



Property Council of Australia  
ABN 13 00847 4422

Level 4, 10 Moore Street  
Canberra ACT 2600

T. +61 4 12 897 130  
E. [act@propertycouncil.com.au](mailto:act@propertycouncil.com.au)

[propertycouncil.com.au](http://propertycouncil.com.au)  
 [@propertycouncil](https://twitter.com/propertycouncil)

Australia's property industry  
**Creating for Generations**

Stuart Hocking  
ACT Under Treasurer  
220 London Cct  
Canberra ACT 2601

Sent via email: [stuart.hocking@act.gov.au](mailto:stuart.hocking@act.gov.au)

23 May 2024

## **ACT Property Council Pre-Budget Submission**

Dear Mr. Hocking,

The ACT and Capital Region Division of the Property Council of Australia is pleased to present our submission to the ACT FY 2025 Budget process, offering evidence-based recommendations to ensure that Canberra continues to succeed.

The Property Council of Australia advocates on behalf of an industry that employs 1.4 million Australians and shapes the future of our communities and cities. Property Council members invest in, design, build, and manage places that matter to Australians: our homes, retirement villages, shopping centres, office buildings, industrial areas, education, research and health precincts, tourism and hospitality venues, and more. Our industry is a significant contributor to the Australian Capital Territory's economy, accounting for more than \$4.5 billion in economic activity and 1 in 7 jobs, while also being among the largest contributors to the ACT Government's revenue pipeline. This budget submission provides insights from our members on how we can continue the growth of our economy.

There is no question that the ACT is facing a housing crisis. Our population continues to increase at one of the fastest rates in the country and is poised to reach 760,000 by 2060. We must ensure we have the right economic parameters in place and the housing supply to support this. Chief Minister Andrew Barr MLA has publicly highlighted that the Government is aiming for 30,000 new

dwellings over the next 5 years. It will be critical to improve planning processes and systems, attract foreign capital investment, and deliver the appropriate infrastructure to meet this target.

Our budget submission also highlights the need to revitalise our city. A key part of this revitalisation will be encouraging individuals to 'work from work'. Flexibility in the workplace has existed for a long time and should remain; however, the effects of the pandemic have made working from home the rule rather than the exception. The flow-on effect has been the impact on our city. Vibrant and thriving CBDs are not an optional extra; they are an essential part of our national economic prosperity, and driving their success should be top of mind.

Our budget submission has four key recommendations:

- Create a more efficient tax system that attracts investment.
- Speed up the delivery of the Canberra Stadium and Convention Centre.
- Return to the office as key to our city revitalisation.
- Provide greater resourcing to EPSDD to speed up DA approval times.

We look forward to working with the ACT Government to implement these key recommendations and welcome the opportunity to discuss them in detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gino Luglietti', written in a cursive style.

**Gino Luglietti**

Interim ACT and Capital Region Executive Director  
Property Council of Australia

# **Pre-Budget Submission to ACT Treasury**

**May 2024**

In order for Canberra to continue to succeed, we believe that the following points should be considered as the Government makes decisions on the Territory budget for next year.

1. **Create a more efficient tax system that attracts investment.**

To drive economic growth in Canberra, we must create a tax system that makes us the best place for investment and business. Currently, the ACT relies more heavily than other jurisdictions on land and property-related taxes. The flow-on effects of this are an increase in housing costs and, as more home buyers seek cheaper options in NSW surrounding areas, this has a further effect of narrowing our tax base.

The ACT Government made a bold decision in 2012 to undertake a 20-year program to modernise their tax system, which the Property Council commends. One goal of this reform is to move towards removing the inefficient tax of stamp duty with a broad-based land tax through rates. In 2016, the Government eliminated stamp duty on insurance policies; however, stamp duty remains on property. The phasing out is happening in four separate stages, and as of 2021-22, we are now at stage 3, which will continue until 2025-26. In the current stage, rates are expected to increase on average by 3.75% per annum.

The challenge is that while stamp duty declines, general rates are increasing too quickly rather than a like-for-like transition. In 2022-23, general rates revenue is estimated to be \$729.2 million, with residential stamp duty being \$274.3 million. This contrasts with the start of the tax reform in 2012, where revenue was \$294 million in stamp duty and \$211 million in general rates. This equates to a \$518 million increase in rates between 2012 and 2023, depending upon the cap rate assumption, resulting in \$5-\$7 billion in lost asset value to owners, which is generally equity used to fund other investments in the Territory.

This impact becomes more stark when we dive into the commercial rates transition. Since 2012, commercial property rates have increased by 3.7% year on year, but there does not appear to be a strategy to cease this. This is particularly concerning as the Unimproved Value is increasing each year, increasing the rates payable. Without certainty of outgoings, it is hard for investors to forecast net operating income and therefore returns for investment in the territory. In the current environment, any risk is priced for the worst case, and this lack of certainty around rates impacts liquidity for Canberra assets.

Further, other property taxes that exist in the ACT, such as the Lease Variation Charge, do not appear to meet their original policy intent and are providing a missed opportunity for revenue gain.

To ensure that Canberra has an efficient tax system that attracts investment, the Government should adopt the following recommendations:

- **Adopt rates, taxes, and charges policy that drives growth.**
- **Ensure greater transparency around commercial rates.**

There is currently no clarity on future rate increases over the reimagining transition period. It is not clear to owners or investors what the rates will be for the next year, five years, or ten years (other than historically, as mentioned above, there have been significant increases). Further, current rate components and percentage rates applied are not disclosed on property rate notices. The lack of transparency is preventing commercial property owners or future investors from making long-

term investment decisions. The market cannot grapple with this ambiguity and ultimately reduces competitiveness and confidence in the ACT.

The new Government should adopt a strategy of capping commercial rates to CPI because it allows property owners or investors to be aware of and know what the rates increases are or are likely to be in the coming years. The market cannot handle the uncertainty of commercial rates and possible increases that are unknown. This should be a transparent strategy that is released to the public to provide confidence to the industry and inform them of investment decisions.

- **Establish a rates and taxes reform taskforce**

The ACT Government is now 11 years into the 20-year tax reform to phase out stamp duty. As we move to the final years of this reform, it is crucial that we get the transition right to ensure the Government Budget revenue stream is maintained while preventing a financial shock to residential and commercial property owners.

The new Government should establish a Rates and Taxes Reform Taskforce, with government, industry, and community representatives to get the settings needed to drive productivity and economic recovery. The taskforce should be convened with the following mandate:

- The overriding goal of the taskforce should be determining the effectiveness of the commercial and residential ratings system and its impact on businesses and property investment in Canberra.
- The following specific issues should be included within the ambit of the taskforce:
  - Consider global best practices for assets that fall outside of Residential or Commercial such as BTR.
  - Changes to stamp duty, general rates, and overall property tax collections for residential vs. commercial property under the tax reform process.
  - Valuation methodology applied for determining unimproved rate values, including the reason for the significant increase in 2018 to unimproved rate values applied to commercial and industrial properties.
  - How this will impact rate notices over the next three years.
  - A fair and equitable approach to recovery of historic rates when changes in valuations are backdated.
  - The increase in rates and the impact on capital values, investment decisions, and business viability.

### **Utilise Lease Variation Charge (LVC) to drive investment and deliver government policy goals**

LVC is a property tax that provides the Government with an opportunity to deliver on its goals through concessions. Currently, this ability of the Government is underutilised. The new Government should provide LVC remissions for intended policy goals:

- The redevelopment of existing residential dwellings to increase the number of occupancies.
- Adaptive reuse and changing aging commercial office stock to residential.

- Apartment complexes in the city to drive urban infill and contribute to our city revitalisation.
- Redevelopment of town centers, group centers, and local centers to allow them to be improved and provide for the growing population.

Additionally, within the city precinct, LVC should be amended so that the charges levied in a certain geographic area are spent in that community, so there is a direct benefit from private investment realised. It should also be utilised as a tool to incentivise industry uptake on key Government policies, such as the development of green, sustainable buildings. This would allow the Government to show a direct benefit from the charge and where the money is spent as opposed to collecting it into the consolidated revenue fund.

## **2. Speed up the delivery of the Canberra Stadium and Convention Centre and provide clarity on the National Capital Investment Framework**

In October 2019, the ACT Government released its 10-Year Infrastructure Plan, which identified projects and ways to deliver them, including through joint ventures and Public-Private Partnerships (PPP). This plan has since been updated in a post-COVID-19 world, with updates to the Infrastructure Plan released by sector. All seven sector updates are to be released by mid-2024. At the time of writing our election platform, the Entertainment Arts & Sport and Health plans have been released.

The infrastructure strategy aims to consider the future demands for infrastructure to meet our growing population in a tight market. It is supported by the ACT Transport Strategy 2020, which provides further direction on Canberra's Light Rail. The Light Rail is the largest infrastructure project in the history of the ACT and will ultimately provide a north-south public transport corridor, benefiting Canberrans by reducing travel times and cutting down on emissions.

The Property Council is supportive of the Light Rail and believes that the construction of significant transport infrastructure is critical to realising growth opportunities. Deliberate and planned Transit-Oriented Development (TOD) planning delivers more affordable, compact, and sustainable housing, ensuring that vulnerable individuals, the ageing population, and skilled and key workers in our community can live close to transport routes, work, health services, retail, education, and recreational opportunities without requiring cars to get there.

Canberra infrastructure has come a long way, but there is still more to be done. We must determine a path of growth, and the property industry is key to delivering this.

Overall, previous and current budget reviews by the ACT Government have allocated small amounts of funding for business cases and feasibility studies for major infrastructure projects. The need and economic benefit of these projects are well understood and accepted. In the next budget, we need to see funding to fully design both the Canberra Stadium and the Convention Centre, along with the planned phasing of funding for the delivery phases of both major projects. This will be an important step in delivering these significant infrastructure projects for the Territory.

Additionally, we have provided recommendations regarding the stadium and the convention centre below.

## **Convention Centre**

Regarding the convention centre, we recommend that the Government fund the ability to:

- Identify, retain, and protect a site for the future convention centre precinct, as identified in the Infrastructure Plan.
- Commence concept design/site feasibility for the centre.

## **Stadium**

In regard to the stadium, it is recommended that the Government partner closely with the Australian Sports Commission (ASC) in its delivery. If the ASC becomes a development/funding partner for the new stadium, it should be promoted as a project of national significance and attract Commonwealth funding.

### **3. Return to the office is crucial for our city's revitalisation.**

Working from home is here to stay, but to align with government policy and revive our city as a bustling hub of economic activity, we need a balanced approach. The private sector is leading the way, often requiring employees to work from the office three days a week. The ACT Government should:

- Mandate that ACT Government employees return to the office for three days a week and seek approval for additional work-from-home days.

Returning to the office is a smart move to breathe new life into our city. Working from the office doesn't mean sticking to a strict 9 am-5 pm routine. Flexibility would remain, allowing people to start later than 9 am and leave for appointments like school pick-ups. The key is to get people back to the office to foster collaboration, productivity, and city revitalisation.

- Launch a unified campaign akin to South Australia's #GotoTown campaign, led by the ACT Government team responsible for the nightlife economy.

Currently, we're witnessing the ACT Government's commitment to investing in our city. Projects like the redevelopment of the Canberra Theatre Centre and the construction of the Entertainment Pavilion and Convention Centre aim to inject vibrancy into our city.

The Government is also looking into ways to liven up our city's nightlife and support our restaurants and bars. However, there's a disconnect between initiatives from both the industry and public perspectives.

The Government should roll out a unified campaign, similar to South Australia's #GotoTown campaign. This would involve collaboration between the Government, the Property Council, and other industry bodies to create a platform (website) that consolidates all city initiatives. This platform should feature:

- Planned events
- Hotel and accommodation deals

- Hospitality promotions, including happy hours or meal deals
- Sub-campaigns

The campaign should run for 3-4 months and serve as a boost for our city. It should be accompanied by street parties, a media blitz, and launches by Government Ministers.

Furthermore, this effort should coincide with the use of commercial office space, with building owners hosting events in their foyers to entice workers back to the city, where they can contribute to the nightlife economy.

#### **4. Provide greater resourcing for the planning system.**

With the new Territory Plan now being utilised and in place, the Property Council recommends that the 2024-25 ACT Budget provides funding for more resources involved in the planning system.

##### **Resources for EPSDD**

EPSDD requires additional resourcing to restore decision timeframes back to the 6-month average (2nd half of 2023) of around 70% being decided within the statutory timeframe. Secondly, for the property sector to have improved confidence in the planning system, at least 80% of DAs should be decided within the defined timeframe.

We also believe that a modest investment in EPSDD resources could facilitate the following improvements:

- Release statistics on significant DA processing, as this is not currently done or evident from the publicly available DA statistics.
- Identify significant DAs within the new (extended) statutory timeframe.
- Use the RFI process to request additional information instead of rejecting DAs at Gateway, thus avoiding duplication of resources in reviewing materials.
- Assign a single officer to assess significant DAs, review representations and referrals, draft reports, and conditions/grounds of refusal. This ensures continuity of advice for proponents and avoids duplication in reviewing information by multiple staff members.

##### **Resources for the National Capital Design Review Panel (NCDRP)**

The current wait time for a meeting with NCDRP often exceeds 6 months for a first panel meeting, and if a second meeting is warranted, the proponent can lose another 5-6 months. This timeframe is unacceptable given the holding costs associated with larger projects (affordability initiative lost).

Time delays also result in homes not being built, and considering the housing crisis we are in, this must be addressed as a matter of urgency.

We ask that the budget provide better resourcing to the NDRP to allow more panel hearings in a given year.