

# TRANSCRIPT

## LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

### **Inquiry into Land Transfer Duty Fees**

Melbourne – Wednesday 28 June 2023

#### **MEMBERS**

Georgie Purcell – Chair

David Davis – Deputy Chair

John Berger

Katherine Copsy

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David Limbrick

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Evan Mulholland

#### **PARTICIPATING MEMBERS**

Gaelle Broad

Georgie Crozier

Rachel Payne

David Ettershank

Sarah Mansfield

**WITNESSES**

Mr Jonathan O'Brien, and

Mr Don Holloway, YIMBY Melbourne.

**The CHAIR:** I declare open the Legislative Council Economy and Infrastructure Committee's public hearing for the Inquiry into Land Transfer Duty Fees. Please ensure that mobile phones have been switched to silent and that background noise is minimised.

I would like to begin this hearing by respectfully acknowledging the Aboriginal peoples, the traditional custodians of the various lands we are gathered on today, and paying my respects to their ancestors, elders and families. I particularly welcome any elders or community members who are here today to impart their knowledge of this issue to the committee. I was going to welcome anyone watching via the live broadcast, but we are not broadcasting today. We have just been discussing that. The video will be uploaded to the website after the fact.

We will introduce ourselves as a committee before we kick off.

**Evan MULHOLLAND:** Evan Mulholland, Northern Metropolitan Region.

**Katherine COPSEY:** Katherine Copsey, Southern Metropolitan Region.

**John BERGER:** John Berger, Southern Metropolitan Region.

**The CHAIR:** Georgie Purcell, Northern Victoria.

**David LIMBRICK:** David Limbrick, South-Eastern Metro.

**Bev McARTHUR:** Bev McArthur, Western Victoria Region.

**Tom McINTOSH:** Tom McIntosh, Eastern Victoria Region.

**The CHAIR:** Thanks, Tom.

All evidence taken is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide during the hearing is protected by law. You are protected against any action for what you say during this hearing, but if you go elsewhere and repeat the same things, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded. You will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

For the Hansard record, could you both please state your name and the organisation you are appearing on behalf of.

**Jonathan O'BRIEN:** Jonathan O'Brien, YIMBY Melbourne.

**Don HOLLOWAY:** Don Holloway, YIMBY Melbourne.

**The CHAIR:** Great. Thanks for coming along today. We will get you to make your opening comments. We ask that you keep them to around 10 to 15 minutes max to ensure we have plenty of time for questions.

**Jonathan O'BRIEN:** Excellent. Thank you, Chair. Thank you very much for giving us the opportunity to speak today on the important issue of stamp duty reform in Victoria. A little about us because we are obviously a relatively new organisation: YIMBY Melbourne is a grassroots, member-based organisation advocating for housing abundance in Melbourne. We are active across local advocacy, policy and digital infrastructure, with

active members across more than a dozen Melbourne councils. We advocate for meaningful densification and the expansion of housing supply to ease the current housing crisis faced by Victorians.

We want to see Melbourne flourish into a city full of life and opportunity, where all are welcome, and we see access to abundant, affordable housing as a primary barrier preventing Melbourne from reaching its full potential as a city. Our submission to this inquiry focused on the effects of stamp duty on the supply of housing, and this remains our focus. But our unique position as a grassroots organisation is that we can advocate for the younger, aspirational demographic of Australians who want access to housing and have made all the 'correct' moves but who do not feel secure in where they live. They do not have that opportunity. I am going to hand over now to my colleague Don.

**Don HOLLOWAY:** Thanks, Jonathan, and thank you, Chair. Imagine Olivia, who has done everything that society told her to do. She went to uni, got a job and after a few years of hard work managed to buy a house in Melbourne. When an exciting new job comes up in Bendigo, Olivia needs to move, but in order to move she will have to pay stamp duty again or rent out the house in Melbourne while renting her new home in Bendigo. Olivia has just become a reluctant landlord in order to avoid paying another \$30,000 to \$40,000 in stamp duty, all because she has a more dynamic career that does not afford her the stability of staying put for longer periods of time.

Meanwhile Akhil is in a similar position but grew up and got a job in Sydney. He also bought a home. When he receives a job offer in Melbourne, he faces a similar choice to Olivia. To avoid renting where he does not want to, he would be forced to sell his house and buy again in Melbourne, once again paying stamp duty along the way. In this case stamp duty is a literal disincentive from moving to Melbourne. If Victoria abolished stamp duty, moving from Sydney to Melbourne would be a much cheaper and easier affair for Akhil. In fact it would be easier than moving anywhere in New South Wales, giving Victoria a competitive advantage above other states in terms of our ability to attract talent.

The YIMBY Melbourne membership is predominantly younger professionals who see a housing market rigged against them. We know that today young people have multiple careers, where previous generations did not. We see this as fundamentally a good thing. Increased personal dynamism enables more flexibility in job markets and enables more productivity. But these people are not well served by the outdated system of stamp duty, which taxes people whose skills and careers draw them to move within and beyond our state.

**Jonathan O'BRIEN:** And it is not just young people who this negatively affects, of course. I can tell you the story of my grandmother, who currently lives on her own in a four-bedroom house, and she has done so for many years. Now, she is a stubborn old woman, and I can say that because I think I have parliamentary privilege. There are many reasons why she might not want to move, but one of them is absolutely the imposition of stamp duty. This is a woman who grew up during harder times and who worries about the resources she has. In simple terms, when she thinks about moving she thinks about what she will lose, and an additional loss, the imposition of stamp duty, is a part of what keeps her from moving. This is not a moral position on taxation. In fact land tax, for which we advocate in our submission, sometimes gets derided as a grandmother tax, because it functions as a new tax on those who have held property for a long time. But we see a tax like this, one that incentivises rather than disincentivises a better use of scarce resources such as land, as a good tax. Any tax that even on the off-chance might make a woman as stubborn as Irene O'Brien consider moving house rather than staying put in her own four bedrooms on an acre block is fundamentally a good tax. We have to use land better, and we have to enable our ageing population to feel okay about moving and downsizing so that housing can be better allocated to those who need it most in the moment.

**Don HOLLOWAY:** Families are also impacted by the negative effects of stamp duty. Another hypothetical: Felix and Stewart plan out their lives in detail. So when they decide to buy a house and settle down, they are thinking about their future housing needs, which include enough bedrooms for a boy and a girl. But for now, they are focusing on their careers and Stewart is able to work from home. Their kids are still years away; nevertheless they purchase a four-bedroom house when they only make use of two bedrooms. Within the current tax scheme Felix and Stewart have made a reasonable decision, since by purchasing the house they anticipate they will need in the future instead of buying what they need now, they avoid having to pay stamp duty a second time. But this means Felix and Stewart are consuming more housing than they will need for many years. The distortionary nature of stamp duty creates inefficient uses of housing supply all the time and restricts the ability of other families to obtain the housing they need.

On the other hand, the Gobiases were not planning on having any kids, so they purchased a small apartment in the inner city thinking it would be suitable for them long term. But as many couples do, the Gobiases had a change of heart and decided they did want a child after all. Now the current apartment is inadequate and they need to move to make room for the baby. Because they will have to move and purchase a new, larger house, they will be paying stamp duty a second time through no fault of their own, leaving less in the budget to spend on raising their child. Stamp duty is costly to changing your future plans. It taxes families for buying what they can when they can, rather than providing the flexibility our modern life requires.

**Jonathan O'BRIEN:** We tell stories to you guys today because we already know what you already know and what you will have heard time and time again throughout this inquiry, which is that the overwhelming evidence, research and policy advice going back decades gives a resounding recommendation: abolish stamp duty. It is a bad tax. It is an inefficient tax. It reduces both the amount and the quality of housing supply, and it negatively impacts the fundamental goal of our organisation of creating housing abundance.

We recognise that the state government is operating today under a specific set of financial constraints. We understand those constraints. While there have been suggestions that the government has ruled out stamp duty reform for residential property, like those of you here in this room we are not quite sure it is so done and dusted. As the Parliamentary Budget Office noted in their submission to this inquiry, stamp duty is about 12.5 per cent of state revenue. This is significant, for sure, but it is not insurmountable and certainly not in the face of the overwhelming benefits that we would see: creating a tax system that is fairer, more efficient, less distortionary and ultimately more aligned with the lives and livelihoods of Victorians, like those in the stories today, and future Victorians, people who would like to live here but currently cannot or indeed are not here yet. These are Victorians who, like all of us in YIMBY Melbourne, are living in the context of a housing crisis. Any barrier to increase supply, such as and including stamp duty, deeply affects these people and exacerbates this crisis. Our organisation has a mandate to advocate for housing abundance on behalf of all Melburnians, and the abolition of stamp duty is one small step toward the housing-abundant city to which we aspire. Thank you. That will do for us.

**The CHAIR:** Great. Thank you very much for that. We will now go around to members with questions, starting with Mr Mulholland. We might do the usual 5 minutes and then go back around if there is time.

**Evan MULHOLLAND:** Thank you so much for your detailed submission, and congratulations on forming YIMBY Melbourne. I think it is an absolutely outstanding organisation who are already achieving quite a lot of success. Do you want to give us just a bit of background on your organisation and similar organisations around the country and successes you might have had? I recently saw the decision in Maribyrnong, so do you want to give us a bit of background on that?

**Jonathan O'BRIEN:** Yes, sure. Absolutely. So YIMBY Melbourne obviously is just a few months old in terms of the advocacy we have been doing in Melbourne. We have been fronting up to council and having meetings with members and bureaucrats for a few months now. It started in February, and now we are here, and we are very much honoured to be here. Our membership spans, as we said, over a dozen councils. Most recently our most significant media-publicised win, I would say, was the overturn of the Maribyrnong heritage overlay, which would have locked up 800 blocks of land in perpetuity under a heritage overlay. It would have made it incredibly difficult not only for current home owners to renovate their own homes but also for potential future densification as Melbourne grows. At YIMBY Melbourne we really believe that the city needs to grow up and not out, and these sorts of overlays we oppose. We ultimately oppose things that make it more difficult to increase supply on land already in use rather than greenfield development.

Now, we of course come in the legacy of other organisations. The yimby movement is international. It has its roots in the west coast of the United States, but there are hugely active organisations across particularly the UK. London has YIMBY Alliance, who advocate for various policies that are currently, I believe, sitting in the House of Lords over in London. California YIMBY have also had a huge amount of wins in terms of enabling people to subdivide, build granny flats, all sorts of things that actually are very difficult to do here currently, and things that we would like to see more of and which we will be detailing in future policy submissions.

We come of course in the context of two years of very hard and excellent work from the Greater Canberra team. They are the Canberra-based yimby organisation. Their campaign around Missing Middle saw a huge coalition of organisations signing on to really support medium-density housing in Canberra, which while being

hypothetically a very planned city does not seem to have had planning outcomes that have really benefited the people who live there and the people who would like to live there. They have recently had their submission heavily endorsed by a similar inquiry into housing and rental affordability looking at upzoning within Canberra, the likes of which we would like to see throughout the upcoming planning reforms in Victoria.

There is also Sydney YIMBY. They are a couple of weeks behind us, we like to say. We like to say we are a couple of weeks ahead of the news cycle and they are a couple of weeks just behind us. But they are doing incredible work – similar work – on advocacy around restrictions on supply, and they have an incredible member base, who are doing incredible work.

**Evan MULHOLLAND:** I would be remiss in asking about housing to not ask about, I guess, a wedge in the housing debate that seems to have come up a lot in the news cycle, on rent caps and rent freezes. We have seen recently the Treasurer appears to have cut a deal with the Greens in regard to an investigation into rental caps or forms of rental control here in Victoria, and I saw yesterday a Greens senator quoted San Francisco as a great example of rental caps being used in practice. I find this interesting because San Francisco rent policies have been specifically investigated by Stanford economists as a perfect example of the failure of rent caps. They found in the long run rent caps drove rents up and not down, and they led to a number of landlords converting their properties into other uses and actually diminishing the available supply of rentals. What are your thoughts on a rental freeze or a rent cap, and do you think we should follow the housing policies of San Francisco?

**Jonathan O'BRIEN:** Sure. Obviously the overwhelming economic evidence is that rent caps have a negative effect in the long term. One of the things that we really advocate for at YIMBY Melbourne is we are super interested in advocating for the people who want to live in a place but cannot. Rent control, for the limited benefits it has, benefits the people who are already there. It benefits incumbents. Overwhelmingly the research shows that it actually benefits wealthier people more than it benefits poorer people. And, yes, San Francisco has been investigated thoroughly for the failure of this policy. But from our perspective it is not just a numbers game; it is the fact that rent control locks people out of the city – people who would like to live in a place but cannot.

**Evan MULHOLLAND:** You have spoken a lot about councils, and in particular your activism is focused on councils blocking development at a local government level. I certainly see that in my electorate in places like Darebin, Merri-bek and Yarra. Can you provide maybe a summary of how you would like to see that process better managed?

**Jonathan O'BRIEN:** Sure. There are a couple of things we would really love to see. We would love to see at the very least a standardisation of processes across all councils. One of the things that has really shocked us as we have been organising is that we think we can send members to councils and kind of follow a process, but the reality is that different councils have different blockers, different meeting types, different meeting names, different processes for speaking at meetings; sometimes they completely discourage speaking at all. So a standardisation of processes at a bare minimum.

What we would also like to see sort of as part of planning reform and the reforms that we are going to see around housing over the coming months and years, because of course these things take time to roll out meaningfully, are more streamlined processes for developments being processed, particularly on a precinct-based level. Currently in Melbourne – and this comes down to the amount of land that is locked up in the city – it is very difficult to do well-planned developments, because it is very difficult to develop on a precinct level. Oftentimes developers have to buy up individual plots or small plots, and then you sort of end up with these taller buildings where there are not any other taller buildings, which we do not necessarily see a problem with, but of course it generates community opposition. This is our planning system actually hamstringing good planning decisions. We would love to see incentives and rezoning that allow more precinct-based development, whether that is intervention by a minister or by what has been proposed previously or floated a long while ago as a sort of metropolitan authority that maybe takes control of planning, especially for inner-city Melbourne and for the inner ring and inner-city councils.

**Evan MULHOLLAND:** Cool. I think I am done.

**The CHAIR:** Thanks, Mr Mulholland. Ms Copsey.

**Katherine COPSEY:** Thank you. Thanks so much for your submission and for appearing before the committee today. Obviously I have read your support for the abolition of stamp duty and transition to a broad-based land tax and wondered if you had a view on the methods of transition. In particular you have cited the ACT, and I was wondering if you have a view on faster or slower periods of transition and what the yimby movement would argue for in that case.

**Jonathan O'BRIEN:** Don, would you like to?

**Don HOLLOWAY:** Sure. My understanding is that the ACT's transition was probably slower than it needed to be. That is based on what the Grattan Institute have said. I think they have said if you are going to do a sort of phase-out of stamp duty and a phase-in of land tax, a 10-year period would be sufficient for that. But there are other models that let you change faster, so you can sort of just switch immediately and then provide a credit for stamp duty that has been paid in the recent past. We are not necessarily experts in tax policy, and so we would defer to other submissions, like those by Grattan and the Parliamentary Budget Office, that have got a lot more detail about those sorts of possible transition models.

**Katherine COPSEY:** Great.

**Jonathan O'BRIEN:** To add to that, it is also about political appetite and the reality of the current Victorian government's budget. We are working within these constraints. We recognise that there is an appetite for revenue-neutral solutions. We also recognise that it is relatively difficult without federal assistance to have a revenue-neutral solution to stamp duty. It would probably require some sort of additional investment into housing from the federal government on a state-by-state basis. Potentially you could build a system, for instance, which we have spoken about a little bit, where maybe the federal government subsidises losses on this transition by also incentivising housing targets being met by states. You could build systems like that to keep it revenue neutral if it needs to be, but otherwise ultimately it is more a question of political will and financial realities than it is about the nitty-gritty. And yes, we would defer to Grattan.

**Katherine COPSEY:** Great. And you just touched on – that was my next question – the option for a credit. A credit deferral mechanism is something that you also see as attractive, based on the other submissions that you have reviewed.

**Don HOLLOWAY:** It could be, yes. There are a few models that would be reasonable to do.

**Jonathan O'BRIEN:** Part of what we have got is, again, trade-offs. People are going to see it as unfair. We sort of flagged in our opening statement the idea of the grandmother tax. Land tax would act as a new tax; however, you can build in certain income-based or equity-based exemptions on that stamp duty. You could also build out, as you were saying, Don, different time lines, again on the credit. You could annuitise it to, you know, 10 years, five years or just people who have bought in the last two years. It depends how large the land tax is, what percentage it is set at. Obviously we make no calls on what that number is. We do not even necessarily make a call on the exact method of calculating the value of land. Of course there are many methods, multiple of which are used in Victoria alone. So it would depend on all of that.

**Katherine COPSEY:** Great, thank you. And my last question – I was mainly interested in your views on transition mechanisms, were that explored – but being a relatively new organisation, and I congratulate you on the organising you are doing locally, can you give the panel an insight into the size of your membership now since you have begun?

**Jonathan O'BRIEN:** Sure. We are sitting at 30 members. We are about to transition over into a paid membership model. Our mailing list exceeds 500.

**Katherine COPSEY:** Excellent. Thank you. Those are my questions.

**The CHAIR:** Thanks, Ms Copsey. Mr Berger.

**John BERGER:** Chair, I do not have any questions at this point.

**The CHAIR:** Cool. Mr Davis.

**David DAVIS:** I do have some questions. There are a few different questions I would like to ask. The first is that a lot of attack has gone onto councils and their behaviour with planning, but I would argue and many in the development industry would argue that one of the big problems is actually the department and the minister's office – planning applications that sit on the minister's desk for a year or two or three. Do you support cleaning up that process to make sure that there are sharp time lines?

**Jonathan O'BRIEN:** We think that there has been initially and from us purposefully a focus on councils. We started off local. Obviously we have been building out this policy arm and, you know, made this submission – and thank you very much again for having us here. The reality is that the entire system needs to be cleaned up – it is not just councils, absolutely – and the deeper we get into this wicked problem that is the housing crisis, the more we find that it is about the fact that there is a web of policies, departments and processes that can all point to each other in terms of why there are delays. The reality is there does need to be streamlining. There needs to be streamlining at most levels. I would not support necessarily, out of the blue, any given model. Certainly I understand that a bit of our membership has concerns about, for instance, centralisation under the minister's office. You do not necessarily want a centralising test. It is planning in one place –

**David DAVIS:** Especially if you had a slow minister. I am deadly serious.

**Jonathan O'BRIEN:** Yes.

**David DAVIS:** I am deadly serious. Some applications lie on the minister's desk for years at a time.

**Jonathan O'BRIEN:** I cannot comment on that, but I will take your word for it.

**Bev McARTHUR:** Very diplomatic.

**David DAVIS:** No, no, seriously, go and talk to the development industry and ask.

**Jonathan O'BRIEN:** I believe you.

**David DAVIS:** I mean, if you are going to clean it up, you have got to clean up – there is no use kicking the thing upstairs, but it still sits on the minister's desk for a couple of years or more, as has happened particularly with the last minister bar one. And then even the last minister had a whole set of conflicts of interest that stopped her authorising planning permits.

**John BERGER:** I do not think, David, that this is a matter for these people.

**David DAVIS:** No, no, I think it is squarely a matter. If you are bringing stuff to market, you actually want to not have hurdles.

**The CHAIR:** Let us move through questions, not comments.

**Jonathan O'BRIEN:** I fully support state reform as well as local.

**David DAVIS:** Good. Let me pick a big piece of land, for example, Commonwealth land. The Commonwealth owns a truckload of land in metropolitan Melbourne and across Victoria. Let us pick the biggest site, the Maribyrnong defence site that was occupied by the Commonwealth for the best part of a century. It is land that is right near transport, it is right near shopping centres and it is right near schools. It is a huge tract of land that has been polluted by the Commonwealth. Would you support bringing land like that to market?

**Jonathan O'BRIEN:** How polluted is it?

**David DAVIS:** Well, the question is would the Commonwealth clean it up first, isn't it?

**Jonathan O'BRIEN:** Sure. I think the reality is that land is locked up for all sorts of reasons. I think land that is not being utilised should be utilised, and that it should be –

**David DAVIS:** That, in principle, Commonwealth land that could be brought forward, should be brought forward?

**Jonathan O'BRIEN:** Land in the inner city, yes. Commonwealth land in the inner city. I am not going to comment –

**David DAVIS:** Or the middle suburbs?

**Jonathan O'BRIEN:** Yes. I am not going to comment, for instance, on Commonwealth parks and so on for appropriation.

**The CHAIR:** You are welcome to take the question on notice if you do not know right now.

**David DAVIS:** Yes, but I am interested if you have examined this side of it. And then there is also state land; there are significant tracts of state government land. Do you support those being brought to market too?

**Jonathan O'BRIEN:** Yes, we are much more across state policy and state land. In that case, the state government releases a certain amount of land over a year, is my understanding. It could be done at a faster rate.

**David DAVIS:** Well, it releases land on the edge of the city through planning instruments, but I am talking about state government-owned land. They are sitting on various pieces of land across the state that could be brought forward. Do you support those sorts of steps?

**The CHAIR:** If you would like to take that on notice, you are more than welcome to.

**Jonathan O'BRIEN:** I think we will take it on notice. Thank you.

**David DAVIS:** Yes, sure. I had another question just with respect to older people who may exist and need their home. There are interventions other than state policy too. For example, the Commonwealth, through its asset tests and so forth, discourages people from selling the family home. Do you support some change there? Is that what you are recommending too?

**Jonathan O'BRIEN:** We are squarely focused on state policy at the moment. However, there are clear distortions and clear problems with the fact that your home is not included in the same way in terms of your equity, your amount of assets and your asset tests for things like the pension. There are people who are sitting on houses that are worth millions and millions of dollars and receiving a full pension on top of that; it does not make a huge amount of sense. But on the exact model of how you would reform that, we would defer to people with more expertise.

**David DAVIS:** So – all right, we will come back.

**The CHAIR:** Sorry, Mr Davis, we will have to come back to you. I have a question for you. I have read your submission and understand what your broad view is in terms of abolishing stamp duty and replacing it with a broad-based land tax. Do you have a view on the current concession system that exists in Victoria for stamp duty, or improvements that could be made to it?

**Jonathan O'BRIEN:** In terms of the concessions around, for instance, first home buyers, and so on?

**The CHAIR:** Yes. Are they appropriate, are they large enough or is there more that should be done?

**Jonathan O'BRIEN:** I think we would focus more on the abolition of stamp duty rather than exactly how much demand should be subsidised. Ultimately, subsidising demand does not work. It is a spiral; it is expensive. You are spending a lot of money. The reality is that if we subsidise people's stamp duty and then we do not tax them in any way, you are actually creating holes in the budget that way also. There are huge problems that subsidising demand brings up. We need supply-side solutions.

**The CHAIR:** And you also say in your submission that stamp duty is not the only factor driving shortage of housing in Victoria. What are your views on what else can be done to increase supply?

**Jonathan O'BRIEN:** Sure. One of the big things that can be done to meaningfully increase supply is a change in our zoning codes: mass upzoning of the inner city. In so much of Melbourne – within a kilometre of this building, you are only legally allowed to build up to two storeys. It does not make a huge amount of sense for our inner city to contain so many single-family homes, be they terraced homes or be they detached houses.



Part of the reality of a city is that it has to grow. We can grow it out, which is environmentally, financially and productivity-wise very costly, or we can build up. We can actually embrace change within the inner city. We can see housing being built, not only in numbers but in terms of numbers where people want to live. We can keep building further and further out and we can build suburbia with no infrastructure or where infrastructure is very expensive, where people's lifestyles end up heavily subsidised via the construction of roads and highways and so on, or we can increase the number of people who are using the infrastructure that already has capacity and that can be more easily expanded by upzoning in the inner city, and that is what we would broadly focus on in terms of increasing supply.

**The CHAIR:** Great. Thank you. Mr Limbrick.

**David LIMBRICK:** Thank you, and thank you for your submission. I am also very interested in what you are doing here. I think the first time that I came across the word 'yimby' was in 2019 during the nuclear prohibition inquiry, when yimbys were advocating for nuclear power plants.

**Bev McARTHUR:** Oh, heroes.

**David LIMBRICK:** Yes, they were very good, but housing is very different.

**Jonathan O'BRIEN:** Yes. I would not recommend living in a nuclear power plant, though.

**David LIMBRICK:** I would live next door to one.

**Jonathan O'BRIEN:** Next to one is fine.

**The CHAIR:** I was just going to say: don't get David started on that.

**David LIMBRICK:** Yes, don't get me started on that.

This is less of an economic or revenue argument and more of a moral argument. You brought up the issue before with older people. These people have been planning for their retirement for a long time. On the idea of imposing some new tax on them when they are probably not earning an income anymore, other than what they had planned for in their retirement through their savings or pension or whatever it is, what do you think about the idea of exempting existing property owners from this land tax and just bringing it forward for new purchases? That would remove this issue around older people who want to stay in their home, as has already been brought up. DTF actually said this when we brought up the issue of older people not moving; they actually said that the larger incentive, a much larger incentive than stamp duty, was actually due to the assets test for pensions. It was a much larger disincentive to moving than stamp duty.

**Jonathan O'BRIEN:** Yes, of course, because it is advantageous to keep the house.

**David LIMBRICK:** Yes. So what do you think about those sorts of mechanisms to manage equity for people who have been planning for their retirement for a long time to not to be stung with something later in life when their capacity to earn money is much diminished?

**Jonathan O'BRIEN:** We are certainly not going to give exact numbers, but I think it would be fair to say that there is a level of equity, especially with how house prices have grown over the last three decades or so, that you can have on a home where actually maybe a land tax is not going to break the bank. Equally, there are older people who have not had the fortune of buying into the market at the right time or the fortune of dual incomes their whole lives. There are a lot of reasons why someone might not have the level of equity where it would be reasonable to tax. We are not going to draw exact numbers. I feel that in principle it is okay to bring a tax in on high levels of equity, especially when we have this generational wealth inequality. The reality is that land tax is an efficient way of redistributing wealth in that way without the distortions that we are seeing from stamp duty. You would also need to obviously do some sort of reform in terms of the asset test. We are not going to comment on that here. It is slightly outside of our scope of expertise. But ultimately, we do not necessarily see a moral problem with taxing large amounts of equity, especially when we are not taxing the equity, we are taxing the underlying land that is being used by that equity. The only reason we are having this discussion is because of the distortions around the asset test, so I would defer to the asset test and reform around that. I do not think we have a moral position there.

**Don HOLLOWAY:** No. The other thing I would add is that the land tax is most effective when it is broad-based, and the slower you make that transition, the longer you delay the benefits of it. So transitioning all housing over to a land tax and then just offering the ability to defer payment of the land tax might be an option, so wait until the house sells and then you can pay the land tax if you do not have an income. We need to consider how these tax reforms affect everyone, and while that sort of change would help those households that are asset rich, income poor, the current regime is not working for younger people. So making the switch is really, on the whole, definitely worthwhile.

**Jonathan O'BRIEN:** Yes, and the reality is that asset rich and income poor is still asset rich.

**David LIMBRICK:** And another thing which I know you guys are very much aware of is this intersection – and we have already discussed it – between planning and tax. Because if you do not open up areas for development, then you cannot get this – you know if there was a new broad-based land tax, it would not exist because the houses are not built yet, right? So it is not just stamp duty hindering development and labour mobility, it is also planning.

I know Maribyrnong council had that overlay; they decided to go against it. And I know in the last term of Parliament the government tried to put a heritage overlay on the Eastern Freeway, which we thought was hilarious at the time. How much significance do you think that these heritage overlays are having on hindering development and new housing?

**Jonathan O'BRIEN:** The reality is that more of Melbourne is under heritage overlay than a city like New York. We have a city that is astronomically locked up. Now, it is locked up under other things that we have flagged here today. Of course the zoning is bigger, perhaps, than heritage. The thing that we argue about with heritage is that it is an additional blocker, and these decisions are made in sort of a black box predominantly by the Heritage Council and heritage consultants who obviously have a financial interest in passing heritage overlays. We see them as a very basic target that I think a lot of people can get on side with. It is a delimiter, but a lot of the land and a lot of the properties that are heritage overlaid are also under restrictive zoning. It is another barrier; it is not the only barrier.

**Don HOLLOWAY:** And the other thing I would say is that a lot of the heritage overlays are in the inner cities, which is where people most want to live and there is the most demand for the biggest increases in density that could happen.

**David LIMBRICK:** Some people – and I probably share this view – see heritage overlays as just people who do not own property exerting property rights on other people's property. What do you say about the idea that the heritage value of a particular house should be decided by the owner of the house?

**Jonathan O'BRIEN:** One of the great quotes that I think came out of Maribyrnong was from Mayor Carter. She was quoting a citizen who had written in to her around the overlay, who said, 'Trust us to know our own houses the best.' Heritage overlays – heritage consultants make decisions for a variety of complicated reasons. It is not always aesthetic. It sometimes has to do with methods of construction. It sometimes has to do with materials. It sometimes has to do with things that literally are not visible from the street. We would say that ultimately the decisions are made not for the overall benefit of citizens of Melbourne current or future but are made purely around heritage and therefore need to be more heavily scrutinised.

**David LIMBRICK:** Thank you.

**The CHAIR:** Thanks, Mr Limbrick. Mrs McArthur.

**Bev McARTHUR:** Thank you very much, Chair. What a refreshing pair of young people, but a bit of political advice: drop the grandmother tax. I do not think you are going to win with an argument on that. It is wonderful to see an alternative to nimbys, the bane of my life. Look, there are a whole lot of things I want to raise with you. I come from the class of 'I don't want to give governments any more money because they don't spend it wisely now.' I totally agree with abolishing stamp duty, but why another tax? Why don't we argue that government should spend money more wisely, and therefore they would not even need a property tax?

**Jonathan O'BRIEN:** We might take that question mostly on notice.

**Bev McARTHUR:** You can develop a thesis around that. You did say that you come from the view of how tax reform affects everyone. Now, I am from a rural electorate where currently councils have ramped up the rates on the farming community, sometimes to the point of a 40 or 45 per cent increase in their rates – even though they can still keep under the rate cap – because of the increase in land values, or the so-called increase in land values, because of course it is done by somebody probably sitting in Fitzroy on a spreadsheet. No longer do we have land valuers go out that actually walk on the ground. And therefore, a property tax based on land values is going to impact, seriously, farmers who do not turn over property frequently, like maybe somebody who needs to change a house in Melbourne. So how would you argue, if it is a tax reform that has got to affect everyone or be fair to everyone, how are you going to argue it is a good thing for those creating wealth and food in the country areas but who have no control over price or output?

**Jonathan O'BRIEN:** Sure. We are obviously mostly focused on the inner city and purely residential housing. Of course agricultural land, I believe, is sort of considered under a whole bunch of other different rules. We are not –

**Bev McARTHUR:** Give a government an inch, they will take a mile.

**Jonathan O'BRIEN:** Maybe that is the rule; I have not checked. What we would say is that those considerations would need to be made based on how productive we would like that industry to be. We obviously do not want to punish people, but what we are focused on is residential housing and the benefits that stamp duty has in terms of ensuring turnover of supply and more efficiency in terms of people being able to move. Agricultural land is not our expertise. We would defer to, hopefully, other experts who you have had come and speak at this inquiry.

**Bev McARTHUR:** Well, everybody seems to be focusing on housing in inner-city areas or outside. I totally agree with you, we should go up and not out, because I do not want to see good agricultural land turned into houses, because we need to feed people in the most productive way, so I support you on that. Also I agree with you that subsidisation is not a solution. Certainly the churning of the dollar, by the time we take with one hand and give with another a home owners grant or some sort of exemption, is, I would have thought, totally unproductive. I also agree with you on the Heritage Council. Now, I actually think they should stick to their knitting in what they really are meant to be doing, and I can quote you an example in Ballarat where they should have stopped the Ballarat City Council putting outrageous lights around an iconic lake but they went along with it. I think you probably want to look into how political they are, not what they are doing in relation to heritage.

**The CHAIR:** Thirty seconds, Mrs McArthur.

**Bev McARTHUR:** Would you say that if we are to have reform in tax, it would be better perhaps to broaden the base of the GST and do away with these state taxes?

**Jonathan O'BRIEN:** The centralisation of GST, we have considered it. It has been kind of a problem for state governments because it gives them less control over their own budget. Part of the advantage of something like a land tax is that it gives reliable, regular income. Stamp duty currently – and we have not touched on this at all yet, but I am sure many have – relies on the cycles of the property market, which is a very cyclical market. Land tax –

**Bev McARTHUR:** Is going to rely on that too.

**Jonathan O'BRIEN:** No, not necessarily, because it relies on a base of land which is a constant. Yes, the value of land may fluctuate slightly, but it does not fluctuate hugely, and it certainly does not fluctuate like housing prices. It does not fluctuate based on people's appetite to buy or sell. The supply of land is always the same, and you can predict, much better than housing prices, what that price will be next year.

**Bev McARTHUR:** So you are going to take away the value of a house and just value the land?

**Jonathan O'BRIEN:** Well, that is how a land tax would function, yes. So it would be on the unimproved value of the land. So the location of the land –

**Bev McARTHUR:** Who is going to do that?

**Jonathan O'BRIEN:** I believe there are already land valuation authorities in Victoria who undertake this process. It may be an expansion of their responsibilities.

**The CHAIR:** Thank you, Mrs McArthur. We have time for one more question from each member. Mr Mulholland.

**Evan MULHOLLAND:** Cool. I just want to ask you guys about housing targets. I know respected economist Peter Tulip has done some great work on this, talking about housing targets and wanting to help both government and councils meet those targets in a more streamlined manner so that councils can better prioritise what to object to and what to approve. I look at my own electorate, where the minister has just approved a Nightingale development with a heritage electrical substation in it. But there are ones that councils consider much more important to people, like Preston Market, for example. They might be able to prioritise that but not go opposing every single other development as well. What is your view on the housing targets model?

**Jonathan O'BRIEN:** Do you want to go, or can I go? All right. It has kind of been touched on a little bit today, the idea that there is the potential for federal involvement here. We obviously have three tiers of government and each can sort of incentivise the other. Housing targets are, I would say, a necessary condition of funding powers and what have you. I think it is essential in a housing crisis. Even if we were not in a crisis, housing is an essential good. It is something that everyone needs, and there is a responsibility for all levels of government to meet that need. I think targets, I think incentives – carrots – around adequate construction and adequate net increase in supply, not just sort of knocking down two houses and building one larger house or what have you. Actual meaningful increases in supply are going to absolutely be key not only in terms of ensuring that we have short-term growth in housing supply but a continued growth mindset, an abundance mindset, around something as essential as housing.

**The CHAIR:** Thanks, Mr Mulholland. Mr Davis.

**David DAVIS:** Just coming back to the granny tax –

**Bev McARTHUR:** David, drop that word.

**David DAVIS:** No, no. Has your organisation considered the harshness, the impact that it might have? So older people who have lived in one place for their life – you want to slug them with a land tax. I think that could have a series of very serious consequences for some people. You have pointed out that some of them are asset rich but income poor so they may be forced out of their home effectively. Let us call it for what it is: you are going to drive them out of their home.

**Jonathan O'BRIEN:** I do not think that that would be the case under a land tax. I think what we would see is, yes, through the ease of movement we would see more people moving house. We would also see people potentially taking – let me reframe. The reality is that we can still asset test in terms of who is paying the land tax – 'How much equity do you have in your land?' – especially when we are grandfathering. Is 'grandfathering' okay?

**David DAVIS:** 'Grandparenting', I think, is the modern word.

**Jonathan O'BRIEN:** When grandparenting someone into a system – thank you – there need to be considerations. When we are grandparenting people into a system, we need to consider where they are at before that system is brought into effect. I think there would need to be measures to ensure that people are not driven out of their homes. But there also needs to be a recognition that, as Don said, a land tax is most effective when it is broad-based. We need to tax land broadly to ensure that all land – a scarce resource – is used as effectively as possible by our population.

**David DAVIS:** And the follow-up question just picks up from Mrs McArthur's earlier one.

**The CHAIR:** We will need to be quick, Mr Davis.

**David DAVIS:** Yes. We could end up with the problem we have got in Canberra, where they said they would move away from the stamp duty but now we have both. We could just end up with both.

**Jonathan O'BRIEN:** We would not want to see us end up with both. There have been a lot of models. There has obviously been the proposed Perrottet model in New South Wales that got –

**David DAVIS:** Which is now to be ditched.

**Jonathan O'BRIEN:** Well, yes, that got rolled back. There are models where existing home owners do not pay land tax.

**David DAVIS:** But the only one in Australia that we have that has been tried is in Canberra, where they stopped halfway. They are not following through in the rate they said. We have got the land tax and we have still got a very high stamp duty too. So we have got the double – daily double.

**The CHAIR:** We might have to wrap up that questioning there and go to Mr Limbrick.

**Jonathan O'BRIEN:** The model is definitely very slow transition, and there are other models that transition much faster.

**David DAVIS:** But they are not even sticking to the transition pace. They are actually keeping the stamp duty –

**Jonathan O'BRIEN:** We are not going to comment on the political will of the Legislative Council of the ACT.

**The CHAIR:** Thanks. We have 4½ minutes, and I want to make sure everyone gets a last question in. Mr Limbrick.

**David LIMBRICK:** Thank you. One of the really interesting things about your organisation is that I see this as part of a cultural shift in some ways.

**Jonathan O'BRIEN:** Absolutely.

**David LIMBRICK:** Some of the problems that we have had with nimbyism and stuff like that are really cultural problems. How do you see yourselves in terms of leading that cultural shift? I know that you have already done some good work in going to councils and that sort of thing, but how do you see this playing out in the wider community?

**Jonathan O'BRIEN:** Sure. There is a huge shift at the moment. One of the biggest demographic shifts that we are seeing is not anything to do with individual characteristics, it is to do with a growing proportion of people renting, especially young people. Young people are thinking about housing. There is the old adage of the Australian dream that, you know, you want to own a house. We are not necessarily sure that the way in which one has access to housing – I believe it is called the tenure of housing. We do not necessarily have an opinion on what is best, but what we do know is that people need to feel secure where they live, and the reality is that many renters in an asymmetrical market – a market where landlords have outsized power due to housing scarcity – feel disenfranchised. They feel insecure. People feel like they might have to move every six months. They feel like their rental is maybe going to go back on the market, and then they are going to have to move a long way away because there is a shortage of housing in their suburb. They got the one unit that was within their price point in Brunswick, and if that closes, they might have to move suburbs. They will move out of their communities. People feel insecure in where they live, and when people do not have that fundamental basis, particularly young people, there is a level of anxiety.

I think that what the yimby movement does and has done across the world, across Australia and now here in Melbourne is provide a positive view of a city that can grow, a positive view of a city that can provide for everyone – that can build up, not out, and that can fundamentally provide housing for all who want it where they want to live in a way that does not leave them rent distressed, disadvantaged or overall disenfranchised by a system that has left them feeling locked out and disillusioned. And that is a political reality that I think every elected representative is taking more and more into account as they consider voters. Thank you very much.

**The CHAIR:** Thank you. Mrs McArthur, do you have another question? If so, I ask that we keep it brief.

**Bev McARTHUR:** Very good. Well, first of all, it is fantastic that you are ruling out rent capping. That is great. Just keep on that. What is your view on school zoning, which seems to totally distort the housing market?

**John BERGER:** Good question.

**Jonathan O'BRIEN:** School zoning is interesting. My father is a school principal, so I think about this a bit. We are not going to comment on it because it is outside of the scope of our policy understandings, but we take that on notice.

**Bev McARTHUR:** Okay. Is that it?

**The CHAIR:** Yes, unless you have a 30-second follow-up question.

**Bev McARTHUR:** No. Let them off the hook.

**The CHAIR:** Okay. Thank you very much. And thank you for coming along today and sharing your views and for your very fulsome submission. That concludes the public hearing.

**Witnesses withdrew.**