



10,000 MORE PUBLIC HOMES

POLICY COSTING

3 APRIL 2024

Purdon express our respect for the Elders past, present, and emerging, from the Aboriginal and Torres Strait Islander people in the lands from which we meet and work—the Ngunnawal and Ngambari, and from the lands of the places we work with our partners.

We acknowledge and respect their enduring ownership of the countries on which we work, including the land, water, and communities. We also acknowledge and respect the continuing culture of the Aboriginal and Torres Strait Island people, and the contribution they make to the stories, knowledge, and life in our region.

We value the opportunity to work with these Elders, and other Aboriginal and Torres Strait Islander people, on this and all projects that improve community outcomes.

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1.0 Costing summary

The ACT Greens (client) engaged the Purdon Strategy and Economics team to undertake an independent costing of a policy that aims to achieve an additional 10,000 public houses by 2035 ('more public homes').

The 'more public homes' policy aims to address a declining proportion of public housing compared to all housing in the ACT, putting the trajectory on a path to 10% of ACT dwellings, a level not seen since the 1990s.

The aim is not just to achieve a numeric target, it will also house the most vulnerable Canberrans and contribute to supply of housing for those who are facing rental stress.

The costing is to consider a program of buying and building, maintaining a 'salt and pepper' approach, and focus on 1,2- and 4-bedroom dwellings. In addition, some properties are to be prefabricated, and some are to be from adaptive re-use. The client has requested some offsets to the costs, including requiring ACT Government land to be sold at less than market value.

The policy costing must also reflect other policy settings of the client. For example, the ACT Greens have committed to an in-fill ratio of 80% (compared to 70% in ACT Government policy), and have a policy that would increase development rights in residential zoned land. The costing assumes these settings are in place when the program is rolled out.

Intuitively, the capital cost of the 'more public homes' program can be expected to be in a range from \$5 billion to \$9.7 billion—10,000 dwellings between the lowest Housing ACT land inclusive building cost¹ and the approximate median detached house price in Canberra.²

The modelling suggests over 10 years the policy will require capital injections of \$5.9 billion to Housing ACT, appropriations to support the capital injections of \$10.1 million, and public debt interest of \$1.7 billion. Revenue from land sales will be \$137 million lower, and Housing ACT may have a higher accumulated operating deficit.

The modelled yield is an additional 290 three-bedroom houses, 2,606 four-bedroom houses, 337 one-bedroom apartments, 4,729 two-bedroom apartment, 1,689 three-bedroom apartments, 280 prefabricated 100 sqm dwellings, and a complex of 70 adaptive re-use dwellings.

The costing of these policies is not an endorsement of the policy. The costing relies on information in the public domain, which has limitations. Where there is no information in the public domain, the costing relies on assumptions based on industry experience.

There are limitations and assumptions that affect the inputs to the modelling. These must be considered in interpreting the costing summary.

¹ Clay and Berry, "Hansard: Debates of the Legislative Assembly for the Australian Capital Territory [QON Public Housing-New Cost of Development]."

² ACT Government (EPSDD), "ACT Land and Property Report: An Analysis of Land and Property Indicators in the ACT."

2.0 Costing profile

The ‘more public homes’ policy will deliver 10,000 new public housing properties over 10 years.

The policy is costed starting from the first budget after the 2024 ACT election—covering the budget years 2025-26 until 2034-35. The costing presents annual estimates until 2028-29, and then a single measure for budget years beyond forward estimates (BFE). All values are in nominal dollars consistent with ACT Treasury costing guidelines.

The policy impacts the general government sector (GGS), and the public trading enterprise sector (PTE). The GGS sector impact is assumed to be managed through the Treasury (CMTEDD). Housing ACT, a PTE sector entity, will be impacted as the entity that delivers and manages public housing.

GENERAL GOVERNMENT SECTOR

The primary effect on the GGS is from acquiring capital to fund capital injections. A second order effect is likely to occur through reductions in dividends or land payments from a discount on the sale of land from government estates. The measure costing summary is below.

Type	Component	Budget	Estimates				Total
		2025-26 \$'000	2026-27 \$'000	2027-28 \$'000	2028-29 \$'000	BFE \$'000	
Controlled recurrent	Interest	15,947	35,141	66,409	110,036	1,425,858	1,653,392
	GGS NOB	-15,997	-35,141	-66,409	-110,036	-1,425,858	-1,653,442
<i>Memorandum: CMTEDD finance</i>							
Income	SLA discount	6,920	6,469	11,473	17,934	93,762	136,558
	GGS OR	-22,918	-41,610	-77,882	-127,971	-1,519,620	-1,790,000
Balance sheet	Gross debt	325,458	717,160	1,355,295	2,245,637	4,645,562	5,871,342

The likely effect of the policy on the GGS (CMTEDD) is:

- Over the budget cycle an increase in the net operating deficit of \$227.6 million, comprised of public debt interest.
- Beyond the forward estimates the increase in the deficit will be \$1.4 billion comprised of public debt interest.
- Across the entire policy a net increase in the net operating deficit of \$1.7 billion.

The primary driver of the public debt interest cost is new gross debt, which increases by \$5.9 billion by 2034-35. The estimated cost of a land discount component is \$137 million over 10 years.

The costing excludes the potential for secondary effects like savings in other human services portfolios. Available, stable and effective housing may increase the health, correctional, educational, and employment outcomes of those in rental stress which may lower the costs of service delivery in other portfolios. These may be significant savings. It also excludes the impact of re-prioritising other policy funding to finance the additional deficit.

Housing ACT pays land rates on public housing dwellings, which are paid to the GGS. These will offset some public debt interest costs. Rates are included in the operations expenditure for Housing ACT.

HOUSING ACT

The primary effect on Housing ACT is a significant increase in stock, which will have consequences for the operation of the business, and the management of tenancies. The major impact will be a significant capital injection, matched with an increase in property, plant and equipment assets. Operationally, the effect will be an increase in expenditures, offset in part by new rental streams.

The likely effect of the policy on the PTE sector (Housing ACT) is:

- Over the budget cycle a capital injection of \$2.2 billion, and controlled recurrent appropriations of \$4.4 million to fund a capacity increase, and expenses associated with the capital injections.
- Beyond the forward estimates an additional capital injection of \$3.6 billion, and an extra \$5.8 million in capacity funding.
- Across the entire policy a capital injection of \$5.9 billion, and controlled recurrent appropriations of \$10.1 million.

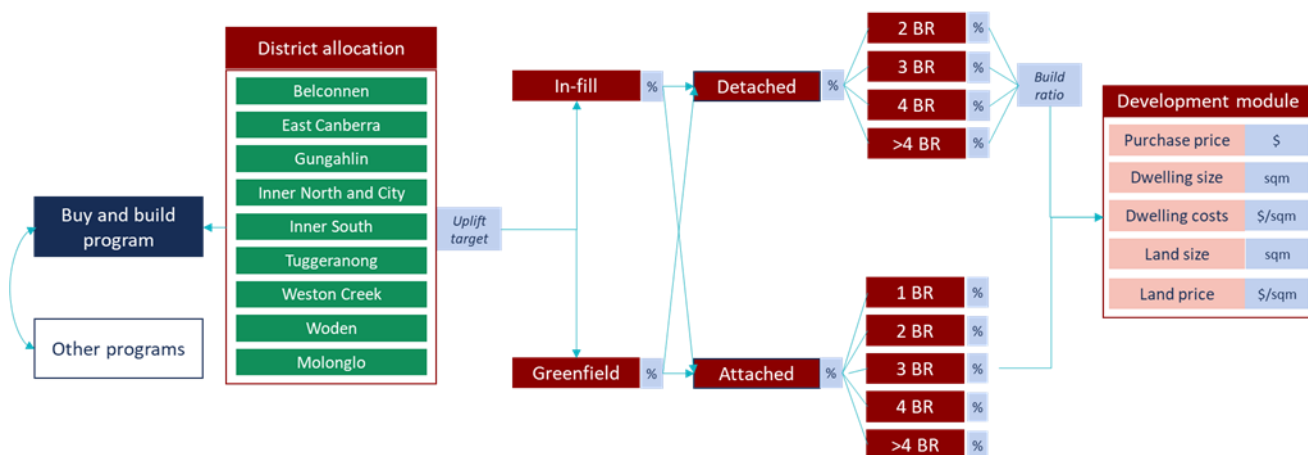
The measure costing summary is below.

Type	Component	Budget	Estimates				BFE	Total
		2025-26 \$'000	2026-27 \$'000	2027-28 \$'000	2028-29 \$'000	\$'000		
Capital Injection	Build	220,473	293,656	453,079	590,990	2,135,742	3,693,939	
	Buy	104,986	98,046	173,740	271,352	1,415,458	2,063,581	
	Prefab	0	0	5,249	5,433	74,505	85,187	
	Adaptable	0	0	6,067	22,568	0	28,635	
	Total	325,458	391,702	638,134	890,342	3,625,705	5,871,342	
Controlled recurrent	Capacity	780	805	832	859	5,770	9,045	
	Prefab	0	500	0	0	0	500	
	Adaptable	0	75	500	0	0	575	
	Total	780	1,380	1,332	859	5,770	10,120	
<i>Memorandum: HACT Finances</i>								
Revenue	Rent	7,002	13,762	26,023	46,097	748,640	841,524	
	Controlled recurrent	780	1,380	1,332	859	5,770	10,120	
Expenses	Dep'n	3,720	8,196	15,360	25,216	327,255	379,746	
	R&M	1,041	2,295	4,301	7,060	91,631	106,329	
	OpEx	7,809	14,865	27,222	46,703	669,766	766,364	
	Total	12,570	25,356	46,883	78,979	1,088,652	1,252,439	
	HACT OR	-4,788	-10,213	-19,528	-32,024	-334,242	-400,795	
Balance Sheet	Change in net assets [WDV]	321,739	705,245	1,316,715	2,153,864	4,379,361	5,377,820	

Within Housing ACT there will be significant adjustments to operating income, expenses, and assets. These issues will not impact the GGS budget directly, but are material. The key observation is that rent net of rebates is not expected to cover the increased operating, maintenance, and depreciation expenses. Across the entire policy the additional accumulated deficit for Housing ACT is estimated at \$401 million. This may require additional operational supplementation (not costed).

COSTING COMPONENTS

It is usual for a budget measure to include a short statement to broadly explain the expected policy outcome. The following sections summarise our interpretation of the costings. The modelling framework used to estimate the costings is presented below.

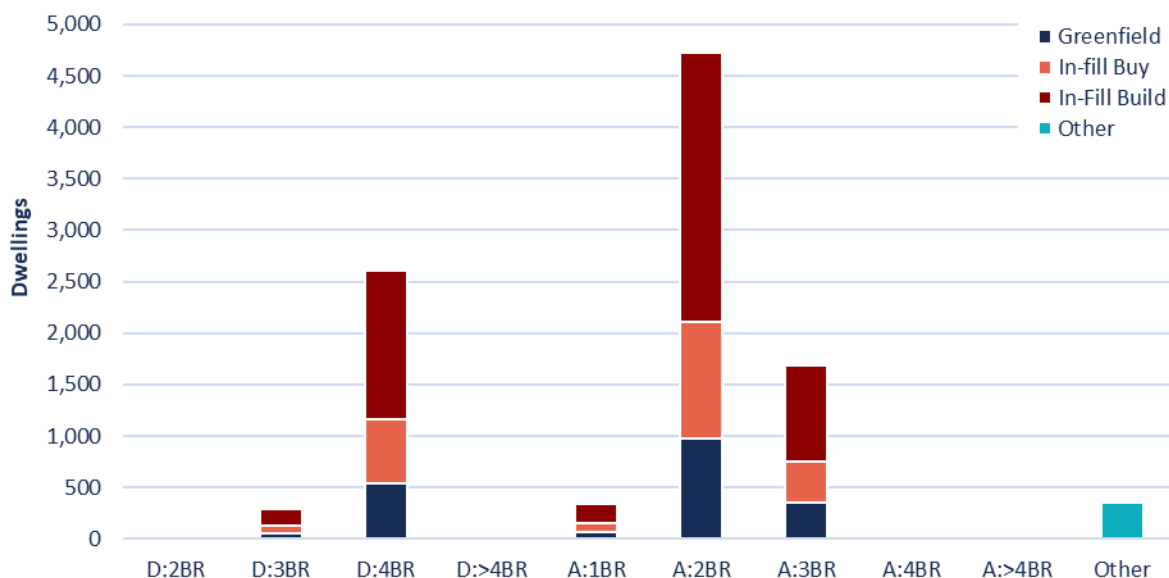


Note: Blue highlights represent assumptions that impact the costing. Where the assumption is a '%' all parts sum to 100 (for example 80% in-fill plus 20% greenfield). Other values are parameters within the model. All assumptions can be varied.

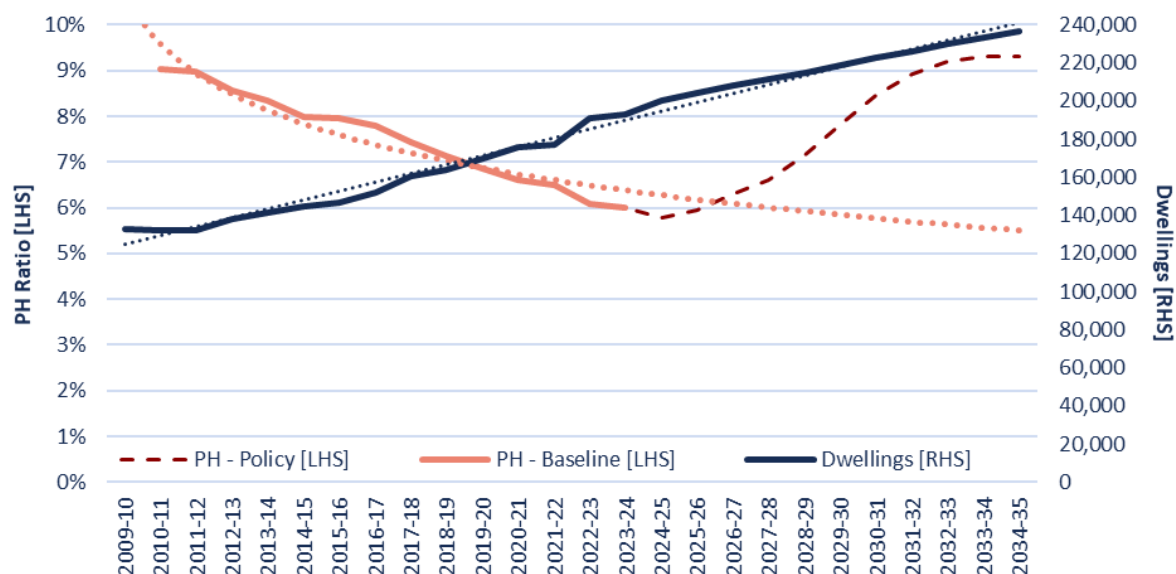
Buy and build

The ACT Government will increase public housing stock with a combination of buying and building 9,650 dwellings by 2035. The dwellings will be distributed across all ACT districts.

Around 2,295 dwellings will be purchased in the open market, a further 2,000 will be built in greenfield areas, and the remaining 5,355 will be built on in-fill land. The type of dwelling will meet the needs of current and future tenants by focussing on houses, around 290 three bedroom and 2,606 four bedroom, and 'missing middle' style semi-detached residences in 1-, 2-, and 3-bedroom formats (6,755). The estimated distribution of new dwellings at the end of the program is below.



The program will put the ACT on track to return the ratio of public housing towards 10%, last seen in the 1990s, and improve the quality of life for the thousands of Canberrans who struggle with no housing or unaffordable rentals. The trajectory is summarised below.



Prefabrication

Traditional building methods can be slow and subject to unpredictable events that increase costs and delay development. The market for prefabricated dwellings is maturing, the technology can support rapid and appropriate public housing growth, and emerging evidence suggests costs can be up to 30% cheaper than traditional building.

The ACT Government will provide support to this emerging industry by contributing \$500,000 towards local research, development, and industry expansion; and underpin demand by committing to 280 prefabricated public housing dwellings by 2035.

The roll out will be progressive to ensure the industry is ready. The government will commit to 20 prefabricated dwellings a year from 2027-28, and then increase the annual target by 10 dwellings every two years, to achieve a minimum annual target of 50 per year starting from 2033-34. This component policy will deliver fast, effective, and affordable options for our public housing portfolio.

Adaptive re-use

Over time commercial buildings fall out of favour as they age but are typically well located to essential services like transport, health, retail services, and employment hubs. Canberra has seen some excellent examples of adaptive re-use of some of these buildings—the Globe in the City and the Alexander and Albemarle buildings in Woden to name a few.

The ACT Government will work in partnership with industry to deliver 70 dwellings to the Housing ACT portfolio through a demonstration adaptive re-use program. The Government will engage with industry, undertake market research, and then acquire and adapt a building by 2028-29.

Lowering the land cost to public housing

Dwellings delivered on greenfield sites will receive a discount from the price of land which would otherwise be paid by Housing ACT. This discount reflects the wider community benefit that can be achieved by improved housing settings for those who are most vulnerable in the community.

The commitment requires the Suburban Land Agency to lower the price of land from ACT Government land releases by 50% compared to market prices when sold to Housing ACT.

SUCCESS INDICATORS

The *Financial Management Act 1996* contains accountability obligations. To measure the success of this policy we suggest a strategic indicator may be appropriate. The proposed indicator is below.

Proposed Strategic Indicator	Public housing dwelling stock is increased, and diversified, to achieve a target of 10,000 additional dwellings by 2035, and trending towards 10% of the total dwelling stock of the ACT.
Indicator description	This measure monitors the success of the roll out of the 'buy and build', prefabricated and adaptive re-use strategies to improve the wellbeing of ACT residents eligible for public housing.
Accountable body	Housing ACT

Targets for the strategic indicator

Target	2025-26	2026-27	2027-28	2028-29	BFE	2034-35
Infill houses	136	122	210	317	1,511	2,296
Infill attached dwellings	316	286	489	739	3,525	5,355
Greenfield houses	35	32	55	83	395	600
Greenfield attached	83	75	128	193	920	1,399
Prefab dwellings	0	0	20	20	240	280
Adaptive reuse	0	0	0	70	0	70
Total	570	515	902	1,422	6,591	10,000
Public Housing Ratio	5.8%	6.0%	6.3%	6.6%	7.2%-9.3%	9.3%