

LAND TAX ASSESSMENT AMENDMENT (BUILD-TO-RENT) BILL 2023

Second Reading

Resumed from 17 May.

MR R.S. LOVE (Moore — Leader of the Opposition) [1.19 pm]: I rise to make a brief contribution to the debate on the Land Tax Assessment Amendment (Build-to-Rent) Bill 2023. I am the lead speaker for the opposition on this matter in this place and we will be supporting the bill to see that it makes its way through both houses of Parliament as quickly as possible.

We know that consultation has been undertaken with groups such as the Property Council of Australia and the Urban Design Institute. We have also had some discussion with those bodies or members thereof about some of the matters contained in this legislation. At the moment, the Western Australian building industry is facing a number of issues in terms of the financial strength of its builders and the pressure that the building industry has been under more generally in not only the apartment sector, but also the housing sector. It is very clear that more could be done to assist the building industry to ensure that the houses being built are of the highest standard, that protections are in place for home owners and that builders are encouraged to have reliable cash flows and be in a sound financial position. Many building companies have been very badly hit by the cost escalations experienced right across the economy, especially in the construction industry, with many of those companies having signed fixed-price contracts leading to builders having a lot of difficulty in delivering those homes. We have seen many examples of builders that have become financially unviable and had to declare bankruptcy, leading to home owners being out of pocket or, in some cases, without a home. As an example of that, some years ago, a family that I represent from the area of Gabbadah, which is located along the coast in the southern part of the Shire of Gingin, were constructing their house. They had paid a considerable amount of money to the builder up-front. The family felt that the materials on site were theirs because they had paid money to the builder. The house had been bricked up to about the top of the windows but had not quite been finished and the roofing materials had been brought to site. The builder went broke and the family found that they did not have the money to complete the project because they had already paid a substantial amount—probably more than they should have—to the building company for the work that had been done. They thought that the home indemnity insurance payout would come to several hundreds of thousands of dollars, but, as the parliamentary secretary knows, at that stage it covered them for only \$95 000 because of the limit of \$100 000 on the home indemnity insurance policy that included a \$5 000 excess. That is one example of a family that could not afford to carry on. That family, including four children, was living in a tin shed on the property. In the end, they had to sell the project and move to another form of accommodation with their dream of home ownership ending in collapse.

We have heard plenty of other stories. The parliamentary secretary may know that I have made representations on behalf of another of my constituents when the house that she and her partner had built together was not built on the best foundations. In fact, the foundations for the building were inadequate and the house was cracking. I believe that the quotes to fix the house to make it habitable were in the order of \$500 000. Again, only \$95 000 was available through home indemnity insurance. That particular lady had a lot of input with the Building Commission, as well as the minister at the time. Her example was, I think, instrumental in the government eventually doubling the home indemnity insurance limit to \$200 000. Unfortunately, she received no benefit from that. That situation is just one of many that highlights the stress on not only families, but also builders who are still trying to honour the contracts and build the houses. They have been under an enormous amount of strain to do that, so if anything can be done to assist them, I urge the government to do what it can.

Today we are talking about the Land Tax Assessment Amendment (Build-to-Rent) Bill 2023. This concept involves developments of at least 40 apartments that will be leased out for a period during which a 50 per cent land tax exemption will apply. The exemption will apply to land that is used for rental accommodation. If the development is a mixed-purpose development, the exemption will apply to only that land that is used for the rental portion of the development and used by residents, as opposed to that part of the land used for perhaps shops or other buildings. The exemption would also apply to land used for common areas for residents, such as an exercise area, a swimming pool or something like that. The purpose is to ensure that these properties are available for rent. The properties must be offered for a term of three years, as I understand it. The tenant can choose to rent the property for a shorter term, but the expected target is three years. I understand that the premises must be rented out for 15 years for the exemption to continue to apply. If, at some point, the dwellings are no longer eligible for the exemption under the provisions in this legislation, the tax can be retrospectively recouped.

Similar exemptions exist in Victoria and New South Wales. Of note is that the minimum number of dwellings in those two states is 50, as opposed to 40 in this state, and that the duration of the exemption is 30 years in Victoria, as opposed to 20 continuous years for every project in Western Australia.

The government has not given us any idea of what the financial impact of this legislation will be on the state's coffers because there are no projections, from what I can see, as to how many of these projects will take off. At the moment, this industry is not widespread in Western Australia, or it is not something that many developers have considered building. It is possible that the types of investors that may be able to participate in this type of development are perhaps those larger groups that are involved in property, rather than collections of mum-and-dad investors.

The legislation also appears to have been introduced in the hope that someone might build some of these apartments. From what I can understand, very few builders in Western Australia are in the business of building apartments at the moment. A number of projects have been shelved and that is largely due to the fact that the builders needed to build the apartment complexes have not been there. Perhaps the parliamentary secretary might be able to give some practical understanding of the likelihood of this legislation having an effect and the government's expectation of the take-up of the exemption. Has it been actively involved in discussions with groups that might be looking at this? Could the parliamentary secretary give us some idea of the types of projects that the government envisages may be developed and perhaps even where they may be? It seems pretty clear that there is not a lot of appetite for investment in this field. Although I commend the government for endeavouring to put in place a measure that may help to encourage it, I am not sure whether a 50 per cent reduction in land tax will be sufficient. Perhaps the parliamentary secretary could explain why 50 per cent was chosen as opposed to, say, 100 per cent for a period. What was the rationale? Was it simply that this is what has happened in other states so that seemed to be a reasonable proposition?

As I said, I think the legislation has a laudable aim—that is, to increase the availability of rental accommodation in the state. This type of accommodation may be in demand from a consumer's point of view but perhaps is not all that attractive for the investment sector. Perhaps the parliamentary secretary could outline what he sees as useful and practical things that the government could do to encourage people to take up this exemption and to begin to build the properties that we all understand are needed. It is pretty clear to everybody that there is a housing shortage, and diversity of housing product is perhaps part of the answer. Building more and more four-by-two homes on an allotment of land is perhaps not the best way to provide that diversity. Again, I commend the government for its aim and what it hopes will be achieved. I would like some practical assurances about how it thinks there will be some take-up, how it sees that contributing to the mix of building in the state going forward and how that might help to alleviate some of the issues faced by people trying to find accommodation in Western Australia at the moment.

I do not have a lot more to say on this bill. It is pretty straightforward legislation and I am sure that government members want to talk about it, so I will conclude my discussion at this point and again reiterate that we will support this bill through Parliament. I do not see it as being contentious. I do not see it as legislation that will necessarily lead to a sudden burst of apartment building in Western Australia, but perhaps it is one small step to achieving that. I would like to know whether other measures are being contemplated that may help further that aim in the future.

MR C.J. TALLENTIRE (Thornlie) [1.34 pm]: I am very pleased to speak to the Land Tax Assessment Amendment (Build-to-Rent) Bill 2023. I know the parliamentary secretary will do an excellent job of conveying back to the minister with responsibility for this legislation any of the issues that I raise.

As has been outlined by the Leader of the Opposition, the bill is primarily about improving the diversity of rental housing stock by providing an incentive for investors to look at the cost of building a complex with a minimum of 40 dwellings and see that it makes financial sense for them to proceed with that model of building properties for rental. That incentive will be delivered through the mechanism of a 50 per cent concession on land tax.

I think the need for rental properties is very clear to every member of this chamber. Many people on lower incomes look towards finding a rental property. It is also very important to know that many people in fairly comfortable salaried positions, perhaps in their early professional years, are not really in a position to commit to holding a mortgage, so they want that flexibility. Today they could be working in Perth, Western Australia, but through their professional opportunities they might well see opportunities on the east coast or overseas. People want that flexibility to move and rental properties provide that. My understanding is that as a percentage of our overall housing stock in Australia—not only Western Australia—the number of rentals is declining. We have fewer rental properties at the moment than we have had in the past. Clearly, we have to do something and this legislation will deliver by providing an extra incentive for investors and builders to provide this rental product through this build-to-rent concept.

I think it is also worth noting that build-to-rent properties could perhaps be—I certainly hope they will be—much more exciting than the standard boring block of flats within which we might imagine some rental properties are encased. By that I mean that we really have an opportunity to see those sorts of complexes. We have heard about these a little when talking about new strata title arrangements. Certainly when I hear from members of organisations such as Strata Community Australia, I realise the enormous potential for housing of the future to include all sorts of things such as gymnasiums, swimming pools and parks with barbecue facilities as well as being very close, if not absolutely adjacent, to shopping precincts. Then people can have a very good quality of life with accessible amenities all within very close range of where they live. That is a wonderful goal for us to aim towards. I see the virtues of

this legislation being about not only the incentive that it will provide to investors, but also developing those newer dwellings of the future whereby we get towards the very laudable concept of the 20-minute city. I know that in some quarters the idea of the 20-minute city has become controversial, for some unknown reason, but I think it is a highly laudable objective. If we consider the alternative to the 20-minute city, it is an urban sprawl whereby people's lives are consumed by one of the least productive aspects of modern living—that is, sitting in traffic jams, sitting in congestion and sitting on freeways that are moving at a dreadfully slow speed. They are getting nowhere and literally wasting hours, and we must stop that.

A few weeks ago I heard on the radio someone from one of the property organisations—I cannot recall which one it was—trying to advocate that sprawl is good and that we should consider sprawl as something that is misjudged and misunderstood. They said that we should not even use the term “sprawl” because it is a bit derogatory. It is a derogatory term and we should all want to avoid urban sprawl. Encouraging sprawl is absolutely abominable. People who live at the outer limits of a city having to spend hours getting to their place of work is a real blight on their quality of life.

I hear that the Perth area extends 160 kilometres in one continuous urban sprawl from Mandurah all the way up to Yanchep. That is bigger than Los Angeles. I have heard that Sochi in Russia is comparable. Clearly, urban sprawl condemns people to hours of commuting time. That is just not healthy for society.

Mr D.A. Templeman: We, in Mandurah, of course, like to consider ourselves regional.

Mr C.J. TALLENTIRE: Indeed, of course it is. Members have to commute here on days when the Parliament is sitting. I think that is quite different from people who have to commute to Perth's CBD five days a week. That would be a pretty appalling scenario. We take on the responsibility of representing our communities. People have to cope with commuting an hour to work and an hour to get home. They lose two hours a day just in their commute time, which is terrible. I suppose there is some recompense for people who are fortunate enough to travel on the good public transport that we have here in Perth so that they are not just sitting behind the wheel of a car but are able to read or listen to podcasts and the like, and use their time profitably. There is some virtue in that.

The argument by some in the property industry is that we need urban sprawl because there is no land supply. Land developers have said to me, “Mr Tallentire, we don't understand what you're on about because you've got to provide the land. Where's the land going to come from? We can see this growth and this demand, but where's the land going to come from?” Looking around my electorate, I can see how much land is available within a 14 or 15-kilometre radius of Perth. It is quite astounding. For some reason, elements in the Western Australian property development industry have developed their whole business model around cookie-cutter developments on the outer periphery of the metropolitan area. They want a big flat area of yellow sand that they can put cookie-cutter houses on. That is their business model. They struggle with the idea that they should be doing versions of infill housing. They struggle to understand how to relate to the various infrastructure agencies and local governments. They do not seem to have the entrepreneurial skill to bring about investment, development and construction within that 15-kilometre radius. That seems to be a big challenge. I understand that elsewhere in Australia property developers are quite enthused and capable. They are highly skilled at doing those inner city-type developments, but for some reason in Western Australia we have a serious skill deficiency in clever infill housing. I hope that the passage of this legislation will enable property developers to see that they can do it. They can talk to people on the east coast and work out how to do it and then talk to investors and feel that the incentive mechanisms are there so that they can enjoy a very financially lucrative option of property development in the inner and outer metropolitan area.

I just said that in my electorate I have an abundance of land. I want to quickly substantiate that point. I hope that the Minister for Finance, with carriage of this bill, and the parliamentary secretary, will look very closely at this. I hope we get some build-to-rent properties on the land that I am about to mention because it is desperately needed. We have land that is 15 kilometres from the CBD that has been lying vacant for literally years. I want to talk about the example of Corfu Way in Maddington where there are a number of lots that were developed by the state government over 10 years ago. They have roads, paths and lighting. It is all there. The expensive, heavy infrastructure is all there and ready to go, but, for some reason, we have not been able to develop it. It is really serious that we are missing out on this development opportunity. Meanwhile, the property industry is telling us that there is no land and that we need more land supply. Lot 221 in Corfu Way is 4 298 square metres, lot 222 is 4 563 square metres and lot 223 is 8 194 square metres, all with roads, paths and lighting. Everything is there and ready to go. I would like to see that made an absolute priority. I understand that the Department of Fire and Emergency Services just very recently heard about this land and thought it would be a nice spot for a fire station. That will add complexity into the mix of consideration. I would really urge against that. I do not think it is the ideal location for a fire station. Of course we need fire stations in good locations, but I think that the Corfu Way development is absolutely prime residential land. Its current zoning is mixed business. The intention is that some of it will be used for office space and commercial properties on the ground floor and the next level up will be used for residential housing. That can go ahead or we might have to change the zoning or whatever, but to leave land like this undeveloped for such a long time does not make sense. When the property industry wants to push its outer-suburban cookie-cutter development approach, we must be aware of all the possibilities for development in the inner city.

I will turn to another development that is very close to Thornlie train station. It is 5 Aylesford Way. The Department of Communities owns the land, which is zoned R20–R60. It is split zoning. It is 872 square metres and is vacant. The old house was knocked down years ago and we are still waiting for the land to be developed. It is more evidence of land supply. I know that the Deputy Speaker is well aware of Maddington Oval and the incredible potential for development along that oval. That is a seven to eight-hectare site. It is beautiful and has incredible potential for what will soon be termed, I think, inner-city development. I think that is within 14 kilometres of the CBD. It is right near Maddington train station and has all sorts of potential for development, but I do not see our property developers. Where is that entrepreneurial drive that we hear spoken of? Where are the entrepreneurs coming to government saying, “I’ve got a plan for sites like Maddington Oval?” Instead, they say, “Give us more land at Yanchep or Mandurah.” They do not seem to have a nose for development opportunities in areas like Maddington. What a great boost it would be to see a good property development somewhere like Maddington. Maddington Oval could be a prime example. A stream runs through it. It has a living stream opportunity along the lower park road. There is great potential there.

I know that just outside my electorate in the member for Southern River’s electorate is a 600-hectare parcel of land. It is the largest contiguous landholding owned by a single landholder—the Della Vedova family. That is bounded by Tonkin Highway on one side and Passmore Street on the other. That is Tonkin Highway in Champion Lakes, for members who have passed through that area. That 600 hectares of land could potentially become a new suburb, with 20 000 people easily fitting into that sort of area. It has enormous potential and is the sort of development that should proceed. Perhaps with the passage of this legislation and a build-to-rent scheme, property developers will be given that extra incentive to get developments over the line and see what opportunities are available.

A property at 2 Stalker Road in Gosnells is currently with the Department of Communities. I am very pleased that a community-driven e-waste recycling facility has taken up residency on that block on a short-term lease.

[Member’s time extended.]

Mr C.J. TALLENTIRE: Sam’s Spares, which I have spoken of before—an award-winning community organisation—is currently installing itself into 2 Stalker Road. That property measures 4 000 square metres. I am very pleased that Sam’s Spares is using that land but I understand that it will not be a permanent arrangement. It will probably be there for a number of years. It is an example of a piece of government-owned land that has the potential for redevelopment. It is very well located, being close to Gosnells train station. I saw it yesterday when I was down there campaigning for the Yes campaign. I noticed all the signage for the local government candidates, who are getting ready for the election campaign. I believe that will come to a conclusion around 21 October. We really are in the midst of a lot of campaigning at the moment. Personally, campaigning for people to vote yes in the referendum is an absolute priority. I received a very pleasant and positive reception from the people I talked to on their way to the train station in Gosnells. They made very considered and thoughtful remarks. I was really pleased to hear that. A couple of people mentioned to me how impressed and captivated they were by John Farnham’s song *You’re the Voice* and the video clip. Thanks to John Farnham, we may have seen a really strong turning point in the trajectory of the campaign. It is quite something to behold. I think it was a brilliant campaign strategy. Some very good work has been done.

I refer to the endeavour to provide a land tax concession to those entering into a build-to-rent arrangement. Under this arrangement, I note that the dwelling must be developed and occupied between 12 May 2022 and 30 June 2032. Typically, dwellings must be available for rent for a minimum of three years. This is in keeping with the flexibility arrangements that we would expect with the market segment that I spoke about earlier, which tends to be younger people who want a short-term rental. There is a capacity in the legislation for a resident to choose a shorter lease. That is another commendable feature of this legislation.

I also wanted to say a little about the building industry in general. I have been keeping an eye on articles written by John Flint in *The Sunday Times* about some of the dreadful stories of what we could somewhat dismissively describe as shonky builders. These builders often take people’s life savings, playing on their emotions when they embark upon the biggest investment of their lives—building a new home. The builders do not take care. They find themselves going bust and try to hand off the building company to someone. In one case, a builder tried to sell off the building company to an overseas student. They are terrible circumstances. That person was Mr Muhammad Salman, a Greens candidate for the federal seat of Burt at a previous election. He stood against the current member for Burt, Matt Keogh. Mr Salman was a director of Opus Homes. It was disgraceful to see what happened. It was unfortunate that some people really trusted him and Opus Homes. They thought they were dealing with a reputable builder with whom they could make big cash advances of \$30 000 to \$50 000. When they put up that money, they were told the builder would get on to the next stage. Unfortunately, it slowly began to unravel and people found that nothing was happening on their block. In this case, Opus Homes completely let them down. That sort of thing is totally unacceptable.

We need various measures in place that ensure that building companies meet certain financial requirements that enable them to have a successful business and that they have good connections with various trades—for instance, ensuring that someone can lay the slab and when plumbing works have to be done, and good connections with the

plumbers, electricians, brickies and roof carpenters, ensuring they are all ready to go. All those different trades have to be coordinated. I have heard it said that being a licensed builder is a bit like being a maestro in an orchestra—bringing in different people at different times to deploy their skills and build on a property. It is absolutely essential that we have highly skilled people who have the financial backing to do the job and make it happen. That needs to be the same with these build-to-rent properties. We have to have good-quality reliable builders. We have to be very careful that we filter out those builders who potentially see an investment opportunity and a chance to say to investors that their land tax could be reduced by 50 per cent if they come on board. We have to make sure that the people involved in these build-to-rent arrangements are part of our most reliable building firms.

As I said before, when it comes to these sorts of urban renewal projects—I think a lot of them will be in this urban renewal category—we see a much higher skill capacity among some of the east coast builders. We do not necessarily find that skill capacity—that entrepreneurial flair—here in Western Australia. I am hoping that with the passage of this legislation, we will be able to attract those skilled people to WA, making sure that we have those 40-dwelling complexes with the additional advantages found in these complexes that provide for people’s recreation and shopping needs within walking distance of their home. We need to create and develop the idea of the 20-minute city and enable people to have a much higher quality of life than the one that some people are opting for, where they are shackled to their car for two hours a day as they commute to work. We have to give people options that enable them to live much closer to their workplace and their recreational and shopping needs. This legislation will be very valuable as it will provide that extra bit of incentive to investors so people choosing to invest in property will see the long-term benefits of a build-to-rent development. I would love to see greater detail of what the cash flow will look like. However, the social advantage to Western Australia will be enormous.

It is incredibly important that we provide a diversity of housing in Western Australia. We want to see more diverse housing stock, and by that I mean housing stock that caters for people at different stages of their lives—for those who may not want to take on a mortgage or who want to have a property for just a couple of years.

Debate interrupted, pursuant to standing orders.

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