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The Office of the Chief Executive



Senate Select Committee on Housing Affordability in Australia

A Current Canberra Experience Delivering Affordability

Introduction

On 27 September 2007 Chief Minister Jon Stanhope in the ACT Legislative Assembly made a “Ministerial Statement on Affordable Housing”.

He reported on the Government’s “Affordable Housing Action Plan” which had been announced on 12 April 2007, and emphasised the Government’s commitment to making House Affordability a priority issue.

The Statement contains a comprehensive review of the issues associated with the policy, and the measures being undertaken by the Government to address the problem.

As set out in the Statement the key initiatives of the Affordable Housing Action Plan include:

- increasing the supply of affordable land to the market;
- regular englobo land sales;
- over-the-counter sales of affordable housing blocks;
- streamlining land release and planning approval systems;
- providing new house and land packages priced between \$200,000 and \$300,000;
- a major expansion of community housing that will deliver an additional 480 affordable dwellings over five years;
- making more effective and targeted use of public housing;
- an initiative through institutional investors to increase the supply of private rental dwellings by 200- 400 homes in the first instance;
- ensuring the supply of sufficient land to meet the increasing demand for aged accommodation;
- land rent and shared equity schemes, including for public and community housing tenants; and
- targeted stamp duty concessions.

The Chief Minister stated, “The Government moved quickly to implement the Action Plan by establishing a high-level team headed by the former Executive Director of the Master Builders’ Association, Mr David Dawes, to drive the reforms and coordinate the initiatives across government”.

The establishment of this team and its location within the Chief Minister’s Department were critical decisions. Both the Land Development Agency and the ACT Planning and Land Authority have key roles in achieving these outcomes.

Reforms to the Territory Plan and planning legislation improved the land release and planning approval systems. New Planning Guidelines allowed for the introduction of affordable house and land packages.

For its part the LDA required that in new englobo land releases, 15 percent of blocks are in the smaller affordable range.

The first major englobo release under the new requirements was “Macgregor West” acquired by the Village Building Company in April 2007.

Macgregor West Land Release

The Macgregor West land release is comprised of approximately 67 hectares and is located on the north western fringe of Canberra’s existing suburbs. It sold at auction in April 2007 by the ACT Government’s Land Development Agency with a detailed Deed of Agreement attached to the holding lease.

The Development Deed specified a maximum yield of 570 dwellings and included a preferred concept plan with mandatory planning requirements. The concept plan was based on “new urbanism” principles with full edge roads rectilinear plan and one minor cul-de-sac. The developer was required to carry out detailed design and obtain all planning and construction approvals. A key requirement of the Deed was to ensure 15% of the site met the ACT Government’s affordable housing criteria. That criteria specified that a person should not have owned a home for the last two years (unless since divorced), that the household income should not be above \$100,000 and that the house should be eligible for stamp duty concession (this concession is eliminated at a house price of around \$365,000).

Site Review

After purchasing the site VBC reviewed the concept plan and concluded that significant savings in the cost of individual building allotments could be achieved by increasing the concept plan density of 8.5 dwellings per hectare, to 11.5 dwelling per hectare. Normally the company attempts to achieve a density of around 15-20 dwellings to the hectare but at West Macgregor significant areas of the site were not developable as they were under high voltage power lines. Also the yield was constrained by traffic movement limitations on adjoining roads.

It was obvious that the road pattern and the extent of edge roads added very significantly to costs. Reducing edge roads, introducing cul-de-sacs and varying the block sizes to allow a range of different housing types had the potential to reduce the servicing costs per site and increase the block yield.

In addition, our experience is that there is a significant segment of the market which has been excluded from purchasing a home because of substantial land price increases over recent years. We believed that this market segment is however prepared to accept smaller homes with a lesser specification, such as a 3 bedroom home of 100-106 m² with a single garage, no ensuite and just 300 meters of land. Recent sales have proven this assumption to be correct.

Role of ACT Government

The company approached the Business and Projects Department (Housing Affordability Implementation Unit) of the Chief Minister’s Department to seek assistance in involving the ACT Planning Authority and other Government agencies to gain their cooperation in revising the planning of the estate to achieve the policy objectives of Government with respect to affordable housing. This included a reduced betterment charge for the increased density, so as to keep the land price as low as possible. The Chief Minister’s Department and approving agencies agreed with this approach and the estate was redesigned.

In the ACT when land is sold and densities are subsequently increased the ACT Government would normally impose a “betterment” charge 75-100% of the increase in the value of land derived from the change in density. In this instance it was proposed to the ACT Government that they waive most of the increase in betterment in return for a commitment to produce 200 house/land packages below \$300,000 and 85 house/land packages below \$365,000. The Government accepted this proposition and betterment was limited to \$1.5 million.

Outcomes

The company produced a range of products within the site including 85-100 m² unit title 2 and 3 bedroom single storey townhouses each on 300 m² of land. Also produced were individual title, villa homes on 300 m² of land and courtyard homes on 450 m² blocks, in addition to the normal range of standard residential lots from 600 m² upwards. The estate will therefore contain a range of products priced from \$240,000 to over \$600,000. With the increased density the site will now contain 768 homes, of which 37% will be in a very affordable price range.

Village Building Co. directly constructs all homes in the “affordable” price range, currently defined as those below \$365,000. The remaining blocks are sold to builders and members of the public. This ensures a good product mix and a good socio-economic mix within the estate. It also ensures ‘a whole of life’ approach to the product mix so as lifestyle needs change, people can relocate to a more relevant product within the same area, maintaining social networks.

In the construction of the houses, close attention is given to every item effecting costs so dimensions are in modules of standard size building materials to avoid waste. Wardrobes have been eliminated from the third bedroom and shower screens over baths have been replaced by shower curtains. This illustrates that consumer expectations have reduced in line with affordability. Longer-term affordability issues have been addressed with over 50% of homes achieving 6 star energy ratings and with all houses being fitted with solar hot water systems.

While repetition of design is used to reduce costs, the aesthetics of repetition are ameliorated by changes to rooflines, variance in the use of external materials and other façade treatments. It is important that the housing not be tainted by repetitious appearances.

First priority in sales goes to those who have not owned a home and who meet all of the income criteria. Most homes have sold on the day of release with the remainder selling over the ensuing week and only a few at the upper level of the affordable price range taking 6-8 weeks to sell.

Attached to this submission is a newspaper advertisement of a sale of house and land packages to be offered to the public on Sunday 20 April 2008. 104 house and land packages will be offered. These will include two bedroom townhouses of 83 m² and 85m² from \$279,500 to \$291,500, three bedroom townhouses of 95m² to 102m² priced from \$294,500 to \$309,500, 3 bedroom villa houses from \$319,500 to \$321,500 and three bedroom courtyard homes from \$334,900 to \$355,900.

The sale is conducted via a ballot process which requires buyers to register prior to the sale. Buyers names are called out in strict chronological order of registration and invited to select their house and land package. They are required to enter into a contract on the day with an initial deposit of \$1,000 and have a five day “cooling off” period after which the contract is binding. They are required to bring the deposit up to 5% of purchase price within a further 16 days, after finance approval is gained. If a finance approval is not achieved the deposit is refunded in full.

Conclusion

To achieve these successful outcomes in housing affordability, the company has worked in close cooperation with the ACT Government who facilitated the density and planning changes and the lower than normal betterment charge. This Government intervention was critical. We have also achieved affordable housing within projects in Brisbane, Wollongong and Coffs Harbour.