The Hon Rob Lucas MLC

TRS19D1483

Government
of South Australia

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Hon Tom Koutsantonis MP
Member for West Torrens
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TORRENSVILLE SA 5031

tom.koutsantonis@parliament.sa.gov.au

Tom

Dear Mr ~~Koutsantonis~~

APPLICATION UNDER THE *FREEDOM OF INFORMATION ACT 1991*

I refer to your application made under the *Freedom of Information Act 1991* (FOI Act), dated 19 June 2019.

Your application seeks access to:

> *"A copy of all correspondence, emails, diary invites, scheduled meetings, briefings, minutes, notes, sms's or any other relevant information or documents prepared for, sent to or received from the Treasurer and or his office, relating to the Property Council of South Australia and CEO, Mr Daniel Gannon (between 1 January 2019 and 19 June 2019)."*

The legislative prescribed timeframe to determine this application has expired and is now deemed to have refused you access to all documents relevant to your application. However, I have determined to process the request as if the statutory timeframe had been met.

The purpose of this letter is to advise you of my determination. An extensive search was conducted within this office. A total of 4 documents were identified as answering the terms of your application

I grant you access in full to 1 document, a copy of which is enclosed.
I grant you access in part to 4 documents.

Documents released in full

Document 2

Documents released in part

Documents 1, 3 - 5

Document 1 is an attendee list of interest group people who attended the State Budget lock up on the 18 June 2019. Out of scope information not relating to the subject has been redacted.

Document 2 is a letter from the Property Council attaching a copy of a report prepared by Deloitte titled *Land tax implications from an upwards revaluation of official land values in South Australia*. This report is publicly available so this has not been provided to you.

Documents 3 and 4 are emails between my office and the Property Council of SA. This person no longer works for the Property Council of SA. Their contact details have been redacted, pursuant to clause 6(1) to the FOI Act.

Exemptions

Clause 6 – Documents affecting personal affairs

> *(1) A document is an exempt document if it contains matter the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person.*

Please note, in compliance with Premier and Cabinet Circular PC045 - *Disclosure Logs for Non-Personal Information Released through Freedom of Information* (PC045), the Department of Treasury and Finance is now required to publish a log of all non-personal information released under the *Freedom of Information Act 1991.*

In accordance with this Circular, any non-personal information determined for release as part of this application, may be published on the DTF website. A copy of PC045 can be found at the following address: https://dpc.sa.gov.au/resources-and-publications/premier-and-cabinet-circulars. Please visit the website for further information.

As I am determining this application as Principal Officer, Section 29(6) of the Act does not provide for an internal review. If you are dissatisfied with my determination you are entitled to exercise your rights of external review with the Ombudsman.

Alternatively, you can apply to the South Australian Civil and Administrative Tribunal. If you wish to seek a review, Section 39(3) of the Act states you must do so within 30 calendar days of receiving the determination.

If you require any further information, please contact Vicky Cathro on (08) 8226 9769.

Yours sincerely

Rob Lucas

Hon Rob Lucas MLC
Principal Officer

25 July 2019

Schedule of Documents

TRS19D1483

Doc. No.	Date	Description of Document	# of pages	Determination Recommendation	Exemption Clause	Reason
1	17/06/2019	Email re: Attendees List for State Budget Interest Group lock up	7	Released in part		Out of scope information redacted
2		2019-20 Budget Submission by Property Council of Australia	22	Released in full		
3	4/03/2019	Email	2	Released in part	6(1) - Unreasonable disclosure of personal affairs	
4	11/02/2019	Email	1	Released in part	6(1) - Unreasonable disclosure of personal affairs	
5	2/05/2019	Letter from Property Council	2	Released in part		Report is publicly available

RELEASE

2

PROPERTY COUNCIL of Australia

South Australia
2019-20 Budget Submission
May 2019

PROSPERITY | JOBS | STRONG COMMUNITIES

CREATING JOBS - PROPERTY IS SA'S SECOND LARGEST EMPLOYER

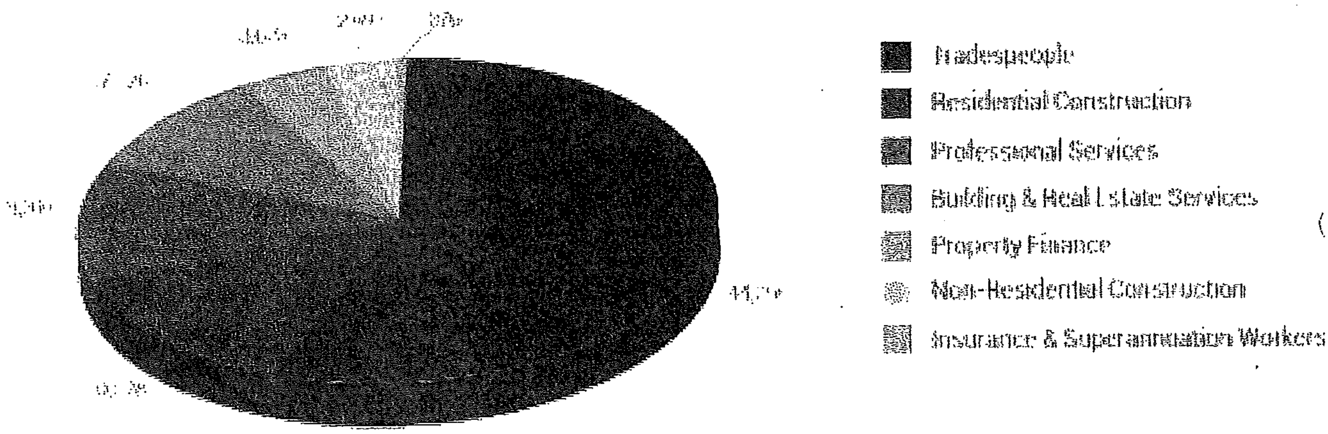
104,300 JOBS
HEALTH

78,500 JOBS
PROPERTY INDUSTRY

59,300 JOBS
EDUCATION

The property industry employs more people than mining and manufacturing combined

JOBS IN YOUR **STATE**



BUILDING PROSPERITY BY PAYING $4.8 BILLION IN WAGES & SALARIES

MORE THAN 1 IN 5 PEOPLE

IN SA DRAW THEIR WAGE DIRECTLY AND INDIRECTLY FROM PROPERTY

PROPERTY COUNCIL of Australia

Contents

PROPERTY COUNCIL of Australia

Foreword

Dear Treasurer,

It is my great pleasure to present to you the Property Council of Australia's pre-Budget submission.

As the biggest private sector employer in South Australia, the property industry plays a vital role in driving our State, strengthening the economy, and creating rewarding and sustainable jobs.

The Property Council – as the property industry's peak body – hears daily about the stresses and roadblocks to success that present themselves for the sector. Through this organisation's 10 professional industry committees, we have sought advice and input from those on the front line in preparing this submission for your consideration.

You will find enclosed a report prepared by Deloitte Access Economics that examines the potential impacts of the Valuer General's state wide revaluation project on the land tax liabilities of property owners in South Australia. This is the single biggest issue facing the property sector in our State and constitutes the bulk of our submission.

While we acknowledge the steps already taken by this Government to adjust land tax rates following the election, the Property Council fears that any benefit of this policy could be negated by the state wide revaluation project which is likely to see many commercial property values indexed upwards.

We do not have the luxury of a property sector teaming with institutional investors like Sydney or Melbourne and are subsequently taxing a very narrow base of predominantly small-private owners. It is our fear that a dramatic upwards shift in property values across the state will quite simply put some property owners out of business and drive them from the South Australian market entirely.

If you would like to discuss any of the issues raised in this document, please don't hesitate to contact me.

Kind regards

Daniel Gannon
SA Executive Director

PROPERTY COUNCIL of Australia

Tax Reform

Statewide revaluation program

The Property Council recently commissioned a report that explores the potential implications of an upwards revaluation of official land values in South Australia on the tax liabilities for owners under several different scenarios (*attached*). The analysis is undertaken using a dynamic land tax model for South Australia, based on unpublished administrative land tax data from the Department of Treasury and Finance. The model attempts to replicate the application of land tax on non-government holdings as it occurred in 2016-17 and is then used to run several stylised simulations to demonstrate how an upwards revision in official land values under varying conditions impact on the tax liabilities for landowners.

This modelling does not seek to estimate the magnitude of the anticipated change in official land values in South Australia, nor the subsequent change in tax liabilities or government revenues that may result from the implementation of the Valuer-General's revaluation over the next five years. At the same time, data limitations mean that the model is unable to distinguish between different property classes and, therefore, stops short of being able to determine with any certainty where any additional tax burden may fall. This is an area for further research. It also does not consider broader fiscal impacts beyond those emanating from the change in assessed property values.

These limitations noted, the modelling reveals several key findings:

- Even without an upwards revaluation of site values by the Valuer-General, the tax implications for landowners may still vary substantially due to the dynamic nature of South Australia's land tax structure and its responsiveness to changes in market conditions. That is, the unbalanced growth in site values at either end of the distribution due to changes in prevailing market conditions (e.g. a rise or fall in the price of residential property) has implications for landowners at the opposite end of the distribution.
- When the growth in site values is assumed to be uniformly distributed, all taxable property holdings increase by the same proportion and equal the average percentage change in official values. This is because of the indexing mechanism in South Australia's land tax structure.
- By contrast, asymmetric growth in site values results in a complex situation whereby the values of property holdings for certain landowners increase either faster or slower than the rate at which land tax brackets are indexed. The asymmetric condition includes both a 'high-low' case, where taxable property holdings at the bottom or 'residential end' of the distribution outpace the rate of growth of holdings at the top-end; and, inversely, a 'low-high' case, where growth in site values at the top-end outpace those at the bottom.
    - o The tax implications of asymmetric high-low growth in site values has the least impact on high-end landowners (e.g. large commercial property owners), while those toward the bottom-end are most disadvantaged (e.g. single residential investment property owners).
    - o The tax implications of asymmetric low-high growth in site values has the counterintuitive outcome of lowering the share of tax paid by landowners with holdings both in the top- and bottom-quartiles, while increasing it for those in the third-quartile.

- For government, increases in site values under asymmetric high-low conditions deliver the smallest growth in land tax revenue for each of the corresponding average growth in site values considered. By contrast, the corresponding increases in average site values under asymmetric low-high conditions generate the largest increases in land tax revenue.

The results of the modelling also highlight how South Australia's current land tax structure has the potential to impact on investment decisions and how land is allocated to different productive uses – e.g. residential versus commercial/industrial, low-density versus high-density. There is scope for further examination of potential reforms that aim to improve the competitiveness, efficiency, fairness and revenue stability of South Australia's land tax system. A broader examination of South Australia's land tax system could consider options, such as:

- flat (or flatter) tax rates
- a per square metre tax
- averaging site values over time.

To inform this discussion, there is also a need for the availability of detailed data on property holdings and values to be improved. Paucity of information and data is a recurring theme throughout the report. While data on land holdings by individuals and entities is understandably sensitive, scope to utilise granular confidentialised unit record data on land and properties would allow for more sophisticated analysis. For example, this data could be used to estimate the impact of tax changes by property class (residential or commercial) and location (metro/urban/regional), as well as explore how tax changes impact on investment decisions and the allocation of land. The design and implications of any reforms in a South Australian context, as well as the intricacies involved in their implementation, should be the subject of further examination.

Recommendations

- Immediately reform land tax rates to reduce the negative impact of state-wide revaluation.
- Investigate deeper reform to land tax rates to make SA a more competitive investment destination.

PROPERTY COUNCIL of Australia

Land tax reform

While the Property Council appreciates the scheduled changes for land tax announced by the incoming State Government to decrease the top marginal tax rate from 3.7 per cent to 2.9 per cent for holdings up to $5 million, further land tax reform is an urgent policy priority worthy of closer examination. South Australia has some of the highest land tax rates in the nation, which unfairly punishes commercial property owners in our state.

A discussion between government, building owners and the community – including mum and dad investors – on broader land tax reform must be on the agenda moving forward. We want to be known as a low-cost jurisdiction with innovative tax policies that drive investment.

Land tax, with its narrow base and high rate, ensures that certain property investments are relatively less attractive than other types of investments. Other jurisdictions have relatively low land tax rates in comparison to South Australia, making it hard for this state to compete with more attractive interstate investment options. This has a detrimental impact on investors seeking competitive jurisdictions in which to invest in property.

In South Australia, land tax is currently paid by only 22 per cent of taxable properties with the remainder falling below the tax-free threshold.[1] Including those that fall below the tax-free threshold, the top 2 per cent of ownerships by value account for 80 per cent of total land tax paid while the top 10 per cent of ownerships by value account for more than 95 per cent of total land tax revenue.[2] South Australia also has by far the highest marginal land tax rate across states, meaning that the current system is having a disproportionate impact on investment by large property holders.[3]

South Australia does not have a deep pool of institutional investors to draw upon, which means the tax burden is disproportionately carried by a relatively small group of mostly local owners and investors. Furthermore, aggregation is a serious disincentive to investment as it penalises multiple investments by property owners and increases liabilities of owners who own more than one property, as demonstrated by the following case study.

Case Study – two different buyers, two different tax rates

Consider a situation where there is a parcel of land worth $500,000 for sale, with two prospective buyers. The first buyer owns no land, while the second already owns $1.5 million in land.

Should the first buyer purchase the land, they would pay $840 in land tax each year. If the second buyer were to purchase the land, they would pay an additional $18,500 in land tax.

This means that the second buyer would have to pay $17,660 more in land tax than the first buyer due to the anti-competitive aggregation mechanism. If the tax is paid annually in perpetuity with a 7% discount rate, the net present value of the additional tax is around $252,300.

In this case, even if the second buyer were to value the land more than the first buyer, they may not purchase the land if they do not value it at least $252,000 more than the first buyer.

This suggests that if the aggregation mechanism deters the second prospective buyer from buying the property, there may be lost economic value due to allocative efficiency of between $0 and $252,300.

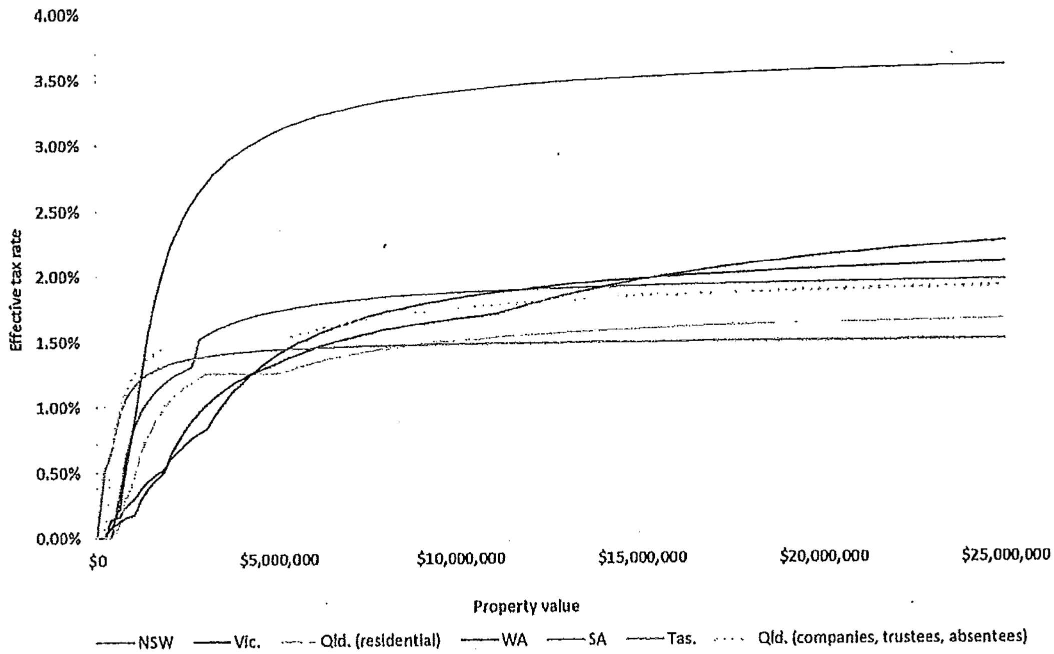
Source: Deloitte Access Economics (2017) *Towards a best practice land tax model*

[1] South Australia Government (2015) State Tax Review Discussion Paper.
[2] ibid
[3] Deloitte Access Economics (2017) Towards a best practice land tax model

Aggregation means land tax is higher for larger landholders, leading to a bias favouring smaller investors in the property market. This distorts the market, as large-scale long-term investors who may be better suited to providing dwellings for private tenants over a long period are dis-incentivised from investing in such a way.

Land tax research commissioned by the Property Council and conducted by Deloitte Access Economics clearly presents the land tax rate disparity between South Australia and other jurisdictions (figure 1) as well as the tax paid on aggregation (table 1).

Figure 1: Effective land tax rate for various property values, $0 - $25 million



Source: Deloitte Access Economics; NSW Office of State Revenue (2016), Victoria State Revenue Office (2016), Queensland Government (2016a; 2016b), Western Australia Department of Finance (2016), South Australia Department of Treasury and Finance (2016), Tasmania Department of Treasury and Finance (2016).
Note: ACT is not depicted due to high effective tax rates for low property values.

Table 1: Examples of aggregation for a property with a taxable value of $2,000,000

Jurisdiction	Tax paid with aggregation ($14 million total portfolio)	Tax paid without aggregation	Additional tax paid under aggregation
NSW (general rate)	$40,000	$24,388	$15,612
Vic (general rate)	$45,000	$11,975	$33,025
Qld (residential)	$35,000	$21,000	$14,000
Qld (companies, trustees, absentees)	$40,000	$29,500	$10,500
WA (general rate, non-metro region)	$53,400	$12,550	$40,850
SA (general rate)	**$74,000**	**$44,288**	**$29,713**
Tas (general rate)	$30,000	$26,588	$3,413

Source: Deloitte Access Economics.

Further, many land tax exemptions exist for historical reasons and do not support existing realities in South Australia. There is a seriously inequitable burden on South Australian businesses with land holdings, which gives other taxpayers and States a comparative and distinct advantage.

The Property Council believes the efficiency of the South Australian land tax system could be significantly improved by moving towards a flat rate land tax system where all properties, currently subject to land tax, pay the same tax rate on each dollar of unimproved land value.

A flat land tax will neutralise the adverse effects of the existing aggregation mechanism. While we acknowledge that removing the aggregation mechanism will have an impact on government revenues, this reform could be made revenue neutral by setting the flat rate appropriately.

Under a flat rate of land tax system aggregation mechanisms do not create an efficiency loss. With a flat tax and no tax-free threshold, the owner of the land will pay that same rate regardless of their existing land holdings. This will mean property owners who have the ability to invest are not de-incentivised.

Moving to a flat rate of land tax would also avoid bracket creep, which is caused as the values of properties rise over time.

The Deloitte report also found that large landholders in South Australia would receive potentially higher benefits than other states through reform of our land tax system, due to the higher marginal rates within our jurisdiction. This is due to our very high top rates, which as shown can have a significant impact on the investment decision of large landholders.

The transition to the new system should be achieved through a gradual flattening of rates over a clearly defined transition path that allows current owners to respond to a known future tax liability.

Recommendations

- Take steps to move towards a flat rate of land tax in South Australia, creating the most competitive state-based land tax regime in Australia and improving investment conditions in this state. The transition path should be clear and transparent to allow investment and rental decisions to be made on this basis.
- Remove or neutralise the aggregation mechanism.
- In light of the Deloitte report, investigate immediate reform to land tax rates as a short term priority.

Foreign investor tax

The Property Council remains strongly opposed to the former Government's foreign investor tax and supports the development of a framework to limit its impact on those companies providing jobs and housing in South Australia.

While the Property Council will continue to advocate for the full abolition of the 'xenophobic' foreign investor tax, we recognise that this form of taxation has now garnered favour in other jurisdictions across the country.

With this in mind, the State Government could drop it back to the originally slated rate of four per cent.

Prior to former Treasurer Koutsantonis's decision to raise the rate from four to seven per cent, South Australia had a comparatively low foreign investor tax. Now, we are one of the highest:

State	Foreign investor tax rate
SA	7%
NSW	8%
WA	7%
VIC	7%
QLD	7%
TAS	3%

Consequently, South Australia no longer has a point of difference from the eastern and western seaboards that would allow the state to capitalise on a competitive advantage when it comes to property-based taxes. Instead this state transitioned from no tax to one of the highest foreign investor tax rates in the country, dampening South Australia's investment attractiveness.

Anecdotally, we know that interest in South Australian real estate – especially the growing apartment market – has plunged since implementation of the tax. A recent media article citing principal of DG Real Estate Simon Hou, outlined the following:

"I originally asked for an exemption for CBD apartments but was unsuccessful and since then overseas investor demand has dropped dramatically, by more than 85 per cent... Generally, when we sell apartments the buyer pays a 10 per cent deposit, but now with an extra 7 per cent for overseas investors, many people are just walking away from their deposits and not settling."

Given South Australia is struggling to attract large institutional investors and does not boast the same level of growth in the residential apartment sector as the eastern states, the State Government must make South Australia a more attractive low-cost jurisdiction compared to NSW and Victoria, which are both enjoying high rates of population growth. In fact, Victoria grows by more people every 27 days than South Australia grows across the course of a year.

While a return to the four per cent rate would make South Australia comparatively more attractive for foreign investors who are now thinking twice about investing in markets double this rate, it is our strong recommendation that the State Government should cut this tax altogether. If it chooses to do so, it would seem genuinely interested in making South Australia the most attractive place in the country to invest.

After all, you can't tax what you don't have. In the 2018-19 Budget the foreign investor tax had its expected collections lowered from $23 million per annum as stated in the 2017-18 Mid-Year Budget Review, to roughly half of that at only $12 million in the 2018-19 papers. The disincentive and reputational damage that this tax represents far outweighs the returns to the budget and should be scrapped in its entirety.

Recommendation

- Scrap the foreign investor tax.

Reinstate off-the-plan concessions

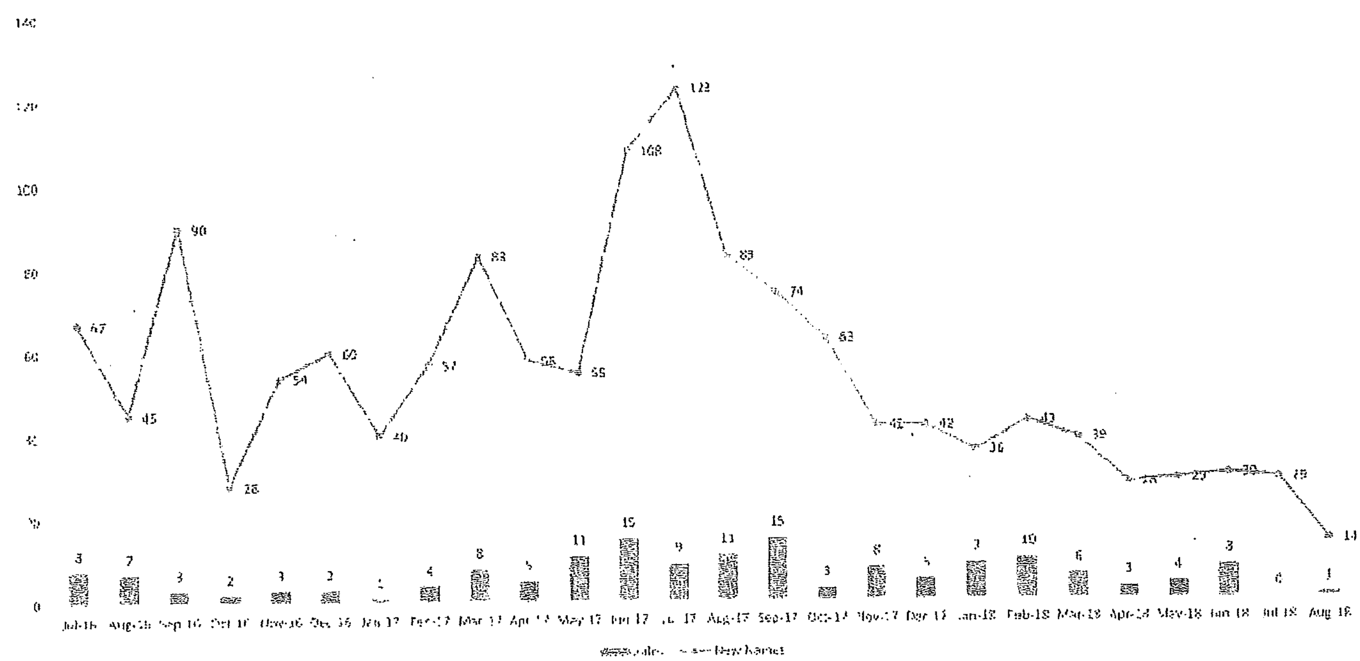
The Property Council strongly recommends the State Government reinstates the off-the-plan concessions for apartments. This is an initiative that has been successful in encouraging new buyers to enter the market.

Since the concession ended, developers have reported a sharp down-turn in their sales and enquiries.

The graph below shows the combined residential portfolio of two medium-sized developers currently operating in the Adelaide market. It shows that monthly inquiry levels have decreased from 123 in July 2017 to 30 in June 2018 – a reduction of 76 per cent in just 12 months (or an 89 per cent reduction in the 14-month period leading up to August 2018).

It also reveals that sales have dried up from July 2018, following the end of the concession.

Residential sales/enquiries July 2016 to August 2018



The concession effectively levelled the playing field between apartment developments and house and land packages – i.e. the saving for the buyer was roughly equal to what the duty payable would be for a house and land package where duty is only payable on the land transfer. This means infill developers who choose to build residential apartments in the city and surrounding suburbs are not disadvantaged in comparison to greenfield housing developers.

The concession was also a useful tool for agents trying to appeal to buyers who had not previously considered an apartment, as it kept the initial cost outlay low and made the prospect of inner-city living more attainable. The concession (which was capped for apartments over $500,000) appealed to the affordable end of the market, meaning that first home owners made up the majority of sales.

Since the scheduled end of the concession, many in the sector are reporting a dip in sales. There is also a lessening in the appetite of banks or financiers to fund investors and developers, which is having an impact on the market. Withdrawing this concession at a time when the market is on a slight downturn damages the viability of developers operating in the medium-higher density space.

It is important that the State Government supports people transitioning to higher-density living options to build the resilience of the Adelaide CBD economy, to enhance the CBD visitor experience and to increase safety in the city.

The concession proved very popular within the industry, with key findings from a survey of our membership including:

- 92 per cent of respondents believe that the concession had significant impact on attracting buyers.
- 100 per cent of respondents believe that the concession made apartment developments more attractive to investors.

Some qualitative commentary from survey respondents include:

- *"Stamp duty is a heavy cost when buying a new property. Greater stamp duty incentives would reduce those costs and reduce the amount that needs to be saved before buying a property, making it possible for buyers to afford to buy a property and to buy sooner".*
- *"The concession lowers the price of housing stock in Adelaide and leads to better affordability. This in turn benefits owner occupiers and investors and makes Adelaide a more attractive place to live and invest".*

The findings are compelling and present a strong case for the reinstatement of the concession.

Recommendation

- Reinstate the stamp duty concession for off-the-plan apartments.

Population growth and migration

When it comes to boosting South Australia's competitiveness in global investment markets, growing the state's population, driving demand and increasing our ties with export markets are vital.

Staggeringly, the nation's average growth rate (1.6%) is 129% stronger than South Australia's current and lagging rate (0.7%), while Victoria's growth rate is 214% stronger.[4]

In fact, the Victorian case study is particularly harrowing, as that state grows by more people every 27 days than South Australia does across the course of the year.[5]

Even Queensland, which has had a relatively flat economy in recent years, is a more attractive migration destination than South Australia. Recent ABS statistics showed that for every person that SA loses interstate, Queensland attracts three.

While some pundits have in the past heroically claimed that South Australia's modest growth rate is formidable and competitive compared to most countries in the OECD, it is a nonsensical argument. In support of this claim, the Property Council cites Associate Professor Alan Gamlen, Director of Adelaide University's Hugo Centre for Population and Migration Research.

"We need to be a bit careful making those kinds of (international) comparisons ... Aside from being much smaller than most OECD countries, South Australia is not a country, and doesn't have a hard border ... Although South Australia has higher growth than the likes of Switzerland, France, Germany and Ireland, those countries already have much bigger and more advanced economies, so it's very difficult to compare."[6]

To put this in context, please refer to the below table.[7]

Country	Population Growth Rate (%)	GDP (US$b)
USA	0.71	20,413
China	0.39	14,093
Germany	0.22	4,212
UK	0.59	2,936
France	0.39	2,925
Switzerland	0.8	679
Ireland	0.88	334
South Australia (GSP)	0.7	0.0745

In making a more reasonable argument, South Australia must be compared with domestic alternatives. When we do that, it becomes clear that the state is losing the battle for the hearts and minds of new arrivals, existing residents and the state's best and brightest talent. The ongoing fears of a 'brain drain' have been well documented.

In the Property Council's *Future Proofing South Australia* report (2017), it was revealed that South Australia's growth rate has been outperformed by every Australian mainland state over the

[4] ABS Australian demographic statistics accessed via http://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/3101.0
[5] ABS Australian demographic statistics accessed via http://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/3101.0
[6] *The Advertiser* (13 June 2017)
[7] Bernard Salt (17 August 2018)

previous five and 15-year periods.[8] This rate of slow growth becomes further apparent when contrasting the historic national growth rates against the historic South Australian growth rates. Over the previous 5-year period, South Australia recorded an increase of 0.69% compared to the national average of 1.43%, and over the previous 15-year period South Australia recorded a 0.85% rate of growth compared to 1.51% nationally.

In simple terms, this reveals that South Australia's population growth rate was stronger over a 15-year period (0.85%) rather than the more recent 5-year period (0.69%), which means the population problem is worsening.

Negative net interstate migration has been one of the main drivers behind South Australia's slow rate of population growth. Over the past 16 years the ABS has not recorded South Australia achieving a positive interstate migration result over any quarter. The aggregate number of South Australians to leave for interstate over this period is 62,055, which is 116% of the Adelaide Oval's current crowd capacity or the same number of people who attended the historic 1965 SANFL Grand Final at the same venue. In fact, in the last two years (to March 2018) 14,908 people have left South Australia, or in equivalent terms more than 20 people every day during that period.[9]

The impact this is having on South Australia's demographics are clear. This state is, based on statistics, older than the rest of the country, with a median age of 40 compared to the national average of 37.[10] In some areas of metropolitan Adelaide – including Leabrook and Glynde – more than 20 per cent of residents are aged 80 years or older against a national average of 4 per cent.[11] This has significant ramifications for health care and the cost to government if South Australia cannot stem the tide of young people leaving the state or start enticing them back in bigger numbers.

While the eastern states are focused on building the infrastructure they need to accommodate large population growth rates, South Australia's growth issues are at risk of being lost in the national conversation. The country is currently having a two-speed population conversation, and South Australia needs to do more to generate policy traction.

Practical measures that could be implemented to attract and retain skilled migrants to South Australia

South Australia's consistently flat population growth rate is having a significant impact on the state's economy and the property industry as the state's largest private sector employer.

Smart population growth and productivity improvements are key drivers of economic growth. As the Property Council has outlined previously in public policy proposals, we believe it is vital for the State Government to simplify South Australia's complex and cumbersome administrative migration processes to attract skilled migrants into the state and boost our population growth.

Targeted migration will fill essential skills gaps, drive investment, create jobs and grow the State's taxation base. Importantly, skilled and targeted migration will improve the living standards enjoyed by all South Australians.

As a smaller state, we need to compete with other Australian jurisdictions by being the best place in the nation to do business – one pathway to address this uplift in competitiveness is through

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[8] Future Proofing South Australia (2017) page:11
[9] ABS data series 310102 accessed via http://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/3101.0
[10] ABS data series 3101 Australian Demographic Statistics
[11] Bernard Salt (2018) presentation to the Property Council of Australia

reform of our tax system, diversification of the economy, investment in infrastructure, further planning reforms and red-tape reduction. If we can do this, South Australia could attract skilled migrants, retain our young people, and grow the productivity of our businesses.

Going forward, the jurisdictions with the most competitive taxation environments and the most livable cities will win the contest for skilled immigration and investment globally. We need bold policies to reverse the trend towards an ageing population and require strategies to attract and retain young people and to target skilled/investor migration.

It is undisputed that the majority of South Australians understand the need for increased population growth across the state.

Last year the Property Council commissioned a public sentiment poll, which took place between 31 July and 4 August, and canvassed the views of 300 metropolitan and regional South Australians. This exercise carries with it a maximum margin of error of ±6 per cent.

The polling revealed that almost seven in 10 South Australians believe the state can accommodate a bigger population. Put simply, there is overwhelming support for growing South Australia's population and implementing initiatives to keep more young people in the state.

Further results from the poll reveal the following:

- 71% of respondents believe that too many young people are leaving the state to live and work elsewhere, with 84% of SA Best voters believing this to be the case.
- 79% believe that the state's population is ageing and that more needs to be done to encourage our young people to stay and settle in South Australia, with 89% of Liberal voters accepting this premise.
- 63% believe that the state will benefit from migration, with 72% of Greens voters in support.
- 65% believe that the state has the capacity to successfully accommodate a bigger population if it is well managed and properly planned, with 71% of Liberal voters accepting this proposition.

There is a healthy and sustained appetite for growth because South Australians accept that a bigger and more sustainable population is related to economic growth. Cities like Adelaide already have an established framework around education, transport, health and housing, which means we're ready to roll when it comes to growth.

The Property Council encourages the Federal Government in collaboration with Premier Steven Marshall to embrace City Deals to help transform Adelaide's skyline and stem the state's 'brain drain' of young talent to cities like Sydney and Melbourne.

The results by segment are as follows:

	Too many young people leave SA	We need to do more to keep them here	The State will benefit from migration	The State can handle a bigger population
18 – 34	71%	68%	62%	63%
35 – 54	72%	77%	62%	64%
55+	76%	89%	64%	68%
Males	69%	80%	69%	66%
Females	74%	78%	57%	65%
Metro	72%	79%	65%	65%
Rural	68%	81%	57%	66%
Liberal voters	80%	89%	70%	71%
Labor voters	61%	74%	60%	66%
Greens voters	58%	65%	72%	66%
SA Best voters	84%	79%	66%	66%
Other minor Party voters	62%	67%	28%	20%
Undecided voters	65%	63%	41%	44%
Total	71%	79%	63%	65%

As aforementioned, Victoria grows by more people every 27 days than South Australia grows across the course of the year. This is not sustainable, and it is not good enough. Growing the state's population won't be easy, but just because it's difficult doesn't mean that it should be neglected.

Selling Adelaide to the country

South Australia has everything going for it – comparatively affordable homes, affordable rent, great educational facilities, a world class health precinct and an enviable lifestyle close to beaches and the Adelaide Hills – yet it remains a hidden gem, overlooked by migrants and many tourists.

The Property Council believes the circumstances are ripe to take advantage of the momentum built on the back of the City Deal and Australian Space Agency announcement to launch a dynamic advertising campaign to attract the best and brightest to our city.

More needs to be done to re-frame Adelaide as an exciting holiday destination and a great place to live and work. As the cost of housing and living in the major eastern states drives more and more first home owners and young families to regional centers like Newcastle and Geelong, Adelaide should be at the forefront of a domestic migration wave, and yet we are not capitalizing on the potential growth.

A national advertising campaign that targets interstate 'hipsters', families and downsizers that examines how much they could save on a mortgage, cost of living, wasted commuting times and school fees whilst also championing our small bar scene, wineries and creative industries could be pushed in Melbourne, Brisbane and Sydney. Why spend more than half your income on a share house and then half your day commuting when you could live in the Adelaide CBD and enjoy a premium lifestyle with an affordable price tag? It beggar's belief.

As traditional workplaces shift to online and cloud-based systems, more and more people will be able to live in Adelaide and still work remotely for companies from all over the world – facilitated by the Adelaide City Council's *Ten Gigabit Adelaide* initiative. Opportunities like this need to be better communicated with those frustrated by price and lifestyle interstate.

Population Growth Forum

The Property Council invites the State Government to jointly host a Population Growth Forum to examine policy options, initiatives, ideas and programs that could encourage more people to settle and stay in Adelaide. By inviting key thought leaders from around the world, we can work together to lead the nation in population growth strategies.

The Federal Government held a similar forum in November 2003 with the resulting report published in 2004 and informing federal policy development in this space. The Property Council believes that Government needs to partner with industry and take a leadership position when it comes to growing South Australia's population.

The Property Council acknowledges that without bold policies designed to foster employment growth in strategic industries, our state will not be able to attract and retain the best and brightest talent.

Recommendations

- Pursue bold growth strategies – including population and skilled migration.
- Jointly host a Population Growth Forum with the Property Council to examine innovative new ways of attracting and retaining the best and brightest from around the world.
- Produce a promotional campaign for the eastern seaboard markets to advertise South Australia's housing affordability, quality schools and lifestyle in comparison to the eastern states.

Build-to-Rent

When examining both the future opportunities and models of best practice utilised interstate and overseas to drive investment, it is important to examine Build-to-rent (BTR) as an opportunity to attract investment. BTR is, put simply, a model that allows investors to build multi-unit residential dwellings that are built and designed specifically to be rented out rather than sold off individually.

Build-to-rent for residential property is known by slightly different names globally, including 'multi-family' in the US or the 'private rental sector' in the UK. However, 'build to rent' is the most accurate description as it essentially incorporates multi-unit residential dwellings built and designed specifically to be rented out by a longer-term single owner (institutional or private)[12].

Long term residential rental is an increasingly important tenure option for Australians and there is a growing interest in Australia in the development of, and investment in, a build-to-rent residential sector.

Australia as a country has been late to the BTR party – but there is momentum growing interstate (particularly in NSW) to capitalise on the investment interest in the BTR model from overseas investors. It is important that South Australia is also on the front-foot to use BTR as a tool to attract international investment into our market.

For investors in BTR, the globalisation of capital markets is likely to result in continued strong competition for Australian core commercial property assets and BTR will create a much needed investment alternative. BTR is also easy for cross-border investors to understand and Australian superannuation funds are acquiring expertise in the sector through investment in offshore vehicles.

Build-to-rent is also an effective and proven mechanism for increasing the amount of affordable rental stock on the market, while also providing a steady return on investment to developers[4].

The Property Council understands that housing affordability is a constant concern for people living on low wages or government support, and the organisation is committed to working with governments to find new and innovative ways of providing more affordable and low-income housing options. Build-to-rent is an effective and proven mechanism for increasing the amount of affordable rental stock on the market, while also providing a steady return on investment to developers.

While South Australia does not face the same residential price hikes that have impacted the eastern states in recent years, we still have a gap between the median rental value of most South Australian residential tenancies, and the amount that vulnerable South Australians can pay. BTR provides an innovative mechanism that would boost the affordable rental stock in the market and keep vulnerable South Australians from falling through the gaps.

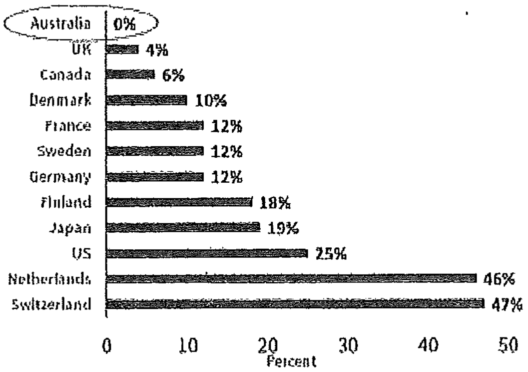
Build to rent has the potential to combat prohibitive property prices for residential tenants, an issue that is gaining momentum Australia wide. A recent report for the Property Council of Australia by Deloitte[13] stated that "house prices are influenced by a range of factors on both the demand and supply side. There is evidence that supply has not kept up with demand in recent years, leading to a supply gap that has placed upward pressure on prices."

Australia is being left behind by the rest of the world when it comes to this investment model. As Figure 1 shows, the sector is a very significant part of institutional investors' portfolios in many

[12] JLL (2017) *Build to Rent residential: Australia's missing sector:* pg1
[13] Deloitte Access Economics (2016) *A federal incentives model for housing supply:* pg1

developed markets, including much of Europe, the US and Japan. There is recent evidence of the emergence of the sector in China. Build-to-rent accounts for around a quarter of all institutional investment in real estate in the US[14].

Figure 1: Residential as Percentage of Institutional Real Estate Portfolios



Source: IPD, NCREIF, LaSalle Investment Management, as at 2015

In early July 2018, the NSW Government became the first Australian government to demonstrate its support for a Build-to-Rent (BTR) model in Australia. The model, using state land leased to the developers for 40 years, could provide 60,000 affordable and market rental homes over 10 years.

The development, to be built on the Redfern Communities Plus site, will be the nation's first ever Build-to-Rent housing model to integrate social and affordable housing with housing supply for the broader community.

The Government will lease the land under a long-term lease. Investors will then construct the development and collect rental income over the lease period. Thirty per cent of the development will be committed to social housing with the remaining 70 per cent to be rented at market rent. The entire project will be exempted from land tax, and at the end of the lease, the land and buildings are to be returned to the Government.

In late 2018 in Victoria, the Andrews Government similarly announced they would facilitate planning assessment, establish an industry working group, financially supporting BTR in community housing, and clarify taxation arrangements to facilitate the BTR model. The first BTR approval in Victoria is for a 60-level apartment block on City Rd, Southbank, with several further applications being assessed through the fast track process.

Such an arrangement could be developed in South Australia and would allow international investors to enter the BTR space in our state for the first time.

The Build-to-rent model is supported by the property industry and the peak social housing group, Shelter SA.

Recommendation

- Examine the potential for build-to-rent in South Australia, based upon the model currently being implemented in NSW and Victoria.

[14] JLL (2017) *Build to Rent residential: Australia's missing sector*: pg1

Coordinator General

During the latest planning consultation around the draft Development Assessment Regulations and Practice Directions the Property Council noticed that the role of the Coordinator General was deleted from the regulations.

Under clause 20 of schedule 10 of the Development Regulations, development over $5 million within Metropolitan Adelaide or over $3 million outside Metropolitan Adelaide could be "called in" by the Coordinator General to be assessed by the Commission. This power did not apply to the development solely for certain types of residential development. Draft schedule 6 (relating to developments to be assessed by the Commission) no longer includes this or any similar provision.

Many other elements of schedule 10 of the Development Regulations have been carried over into draft schedule 6. Those other provisions are broadly supported.

The Property Council believes that it is important that the Coordinator General function continues.

The Coordinator General function is something that an applicant can choose to invoke in the event that difficulties are experienced with local government. This discretionary mechanism (discretionary in that the applicant has a discretion to approach the Coordinator General and the Coordinator General likewise has a discretion whether or not to call in any particular project) enables those political views to be overcome. It is not possible to write a regulation that simply says that if a council is being obstinate then the Commission is the relevant authority.

In addition to the prescribed function whereby the Coordinator General calls in an application to be assessed by the Commission, often complex applications require a coordinating function. For example, it is often necessary to coordinate and motivate various government departments and infrastructure providers to look proactively at solutions. The Coordinator General plays a key role in bringing together many of those other agencies to assist in the assessment process and to coordinate in the delivery of infrastructure for projects. While this is not directly part of the planning assessment it expedites that planning assessment and leads to much better projects.

The Coordinator General plays an important role in relation to state agencies as well as facilitating more productive and proactive responses from local government.

This broader case management function of the Coordinator General is an important adjunct to the power to appoint the Commission. The two clearly go hand in hand.

There will always be a requirement for the coordination and motivation of other agencies. There will always be the risk of different political views across different councils from time to time. For that reason, the Coordinator General position is a discreet but vital element of the planning assessment regime and should be retained.

Recommendations:

- Reinstate funding to retain the role of Coordinator General within the planning system.

RELEASE IN PART

Tonkin, Kate (DTF)

From:	Colegate, Rachael (DTF)
Sent:	Monday, 17 June 2019 4:42 PM
To:	Fletcher, Toni (DTF); Tonkin, Kate (DTF); Beveridge, Ana (DTF); Alexandropoulos, Pantelis (DTF)
Subject:	Attendees list
Attachments:	Attendees.xlsx
Importance:	High

Good afternoon

Please find attached the attendees for tomorrow's Interest Group lock up.

Kind regards

Rachael Colegate
Executive Assistant
to the Hon. Rob Lucas MLC
Treasurer
Level 8, 200 Victoria Square | ADELAIDE SA 5000
T 08 8226 1813 e rachael.colegate@sa.gov.au

Organisation	First Name	Surname Name	Position	Email	Phone	No Show
[redacted]						

[redacted]

Property Council of Australia	Daniel	Gannon	SA Executive Director	[redacted]

[redacted]

[redacted]

Cathro, Vicky (DTF)

From:	Colegate, Rachael (DTF)
Sent:	Monday, 4 March 2019 4:30 PM
To:	[redacted]
Cc:	Daniel Gannon
Subject:	Attendance confirmation
Attachments:	FUNCTION INFORMATION SHEET.doc
Importance:	High

Good afternoon [redacted]

As discussed, I am pleased to confirm that the Hon. Rob Lucas MLC will attend and speak at the *Property Council State Budget Industry Event* on Friday, 21 June 2019 at 12pm until 2:30pm at the Adelaide Convention Centre, with the exact location to be advised.

In order to assist with the Treasurer's attendance, can you please complete the attached Function Information Sheet along with a list of attendees and run sheet and provide it back to me by COB, Wednesday, 19 June 2019.

Should you require anything further please don't hesitate to contact me.

Kind regards

Rachael Colegate
Executive Assistant
to the Hon. Rob Lucas MLC
Treasurer
Level 8, 200 Victoria Square | ADELAIDE SA 5000
T 08 8226 1813 e rachael.colegate@sa.gov.au

Function Information Sheet for the
Hon Rob Lucas MLC
Treasurer

INFORMATION REQUIRED	COMMENTS
Title and purpose of function:	
Contact Details of Organiser(s):	
Date:	
Start/Finish Time:	
Location Details:	
Are there special dress requirements:	
Travel/Parking instructions for Minister's Driver?	
Other VIP's invited including Local Members of Parliament State and Federal:	
Speech Required: Approximate duration:	
Lectern available:	
People to be formally acknowledged by Minister in his speech:	
Media Coverage Expected: If Yes, please give details.	

Please complete the following information and return to

Rachael Colegate, Executive Assistant

Telephone: (08) 8226 1813

Email: rachael.colegate@sa.gov.au

Address: 8th Floor, 200 State Admin Centre

4.

Cathro, Vicky (DTF)

From: [redacted]@propertycouncil.com.au>
Sent: Monday, 11 February 2019 1:17 PM
To: Colegate, Rachael (DTF)
Subject: Invitation - Property Council Budget Lunch

Hi Rachael

I hope you're well.

I am in the early planning phase of our 2019 Annual Budget Lunch and wanted to reach out as we'd love to have the Treasurer as our keynote speaker once again.

Our ideal date would be Friday 21 June, 12:00 – 2:30pm. Could you please advise if this is something the Treasurer would be willing to participate in and if so does the proposed date and time work.

We will put together a formal invitation and pop it in the mail this week, I just wanted to get the ball rolling.

Please don't hesitate to contact me if you have any questions or need any further information at this stage.

Cheers
[redacted]

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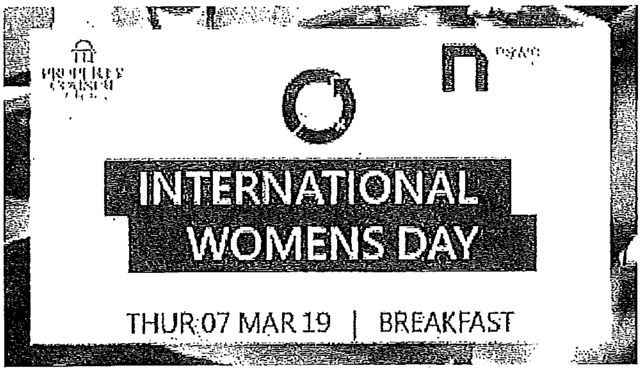

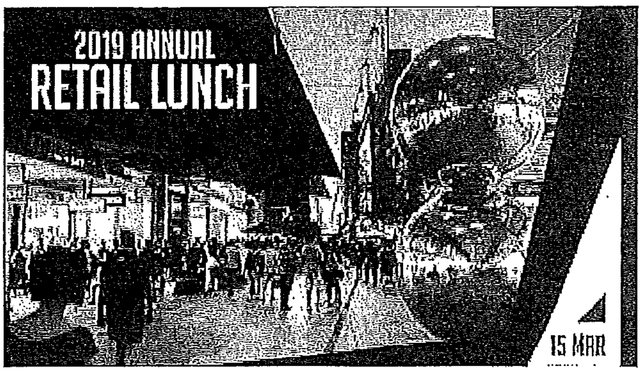

PROPERTY COUNCIL of Australia

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Creating for Generations

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MINISTER'S OFFICE
Rec'd 6/05/2019
TRS19D 0066

2 May 2019

Hon Rob Lucas MLC
Treasurer
Department of Treasury and Finance
GPO Box 2264
ADELAIDE SA 5001

Land tax implications from an upwards revaluation of land

Rob
Dear Hon ~~Rob Lucas~~ MLC

I write to you about an important and significant body of work commissioned by the Property Council.

In response to the former State Government's statewide revaluation initiative, this organisation rallied the property industry – the state's biggest private sector employer – and other key stakeholders to frame this response.

In doing so, we engaged Deloitte Access Economics to produce a report that explores the potential implications of an upwards revaluation of official land values in South Australia on the tax liabilities for owners under several different scenarios.

The three different 'shock' scenarios modelled to show how the statewide revaluation may impact land tax thresholds are as follows:

1. **A uniform increase**, which assumes that all properties are uniformly valued up at the same rate and modelled on increases of 6.2 per cent (the actual change that official values were set at for FY18), 10 and 20 per cent.
2. **An asymmetric 'high-low' increase**, which assumes that the taxable property holdings at the bottom of the value distribution (primarily residential) experience bigger increases than the top and modelled on increases of 6.2 and 10 per cent.
3. **An asymmetric 'low-high' increase**, which assumes that taxable property holdings at the top end of the value distribution (primarily large commercial assets) experience bigger increases than the bottom and modelled on increases of 6.2 and 10 per cent.

While these scenarios are entirely hypothetical, it would be safe to assume that the asymmetric 'low-high' scenario is the most likely outcome. One piece of the puzzle that is currently difficult to determine is the magnitude of the increase to property values, which could possibly exceed those modelled herein.

For the State Government, an increase in site values under 'low-high' conditions generates a disproportionate upsurge in land tax revenue. In fact, if there was a 10 per cent increase in valuations, the Government would reap a further $75 million in land tax revenue, with $51 million delivered by the top tax quartile.

A 10 per cent increase scenario risks the viability of the entire property industry – South Australia's biggest private sector employer – let alone a situation where valuations increase by 20, 30 or even 40 per cent. Given South Australia's lower incidence of institutional investment, it is possible that significant increases could render family owned or small private property businesses bankrupt. At a time when economic green shoots are in bloom across South Australia and vacancy rates are at 14 per cent, this is the last thing we need.

It is important to note that while this report highlights possible problems, it also provides possible immediate short-term solutions.

As you will find in the report, there are several ways in which our land tax structure could be adjusted to neutralise the adverse impacts of an upward revaluation of site values, including an important and immediate revenue neutral scenario (refer *Policy Implications, Section 7*).

For example, to achieve a revenue neutral scenario following an asymmetric 'low-high' 10 per cent increase to site values, the following would need to occur:

- Rates in the top marginal tax bracket would need to fall from 3.7 to 3.05 per cent
- Rates in the bracket below would fall from 2.4 to 2.15 per cent
- Rates in the next bracket down would fall from 1.65 to 1.42 per cent
- Rates in the lowest bracket would fall from 0.5 to 0.43 per cent

It must be noted that the Property Council is currently preparing a more resilient and nationally competitive scenario to increase our state's investment attractiveness, which will be disseminated in due course.

In the wake of this report, it is now clear that we need to carefully and prudently consider the economic ramifications of this revaluation initiative. This will require immediate adjustment to the state's land tax rates to counter the anticipated upswing in tax revenue, otherwise heightening the risk of bankruptcies, driving up costs for tenants and waving goodbye to investment funds.

If you take only one point away from this report, let it be this: **if property values increase, then land tax rates must correspondingly decrease.**

The Property Council will keep you informed as this issue progresses. As always, I am happy to discuss this report – which underpins the Property Council's FY20 Budget submission – with you. Please don't hesitate to contact my office on 8236 0900.

Yours sincerely

Daniel Gannon | SA Executive Director