Bayside
CITY COUNCIL

Bayside City Council

Supplementary submission to Submission 95 to the Standing Committee on Legal and Social Issues - Inquiry into the Public Housing Renewal Program

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This is a supplementary submission, to submission 95 by Bayside City Council, to the Parliamentary Inquiry into the Social Housing Renewal Program.

Bayside City Council thanks the committee for allowing us to provide supplementary material in response to recent decisions and changes in approach in relation to the Public Housing Renewal Program (PHRP).

Following the approval of the Markham Estate, Ashburton and conversations with the Minister for Housing, the Hon Martin Foley MLA and his office, it has been indicated to Council that the following breakup in housing stock could be achieved at the New Street, Brighton site:

- 1/3 public housing;
- 1/3 affordable housing; and
- 1/3 private housing.

Council is supportive of a minimum of two thirds of housing stock on the site being specifically dedicated to a mix of public and/or social housing, as well as a significant number of dwellings that cater to families and can therefore leverage the local services that support such families.

The premature ministerial approval of Planning Scheme Amendment C157, to the Bayside Planning Scheme, which relates to the PHRP site in New Street, Brighton, has resulted in a missed opportunity to lock the housing stock mix to be provided on site. We believe the Planning Scheme Amendment process would have been a good mechanism to achieve the sought housing stock and dwelling mix, whilst setting clear expectations to the development industry on foreseen outcomes for the site.

In the absence of an appropriate Development Plan Overlay, it is now critical that the referenced two thirds of the dwelling stock provided for public and affordable housing is coupled with mechanisms to ensure it is delivered and retained in this capacity in perpetuity.

Whilst the gap between the demand for social housing and its availability is well researched, similar research has not been done to estimate the demand for affordable housing. However, with the rate of homeownership dropping across all age groups and the substantial ongoing increases in property prices, it is vital to consider affordable housing models that provide home ownership and housing stability for our community.

We submit to the Committee that there are tools available for implementation to ensure that the affordable housing stock is protected from being privatised and stop serving its intended purpose. This could occur through management by the State, an approved community housing provider or similar vehicles.

We have prepared and attached a fact sheet that outlines one vehicle, a Shared Equity Scheme. We believe the Shared Equity Scheme is a suitable tool to facilitate the delivery and protection of affordable housing outcomes.

There are still opportunities to influence the PHRP outcomes through the subsequent steps in the process, such as through requiring detailed specifications in the expected tender documentation.

Attachment 1

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What is a Shared Equity Scheme?

A shared equity scheme is a program that allows a person to buy a home in partnership with an organisation. The scheme allows the organisation to either be a part owner of the home, or to have a second mortgage over the home. In both cases the homeowner puts up part of the cost of the home (through savings and/or a home loan) and the organisation puts up the remaining cost of the home (through investors or other funding mechanisms).

If and when the homeowner sells the house, they will retain part of the proceeds of the sale, and the other part will go to the organisation. For example, a person may enter into a shared equity scheme where they are owner of 75% of the dwelling, and a shared equity organisation is 25% owner. When the person comes to sell the house, they will receive 75% of the proceeds of the sale and the organisation will receive 25%. Both the owner and the organisation will share any capital gain (or loss) on the property.

What are the benefits of a shared equity scheme?

Shared equity schemes can enable moderate and low income households to get into the housing market. For example a person may be able to service the payments on a $300,000 home loan but all of the apartments or houses near their work cost at least $400,000. Under a shared equity scheme, an organisation will pay $100,000 towards the cost of the house and the individual will pay $300,000.

Owning their own home means this person can have security of tenure (they don't have to move unless they want to), they can share in the capital gain of the property, and they can build their asset base as they pay off their home loan.

What are the things to look out for in a shared equity scheme?

Shared equity schemes are not suitable for everyone. Some people are on such a low income that they are not able to pay back even a modest home loan. Other people have such uncertainty in their income or personal circumstances that they are not able to commit to paying off their home loan over the longer term. For these reasons there will always be a proportion of the community that will need social housing and support services to help them maintain their tenancy.

What are the costs for the homeowner?

Different schemes have different cost structures. Whether there are additional fees, who pays for maintenance, and who pays for repairs largely depends on whether the organisation is actually part owner of the property or is essentially acting as a second loan facility (a second mortgage registered on the property).

What are the costs to the shared equity organisation?

The shared equity organisation needs to find the funds to pay for the proportion of the house that the new home owner is not paying for. They also have costs in setting up and administering the scheme. Where the scheme relies on investors, those investors will also expect a return on their investment.

What are the barriers to shared equity schemes?

The largest barrier to the scheme is that the shared equity organisation (government, not-for-profit, or private sector) needs to have the funds to “buy” part of the dwelling. They may be able to obtain these funds from government grants, government or private investors, or from developers who are required to provide a contribution towards Affordable Housing. There are also considerable costs in setting up a scheme and in getting financial and legal instruments in place to make the process easy for the new homeowner.