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

Consideration in Detail

Resumed from an earlier stage of the sitting.

Clause 5: Part 3 Division 4B inserted —

Debate was interrupted after the clause had been amended.

Mr R.S. LOVE: The parliamentary secretary was about to explain the import of the words "and within a 5-year period" in proposed section 39F(1)(d). That was the question at the time. Proposed section 39F(1)(d) reads —

> all of the dwellings become able to be lawfully occupied as dwellings on or after 12 May 2022 and before 1 July 2032 and within a 5-year period …

I was just asking what the import of the words "and within a 5-year period" is. We are at clause 5, page 5, proposed section 39F(1)(d).

Dr J. KRISHNAN: I thank the member for the question. A development's build-to-rent dwellings must be completed within five years of each other. This requirement encourages the availability of build-to-rent dwellings within a reasonable time frame. It promotes developments being functional as soon as possible to boost Western Australia's housing supply. The reason why we put a limit of five years is to encourage investors or developers to complete the project within a time frame so that more houses become available for Western Australians, rather than leaving an open-ended deadline. That is the reason why the five-year period is in the clause.

Mr R.S. LOVE: Does this mean that a proponent cannot claim an exemption for the five-year period but if after five years there is a total of over 40 dwellings on the development or the land, they become eligible, or are they forever ineligible to claim the land tax discount?

Dr J. KRISHNAN: If they take more than five years to complete, they will not be eligible to claim the land tax exemption. The day they are operational with 40 or more dwellings and have completed the project they will be eligible to claim the land tax exemption. For instance, if they complete the project in three years, from that time onwards they will be eligible to claim the land tax exemption.

Mr R.S. LOVE: I am not quite sure. I thought what the parliamentary secretary said was clear, but then he said if they did it within three years, they could claim it. I was actually asking: if they take more than five years, but at some point they end up with more than 40 dwellings, can they then claim the land tax exemption; is that the case?

Dr J. KRISHNAN: To further clarify, when they start construction of one dwelling and it becomes operational, they have five years to reach 40 and complete the project to be eligible. That is the time limit from the day the first one becomes operational to the completion five years later.

Mr R.S. LOVE: I move to a different question. I want to touch base on page 6, still clause 5, but now proposed section 39F(2), which states —

> … ***substantial renovation*** of a building or part of the building does not include minor works to the building or part.

Could the parliamentary secretary explain the definition of "substantial renovation" a little more for us? I understand it also involves a change of class of use of the building. Perhaps the parliamentary secretary could further explain what is meant by "substantial renovation".

Dr J. KRISHNAN: We are defining "substantial renovation" as, for example, the change of use of premises from commercial to residential. That is when the developer completely converts the use or purpose from commercial to residential, making more residential development available. When more fixtures changes and construction happens, we consider that to be a substantial renovation. We do not consider minor works to the building that do not require major structural changes, such as repainting, installing new flooring or replacing light fixtures, to be within the substantially renovated category. These do not constitute substantial renovation.

Mr R.S. LOVE: Will it be possible for an existing building that was used for residential occupation to undergo substantial renovation? My understanding is that will not be, but I want to clarify that that is the case.

Dr J. KRISHNAN: I thank the member for his question. He is right that existing residential buildings will not be eligible for exemption as a substantial renovation. This provision is to bring about more residential availability for people who want to rent. It would defeat the purpose if already existing residential properties were to be renovated and come under this category.

Mr R.S. LOVE: I turn to page 7, proposed section 39G, "Exceptions to leasing restrictions for exempt development", and proposed subsection (2), which states —

> A restriction may be placed on the class of persons who may occupy a dwelling that is part of an exempt development —
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> (a) if it is necessary to ensure public health or safety; or
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> (b) if the dwelling is social housing premises; or
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> (c) in prescribed circumstances.

I want to get an understanding of this terminology. I understand that there are restrictions so that build-to-rent development is not specifically about student accommodation, for instance, but perhaps the parliamentary secretary could explain a little more about the type of circumstances that he is envisaging here whereby it may indeed be possible to put a restriction on the class of person.

Dr J. KRISHNAN: Restrictions on the class of persons occupying a development are not generally allowed apart from three narrow exceptions. For example, a public health and safety restriction could restrict smokers from certain areas, like non-smoking occupancy areas. Social housing premises means residential premises led by a social housing provider—that is, the Department of Communities and other prescribed bodies. The third example is "prescribed circumstances", which is included in case there is a future need that cannot be anticipated at this time.

Mr R.S. LOVE: This is my final question on the whole matter. On page 10, proposed section 39K(3) refers to calculating the amount of exemption percentage for buildings that are partially used for build-to-rent dwellings. It states —

> For the purposes of determining the floor area of a building or part of a building, the floor area does not include carparks, storage areas, stairwells, lift towers, cooling towers, machinery or plant rooms, air conditioning or ventilation ducts or any other prescribed part of a building.

I would have thought that those matters would be essential for the development of apartments. I know that there are inclusions for things such as parks and other users. Why are basically essential working elements of the building excluded from that calculation?

Dr J. KRISHNAN: The excluded areas that the member mentioned in the proposed section are excluded for a specific reason. When there is a mixed dwelling with residential and commercial combined, we do not want a build-to-rent proposal to lose out when all this is taken into consideration. It becomes complex in situations in which there is a small cafe that is excluded, and, in the exclusion, the entire stairwell, the lifts and all that is taken into consideration. The best way to divide or apportion the land tax exemption is the living area of the residential, as well as the lettable area in the commercial area. That is a way of keeping it very clear. That is why these areas that are commonly known as common areas are exempted from the calculations.

Before I sit down, I thank the advisers who have been waiting and providing their support in consideration in detail.

Clause, as amended, put and passed.

Clause 6 put and passed.

Title put and passed.