2024 Election Commitment – Canberra Liberals

Name of Commitment:	**Housing – Key worker pilot (rental)**
	Reference Number: LIB071
Request Submitted by:	Elizabeth Lee MLA, Canberra Liberals
Date Request Received:	11-Oct-24
Additional Information Requested (details and date)	N/A
Additional Information Received (details and date)	N/A

Financial Implications					
Impact On:	**2024-25 $'000**	**2025-26 $'000**	**2026-27 $'000**	**2027-28 $'000**	**TOTAL $'000**
Revenues [(a)]	0.0	83.5	342.3	701.7	**1,127.5**
- Other Revenue	0.0	167.0	684.6	1,403.4	**2,255.0**
- Revenue Forgone	0.0	-83.5	-342.3	-701.7	**-1,127.5**
Expenses [(a)(b)]	0.0	-524.0	-1,708.0	-3,062.7	**-5,294.7**
- Employee Expenses	0.0	0.0	0.0	0.0	**0.0**
- Other Expenses	0.0	-82.4	-337.8	-692.6	**-1,112.8**
- Cost of Financing	0.0	-441.6	-1,370.2	-2,370.1	**-4,181.9**
Depreciation	0.0	-78.4	-317.5	-643.0	**-1,038.9**
Net Operating Balance	**0.0**	**-440.5**	**-1,365.7**	**-2,361.0**	**-4,167.2**
Capital Requirement	0.0	-8,412.1	-17,244.7	-17,675.9	**-43,332.7**
Cash Surplus/Deficit	0.0	-8,852.6	-18,610.4	-20,036.9	**-47,499.9**

(a) A negative number indicates a decrease in revenue or an increase in expenses.
(b) Excludes depreciation

Other Information

Costing Methodology Used:
- Costing Technique:

The costing has been completed using a price by quantity methodology, based on Housing ACT acquiring 50 dwellings over three years (five houses and five units in 2025-26, and 10 of each in both 2027-28 and 2028-29) at the median ACT house price as at the June Quarter 2024, indexed by the Consumer Price Index (CPI); plus associated rental income, property maintenance and depreciation impacts.

- Proposal Parameters:
• The costing assumes the administrative expenses associated with the program would be absorbed by Housing ACT. • The proposed pilot program is capped at 50 dwellings, comprising 25 units and 25 houses. • The costing assumes the properties are purchased from the market (such as through spot purchase or expression of interest processes), there are sufficient suitable properties and there is a full take-up of the program by eligible tenants. • The costing assumes the purchase costs and market rents of the properties are consistent with June Quarter 2024 median property prices and June Quarter 2024 median rents for the ACT respectively, both indexed by CPI. These are $1,041,432 for the purchase of a house and $595,951 for the purchase of unit, and rents of $690 per week for a house and $560 per week for a unit. • The rent rebate (that is, the rent foregone) is assumed to be 50 per cent of market rent. • The costing assumes an average half-year impact for rent revenue, property and tenancy management costs and depreciation in the year of acquisition of properties; • Property and tenancy management costs (excluding depreciation) are calculated at approximately $16,500 per property in 2025-26 (then indexed by CPI), consistent with Housing ACT's actual average costs in 2023-24. • The costing assumes no changes to rates or other government own-source revenue estimates as a result of the proposed arrangements. • Depreciation is calculated on a straight line basis over a 30-year period and assuming that depreciable improvements account for 45 per cent of the value of house purchases and 75 per cent of the value of unit purchases. The useful life assumption of 30 years reflects that the acquisition of properties from the market would likely include a mix of new and established dwellings. Depreciation has not been included in the net operating balance because Housing ACT is a Public Trading Enterprise. • Cost of financing has been calculated at 5.25 per cent.
Caveats or qualifications to the costing:
• Actual property purchase costs and rents may differ from the median price assumed, and may increase at a rate greater than CPI. • Policy and guideline development/project management costs have not been included; it is assumed that these costs would be met from existing agency resources. However, Treasury considers that Housing ACT may have to reduce or reprioritise existing services to cover these costs.
Other Comments:
Treasury's costing differs from that submitted due to the inclusion of rental revenue, property and tenancy management costs, cost of finance, and technical differences in the application of CPI and depreciation rates. Additionally, Treasury has applied the median house price of $1,041,432 as published in Domain's *June 2024 House Price Report.*
- Statistical Data Used:
• Property prices and rents are based on the median values for the ACT from the *June 2024 House Price Report* and *June 2024 Rental Report* (Domain), as referenced in the costing request. • Average property and tenancy management costs are Housing ACT estimates (based on Housing ACT's actual average costs in 2023-24, indexed by CPI). • CPI estimates are as per the Pre-Election Budget Update 2024.

Stuart Hocking PSM
Under Treasurer
17 October 2024