings were expected to be provided for through the release of land in Whitlam, but as this release did not occur as planned this target was not met; and
- 15 community housing dwellings were expected to be provided for at Scullin and five community housing dwellings were expected to be provided for at Giralang. The Suburban Land Agency reported that these sites were not transferred to it in 2018-19 but they are expected to be released in 2019-20; and
- the shortfall in community housing sites in Scullin and Giralang were compensated for by an additional 59 community housing sites released in Taylor.

4.51 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.

Affordable housing

- 4.52 The audit focused on the delivery of affordable housing through the Indicative Land Release Program. In doing so the audit considered the delivery of affordable housing against identified objectives, with a particular focus on the administration and targeting of the program.

Affordable Housing Action Plan (2007)

- 4.53 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 was articulated as:

Require that 15 per cent of the blocks released each year target house and land packages within the \$200,000 to \$300,000 price range; (10 per cent for \$60,000-120,000 land).

- 4.54 According to the *Affordable Housing Action Plan Phase III (June 2012)* 'the price range was set to respond to a shortage in the market of houses in this category'. The *Affordable Housing Action Plan Phase III (June 2012)* also notes that the amount was indexed 'following representations made by Industry' and the target was subsequently increased to 20 percent.

- 4.55 The *Affordable Housing Action Plan Phase III (June 2012)* stated:

Since the threshold has been applied, there has been an increase in one bedroom apartments that are delivered as part of the overall 20 per cent affordability requirement and less standalone properties. Industry feedback indicates that the \$337,000 affordable threshold is too restrictive to deliver all of the types of affordable properties in demand, especially standalone houses.

As of 1 July 2012 the affordable housing threshold system will change to a three tier model which will specify price thresholds based on the dwelling size. This will enable a broader range of affordable dwellings to be delivered in new estates.

...

This change will provide more incentive and flexibility for developers to build innovative affordable homes and offer a greater product choice to home buyers. For example, a smaller property could be delivered on a medium sized block which would allow for extensions to be added later on. The new affordability thresholds will take effect from 1 July 2012, but will not apply to any land already offered for sale.

- 4.56 The opportunity to purchase affordable house and land packages was not targeted or means-tested.

Product mix

- 4.57 In relation to the product mix, the *Affordable Housing Action Plan Phase III* (June 2012) stated:

At this stage, the Government will continue to mandate only the quantum of affordable dwellings, not the product mix. However, in the event that product mix delivered continues to be skewed towards one bedroom apartments where the market demands larger, stand alone dwellings, the Government will consider specifying the product mix within this quantum in the future.

Application to infill development

- 4.58 In relation to the location of affordable housing in infill developments, the *Affordable Housing Action Plan Phase III* (June 2012) stated:

In some infill areas, particularly large projects in the inner north and south the value of the land may preclude these affordable targets from being reached. In these instances, the Government will consider applying particular affordable housing thresholds to these estates, either by way of higher value thresholds or a proportion of market value.

Whilst these housing products would not be considered affordable for buyers in the lower income quintiles, it would provide more affordable properties to other income quintiles looking to transition through the housing spectrum. This would in turn free up a range of properties in the broader market.

- 4.59 A March 2016 internal *Review of the ACT Government's Affordable Housing Action Plans from 2007 to 2016* was conducted. The review:

... provided both a quantitative and subjective assessment (from 'significant' to 'nil') of the impact of each objective in the context of the two key metrics of:

- improving affordability for those on the lowest 40 per cent of incomes in the ACT; and
- whether the objective provided a one off benefit or is still providing a benefit today.

- 4.60 In relation to the initiative to deliver at least 20 percent of greenfield land for affordable housing as part of the Indicative Land Release Program, the *Review of the ACT Government's Affordable Housing Action Plans from 2007 to 2016* found that its impact was 'Minimal'. The review found:

The rising cost of land however outstripped increases in general dwelling construction costs and as such the indexing method used did not properly account for this.

An expansion of the criteria in 2012 to include smaller high density housing as part of this requirement has resulted in an increased number of 1 bedroom units and lack of diversity.

- 4.61 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.

ACT Affordable Home Purchase Program

4.62 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

4.63 The Affordable Home Purchase Program is available to persons who are:

- 18 years or older;
- an Australian resident;
- on low to moderate income (set at \$100,000 for households of up to two children for the 2018-19 financial year³);
- have not previously owned property;
- have financial assets below a certain threshold (set at \$116,375 for a single person, or \$148,625 for two or more household members for the 2018-19 financial year); and
- intend to live in the property for a minimum of 12 months.

4.64 In order to participate in the program, potential purchasers are required to complete an Application Form and provide various documents as evidence of their eligibility to participate. In some instances, certified copies of original documents are required. Participants are also required to complete a Statutory Declaration 'to declare that all the information you have provided and all the documents you provide us are true and correct' and participants are reminded that it is a criminal offence to make a false Statutory Declaration. Copies of documents and the Statutory Declaration are required to be certified by an authorised person.

Price thresholds

4.65 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. Table 4-10 shows the tiers and the 2019-20 price threshold.

³ The income limit is increased by \$16,000 per additional child and is capped at \$148,000 for five or more children.

Table 4-10 Affordable housing price thresholds (2019-20)

Tier	Living area of dwelling	2019-20 price threshold
Tier 1	Up to 80m ²	\$330,000
Tier 2	Between 81m ² – 105m ²	\$381,000
Tier 3	More than 105m ²	\$434,000

Source: Suburban Land Agency

4.66 With respect to the establishment of the affordable housing price thresholds, the Environment, Planning and Sustainable Development Directorate advised:

The living area figures corresponding to each respective tier are calculated to reflect general market parameters. Living area figures for Tiers 1, 2 and 3 correspond respectively with the typical living area of a 1-bedroom, 2-bedroom and 3+ bedroom dwelling.

4.67 The Environment, Planning and Sustainable Development Directorate further advised:

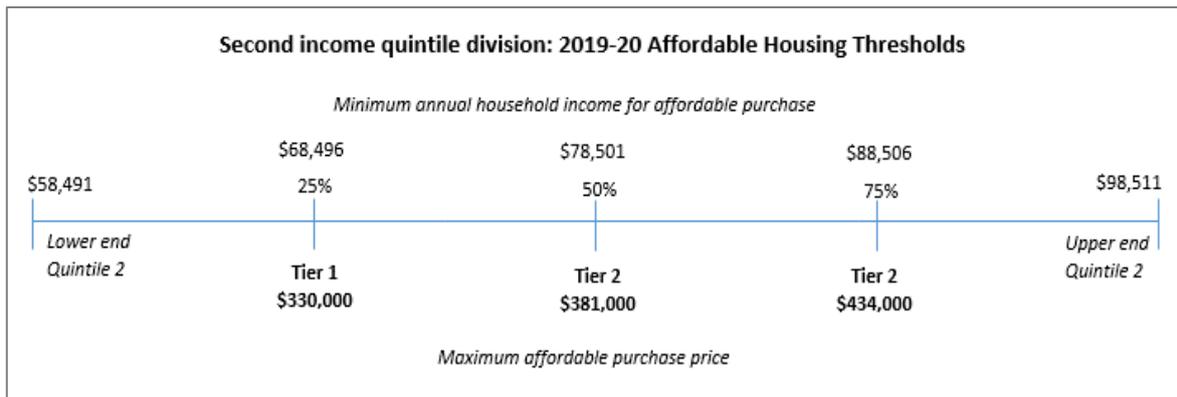
While there are some deviations, average dwelling size data from the 2018 Property Market Research Report conducted by Knight Frank Valuations Canberra shows that the average square meterage of 1, 2 and 3+ bedroom dwellings across Canberra suburbs generally corresponds with the parameters specified in the Affordable Housing Thresholds.

Affordability of price thresholds

4.68 According to the Environment, Planning and Sustainable Development Directorate 'a home purchase is defined as being 'affordable' if mortgage payments for the property do not exceed 30% of the homeowner's annual household income' and that affordability calculations were made based upon the following payment model:

- 10 percent deposit on full purchase price;
- 25 year maximum loan; and
- standard monthly variable interest rate published by the Reserve Bank of Australia.

4.69 Price thresholds for Tiers 1, 2, and 3 correspond with maximum affordable price for people at 25th percentile, midpoint and 75th percentile of the second income quintile.

Figure 4-3 2019-20 affordable housing pricing thresholds

Source: Environment, Planning and Sustainable Development Directorate

Note: Income quintile figures are sourced from Australian Bureau of Statistics census income data.

2019-20 price thresholds

4.70 In 2019-20 there was no change to the affordable housing thresholds from 2018-19. The Wage Price Index decreased during this period but the affordable home purchase price thresholds are only adjusted in case of Wage Price Index increases. Accordingly the 2019-20 thresholds remained unchanged from the 2018-19 thresholds.

4.71 The Environment, Planning and Sustainable Development Directorate advised:

Price thresholds are reviewed annually and adjusted according to Wage Price Index (WPI) variations. As WPI increased by 2% from 2017-18 to 2018-19, the 2018-19 price thresholds are increased 2% from 2017-18 thresholds. If WPI decreases, price thresholds are not decreased, but kept at the same values as the preceding year. As such, since WPI has decreased from 2018-19 to 2019-20, the price thresholds for 2018-19 will be maintained for 2019-20.

...

Price thresholds will be adjusted in May of each year, based on the variations from the March quarter of the previous year to the March quarter of the present year.

Administration of the program

4.72 A key feature of the Affordable Home Purchase Program is the establishment of a Register of potential purchasers. In December 2019 the Suburban Land Agency took over the management of the register from the Environment, Planning and Sustainable Development Directorate. The Suburban Land Agency facilitates communication between potential purchasers and developers, i.e. 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.

4.73 The Budget Submission to the Budget Committee of Cabinet for the *2019-20 Indicative Land Release Program* noted:

To date, over 800 registrations of interest have been made and over 100 of these registrants have provided evidence of their eligibility to participate in the program. As developments are approved by the ACT planning authority, developers will be provided with the names of eligible registrants to initiate sales of the dedicated affordable homes. To date – no sales have

been made as developers have not yet reached a stage where they are ready to make sales of affordable homes.

Incorporation of affordable housing requirements in deeds of sale

4.74 The delivery of affordable housing to the market is achieved through project delivery deeds. When land that includes affordable housing is sold to a developer the associated Project Delivery Deed places obligations on the developer including the requirement to:

- sell the minimum number of affordable housing dwellings at the affordable housing price thresholds;
- consult with the Suburban Land Agency on how the developer intends to deliver the Affordable Housing;
- make reasonable efforts to sell affordable housing to people identified by the Suburban Land Agency as potential purchasers. This includes:
 - providing evidence of attempted contact with prospective purchasers; and
 - should negotiations for purchase commence but not conclude, providing evidence ‘to the reasonable satisfaction of the Suburban Land Agency’ that the potential purchaser did not want to proceed with the purchase.

4.75 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 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.

Take-up of the Affordable Home Purchase Program

Affordable Home Purchase Register

4.76 In December 2019 the Suburban Land Agency implemented a revised Register for the management of the Affordable Home Purchase Program. According to a Suburban Land Agency Affordable Home Purchase Program briefing document:

The new (December 2019) database captures information from registered applicants including property location and dwelling type preferences, household makeup and some general demographic information such as languages spoken.

4.77 As at March 2020 there are 455 registrations on the Register, eighty of which were new registrations in March 2020 following a marketing campaign that commenced in the first week of March 2020. According to a Suburban Land Agency Affordable Home Purchase Program briefing document there was an increasing number of registrations to the database in the first quarter of 2020, from a total of 292 in December 2019. Table 4-11 shows Affordable Home Purchase Program registrants' housing preferences.

Table 4-11 Affordable Home Purchase Program registrants' housing preferences

Dwelling type	Number of first preferences
3 bedroom	61
2 bedroom	14
1 bedroom + study	6
1 bedroom	8
Total	89
Apartment	16
Townhouse / Terrace	12
Single House (Compact Block)	61
Total	89

Source: Suburban Land Agency Affordable Home Purchase Program briefing document

Note: Figures are based on a sample of 89 new registrations to the Affordable Home Purchase Database

4.78 According to a Suburban Land Agency Affordable Home Purchase Program briefing document, which analysed a sample of 89 new registrations to the database:

- the significant majority of new registrants have expressed a preference for Single Houses on compact blocks (61 from a total of 89, 69 percent) and three bedroom dwellings (14 from a total of 89, 16 percent);⁴ and
- few registrants expressed an interest in 1 bedroom dwellings (8 from a total of 89, 9 percent) and 1 bedroom plus study (6 from a total of 89, 7 percent).

⁴ These preferences do not correlate, i.e. some registrants expressed an interest in three bedroom dwellings in Townhouses / Terraces and Apartments and some registrants expressed an interest in two bedroom Single Houses on compact blocks).

4.79 According to the Suburban Land Agency Affordable Home Purchase Program briefing document:

Moving forward the collection of this data will enable the SLA to influence product type and location through the management of the Housing Targets and Project Delivery Deeds associated with each relevant land release.

Affordable Home Purchase Program take-up

4.80 Table 4-12 shows the number of designated affordable housing dwellings that have been taken up by eligible program participants through the Affordable Home Purchase Program. Notwithstanding that land for 654 affordable housing dwellings has been released since 2017-18 (refer to Table 4-8) there has been a time lag between the release of land and the availability for sale of affordable housing dwellings due to the time taken to develop the land and the housing. As at May 2020, 119 affordable housing dwellings have been made available to the market.

Table 4-12 Affordable Home Purchase Program take-up as at May 2020

	Bedrooms	Number	Eligible participants	Initial interest	Number proceeding
Coombs	1 bedroom	10	106 (June 2019)	5	1
Greenway	1 bedroom	5	106 (July 2019)	3	0
Taylor	3 bedroom	4	118 (July 2019)	17	0
Greenway	2 bedroom	5	106 (July 2019)	11	1
Greenway	2 bedroom	5	106 (September 2019)	6	0
Wright	1 bedroom	6	150 (September 2019)	1	0
	1 bedroom + study	1			
Taylor	2 bedroom	15	165 (December 2019)	12	3
	3 bedroom	2			
Coombs	2 bedroom	3	124 (March 2020)	39	9 Note 1
	3 bedroom	17			
Coombs	2 bedroom	5	124 (March 2020)	16	1 Note 1
Wright	1 bedroom + study	2	135 (April 2020)	11	1 Note 1
	2 bedroom	6			
Greenway	2 bedroom + study	17	138 (May 2020)	Applications for dwellings still being received.	
	2 bedroom	3			
Wright	1 bedroom	10	131 (May 2020)	Applications for dwellings still being received.	
	2 bedroom	1			

	Bedrooms	Number	Eligible participants	Initial interest	Number proceeding
	2 bedroom + study	2			

Source: Suburban Land Agency

Note 1: Sales of dwellings at these properties have not been finalised. Sales shown for these properties are as at May 2020.

4.81 A review of the supply and take-up of affordable housing dwellings through the Affordable Home Purchase Program shows that:

- the majority of the affordable housing dwellings offered to the market so far have been 2 bedroom and 2 bedroom plus study dwellings (62 out of 119 dwellings, 52.1 percent) followed by 1 bedroom and 1 bedroom plus study dwellings (34 out of 119 dwellings, 28.6 percent). 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;
- notwithstanding that hundreds of potential purchasers have been identified for the different affordable housing dwellings that have been offered to the market, there has been a relatively low take-up. 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 suggests that there is a mismatch between the preferences of potential purchasers and the dwellings that have been supplied to the market.

4.82 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.

4.83 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.

RECOMMENDATION 7 AFFORDABLE HOME PURCHASE PROGRAM

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.

APPENDIX A: DEVELOPMENT OF THE ACT HOUSING STRATEGY



Source: ACT Housing Strategy October 2018, p11.

APPENDIX B: PRINCIPLES FOR LAND SUPPLY STRATEGY

The EPSDD's *Indicative Land Release Program Development Standard Operating Procedure* provides a set of principles to guide the Government's land supply strategy and describes how it 'connects with the five themes of the Planning Strategy':

- *Deliver Housing diversity and affordable housing choice.*

The ILRP has delivered the Government affordable housing policies for several years and continues to do so with affordable housing and the setting of housing targets addressed within the 2018 ACT Housing Strategy. Residential releases in greenfield areas and urban renewal sites will have housing targets for public, community and affordable housing set by the Minister in accordance with section 65 of the *City Renewal Authority and Suburban Land Agency Act 2017*. (Liveable Canberra)

- *Contribute to the strategic planning for Canberra.*

Land use planning underpins the development of economic, social and environmental development of Canberra. Land release is a function of managing the supply of land to meet the demands of the city to provide for development and growth and to implement strategic planning initiatives where the opportunity arises on Territory-owned land. (Compact and Efficient City)

- *Meet the demand for land in the Territory across all sectors and attract investment to diversify the economy.*

The ILRP, which comprises residential, commercial and mixed use, industrial and community and non-urban land releases, is designed to deliver optimal benefit to the Canberra community from Territory-owned land holdings and to promote economic and social diversity. A desire for greater housing diversity (especially with regard to the "missing middle" townhouse typology) and a shift towards infill development points towards the existing urban footprint of Canberra playing an increasing role in meeting future housing demand and supply through the provision of a greater range of housing typologies within this existing footprint. (Diverse Canberra)

- *An inventory of land in the planning, development and building pipeline.*

The ILRP aims to balance the supply of land against the forecast demand, in the short, medium and long term, and to be responsive to market conditions. The Program goal is a stable supply of land to maintain an appropriate inventory of land in the pipeline, with the general intention to stay ahead of projected demand. This is an affordability measure aimed at avoiding rapid land price changes triggered by a shortage of supply, noting that supply is only one factor influencing the price of land. (Diverse Canberra, Liveable Canberra, Accessible Canberra)

- *A competitive land development and construction industry.*

Land release informs the Territory's capital works programs and investment in infrastructure to support sustainable urban growth. The key strategic direction of managing urban growth with a focus on urban intensification, working towards delivering 70% of new housing within the existing urban footprint, is likely to bring new challenges for industry as the complexity of development increases. (Compact and Efficient city, Diverse Canberra, Liveable Canberra)

- *Achieve satisfactory returns to the Territory Budget.*

Land sales from the sale of unleased Territory land and surplus property assets remains an important source of revenue for the Territory and in turn facilitates delivery of Government priorities. (Diverse Canberra) The ILRP informs the:

- Statements of Intent (SOI) for the SLA and the CRA and the four-year work program of land preparation and sales, and
- estimates of land sales revenue and anticipated dividend and tax equivalent payments returned to the Territory and the ACT Budget from the two land delivery entities, SLA and CRA.

APPENDIX C: LAND SUPPLY PIPELINE DEFINITIONS

The December 2018 *ACT Land and Property Report* provides information on the meaning of different components of the greenfield land supply pipeline.

The December 2018 *ACT Land and Property Report* identifies greenfield development as follows:

Expanding the city's urban footprint by converting rural land on the urban edge is referred to a 'greenfield' development. The process of developing new suburbs involves a series of steps including the full assessment of environmental, infrastructure and planning considerations before establishing the land as suitable for urban development. We call the quantum of land going through these processes the 'greenfield land supply pipeline'.

Planners' pipeline

The December 2018 *ACT Land and Property Report* states 'Land that is undergoing planning and evaluation processes to ensure it is suitable to become part of a future greenfield suburb is said to be in the 'planners' pipeline'. Land in the planners' pipeline is categorised as follows:

- Zoning Ready: where land has an appropriate zoning under the Territory Plan.
- Planning Ready: where land has an appropriate zoning and an approved concept plan or precinct code.
- Release Ready: where land has sufficient clearances from relevant ACT Government entities to allow estate planning to commence.

Developers' pipeline

The December 2018 *ACT Land and Property Report* states 'land that is undergoing estate design or is being serviced is said to be in the 'developers' pipeline'. Estate design means dividing larger blocks of land (generally rural blocks on Canberra's urban edge) into future blocks, sections, roads and open spaces in a document called an estate development plan (EDP). Land in the developers' pipeline is categorised as follows:

- Released Without EDP Underway: where residential blocks are released (i.e. offered to market) without the commencement of an EDP.
- EDP Underway: where an EDP is being prepared by the SLA or by a private developer.
- EDP Seeking Approval: where an EDP has been submitted and is awaiting approval.
- EDP Approved without Servicing: where an EDP has been approved but works on the site have not yet commenced.
- Land Being Serviced: where land is being physically cleared and landscaped in preparation for dwelling construction, or where new roads and utility infrastructure are being constructed.

Builders' pipeline

The December 2018 *ACT Land and Property Report* states 'when a dwelling site has been landscaped and serviced, and a lease for the site has been issued, it is said to be in the 'builders' pipeline''. Land in the builders' pipeline is categorised as follows:

- Vacant Sites: where land is landscaped and serviced but construction of a new dwelling has not yet begun.
- Dwellings under Construction: where construction of a new dwelling is underway.

APPENDIX D: AFFORDABLE HOUSING ELIGIBILITY CRITERIA

The *Affordable, Community and Public Housing Targets Implementation Standard Operating Procedure* identifies eligibility criteria for affordable housing purchases.

Restrictions	Affordable Housing Scheme (AHS)	Notes
Eligible Transactions	Dedicated affordable home purchase homes as identified within the Annual Housing Supply Target	A specified number of dedicated affordable home sites will be released each year for homes to be built and sold at specific price thresholds
Eligibility	<p>You must pre-register on the Government’s affordable home purchase database;</p> <p>Your AHS application must be completed by everyone who will own the property;</p> <p>All applicants must be at least 18 years old;</p> <p>The total gross income of all applicants must not be greater than the AHS total gross income threshold amount (see below);</p> <p>All applicants must satisfy the Home Buyer Concession Scheme current and previous property ownership test; and</p> <p>At least one applicant who will own the property must be a resident of the ACT or intend to become a resident of the ACT</p>	Pre-registration will be hosted through the EPSDD – Affordable Housing website with links to ACT Revenue Office and Community Services Directorate.
Income Requirements	<p>Number of dependent children/ Gross Income</p> <p>0 - \$100,000</p> <p>1 - \$100,000</p> <p>2 - \$100,000</p> <p>3 - \$116,000</p> <p>4 - \$132,000</p> <p>5 or more - \$148,000</p>	
Residence Requirements	At least one applicant who will own the property must live in the home continuously for at least 1 year, beginning within a year after the settlement date (for a new home) or the date the Certificate of Occupancy and Use is issued after completion of construction (for vacant land).	<p>This mirrors the HBCS criteria.</p> <p>Hardship provisions are available to deal with extenuating circumstances. Suitable evidence to support any hardship claim will be required.</p> <p>Hardship is defined under Section 298 (2) (b) (i), (ii) or (iii) of the Planning and Development Act 2007. A hardship reason is a Personal Reason, Financial Reason or Unforeseen Major Event (as defined in that Act) that will prevent this requirement being met.</p>

Restrictions	Affordable Housing Scheme (AHS)	Notes
Price Thresholds	Dwellings to be sold in accordance with the Affordable Home Purchase Price Thresholds	Price thresholds as published on the EPSDD – Affordable Housing Website, updated annually.
Residency	A current resident of Australia, and are, or intend to become a resident of the ACT	Consistent with HBCS with additional ACT residency intention in order to allow interstate purchasers to enter the ACT market
Property requirements	Applicants must not have owned any other properties in the two years leading up to the transaction date, with limited exceptions.	<p>This is consistent with HBCS criteria</p> <p>Hardship provisions are available to deal with extenuating circumstances. Suitable evidence to support any hardship claim will be required.</p> <p>Hardship is defined under Section 298 (2) (b) (i), (ii) or (iii) of the Planning and Development Act 2007. A hardship reason is a Personal Reason, Financial Reason or Unforeseen Major Event (as defined in that Act) that will prevent this requirement being met.</p>

Audit reports

Reports Published in 2019-20	
Report No. 03 – 2020	Data Security
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Report No. 01– 2020	Shared Services Delivery of HR and Finance Services
Report No. 11 – 2019	Maintenance of ACT Government School Infrastructure
Report No. 10 – 2019	2018-19 Financial Audits – Financial Results and Audit Findings
Report No. 09 – 2019	2018-19 Financial Audits – Overview
Report No. 08 – 2019	Annual Report 2018-19
Reports Published in 2018-19	
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Report No. 04 – 2019	2017-18 Financial Audits Computer Information Systems
Report No. 03 – 2019	Access Canberra Business Planning and Monitoring
Report No. 02 – 2019	Recognition and implementation of obligations under the <i>Human Rights Act 2004</i>
Report No. 01 – 2019	Total Facilities Management Procurement
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Report No. 08 – 2017	Selected ACT Government agencies’ management of Public Art

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