Request for Costing an Election Commitment

Name of proposal:	Housing – Key worker pilot (rental)
Person requesting costing:	Elizabeth Lee MLA
Date of request:	11 October 2024
Summary of proposal:	A Canberra Liberals government will commence a pilot program which will set aside 50 residential dwellings exclusively for rental by key workers, at an affordable rent (50% discount).
Issue the proposal will address:	Increase the supply of affordable rentals and the affordability of housing for key workers.
Proposal's public announcement details (media release or policy statement published on a party website)[1]:	Media release (23/9/24)

What are the key assumptions that have been made in the proposal?

Note: The costing will be developed on the basis of information and assumptions provided in the costing request. The professional judgment of the Under Treasurer will determine whether these assumptions are adopted in the costing of the proposal.

Housing ACT will acquire 5 houses and 5 units in 2025/26 and 10 of each in 2027/28 and 2028/29, for a total of 50 dwellings. This is recorded as a capital expense. According to the Domain House Price Report (June 2024), the median property price was $1,041,434 for a house and $595,951 for a unit. Prices have been adjusted for CPI. The financing cost is assumed to be 5.25%.

The foregone rent is calculated as the average rent for a house or unit, adjusted for CPI. According to the Domain Rent Report (June 2024), the median rent was $690/week for a house and $560/week for a unit. This is treated as an expense (Housing ACT Community Service Obligation).

Depreciation has been calculated on a straight-line basis over 30 years.

What are the estimated revenue and operating costs each year (if available) and what are the capital requirements for this proposal and estimated costs each year (if available)?

	2024-25	2025-26	2026-27	2027-28	Total
	$'000	$'000	$'000	$'000	$'000
Revenue[(a)]	0	0	0	0	0
Expenses[(a)]	0	-334	-1,127	-2,052	-3,513
Capital[(a)]	0	-8,412	-17,287	-17,719	-43,418
Depreciation[(a)]	0	-280	-856	-1,446	-2,583
Offset - Expenses[(a)]	0	0	0	0	0
Offset - Capital[(a)]	0	0	0	0	0

[1] As per Part 2, section 5 of the *Election Commitments Costing Act 2012*

Full-time equivalent employees	0	0	0	0	0

(a) A negative number indicates a decrease in revenue or an increase in expenses, depreciation or capital outflows. A positive number indicates an increase in revenue or decrease in expenses, depreciation or capital inflows. The expenses row is not to include depreciation costs.

Has any specific information or data been utilised in generating the proposal? Please provide links or attach information/data sources referenced.
Prices and rents were sourced from Domain Research Reports (June 2024). Inflation was sourced from the Budget Update.
Where relevant, is funding for the proposal to be demand driven or a capped amount?
Demand driven.
Will third parties, for instance the Commonwealth or other State/Territories, have a role in funding or delivering the proposal? Does the proposal provide additional funding to, or redirect, any existing Commonwealth/State or Territory funding arrangements?
No.
Will funding/the cost require indexation?
Yes, the costing has included CPI.
Who will administer the proposal?
Housing ACT.
How will the proposal be administered?
Housing ACT will acquire a range of appropriate properties and will undertake an EOI process to gauge interest and develop appropriate guidelines for the program.
Is the proposal part of a broader package? If so, please identify the other elements of the package.
No.
Has an allowance been made for expenses necessary to support the implementation of this proposal? – If no, will the government agency be expected to absorb expenses associated with this proposal? – If yes, please specify the key assumptions.
Any administrated expenses will be absorbed by Housing ACT.
Will the proposal generate savings or offsets? If so, please quantify any savings or offsets.
The costing only includes the capital expenditure but the Government retains ownership of the underlying assets.
Has the proposal been previously costed by an external (third) party? If so, will a copy of this material, including any assumptions, be made available to Treasury?
No.
What are the community impacts associated with the proposal? Who and how many people will be affected?
This program will improve housing affordability and accessibility, benefiting key workers in the ACT who may be at risk of unaffordable housing or homelessness.

Are there any transitional considerations associated with implementation of the proposal? If so, how will they be managed?
No.
What is the intended implementation date of the proposal?
Funding will be included in the 2025/26 Budget.
When is the proposal expected to be fully operational? Please provide details such as the start and end dates, the level of commitment during each period etc.
It is hoped that the first transfers of land will commence in the second half of 2025.
Will the proposal cease, and if so, when?
The program is intended to run for the next term of government.
Is there any additional information relevant to this proposal?
No.