

Australian Community Land Trust Network (ACLTN)

Submission to the Senate Economics Legislation Committee

Help to Buy Bill 2023

Contact:

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February 2024

The Australian Community Land Trust Network

The (ACLTN) is the peak national body which has formed to provide a national platform, resource base, network, and advocacy for Australia's emerging Community Land Trusts (CLTs). The Network currently represents close to 200 community, government, and other stakeholders who are working for recognition of the Community Land Trust (CLT) model as a scalable and mainstream solution to secure and affordable housing supply for low to middle income households across Australia. The ACLTN was incorporated as an Association in 2023 and its website is under development at australiancltnetwork.org.au.

The ACLTN welcomes this opportunity to respond to the Senate Economics Legislation Committee's request for comment on the draft Help to Buy bill and to discuss directions and priorities for the Help to Buy program more broadly.

Community Land Trusts

A community land trust (CLT) is a member based, non-profit entity holding title to property in perpetuity, for the dual purposes of creating and stewarding perpetually affordable housing and community benefit. The opportunity for CLTs to provide affordable housing derives from them procuring land at no or low cost, such as through philanthropic support, planning bonus, community-based partnerships or government transfers. Community Land Trusts are well established in countries with housing systems like Australia across North America, Western Europe and the United Kingdom.

CLTs have representative governance typically involving a board comprising a proportionate mix of CLT residents, CLT members from the broader community and civic society e.g. representatives of local councils, local businesses and donors.

Extensive work has already been completed on legal frameworks and operating principles for a CLT-type model in the Australian context¹ and options for legislating/regulating the operations of CLTs in Australia are currently under consideration.

A fuller description of the CLT model, its operation and its benefits can be found in the [ACLTN's 2023 submission](#) to the Australian Government's National Housing and Homelessness Plan consultations.

¹ See Crabtree, L., Blunden, H., Phibbs, P., Sappideen, C., Mortimer, D., Shahib-Smith, A., & Chung, L. (2013). The Australian Community Land Trust Manual. Sydney: University of Western Sydney

and

Crabtree, L., Sappideen, C., Lawler, S., Conroy, R., & McNeill, J. (2019). Enabling Community Land Trusts in Australia. Melbourne: Arena Publications.

CLTs and Shared Ownership

Householders in a CLT model may either rent their home from the CLT on a long-term renewable lease or own it in partnership with it. The latter option, a form of shared ownership, is the focus of this submission, as 'Help to Buy' has the potential to offer a key mechanism for expanding the CLT model in Australia.

Resident ownership within a CLT provides a secure housing option for moderate- or middle-income households and/or people with modest resources, e.g. superannuation payouts or property settlements, who are unable to enter the home ownership market in their own right. Generally, these are people who currently rely on the private rental market because they are increasingly locked out of buying a home due to inflation, stagnation in wages, rising costs of living, and higher rents and house prices. Examples of potential resident owners include older women with the potential to contribute some (but not sufficient) equity, people with disabilities whose family can offer an equity component, workers on lower wages who can service a modest loan, households in rural communities where there is a shortage of affordable housing options especially for essential service workers and young families, and Aboriginal and Torres Strait Islander households - CLTs are especially suited to places where land is already community-owned. While some of these target groups may bring equity others will have the capacity to service a modest loan or both.

What distinguishes CLTs from other shared ownership/equity models is the model's ability to secure affordable housing in perpetuity. Several features specific to the CLT model contribute to this outcome:

- Ownership of land is held in perpetuity by the community land trust entity. This removes the main speculative element from the housing transaction and helps to ensure affordability can be preserved over time and transferred across generations.
- CLT residents who bring equity to the CLT can sell their share back to the CLT at any time with the potential for equity gain and a pathway to another housing option. If the resident has paid for an equity component, a co-ownership deed between the resident and the CLT spells out the resale formula for the home. The formula aims to balance equity gain to the resident with the retention of affordability across future sales. Caps on the resale price of CLT housing can be linked to CPI or local wages, or a percentage of relative market value, whatever is agreed upon by the CLT board, but, essentially, CLT homes cannot be sold on the open market *for-profit* removing them from the speculative market and retaining the affordability for the local community into perpetuity. The agreement between the resident and the CLT also spells out criteria and responsibilities regarding maintenance, appropriate use, eligibility, inheritance, and renovations.
- If a home is sold, any public subsidies or private donations are locked in and the home stays affordable. In this way any government subsidies that support the CLT can be reinvested to support the next wave of residents.

- CLTs offer a stepped range of secure long term housing options that are responsive to people's needs. For example, a co-owning resident could have the flexibility to remain secure in their housing by reverting to a leasehold agreement if a change in their financial circumstances prevents them from continuing as a co-owner.
- CLTs are community-led organisations that aim to secure long term benefits for their community. This includes but is not limited to providing affordable, secure and locally appropriate housing in perpetuity. Thus, many CLTs also enable a range of community, non-profit and commercial uses such as social enterprise farming, community gardens, shops, childcare, aged care, and many others – whatever the community wants or needs and can be supported.
- CLTs prepare incoming residents for their housing responsibilities through compulsory training and the provision of independent advice, and steward them to maintain their housing and support them through difficulties and challenges they may face, including financial stress. This makes CLTs highly suitable for households who may otherwise have difficulty obtaining or maintaining a mortgage.

In view of these benefits, we consider that CLTs offer a highly favourable form of shared ownership (amongst a range of shared ownership models) that would benefit from recognition as a potential model under the Help to Buy initiative.

Specific Comments on Help to Buy Directions

Resale-restricted home ownership based on CLT principles could be a natural extension of HtB. Therefore, the Ministerial direction powers provided for in the Bill could be used to encourage innovative models of provision, such as CLTs and housing cooperatives, that optimise the potential for long term affordable home ownership.

Below we highlight some specific issues that we argue should be recognised and addressed as part of the HtB program's legislation, design and further development to support the potential for prospective CLT residents to benefit from it.

1 Return of Equity to Government

Under the draft Bill, HtB loans repaid to Housing Australia have to be returned to the Commonwealth. The community housing sector and other experts are, however, arguing for a revolving scheme that enables repaid monies to be recycled to new/future housing applicants. The ACLTN supports this general argument for a revolving fund to enable the HtB scheme to continue operate into the future (beyond 2028), noting this is similar to how many government housing investment programs operate both here and overseas.

In the future, there may be a further case for approved CLTs as custodians of the land and any housing subsidies associated with it to themselves be able to retain repaid loans and for these to be revolved through the CLT for provision to future eligible applicants.

A revolving fund approach would result in continuing benefits arising from the Commonwealth's investment. Moreover, the limited profit nature of CLT operations means that if they were a vehicle the value of this investment would be retained over time assisting more lower income households into the future and offsetting inflationary trends in housing costs.

2 Secure Mortgage against Leasehold

The HtB Bill states that the Commonwealth funds will be secured by means of a mortgage or other right relating to the residential property. The Commonwealth's interest is ensuring that if the property is sold that its funds are returned and that it receives its share of any equity gain on the property. In the case of CLTs, it is not possible to secure the property by way of a mortgage because the land is not owned by the individual but rather by the CLT (or possibly in some instances by the CLT and resident members as Tenants in Common). Instead, an agreement could be made with the CLT for the Commonwealth to have their funds returned with their share of any equity uplift from the sale of the property. Note that the equity uplift will be impacted by the operation of the resale price agreement.

Thus we recommend that the HtB Program Directions should allow for the potential of a CLT partnering with government in the provision of HtB to eligible residents, by recognising the legal specificities of CLT arrangements.

3 Eligibility and Target Groups

We generally support the income and price caps that are proposed for the HtB program as appropriate. It will be important, however, to keep these under review to ensure that HtB reaches its intended target – people on modest incomes missing out on home ownership and social housing - in different urban and regional market contexts.

As mentioned above, there are several target groups for whom CLTs could be an optimal model. These include older women, First Nations households, people with a disability, key workers and rural working families. Official recognition of the potential for HtB to underpin a CLT type model, could assist in reaching some of these target groups who might otherwise miss out of a first-come first-served basis. More broadly, designating a certain share of HtB loans to be available for allocation to designated cohorts within mixed tenure development projects initiated by the not-for-profit sector (such as under the Housing Affordability Future Fund) could trigger community led projects and make them more viable.

Extensive research has already been undertaken on the potential for a CLT model to operate on Indigenous owned land². Building on the findings of this research could present an

² See Crabtree, Moore, N., Phibbs, P., Blunden, H., & Sappideen, C. (2015) *Community Land Trusts and Indigenous Communities – from Strategies to Outcomes. Final Report no. 239*. Melbourne: Australian Housing and Urban Research Institute.

opportunity for a pilot project to be initiated by Housing Australia (potentially in partnership with a state or territory government) including a designated number of HtB loans as a component. This would be one way of ensuring an Aboriginal community can access HtB in the immediate future. The ACLTN could identify a community with the potential to take part in such a pilot.

4 New Supply and Housing Types

Being locally initiated and driven, CLTs are likely to find land and development opportunities through philanthropic sources, local governments and other one-off opportunities that are complementary to other supply options. In this way they can support the supply objectives of HtB and contribute to the Commonwealth's broader challenge to create additional housing supply. CLTs also encourage local input into housing design and procurement – elsewhere they have generated a wide range of housing types from individual houses to small and larger scale multi-unit developments. The ACLTN therefore welcomes that there will be Ministerial flexibility on the type of homes that can be supplied.

Conclusion

It is early days for Community Land Trusts in Australia. Nevertheless, the Australian Community Land Trust Network is keen to ensure that new housing initiatives, such as Help to Buy (HtB), do not close off opportunities for innovative models, such as CLTs, to develop and grow. CLTs have been slow to get off the ground in Australia in part because of a lack of government support tailored to their principles and operation.

Pairing CLTs with HtB presents the opportunity to drive extra value for the Government (since their 40% share is not requiring the purchase of land) and sustain the impact of the HtB funds beyond the first round of program participants.

For the reasons outlined, the HtB program is a good opportunity to kick start the CLT sector by making loans under the HtB available to residents of CLTs. To achieve this, HtB needs to be designed with CLTs in mind. One way forward would be to establish a small proof-of-concept initiative between Housing Australia and an emerging CLT, which includes designated HtB places. The ACLTN would welcome the opportunity to work with Housing Australia to co-design such an opportunity.