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To:	Minister for Housing and Suburban Development	Tracking No.: 22/97412
CC:	Director General, Environment, Planning and Sustainable Development Directorate	
From:	Chief Executive Officer, Suburban Land Agency	
Subject:	59 Taylor blocks: re-release options	
Critical Date:	31 August 2022	
Critical Reason:	To enable the Suburban Land Agency time to re-schedule a release timeline	

Purpose

To present you with options for the re-release of 59 Taylor blocks for community housing.

Recommendations

That you:

1. **agree** to one of the following five options for re-release of the 59 Taylor blocks at Attachment A :

- a. Option 1 – Rezone blocks and undertake a direct sale to a Community Housing Provider (CHP); or

Agreed / Not Agreed / Please Discuss

- b. Option 2 – Sell to a developer requiring minimum 15 per cent to be on-sold to CHPs; or

Agreed / Not Agreed / Please Discuss

- c. Option 3 – Sell as general release and substitute for apartment dwellings for CHPs; or

Agreed / Not Agreed / Please Discuss

- d. Option 4 – Prepare a budget business case ^{Sch 2.2(a)(xiii), Sch 2.2(a)(viii)}

Agreed / Not Agreed / Please Discuss

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- e. Option 5 – Pause the sale of blocks to allow for further consultation with Commonwealth Government to identify opportunity to attract Commonwealth funding for shovel ready projects.

Agreed / Not Agreed / Please Discuss

- 2. **note** the information contained in this brief.

Noted / Please Discuss

Yvette Berry MLA/...../.....

Minister's Office Feedback

Background

- 1. On 13 April and 28 June 2022, the Suburban Land Agency (the Agency) briefed you about the re-release of 59 blocks in Taylor as detailed at Attachment A (previous briefs at Attachment B and C).
- 2. The Agency had scheduled these blocks for general residential release in quarter one 2022-23. This was proposed following the unsuccessful attempts to sell these blocks as community housing over and above the notified community housing targets in 2019.
- 3. In July 2022, you requested Treasury and the Environment, Planning and Sustainable Development Directorate (EPSDD) investigate the possibility of a direct sale to a Community Housing Provider (CHP).
- 4. A direct sale is a method of land release permitted by the *Planning and Development Act 2007*, where the Government can offer land to an eligible applicant without going through a competitive land sales process.
- 5. The direct sale must be sold at market value unless a concessional rate is applied. Concessional rates can only be applied where blocks are zoned as Community Facilities and must also be approved through Cabinet.
- 6. In response to your request to investigate the possibility of a direct sale, the Agency has developed options for your consideration.

Issues

- 7. The Agency is required to sell land at market value under the *Planning and Development Act 2007*.
- 8. Feedback from CHPs is that they are unable to afford market value for these single residential blocks. Therefore, proposed options require a mechanism for the Government to effectively subsidise the purchase to sell the blocks to CHPs at an affordable rate. Treasury advise that this should be considered by Government through

- a Budget Process, such as a 2022-23 Budget Review or 2023-24 Budget business case.
9. Funding was allocated in the 2022-23 Budget for Treasury, working with EPSDD, to explore opportunities to boost the supply of affordable rental housing in the ACT in response to market gaps, particularly through the expansion of community housing owned and/or managed stock. It is expected that this work will inform a future budget business case on cost-effective options to boost the supply of affordable rental housing, including community housing, in the ACT.
 - a. It may be prudent to await the outcomes of this work before determining how best to proceed in relation to the 59 blocks.
 - b. Conversely, conducting an alternative sales process on these blocks (or a limited number of these blocks) at this time may provide a valuable case study to inform future policy decisions.
 10. The Agency has liaised with EPSDD and Treasury to prepare five options for your consideration as to how we proceed with the 59 blocks in Taylor. These options balance the costs to the Agency associated with holding empty blocks against options to dispose of the land within current legislative mechanisms and providing land/dwellings to the community housing sector.
 11. Options which involve holding land both incur costs to the Agency for upkeep and maintenance of the vacant land and also withhold land supply from the ACT housing market.
 12. The financial implications section sets out specific revenue and costs associated with each option.

Option 1 – Rezone blocks and undertake a direct sale to a CHP

13. This option most closely aligns with your request to investigate a direct sale of the land to a CHP.
14. The direct sales process requires that land is sold at market value. Through the previous sales process the community housing sector advised that it is not financially feasible for them to purchase the land at an unrestricted full market value.
15. The application of a community concessional lease may constrain the market value of the land sufficient for the development to be financially feasible to CHPs, however community concessional leases do not permit residential uses.
16. To enable a direct sale at a concessional rate, the land would need to be rezoned as Community Facility land. The rezoning process usually takes 12-18 months once the planning report is agreed, however this process will take longer due to the Planning System Review and Reform Project that is currently underway.
17. The rezoning process also introduces new risks including that the rezoning may not be supported. The Agency would be required to bear this risk as it would be preparing the planning report. Should the rezoning not be approved, the Agency would need to consider other options to release the residential zoned blocks.
18. Through the previous sales process the CHPs advised that they would look to sell some of the dwellings at full market value to subsidise the cost of the development. Should the sites be rezoned, the CHP would not be able to sell them to subsidise the development or cross-subsidise their broader property portfolios. Consequently, the CHP would need to be able to fund and retain the development of all 59 dwellings as community/supportive housing.
19. As CHPs have not been consulted on this option it is unclear if this requirement would

change the appetite of previously interested CHPs.

20. It is also unclear whether, subsequent to successful rezoning, a CHP would be willing to make a direct sales application and go through the Cabinet process for a decision on the sales outcome unless the complete development is financially feasible. We also note that the community housing sector has advised that they can purchase existing houses now for nearly the same price as some of these blocks, which ultimately could be a more cost-effective option to pursue.
21. Should this option be pursued, the Agency would need to maintain the vacant land over the period of rezoning and until sale which could be as long 3 years. Holding land for this period of time may attract criticism, especially in the current housing market in the ACT. There would also be resource implications for the Agency to prepare the planning report for a Territory Plan variation and for EPSDD to progress the variation.

Option 2 – Sell to a developer requiring a minimum 15 per cent to be on sold to CHPs

22. This option presents a compromise by providing a minimum 15 per cent (8-9 blocks) of the 59 blocks as community housing, but also enables the Agency to dispose of these blocks and finalise the Taylor estate.
23. The Agency has undertaken analysis that has identified that a development would likely be financially feasible for developers if there is a requirement for 15 per cent of the blocks to be sold to CHPs at the highest Affordable Home Purchase Scheme (AHPS) fixed price thresholds.
24. If the requirement to on-sell at the AHPS price threshold was removed, but the requirement to on sell a minimum of 15 per cent to CHPs was retained, a competitive tender process could be run that would enable developers to partner with CHPs to submit proposals that would maximise the number of dwellings on-sold to the CHP but also maximise the financial return to the Agency.
25. Requiring developers to on-sell a minimum of 15 per cent of dwellings to CHPs will impact the revenue achieved by the Agency from the sale. The quantum of this financial impact would be considered as part of the valuations process when market value is determined.
26. As developers and CHPs have not been consulted on this option, it is unclear if there is appetite to undertake a project of this nature. However, by requiring a joint development, this should provide dwellings for CHPs which better meet their needs.
27. This option will lead to a faster resolution than options 1 and 4, and will be less costly to the Government.

Option 3 – Sell as general release and substitute for apartment dwellings for CHPs

28. This option proposes to sell the 59 blocks as a general release as planned but provide an equivalent number of unit dwellings for CHPs in the next four years of multi-unit land releases.
29. This option presents the most timely action on the 59 blocks, as it allows the Agency to proceed with the sale of these blocks in the budget year, finalising the Taylor estate and immediately increasing land supply in the ACT.
30. As the 2022-23 multi-unit releases already have Housing Targets applied through the latest Indicative Land Release Program process, there is very little capacity to include additional community housing dwellings on top of the housing targets already programmed in the current 2022-23 budget year. For this reason, it is proposed that

under this option the additional 59 dwellings are provisioned over a four-year period across Agency developments.

- 31. This option guarantees 59 dwelling would be made available to CHPs, even though as apartments rather than separately titled blocks. However, there is a risk CHPs may consider that these dwelling types (apartments) do not meet their needs and may elect not to purchase these dwellings. In recent years, CHPs have only taken up around 10 per cent of dwellings offered through the housing targets.
- 32. Should this option be preferred, consultation with CHPs should occur to assess the level of demand.

Option 4 – Prepare a budget business case Sch 2.2(a)(xiii), Sch 2.2(a)(viii)

33. Sch 2.2(a)(viii), Sch 2.2(a)(xiii)

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Option 5 – Pause the sale of blocks to allow for further consultation with Commonwealth Government to identify opportunity to attract Commonwealth funding for shovel ready projects

41. The ACT Government has commenced consultations with Commonwealth Government agencies on the opportunity for the Commonwealth Government to support Territory housing initiatives through direct funding of shovel ready projects.
42. This option proposes to pause further consideration of the sale of the 59 blocks until end of 2022 to allow these blocks to be considered as part of the consultation and for Commonwealth Government funding opportunities to be identified.
43. Should a suitable Commonwealth funding mechanism be identified through this consultation, then the SLA will develop a release methodology that accommodates the Commonwealth funding.
44. If by the end of 2022 there are not identified short term pathways to secure Commonwealth funding to support the project, then the SLA will reconsider the way forward for these sites.

Financial Implications

45. Under each of the five options outlined above there are differing costs associated with delayed release of land and the number of dwellings provided to CHPs.

Table 1: Summary of timing and outcomes under each option

	Option 1	Option 2	Option 3	Option 4	Option 5
Timeframe for release of Taylor blocks	3+ years	0-1 year	Immediate	1-2 years	0-2 year
Timeframe of completion of Community Housing dwellings (occupation)	5+ years	2-3 years	3-6 years	3+ years	2-4 years
CH dwellings	59	Minimum 8-9	59	59	59
Dwelling type	Land	House and Land	Apartments	Land	land

Table 2: Summary of estimated revenue impact over the forward years

Revenue Impact	Option 1	Option 2	Option 3	Option 4*	Option 5^^
2022-23	Sch 2.2(a)(viii), Sch 2.2(a)(xiii)				
2023-24					
2024-25					
2025-26					
TOTAL					

Notes:

1. Updated valuations have not been sought for these blocks under each option, however the above estimates have been determined from recent comparable past sales.

2. Cashflows have no been discounted across outyears.

Sch 2.2(a)(xiii), Sch 2.2(a)(viii)

^^ We have assumed that under option 5 that full market value will be achieved for the site due to Commonwealth funding supporting the purchase.

ConsultationInternal

46. The Finance Branch and the Greenfields Branch support the options proposed in this brief.

Cross Directorate

47. The Housing Strategy and Unit Title Reform team, and Strategic Projects Branches, Environment, Planning and Sustainable Development Directorate support the proposed options.

48. Treasury has been consulted and support consultation with CHPs on options as a way forward.

External

49. Input from CHPs was initially considered in determining available next steps for the re-release of these 59 blocks.

50. The Agency is planning engagement with the Community Housing Industry Association in August 2022 to discuss the requirements which are included in sales packages when developers are required to deliver community housing dwellings.

51. Further consultation will be undertaken with CHPs to progress your preferred option.

Benefits/Sensitivities

52. Benefits and sensitivities of each option have been covered in the relevant sections.

Communications, media and engagement implications

53. The community housing sector expects these blocks to be released for community housing. Any deviation from this may attract criticism from the sector.

54. Some of these options may limit the frustrations from the sector. The Agency is working to build relationships with sector and understand how dwellings identified for community housing can better meet the sector's needs.

Signatory Name: John Dietz Phone: 6205 7346
Action Officer: Oliver Hough Phone: 6207 6618

Attachments

Attachment	Title
Attachment A	Taylor Block list
Attachment B	22/42640 Ministerial Information Brief – Re-release of Taylor blocks
Attachment C	22/73598 Ministerial Caveat Brief – Provide updates on re-release of 59 Blocks in the suburb of Taylor

Attachment A – Block list

Lot	Section	Block	Dwelling Type	Area m ²
C24	53	1	Terrace	328
		2	Terrace	141
		3	Terrace	207
		4	Terrace	207
		5	Terrace	141
		6	Terrace	141
		7	Terrace	207
		8	Terrace	207
		9	Terrace	242
		10	Single Residential	250
		11	Single Residential	250
		12	Single Residential	250
		13	Single Residential	375
C25	54	1	Terrace Surveillance	314
		2	Terrace	231
		3	Terrace	231
		4	Terrace	201
		5	Terrace	201
		6	Terrace	231
		7	Terrace	204
		8	Terrace Surveillance	311
C26	56	9	Single Residential	250
		10	Single Residential	250
		11	Single Residential	250
		12	Single Residential	250
		13	Single Residential	250
		14	Single Residential	247
C27	57	4	Single Residential	375
		5	Single Residential	250
		6	Single Residential	250
		7	Single Residential	250

Lot	Section	Block	Dwelling Type	Area m²
C28	57	8	Terrace	247
		9	Terrace	214
		10	Terrace	214
		11	Terrace	214
		12	Terrace	146
		13	Terrace	146
		14	Terrace	247
		15	Terrace	247
		16	Terrace	146
		17	Terrace	146
		18	Terrace	214
		19	Terrace	146
		20	Terrace	146
		21	Terrace	247
22	Terrace	339		
C29	58	1	Terrace Surveillance	323
		2	Terrace	204
		3	Terrace	204
		4	Terrace	235
		5	Terrace	235
		6	Terrace	204
		7	Terrace Surveillance	235
		8	Terrace	235
		9	Terrace	235
		10	Terrace	235
		11	Terrace	204
		12	Terrace	204
		13	Terrace Surveillance	326

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To: Minister for Housing and Suburban Development

From: Chief Executive Officer, Suburban Land Agency

Subject: Re-release of 59 Blocks in the suburb of Taylor

Critical Date: 27 April

Critical Reason: Brief has been requested by the Minister's Office

Tracking No.: 22/42640

Purpose

To provide you with information about the proposed general residential re-release of 59 blocks in Taylor, which were formerly identified for community housing.

Recommendations

That you:

1. **Note** the information contained in this brief.

Noted / Please Discuss

Yvette Berry MLA

11/05/22

Minister's Office Feedback

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Background

1. The Suburban Land Agency (Agency) released 59 blocks in Taylor for community housing in 2018-19. This release was reported in the 2018-19 Annual Report in addition to the 2018-19 housing targets. Despite negotiation with the Community Housing Providers (CHPs) identified during the first stage of the process, the sites did not sell.
2. The reason a sale was not able to be achieved was that the financial offer for the land did not meet the assessed market value – offer was in the order of 50 per cent of market value.
3. These blocks, originally identified by the Agency for community housing, are now being proposed for general residential release, given the significant cost challenges associated with community housing. Attachment A and Attachment B provide a block list and map of the 59 blocks in Taylor. For further detailed background about the process, please see Attachment C.

Issues

4. The Agency has considered the following options in relation to these sites:
 - a. Re-release for community housing:
 This option has been considered based on the feedback received to date (refer Attachment C) from CHPs. CHPs would require a sales price significantly below market value to have capacity to purchase ^{Sch 2.2(a)(viii), Sch 2.2(a)(xiii)} [REDACTED].
 [REDACTED] The Agency currently does not have available the policy levers to influence market value to the price that CHPs have indicated they could afford. The policy work that will further restrict market value includes applying longer-term restrictions on transfer and affordable rental covenants. These restrictions are likely to take more than six months to consider and is dependent on resourcing and other projects. There is also a risk that these policy changes may not be sufficient to reduce the market value to the required price point.
 - b. Re-release for Affordable Home Purchase Scheme:
 As the sites are co-located with an existing group of house & land packages being offered to eligible buyers, it is considered that this is not a desirable option. In addition, the Agency has identified challenges relating to windfall gain for eligible buyers associated with delivering house & land packages through the Affordable Home Purchase Scheme.
 - c. Re-release for Land Rent:
 This option will continue to be explored as part of the general residential release; however initial analysis indicates that there will be very few blocks which fall below the ^{Sch 2.2(a)(xiii)} [REDACTED] price threshold required for them to be identified as Land Rent blocks.
 - d. General residential re-release:
 This would increase supply in the current market where there is high demand for land. Releasing these sites quickly will also finalise the Agency's role in the Taylor development and reduce ongoing holding.

5. The required level of support for the land for offering these blocks as community housing is deemed as not representing value for money, particularly as only half of the blocks would likely be used for affordable rental. It would also require further delay for the necessary policy work to enable the Agency to influence market value to the point that CHPs could afford – noting, during this time these blocks would remain as the last sites in Taylor.
6. Re-releasing as general residential is the preferred option as it will allow the Agency to finalise its involvement in the Taylor development thereby reducing holding costs and increasing supply of general housing while further policy work for community housing is undertaken. The blocks will likely be auctioned as packaged lots in early 2022-23. Where possible, blocks will be considered for Land Rent, although there are not likely many blocks which will meet this requirement due to the anticipated land value.
7. As this differs from the previous release for community housing, it is likely to attract some criticism from the community housing sector. It may be possible to address these concerns by proposing to identify alternative sites elsewhere which could be released for community housing, subject to completion of further policy work, and then identified through the indicative Land Release Program.

Financial Implications

8. Sch 2.2(a)(xiii), Sch 2.2(a)(viii)


Consultation

Cross Directorate

9. Environment, Planning and Sustainable Development Directorate and Treasury will be informed of the decision. Discussions on policy implications are ongoing.

External

10. CHPs and the Community Housing Industry Association have been advised of the outcome of the previous sales process and are aware of the requirement of the SLA to sell land at market value and the challenges that presents for community housing providers.
11. CHP’s will be notified of the decision and next steps.

Signatory Name: John Dietz Phone: 6205 8476
 Action Officer: Oliver Hough Phone: 6207 6618

Attachments

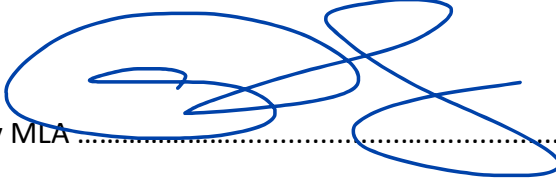
Attachment	Title
Attachment A	Block list
Attachment B	Block Map
Attachment C	Taylor Community Housing Release Background



To:	Minister for Housing and Suburban Development	Tracking No.: 22/73598 Rec'd Minister's Office .../.../...
CC:	Director-General, Environment, Planning and Sustainable Development Directorate	
From:	Chief Executive Officer, Suburban Land Agency	
Subject:	Provide updates on re-release of 59 Blocks in the suburb of Taylor	

- On 13 April 2022, the Suburban Land Agency (Agency) provided you a brief about re-releasing 59 blocks in Taylor. As outlined, despite negotiation with the Community Housing Providers (CHPs), the sites did not sell and given the significant cost challenges are proposed for general residential release. Further detailed background on this matter is in brief 22/42640, which is provided at Attachment A.
- Following this brief, Treasury was consulted to explore possible options to provide these blocks to CHPs. Unfortunately, the current legislative and policy framework does not allow the Agency to adjust land value to a price level viable for CHP purchase and development.
- Consideration was given to the possibility of releasing the blocks through the land rent scheme. However, the market value of the blocks is likely to exceed the cap which applies to land rent blocks and there is currently only one CHP able to access the land rent scheme giving rise to probity issues. The Community Housing Industry Association has also indicated in their 2022-23 Budget submission a preference to explore alternative co-investment mechanisms instead of land rent going forward.
- Changes to the current legislative and policy framework are expected to take time to develop and the appetite for such changes requires consideration.
- As indicated in Attachment A, these blocks are scheduled for general residential release in the first quarter of the 2022-23 financial year. Extensive preparation work has been undertaken to prepare these sites for release, as the final release for the Taylor estate.
- Sch 2.2(a)(xiii), Sch 2.2(a)(viii)

- To meet the scheduled release and revenue budget, the Agency proposes to continue with a general residential release for these blocks. The Agency will continue to work with other areas of ACT Government including Treasury, Community Services Directorate and Environment Planning and Sustainable Development Directorate (EPSDD) to explore future opportunities to provide product to the community housing sector.



 Yvette Berry MLA 06/07/22

Minister's Office Feedback <i>I'd like to investigate the possibility of a direct sale for Community Housing providers with Treasury and Planning</i>		
Signatory Name:	John Dietz	Phone: 6205 8476
Action Officer:	Oliver Hough	Phone: 6207 6618

Attachments

Attachment	Title
Attachment A	22/42640 Ministerial Information Brief – Re-release of Taylor blocks