

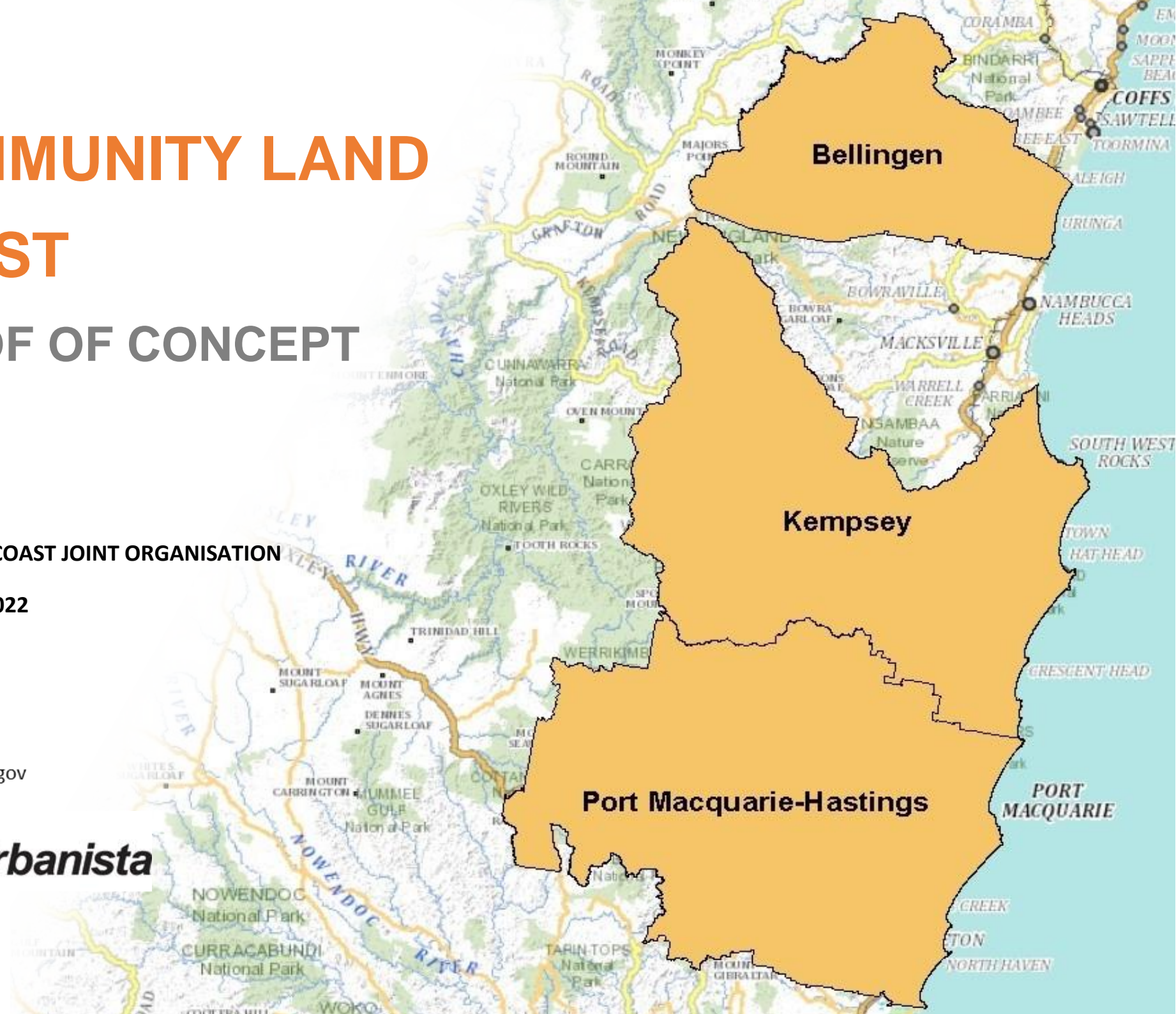
COMMUNITY LAND TRUST

PROOF OF CONCEPT

MID NORTH COAST JOINT ORGANISATION

DECEMBER 2022

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Table of Contents

OVERVIEW	3	6.3	Pro bono and access to council resources	36
PART A: THE OPPORTUNITY FOR A MID-NORTH COAST CLT	12	6.4	Philanthropy and social impact investing	37
1 PURPOSE, CONTEXT AND SCOPE	12	6.5	Membership fees	37
1.1 Purpose.....	12	6.6	Ground Lease	37
1.2 Background to the Project.....	12	6.7	Services Fee.....	37
1.3 Project Outcomes	12	PART B: PREFERRED CLT MODEL	38	
1.4 Project Scope and Approach.....	13	1 KEY ELEMENTS	38	
1.5 Project Staging	14	2 TENURE	39	
1.6 What is a CLT?	15	3 PARTNERS	41	
1.7 What do CLTs Offer?	16	4 CORPORATE ENTITY	41	
2 REGIONAL HOUSING NEED	18	5 CHARITABLE AND TAX STATUS	43	
2.1 Escalating affordability challenges	18	6 ESTABLISHMENT REQUIREMENTS	44	
2.2 Current context.....	18	6.1 Working Principles	45	
2.3 Dwelling values	20	6.2 Target cohorts and eligibility.....	46	
2.4 Rental opportunities and costs	21	6.3 Selection processes.....	47	
3 KEY PLAYERS	22	7 PATHWAYS OUT OF THE CLT FOR RESIDENTS	48	
4 LAND OPPORTUNITIES	28	8 FINANCING THE CLT	49	
5 HOUSING FINANCE	29	8.1 Introduction	49	
5.1 Approach to engagement	29	8.2 Start-up Costs.....	50	
5.2 Appetite for involvement.....	29	8.3 Operational Phase.....	51	
5.3 Loan type, term and interest rates	30	8.4 Housing Construction.....	51	
5.4 Housing tenure – Long term lease versus shared equity.....	31	8.5 Participant finance	52	
5.5 Risk Appetite and Managing Risk.....	31	9 CLT SERVICE AREA AND SCALE	53	
5.6 What if a purchaser’s circumstances change?.....	33	10 CONCLUDING COMMENTS	54	
5.7 Future involvement.....	34	PART C: CRITICAL PATHWAY TO ESTABLISH THE CLT	55	
6 OTHER SUPPORT AND RESOURCING	35	PART D: RISK ASSESSMENT AND MITIGATION	63	
6.1 Grants and loans	35			
6.2 Inclusionary Zoning	36			

The authors acknowledge and pay our respects to the traditional owners of all lands within Mid North Coast Region, having lived in the area for more than 40,000 years including the Gumbaynggirr Nation, the Kumbangerie, the Birpai and the Thunggutti/Dunghutti people.

– always was always will be.

OVERVIEW

PURPOSE, CONTEXT AND SCOPE

This project is an initiative of the Mid-North Coast Joint Organisation comprising the local government areas of Bellingen, Kempsey and Port Macquarie-Hastings. The MNCJO has initiated the current project to develop a Proof of Concept (PoC) for a Community Land Trust, or CLT, for the Mid-North Coast in response to the pressing need for innovative solutions to the mounting need for affordable housing in the Region.

A CLT is a not-for-profit entity that provides housing, typically through co-ownership or a 99-year lease model, delivering affordability to participating households by taking land out of the market and holding it in perpetuity through a non-profit entity, thereby removing speculative upward price pressures on the land component. The CLT model was initiated in the United States of America in the 1960's, where the sector now provides improved housing affordability and other community benefits for residents and CLTs are now found in the United Kingdom, other parts of Europe and elsewhere in the world.

Building on the Australian *Community Land Trust Manual*¹, this report documents the Proof of Concept developed by Urbanista and Epic Dot Gov to recommend an operating model to take forward the concept of a CLT in a way that is tailored to local circumstances.

¹ Crabtree-Hayes, Louise; Sappideen, Carolyn; and Phibbs, Peter et al January 2013, University of Western Sydney ISBN: 9780987516213

Part A of the Report: The Opportunity for a Mid-North Coast CLT includes:

- An overview of housing issues in the Bellingen, Kempsey and Port Macquarie Hastings Council Local Government areas which highlights the considerable escalation that has been experience across the region in house prices and rents which began pre-COVID and the inability of housing supply to meet the surge in demand.
- Consideration of key players and key issues for establishment of a successful CLT, including access to land, finance and other support.

Part B of the Report: Preferred CLT Model covers:

- The preferred CLT operating model including recommendations on the key elements of the CLT including tenure, partners, corporate form, taxation considerations, establishment requirements, pathways out for residents, financing and the CLT service area.
- A high level sequenced critical path with timelines for the establishment of the CLT.
- A risk assessment and risk management plan for the establishment of the CLT.
- Some financial modelling outlining key costs for land development and dwelling purchase.

Features of a CLT

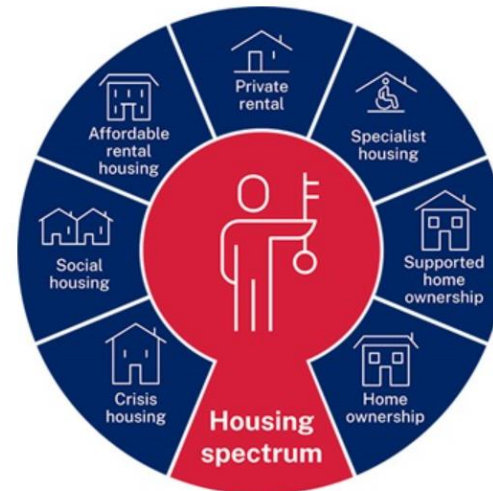
- **Not-for-profit entity** that provides housing through a **co-ownership or a 99-year lease model** giving residents access to many of the benefits which typify home ownership such as long-term security and greater autonomy in the use of their home.
- **Locally based** - borne as a community based response to the needs of local households not well served by available housing options.
- **Delivers affordability** in perpetuity by:
 - **taking land out of the market** and holding it removing speculative upward price pressures on the land component;
 - strictly **limiting the capital gains** that can be realised by participating residents.
- **Community stewardship and representative governance** with the governing board commonly drawn from CLT residents, CLT membership and the community.
- **Resident and community empowerment** – through inclusive management frameworks and decision-making processes.

As proposed in this initiative, the focus of a CLT is will usually be on delivering more affordable housing to local households unable to access home ownership or suitable rental accommodation because of limited availability of affordable housing.

While similar to shared equity models, unique to CLTs are the legal, financing and governance arrangements that protect the affordability for future participants. When an owner decides to sell their home, the resale price is set based on a pre-determined formula to retain the benefit of the initial subsidy for the next buyer.

Most CLTs service a core area or region. CLTs can range in size, can be rural or urban and provide a range of housing types from single dwellings to medium density housing and apartments. These can be newly built dwellings or existing dwellings, co-located or in locations across the service area.

CLTs in the Housing Spectrum



CLT's are a form of supported home ownership.

They help fill a gap in the housing continuum

Source: Housing 2041 - NSW Housing Strategy (DPE)

Key Players

Stakeholder engagement was a key feature of developing this Proof of Concept. It represents an important first step toward demystifying the CLT model and bringing together potential partners, agencies and community groups needed to support establishment of a CLT.

Key players include:

The member councils of the Mid-North Coast Joint Organisation, Bellingen, Kempsey and Port Macquarie Hastings Councils

The councils influence housing outcomes in their areas through strategic land use planning, regulation of housing supply and form, infrastructure planning, and pricing policies. These responsibilities, combined with rate setting and community service delivery, guide the form of housing in response to needs, influence the cost of housing production and the availability of services, and create opportunities for housing. Given these wide-ranging roles and responsibilities, councils have an understanding of housing delivery and are uniquely placed to support establishment of a CLT and the councils' interest is reflected in the commitment of the Joint Organisation to progressing work on this initiative.

Councils are also potential contributors of land or other support towards a CLT and their influential role in their local communities can play an important part in raising the profile of a CLT and attracting other potential partners.

Housing Matters Action Group (HMAG)

Working constructively to develop a Community Land Trust is one of the priority actions for the Group. The strong interest and support for developing local responses to housing need and capacity and resources that HMAG brings, represents a significant opportunity for a future CLT. The HMAG has a deep understanding of local housing needs and issues

and is well positioned to play a role in forging connections within key players in the local community.

Financial Institutions

Access by future residents to home finance will be vital if a CLT model is to succeed. Moreover, if finance is available at rates on par with residential mortgages, not only will housing be more affordable for participants but they will be able to finance purchase of a greater share of their housing. The availability of finance for housing construction is another important aspect that has been canvassed with both the banks and philanthropic institutions. Reliable finance is also crucial if the CLT model is to be scaled up as a viable alternative housing option and extended to other locations.

For these reasons, consultation has been undertaken with selected mutual banks with an interest in affordable housing and local communities to gauge their interest in participating in a CLT, along with obstacles and requirements for their participation

Local Aboriginal Land Councils

Recognising that continuing demands placed upon Local Aboriginal Land Councils (LALCs) to participate in discussions about potential initiatives and the fatigue and disappointment that can arise as a result, the Project Control Group elected to limit engagement to discussions with the Dorriggo Plateau LALC. Discussions affirmed the alignment between the principles underlying the CLT concept and the values and outcomes important for Indigenous communities.

Builders/Developers

A meeting of local developers/builders was convened which confirmed support for locally based responses to housing needs and interest in the CLT concept particularly given the housing prices in the region.

Community housing providers (CHPs)

We believe there is scope for constructive partnerships between a CLT and one or more CHPs active in the area. This could cover reciprocal arrangements to support residents moving between a CLT and a CHP in cases of improvement or decline in a household's financial position, or where other circumstances intervene to make a CLT occupancy unsuitable. There is also potential for a larger CHP with experience in property development to manage housing construction on the behalf of a CLT.

With this in mind, discussions were held with two community housing providers, one with a presence in the region and another, Common Equity NSW, the peak group for housing cooperatives in the state.

Land Opportunities

Since the supply of established dwellings is constrained across the region, the addition of housing through the development of vacant land would best place a CLT to respond to local needs.

Potential partners in a CLT such as councils, government agencies, Local Aboriginal Land Councils, charitable trusts and not-for-profits typically have land holdings that may be suitable for residential development. Working with the Project Control Group, some land parcels in the area with potential for use in a CLT were identified.

An early opportunity to establish a CLT identified in the development of this Proof of Concept could involve council land holdings. At the time of developing this Proof of Concept, Bellingen Council had identified some potential opportunities for investigation, while Port Macquarie Hastings and Kempsey Councils were not yet in a position to identify land holdings that could be used for a CLT, although it was recognised that there may be potential for the councils to bring land or resources to a CLT in the future.

Financial modelling provided some indicative costs for the development of dwelling sites in the region with some suggestions for infrastructure finance.

Housing Finance

The ability of participants to access housing finance is central to the success of the CLT. For this reason, a key area of work has been to engage with selected financial institutions to explore their:

- interest in the model
- view of obstacles and issues
- requirements for their participation
- appetite for further involvement.

Appetite for Involvement

In general, banks prefer the company of other lenders when entering a new market, particularly where less traditional housing models are involved. With this in mind, discussions were held with four mutual banks with a local presence and/or a focus on affordable housing, along with the Business Council of Cooperatives and Mutuals (BCCM).

The CLT initiative was well received and discussions revealed high levels of awareness of the housing issues being experienced in the region and the need for alternative approaches, along with strong interest in the model itself.

Loan Type, Term and Interest Rates

Participant households will have varying capacity to contribute up-front to the purchase of their share of their home. Some will have greater access to funds from downsizing or a separation settlement for example, but the nature of the eligibility requirements for a CLT will be such that participants will generally require some finance.

Financial institutions were asked to consider if their existing home mortgage products could be applied to lending for this market and, if not, if their product suite could be adapted or augmented to facilitate lending to this market in the future. It will be important for these discussions to continue into the next stage of the CLT project.

Financing dwelling construction

The study also examined the potential financial pressures on potential CLT residents who would be financing construction of their new homes. The pros and cons of traditional construction methods as well as pre-fabricated construction were discussed.

Other Matters

The discussions with the financial institutions also explored:

- **Housing tenure** – with a preference emerging for shared equity over long term lease.
- **Risk appetite and risk management**

- Access to the **Federal government's Home Guarantee Scheme**
- **Change in purchaser's circumstances** - Steps to protect the interests of all parties if a participant purchaser begins to experience difficulties repaying their loan.
- **Interest in future involvement** in a Mid-North Coast CLT.

Other Support and Resourcing

Recognising that a CLT requires land or funding to purchase land as well as other support and resources to get established, opportunities were considered including:

- **Grants and loans** including access to National Housing Finance and Investment Corporation (NHFIC) finance
- **Inclusionary Zoning**
- **Pro bono support and access to council resources**
- **Philanthropy and social impact investing**
- **Membership fees**
- **Ground Lease**
- **Services Fee**

PREFERRED CLT MODEL

The core elements of a CLT are the tenure arrangements, partners, corporate entity and establishment requirements such as targeting and eligibility. The guidance offered in the Community Land Trust Manual has been further developed taking into account the Mid North Coast context to recommend a preferred CLT model in this Proof of Concept.

The key elements of the model are:

- Tenure – the arrangements for land and housing between the CLT and participants
- Partners – entities involved in establishing and managing the CLT
- Corporate Entity – the optimal form for a CLT
- Structure – defines and safeguards the interests of parties and ensures that affordability is locked in in perpetuity
- Charitable and Concessional Tax Status
- Establishment Requirements – these include establishing principles and objectives, identifying who may be eligible.
- Financing – identifying and estimating the costs to establish and operate a CLT, including costs for the CLT and for participants
- Service Area – the scale and service area for the CLT

The recommendations provide a starting point for consideration. They demonstrate how key elements of a CLT might be applied on the Mid North Coast. It is anticipated that these would be further developed and refined when a CLT is established.

² Community Land Trust Manual (2013) Chapter 4

³ The best example of this option might be the ACT Land Rent Scheme which was like a public CLT. In this scheme households could rent land from the Government under a rental lease and pay for a builder to construct a house on their rented land. They could transition over time to a full ownership

Tenure

The two main tenure options for a CLT² in Australia are:

- **Long term leases** (e.g. 99 years) of both home and land, where the CLT retains ownership of title³
- **Shared equity arrangements** where land and home are jointly owned by CLT entity and the resident.

Investigations revealed that a modified form of shared equity is likely to be a more attractive option for participants and financial institutions. It is a more familiar concept as it has been implemented in several jurisdictions. The other advantage of shared equity is that it is associated with owning, rather than leasing and thus may be more psychologically desirable for the CLT and potential participants. Establishing a CLT with a modified form of shared equity does not preclude expansion of the CLT to include leasehold options in the future.

Partners

A starting point for a CLT for the Mid North Coast could be a partnership between the MNCJO, other local councils in the region, the Housing Matters Action Group and participants. A locally based mutual bank could also be a potential partner, as could a community housing provider. Other entities with capacity to support a CLT or who may benefit indirectly, for example local businesses, could be involved through participation on the CLT Board, alongside would-be CLT residents and community members.

model. Details of the scheme are available at <https://www.revenue.act.gov.au/home-buyer-assistance/land-rent-scheme>

Corporate Entity

Once a decision is made to establish a CLT, the initiating body needs to decide the form of the corporate entity that best suits its purpose. The main choices considered in the Report are a company limited by shares or a company limited by guarantee.

A company limited by guarantee is the recommended corporate entity for the CLT. They are a common structure for not-for-profit organisations and charities and are also common among recreational clubs and organisations who typically reinvest profits back into the company to further its purpose.

Further, a company limited by guarantee cannot issue shares and cannot pay dividends to members. Each member of the company only has a single vote, and therefore no one person can gain a controlling interest over company assets or profits.

Charitable and Tax Status

Though not essential for establishment, a CLT entity will greatly benefit by registration as a charity and a public benevolent institution through access to favourable tax treatment for itself and its donors.

To facilitate this, the governing documents for the company should be drafted so as to enable registration of the entity as a charity and to position it for the best chance of success in accessing charitable tax concessions and for endorsement as a deductible gift recipient. The Report identifies the considerations and steps involved in registering as a charity with the Australian Charities and Not-for-profits Commission and seeking public benevolent institution and charitable taxation status.

Establishment Requirements

Once the CLT entity is formed, a key step is to determine how the CLT will operate, who it will target and who can participate. This requires an operating framework to be developed comprising principles, target cohorts, eligibility criteria and selection processes. An initial set of establishment requirements relevant to the Mid North Coast have been developed including working principles, advice for target cohorts, criteria for eligibility and selection processes.

Pathways Out of the CLT for Residents

The Report considers ways residents might exit the CLT if their circumstances or preferences change in the future. Two options need to be considered – the first is what could be termed a voluntary exit where for a variety of reasons the resident would like to leave the CLT (e.g. moving interstate, or wanting to change to a market home ownership opportunity).

In terms of a non-voluntary exit, a resident's personal circumstances might change and they might be unable to sustain a mortgage. In both cases, the dwelling would need to be sold and any change in value of the property would be shared between the resident and the CLT on the basis agreed at the outset. This process is covered by what is called a reversionary formula.

Financing the CLT

The financing requirements will be different for the start-up and operational phases of the CLT. The start-up phase will consist of the CLT finalising its corporate structure, appointing staff, setting up procedures, rules, contracts and documentation, approving resident members for the first tranche of properties and finalising the details of land which will be donated to the CLT.

The operational phase of the CLT will involve preparing the donated land for future residential development (this could include planning changes to the zoning of the land as well as the development of infrastructure required such as roads, paths, draining systems, water, sewerage and energy and telecom utilities). In other cases, the CLT might be donated land which is ready to develop (e.g. an existing large residential lot which could be subdivided). In addition, in this phase, residents will be obtaining finance and organising construction of their dwellings.

The Report considers the costs involved in each of these stages and financing issues associated with all stages.

CLT service area and scale

In terms of scale and size, there is no one model or set of requirements for success, rather it depends on objectives of the CLT, its resources, and opportunities and constraints.

Given that CLTs are new to NSW and the resources available to start it are likely to be limited, at least in the initial stages, establishing a CLT with a small number of properties and participants in Bellingen Shire or another area on the Mid North Coast is a lower risk option and more likely to succeed.

An initial success, albeit at a small-scale, is critical for future expansion. It would be possible to leverage off the experience of this initial CLT for expansion in other LGAs on the mid-north coast using some additional staff from the other LGAs.

In expanding the original CLT it is important to consider the need to maintain the connection with the local community the CLT is serving - too big and regionally dispersed will make this difficult unless there is a well-considered governance framework which enables localised participation.

Critical pathway to establish the CLT

A critical path to establish the CLT has been developed based on the preferred model outlined in Part B. There are two key components, establishing the CLT Entity itself and procuring the land and housing. The critical path options set out below separate the steps for these processes. While CLTs can be established with existing housing, as noted earlier the most likely scenario is the donation of land. Option 1 is based on a CLT commencing with a council land parcel as this has emerged as a potential opportunity. Option 2 assumes that land is made available to the CLT from another entity.

Risk assessment and mitigation

Establishing the CLT will bring with it inherent risks associated with developing land and building housing which are known and well documented as well as risks associated with the establishment of a new and untested model. A preliminary risk assessment developed was undertaken and mitigation actions suggested. The analysis underscores the importance of building robust governance and dedicating resources to key components of the CLT.

CONCLUSION

A mid-North Coast CLT would provide an important diversification of housing options in a region with pressing and escalating housing need. Whilst a number of important steps are necessary to develop and implement the model (as set out on in the next section), the pre-conditions for a successful CLT are present in the region.

The preparation of this Proof of Concept provides a critical step forward in developing a CLT on the Mid North Coast. As well as establishing that there is a sound basis for applying the CLT model in the local context, the wide engagement with stakeholders during this project completes what is a critical first step, building awareness and educating key players about the CLT model. This provides a platform for the MNCJO and partners, or any of the participating councils individually, to take the next steps towards establishing a CLT in the region.

At the same time as assisting local residents in need, the establishment of a mid-North Coast CLT would demonstrate leadership in the development of responses to regional housing need that could be copied in many other parts of Australia.



Source: http://fairweatherhomes.com.au/wp-content/uploads/2012/11/MM_02.jpg⁴

⁴ For further example of ecofriendly modular home see <https://enviro-friendly.com/best-modular-homes-australia/>

PART A: THE OPPORTUNITY FOR A MID-NORTH COAST CLT

1 PURPOSE, CONTEXT AND SCOPE

1.1 Purpose

The purpose of this project is to progress the establishment of a CLT on the Mid North Coast of NSW by developing a Proof of Concept (PoC). This involves considering the features of a CLT for the Mid-North Coast and how best to operationalise a CLT model in the local context, informed by the *Community Land Trust Manual*⁵. The Proof of Concept is not a fully resolved proposal but instead provides a recommended framework to take forward the concept of a CLT in a way that is tailored to local circumstances, objectives and opportunities.

1.2 Background to the Project

This project is an initiative of the Mid-North Coast Joint Organisation comprising the local government areas of Bellingen, Kempsey and Port Macquarie-Hastings. Collectively the member councils comprise an area of 8,658 square kilometres and support a population of about 125,000.

The mission of the MNCJO is to *'set priorities, lead and advocate for the Mid North Coast region and work collaboratively with the community, government and non-government organisations and businesses to achieve them'*.

⁵ Crabtree-Hayes, Louise; Sappideen, Carolyn; and Phibbs, Peter et al, January 2013, University of Western Sydney ISBN: 9780987516213

One of the priorities of the MNCJO is addressing issues associated with affordable housing including consideration of innovative housing solutions. It is within this context that the MNCJO has initiated the current project to develop the concept for a Community Land Trust, or CLT, for the Mid-North Coast. A CLT is a not-for-profit entity that provides housing, typically through co-ownership or a 99-year lease model, delivering affordability to participating households by taking land out of the market and holding it in perpetuity removing speculative upward price pressures on the land component.

Through this project, the MNCJO is seeking to build on the previous work of the Housing Matters Action Group Community Land Trust Working Group and Bellingen Shire Council to explore the best way to establish a CLT on the Mid North Coast of NSW.

1.3 Project Outcomes

The MNCJO has identified the project outcome sought as:

An overview of the preferred CLT operating model including practical recommendations on the preferred features of the CLT taking into account risks, barriers and opportunities associated with the establishment of a CLT.

1.4 Project Scope and Approach

In accordance with the project brief, consideration has been given to the following aspects of establishing a CLT:

- The establishment of a CLT prior to the acquisition of land.
- The risks and opportunities in relation to the footprint of the CLT – e.g. should it be piloted in a specific LGA or established as a regional initiative.
- The preferred form of incorporation, taking into account the benefit of acquiring ATO DGR (Deductible Gift Recipient) status and including advice on a recommended structure of the Board.
- The relative merits of co-ownership and long-term lease.
- Financial modelling to assess:
 - ongoing operating costs and the scale required to be viable and fully independent;
 - capital cost scenarios for residents based on the current market and market, economic and demographic projections;
 - reversionary formulas for re-sale and including a preferred, recommended reversionary formula.
- Opportunities to partner with financial institutions willing to lend to, or develop targeted financial products for, CLT purchasers and requirements that would need to be reflected in the CLT's legal arrangements to maximise this potential.
- Potential opportunities for the contribution of land to establish the CLT including the identification of Government, Philanthropist and Charity owned land.

- Potential funding sources to assist with operational costs until the CLT reaches sufficient scale to be independently viable.
- Any other significant issues, risks or opportunities identified during the Proof of Concept.

Having explored these areas in line with the project brief, this report sets out the Proof of Concept for a CLT on the Mid-North Coast, including:

- An overview of housing issues in the Bellingen, Kempsey and Port Macquarie Hastings Council Local Government areas to provide the context for investigating a CLT.
- Consideration of key players and key issues for establishment of a successful CLT, including access to land, finance and other support.
- An overview of the preferred CLT operating model including practical recommendations on the preferred features of the CLT.
- A high level sequenced critical path with timelines for the establishment of the CLT.
- A risk assessment and risk management plan for the establishment of the CLT including in relation to the financial modelling referred to in the scope of works above.

In addition, a presentation is proposed to be made to the General Managers' Advisory Committee (GMAC) of the MNCJO and the Board of the MNCJO.

1.5 Project Staging

Key stages of the project are set out below:

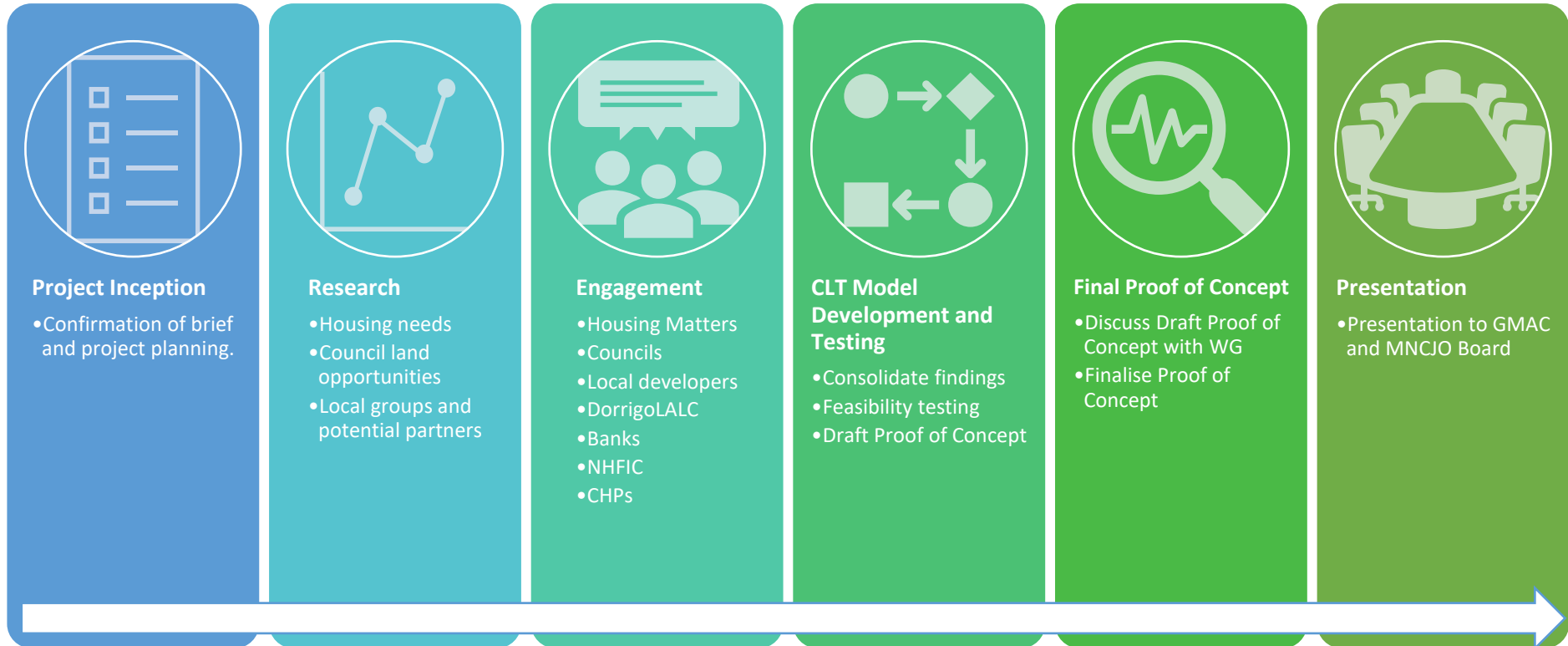


Figure 1: Project Staging

1.6 What is a CLT?

Typical features of a CLT are:

- **Not-for-profit entity** that provides housing through a **co-ownership or a 99-year lease model** giving residents access to many of the benefits which typify home ownership such as long-term security and greater autonomy in the use of their home.
- **Locally based** - borne as a community based response to the needs of local households not well served by available housing options.
- **Delivers affordability** in perpetuity by:
 - **taking land out of the market** and holding it removing speculative upward price pressures on the land component;
 - strictly **limiting the capital gains** that can be realised by participating residents.
- **Community stewardship and representative governance** with the governing board commonly drawn from CLT residents, CLT membership and the community.
- **Resident and community empowerment** – through inclusive management frameworks and decision-making processes.

The focus of a CLT is will usually be on delivering more affordable housing to local households unable to access home ownership or suitable rental accommodation because of limited availability of affordable housing.

⁶ [Community Land Trusts \(CLTs\) | Community-Wealth.org](#)

The CLT model was initiated in the United States of America (USA) in the 1960's and the sector now provides improved housing affordability and other community benefits for residents. Typically, in the USA, a CLT will secure and hold land for a housing development and residents will contribute to the cost of their dwelling and take some or all responsibility for its ongoing upkeep. Affordability is delivered by removing the cost of the land component of each home, with participants only required to fund the dwelling and the cost of an ongoing ground lease.

Since its inception, the model has grown in its popularity in the USA and in 2020 there were estimated to be around 277 CLTs in operation⁶ providing affordable rental housing, cooperative housing and resale-restricted home ownership. CLTs have also been growing in the UK and other parts of Europe and Central America.

Under Australian property law, the legal separation of land and dwelling is not as readily achieved as in the USA and, indeed, is really only commonplace for manufactured homes and mobile dwellings, often targeted at the over 55 market.⁷ For this reason, long term lease or shared equity are more suitable for Australian circumstances.

So, in Australia, a CLT will not necessarily hold only land, nor will it be likely to be configured as a formal legal trust, since other legal/corporate structures are more suitable. Nevertheless, while strictly not a trust in a legal sense, a CLT will hold their property interests on a “trust” basis for the benefit of households within the community in need of affordable housing in accordance with its mandate.

Alongside the affordability benefits, the CLT model gives residents access to the many benefits typically associated with home ownership such as

⁷ An example is www.hometownaustralia.com.au

long-term security, control of their dwelling and potential for some asset wealth building.

While similar to shared equity models, unique to CLTs are the legal, financing and governance arrangements that protect the affordability for future participants. By taking the land out of the market and holding it in perpetuity, a CLT removes speculative upward price pressures on the land component. When an owner decides to sell their home, the resale price is set based on a pre-determined formula to retain the benefit of the initial subsidy for the next buyer. Whilst residents may be able to realise some capital gain so that they can keep pace with the market, they will not be able to access windfall gains which would take housing out of reach of future potential participants.

Most CLTs service a core area or region. CLTs can range in size, can be rural or urban and provide a range of housing types from single dwellings to medium density housing and apartments. These can be newly built dwellings or existing dwellings, co-located or in locations across the service area.

There are few CLTs in Australia, however researchers have examined overseas models and consider that they have potential for widespread application in Australia “to address affordable home ownership concerns, increase the range of tenure options available, foster community development and social capital and maintain a stock of perpetual affordable housing options.”⁸

⁸ AHURI Research Paper - Principles and practices of an affordable housing Community Land Trust model – Louise Crabtree, Peter Phibbs, Vivienne Milligan and Hazel Blunden January 2012.

1.7 What do CLTs Offer?

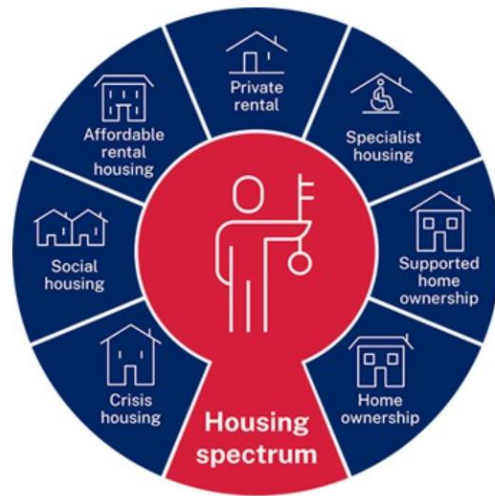
Australia’s housing market provides few alternatives to social rental housing, private rental, and market-rate ownership, except for some state-based government low-income home ownership schemes that operate in a number of states. There are also several State-sponsored and administered shared equity schemes currently operating in other states.

The recent sharp escalation of house prices during the Covid-19 pandemic has prompted a renewed focus on shared equity alongside other measures designed to assist more households to access- affordable housing. The NSW Government’s 2022 Housing Budget package includes a shared equity trial scheme for single parents, older singles and first home buyer teachers, nurses and police. The trial will commence in 2023 and be open to 6,000 eligible households.⁹ The Australian Government is also proposing to introduce a shared equity scheme based on the Australian Labor Party’s ‘Help to Buy’ proposal.

Shared equity schemes are aimed at providing access to home purchase and can bridge the divide between existing tenures and provide a range of stable and appropriate options as shown in the housing spectrum in Figure 2. However, unlike a CLT, most government schemes do not lock in affordability long-term. Indeed, it is argued that a CLT represents a far more efficient use of public subsidies than many forms of housing assistance by creating a permanent stock of resale-restricted homes, while at the same time enabling residents to build up their equity.

⁹ <https://www.nsw.gov.au/housing-and-construction/shared-equity-scheme>

Figure 2. CLTs in the Housing Spectrum



CLT's are a form of supported home ownership.

They help fill a gap in the housing continuum – providing long-term, secure housing that is affordable for lower income households who are not eligible for social housing, have difficulty accessing/affording private rental and face significant challenges purchasing a home in their local area.

Source: Housing 2041 - NSW Housing Strategy (DPE)

Providing access to affordable CLT projects can help preserve affordability over the long term in gentrifying areas such as Bellingen and coastal areas of the Mid North Coast Region, where the desirability of the location and housing stock attracts affluent buyers. While not a key issue currently across most of the Mid North Coast, CLTs can also restore areas experiencing disinvestment as a result of changes in local economies by promoting mixed-income neighbourhoods and preventing the descent into slum areas dominated by poverty, crime, and homelessness¹⁰.

Both the USA and UK literature focus heavily on the community capacity building aspects of CLTs. While CLTs are portrayed and promoted slightly

differently according to their social, economic and political contexts, CLT proponents in both countries highlight their unique capacity to do more than housing due to their community base.

For example, the Stonefield Trust in the UK, established in 1983, started with a donation of a quarter acre site. It has built 12 affordable houses and has moved on to provide affordable space for mixed uses in the village and a low-rent space for the village post office and net income from the CLT (following payment of initial loans in 2005) is being used to support a local youth service.

¹⁰ Community Land Trusts Affordable Access to Land and Housing, UN Habitat 2012.

2 REGIONAL HOUSING NEED

2.1 Escalating affordability challenges

The sharper escalation in house prices across Australia during the Covid-19 pandemic has brought concerns about housing affordability into focus particularly in regional areas. Although in the past house prices have typically trended lower in regional areas relative to Greater Sydney, the NSW Government established a Regional Housing Taskforce in mid-2021 in response to heightened concerns about housing stress and homelessness across regional NSW. The Taskforce, which released its findings in September 2021, found that:

“Regional NSW faces significant housing supply and affordability pressures across various indicators. Over the past year, these pressures have become more acute with rents and house prices growing at a faster rate than in Greater Sydney and low rental vacancy rates impacting the availability and affordability of housing for low- and even moderate-income households.”¹¹

Reflective of the concern of local communities about levels of housing stress on the Mid-North Coast, and pre-empting the Regional Housing Taskforce, many recently developed plans and strategies, such as the Bellingen Local Housing Strategy 2020-2040, have a strong focus on housing affordability.

¹¹ NSW Regional Housing Taskforce Findings Report (2021) Page 2

¹² CoreLogic Housing Chart Park for December 2021

2.2 Current context

Prominent issues and trends in the current context features include:

- Ongoing concerns about high housing costs and declining affordability of housing have extended to many regional locations. Unique factors and challenges in regional markets combined with the recent impacts of Covid-19 pandemic – shifts in internal migration and less migration out of regional areas have exacerbated these issues.
- High housing price growth rates with CoreLogic reporting that the national index recorded its highest annual growth rate since January 2007 in November 2021 at 9.44%, before falling slightly in the 12 months to December 2021 at 9.40%.¹²
- A surge in demand through the pandemic, without a commensurate shift in supply. Trends have been particular pronounced in regional areas, especially along the Eastern seaboard.
- Rising concerns in regional NSW about housing crisis in their communities prompted the NSW Government to establish a Regional Housing Taskforce in mid-2021.
- Impacts in Bellingen¹³, likely reflected in other coastal areas include:
 - ♦ Younger locals can't afford to stay

¹³ Housing Matters Action Group

- ♦ Older residents can't downsize
 - ♦ Local wages don't match local housing costs
 - ♦ Increasing property prices changing community
 - ♦ High unemployment – especially youth
 - ♦ Many people don't have secure homes
- These trends, which are reflective of a significant mismatch in housing supply and need in terms of dwelling type, tenure, location, cost and overall supply, have significant impacts for individual households as well as flow-on, disruptive effects on communities and local economies.
- As housing becomes less accessible to both low- and moderate-income households and taken up by others such as remote working professionals who can afford higher prices for housing”, the service workforce needed to keep healthcare, childcare, education and other essential services going are being forced out, generally westwards.
 - As evidenced from the Housing Matters Action Group analysis of housing need, high levels of housing stress were prevalent across all LGAs on the Mid-North Coast at the 2016 Census. Recent significant increases in house prices and rents, discussed below, will have further exacerbated housing stress in the region.

Table 1: Mid North Coast Housing Costs Relative to Income

LGA	Mean weekly income (\$)	Mean weekly mortgage repayment		Mean weekly rent (\$)
		(\$)	(% of income)	
Bellingen	997	350	35.1**	280
Coffs Harbour	1,107*	401*	36.2	305*
Kempsey	894	325	36.4	240**
Mid-Coast	887	331	37.3	250
Nambucca	835**	325	38.9	250
Port Macquarie-Hastings	1,042	418*	40.1*	310*
MNC total	960	358	37.3	273

* Statistically above the MNC average ($z > 1.00$); ** statistically below the MNC average ($z < -1.00$).

Source: Housing Matters Action Group. ABS Census 2016

Statistically low compared to Mid North Coast average

Statistically high compared to Mid North Coast average

2.3 Dwelling values

Data analysis makes clear that:

- The three LGAs comprising the MNCJO all experienced a large rise in sales values in the 12 months to June 2021 with strong evidence of this trend continuing. Bellingen leads with an increase in median price of a home of almost 50% over the

period, followed by Kempsey with a rise of just under 30% and Port Macquarie-Hastings of 14%.

- First quartile values are concerningly high in all three LGAs indicating the shortage of accommodation affordable to low- to moderate-income households.

Table 2: Dwelling Sales: June 2021.

Data derived from Notices of Sale or Transfers of Land lodged with Land and Property Information NSW

LGA	1st Quartile	2nd Quartile	3rd Quartile	Annual change in Median Value	Sales no.	Annual change in sales
Bellingen	\$540,000	\$765,000	\$820,000	47.12%	43	16.22%
Kempsey	\$349,000	\$450,000	\$588,000	29.50%	163	69.79%
Port Macquarie-Hastings	\$425,000	\$484,000	\$583,000	13.82%	112	72.31%
Total NSW	\$580,000	\$800,000	\$1,235,000	15.11%	41,970	79.50%
Rest of State	\$345,000	\$500,000	\$731,000	16.28%	10,962	64.47%

* Rest of State is Total NSW excluding Greater Metropolitan Region

Local sales values above values for 'Rest of NSW'

Indicator of significant deterioration in affordability

2.4 Rental opportunities and costs

Key observations are:

- Investors have been dwarfed by a surge in owner occupiers entering the market, upgrading or buying holiday homes. This is not surprising, given rises in dwelling values have outpaced rental increases leading to a drop in gross rental yields.
- Very limited availability of rental properties has led to rent increases and high levels of housing stress.
- The table below illustrates the deterioration in the supply of affordable rental housing across the three LGAs in the year to 30

September 2021. There is evidence that these trends have continued into 2022.

- Increases in median rental costs in the three LGAs have significantly outstripped the rates for NSW overall. Rents for the two lowest quartiles are above the comparable figures for the rest of NSW in all but one instance.
- The constraints in supply are very clear. While population growth in the JO region has been running at about 1.2% per annum, the total stock of rental stock has been shrinking.

Table 3: Weekly Rent and Rental Bonds

Reporting period: July - September 2021. Data derived from Bond lodgements with Office of Fair Trading

LGA	1st Quartile Rent	2nd Quartile Rent	3rd Quartile Rent	Annual change in Median Rent	Total private dwellings (2021 Census)	Change in Total bonds held Jun21 to Jun 22	% Change in total bonds Jun 21 to Jun 22	2021 Bonds held as % of 2021 private dwellings
Bellingen	\$320	\$400	\$500	15.94%	6,371	-14	-1.6%	14%
Kempsey	\$320	\$370	\$420	12.12%	14,257	-64	-2.7%	17%
Port Macquarie-Hastings	\$400	\$465	\$550	17.72%	39,952	-17	-0.2%	19%
Total NSW	\$380	\$480	\$620	2.13%	3,357,785	15,976	1.9%	24%
Rest of State*	\$310	\$395	\$500	12.86%	1,281,496	-1044	-0.7%	12%

* Rest of State is Total NSW excluding Greater Metropolitan Region

Local rents above values for 'Rest of NSW'

Indicates significant deterioration in affordability or supply

3 KEY PLAYERS

3.1 Local Considerations

The initial CLT sector experience in both the USA and UK was characterised by broad unfamiliarity and reluctance amongst lenders, governments and prospective residents. Overcoming this required substantial volunteer effort and logistical support from dedicated agencies working to generate acceptance, programs and a degree of consistency.¹⁴

While reservations about the sector have been reduced as a result of the positive performance of CLTs in these countries, the experience suggests that active engagement with key players is critical to success.

Stakeholder engagement beyond the Mid North Coast Joint Organisation was therefore a key feature of developing this Proof of Concept. It represents an important first step toward demystifying the CLT model and bringing together potential partners, agencies and community groups needed to support establishment of a CLT.

3.2 Local Government

Bellingen, Kempsey and Port Macquarie Hastings Councils form the Mid North Coast Joint Organisation.



The councils influence housing outcomes in their areas through strategic land use planning, regulation of housing supply and form, infrastructure planning, and pricing policies. These responsibilities, combined with rate setting and community service delivery, guide the form of housing in response to needs, influence the cost of housing production and the availability of services, and create opportunities for housing. Under the Local Government Act 1993 they are also responsible for recognising “diverse local community needs and interests” and “social justice principles” in their decision making.

Given these wide-ranging roles and responsibilities, councils have an understanding of housing delivery and are uniquely placed to support establishment of a CLT. While the provision of affordable housing is not a core responsibility of councils and many of the levers and resources rest with the state and federal governments, involvement in a CLT offers councils surety that the participants who benefit are determined in accordance with local priorities (unlike centrally determined assistance schemes such as public housing and other forms of housing assistance) and therefore responsive to local needs and issues.

¹⁴ Australian CLT Manual (2013) Chapter 2

In this context, it is noted that in Europe there has been increasing attention to the role of local government in enabling the development of place-specific variations of CLTs.¹⁵

Though closely located, the councils comprising the Mid North Coast Joint Organisation vary in terms of population size, settlement patterns and local economies. Opportunities and constraints to planning for future population growth, including the supply of appropriate and affordable housing, also varies across councils. Notwithstanding this, all perform a central role in their local communities and have capacity to identify land opportunities, build awareness amongst key stakeholders and influence policy settings and grant funding that could support a CLT is crucial.

3.3 Housing Matters Action Group

The impetus for this project arises from the work and advocacy of the Housing Matters Action Group (HMAG) a community organisation based in Bellingen. Working constructively with Bellingen Council to develop a Community Land Trust is one of the priority actions for the Group.

The HMAG was originally formed in 2017 when representatives from local community groups, local councillors and members of the community from Bellingen and Nambucca Shires came together to discuss homelessness and the local housing crisis. The HMAG has conducted localised housing needs mapping, developed a 10-point advocacy platform, supported the Bellingen Shire Council Local Housing Strategy community consultations and is working towards numerous medium- and longer-term solutions to local housing issues.

¹⁵ Examples are found in Barcelona, Berlin and Ghent, Belgium.



Securing funding to develop this Proof of Concept for a CLT in the region and participating in the Steering Group for the project is a significant step towards this priority. The strong interest and support for developing local responses to housing need and capacity and resources that HMAG brings, represents a significant opportunity for a future CLT.

The HMAG has a deep understanding of local housing needs and issues and is well-placed to shape the structure of the CLT and its focus to ensure that it is responsive to them, and to garner support from the community for this new form of affordable housing. The HMAG is also well positioned to play a role in forging connections within key players in the local community.

3.4 Financial Institutions

Access by future residents to home finance will be vital if a CLT model is to succeed. Moreover, if finance is available at rates on par with residential mortgages, not only will housing be more affordable for participants but they will be able to finance purchase of a greater share of their housing, thus extending the housing opportunities created by capital contributions to the initiative.

Furthermore, reliable finance is crucial if the CLT model is to be scaled up as a viable alternative housing option and extended to other locations.

For these reasons, consultation has been undertaken with selected mutual banks with an interest in affordable housing and local communities to gauge their interest in participating in a CLT, along with obstacles and requirements for their participation.

As well as familiarising the banks with the model, we have asked them to consider if they could apply their standard products to this form of tenure or whether they would need to develop a new product. We have also discussed how they would apply their credit policies to CLT participants and how the need for mortgage insurance would be calculated as this could potentially increase overall costs to participants and impact affordability.

Finally, we explored the banks' appetite for early participation in a CLT initiative in the Mid-North Coast and their potential interest in becoming a partner in a Mid-North Coast CLT.

Also vital to the establishment of a successful CLT, is financing infrastructure costs in connection with readying land for residential

development and for housing construction. The extent of infrastructure works or augmentation required will vary depending on the development history of the land parcels involved. For example, sites within an established residential subdivision will often require little or no investment in infrastructure, while land being rezoned for residential purposes from rural or commercial use is likely to require more substantial investment. Funding is available to local government for such purposes through the National Housing Infrastructure Facility administered by the National Housing Finance and Investment Corporation (NHFIC) and for this reason preliminary discussions have been held with NHFIC.

The availability of finance for housing construction is another important aspect that has been canvassed with both the banks and philanthropic institutions. As participants are unlikely to be in the position to finance construction alongside their housing costs, the ability to defer interest for construction finance is likely to be important.

3.5 Local Aboriginal Land Councils

Recognising that continuing demands placed upon Local Aboriginal Land Councils (LALCs) to participate in discussions about potential initiatives and the fatigue and disappointment that can arise as a result, the Project Control Group elected to limit engagement to discussions with the Dorrigo Plateau LALC. As a member of the Housing Matters Action Group, Dorrigo Plateau LALC is familiar with the CLT concept.

Discussions were held with Cathy Thomas [CEO] of the Dorrigo Plateau LALC, affirmed the alignment between the principles underlying the CLT concept and the values and outcomes important for Indigenous communities. While it was acknowledged that native title issues currently limit the capacity for the Dorrigo Plateau LALC to progress consideration of a CLT, the approach has been recognised as having merit and being consistent with the LALC's commitment to retaining its land while at the same time responding to local needs.

Opportunities for enabling a CLT will vary between LALCs but all have land holdings which may be suitable for a CLT model.

Establishment of a successful CLT in the region, would provide a reference point for an Indigenous CLT.

3.6 Contributors of land/resources

Contributions of land or established dwellings at little or no cost or resources to acquire land are vital for a CLT to operate. The model is indiscriminate as to the source of such contributions and indeed the wider the potential sources, the more diversified and successful a CLT can be.

Contributions can include underutilised council or other government land, social impact investing, donations from philanthropic or other non-profit entities, privately gifted land or bequests and contributions through voluntary planning agreements or other planning mechanisms.



Businesses may make contributions to secure housing for key workers or for the broader well-being of the communities in which they operate.

Indeed, with the increasing focus on Environmental, Social, and Governance (ESG) performance amongst business and rising expectations of this amongst the community, there can also be strong business reasons to be involved.

3.7 Builders/Developers

The region has a significant number of builders and developers. However, many are at the smaller end of the scale, particularly on the development side. There are a considerable number of builders who do some development when the opportunities are available but often just operate as builders.

A meeting of local developers/builders was held during the field work for the project where builders/developers expressed interest in the concept particularly given the housing prices in the region. There was some interest in the concept that some land developers might contribute lots to a CLT in lieu of other council contributions.

Some community housing providers (CHPs) are also experienced in housing development and could deliver development management services on behalf of a CLT. Discussions have been held with one CHP active in the area to explore this option.

A number of the builder/developers expressed interest in participating in the affordable end of the housing market.

3.8 Community housing providers (CHPs)

Whilst targeted a lower income cohort, like CLTs, community housing providers (CHPs) are non-profit entities concerned with responding to the needs of less well-off members of the community unable to access suitable affordable housing options in the private market.

We believe there is scope for constructive partnerships between a CLT and one or more CHPs active in the area. This could cover reciprocal arrangements to support residents moving between a CLT and a CHP in cases of improvement or decline in a household's financial position, or where other circumstances intervene to make a CLT occupancy unsuitable.

Under a reciprocal arrangement, a housing opportunity within a CLT could be made available to an existing community housing tenant whose income has risen above the threshold for ongoing eligibility and who has sufficient resources to support a shared equity purchase but who is not in the position to compete on the open market. This would also have the benefit of freeing up a community housing dwelling for a higher need household.

Conversely, if an existing CLT resident were to experience a change in circumstances, such as a decline in their income or an increase in family size, a CHP may be able to step in and offer an eligible household a rental property.

There is also potential for a larger CHP with experience in property development to manage housing construction on the behalf of a CLT.

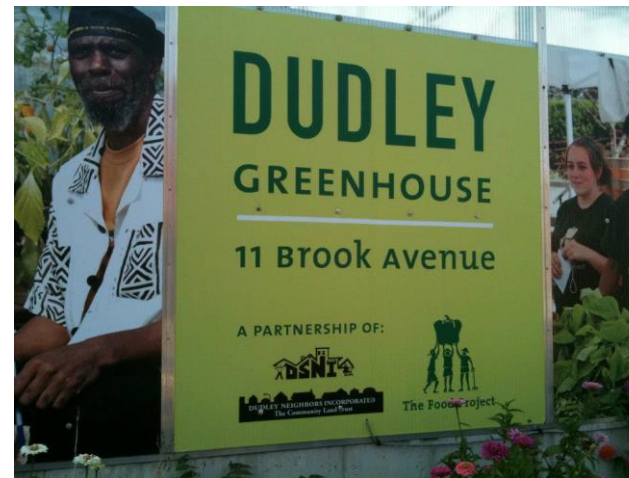
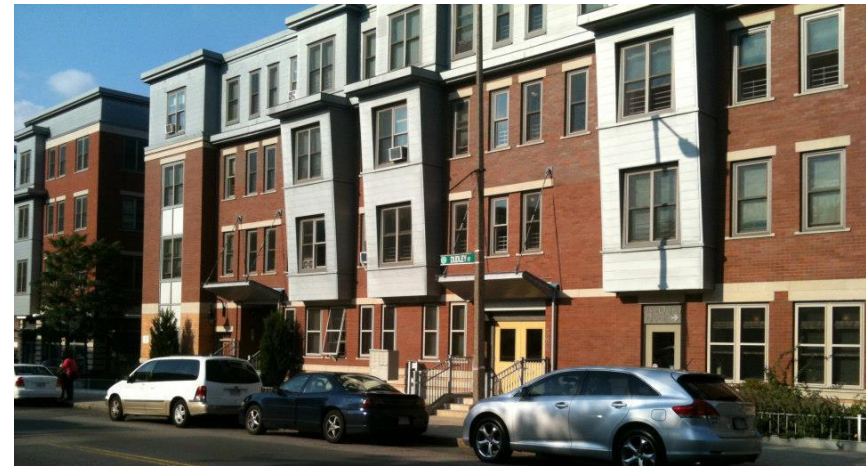
Another aspect worth exploring is the potential for a CLT to be established under the auspice of CHP (or another non-profit organisation). This could support and fast-track establishment and potentially assist in obtaining charitable tax and deductible gift recipient status (see Part B section 5 for a discussion of the benefits and considerations in relation to concessional tax status).

With these mutual benefits in mind, discussions have been undertaken with the CEO and the State Manager of a large CHP active in the Mid North Coast Region and a strong track record in delivering affordable housing. There would be a strong benefit in maintaining and building on this early engagement.

A meeting has also been held with the CEO of Common Equity NSW, the peak group for housing cooperatives in the state. While there are limited current opportunities for a reciprocal arrangement with Common Equity of the sort mooted above, there is a strong alignment between the CLT model and cooperative principles so there would also be value in fostering an on-going relationship with Common Equity.

Further down the track, there would be scope for direct involvement of a CHP within a CLT model to further diversify housing. Some CHPs in New South Wales have begun to explore the CLT model for certain client cohorts. CLTs have the potential to underpin the growth of the community housing sector and its expansion into limited equity forms.

An interest by providers on the Mid North Coast in participating in a CLT on the Mid North Coast could bring important resources, skills and capacity to the CLT and help to build acceptance of the model more broadly. Such a collaboration could open up mutually beneficial opportunities, for example by creating pathways for households to transition from social housing as part of future social housing estate renewal.



Dudley Street Neighbors Inc a CLT in Boston

4 LAND OPPORTUNITIES

As noted above, varied sources of land and/or other resources can enable a CLT to provide housing. Since the supply of established dwellings is constrained across the region, the addition of housing through the development of vacant land would best place a CLT to respond to local needs.

Potential partners in a CLT such as councils, government agencies, Local Aboriginal Land Councils, charitable trusts and not-for-profits typically have land holdings that may be suitable for residential development. Working with the Project Control Group, some land parcels in the area with potential for use in a CLT were identified.

Preliminary discussions were held with a number of regionally based entities with land holdings and other resources to explain the concept of a CLT and consider alignment between their vision and priorities and establishment of a CLT on the Mid North Coast. As the CLT develops there may be opportunity to explore the mutual benefits of participation in a CLT with these entities and to identify some specific opportunities.

Housing 2041: NSW Housing Strategy recognises that the state government has an 'important role to play in the provision of social and affordable housing solutions, including through the use of government-owned land' and expresses its support for 'innovative approaches to housing solutions ...to deliver housing projects that increase affordability and test new ways of living'.¹⁶ As the NSW government is a significant

landholder in the region and has a current focus on addressing housing needs in regional areas, exploring opportunities for contributions of land and other resources should be prioritised. Further discussions will help to ascertain whether current policy frameworks for use of government land would support initiatives such as a CLT, and the scope for adjusting these to recognise the significant benefits to be gained from modest land contributions to a CLT.

An early opportunity to establish a CLT identified in the development of this Proof of Concept could involve council land holdings. At the time of developing this Proof of Concept, Bellingen Council had identified some potential opportunities for investigation, while Port Macquarie Hastings and Kempsey Councils were not yet in a position to identify land holdings that could be used for a CLT, although it was recognised that there may be potential for the councils to bring land or resources to a CLT in the future.

To help progress consideration of the potential sites for a CLT, Bellingen Council has engaged a consultant to undertake a preliminary feasibility study to determine the suitability of some selected sites for residential development and likely development costs. This work will assist in better understanding whether a site is suitable for a residential development and a firmer estimate of the infrastructure costs and other requirements to enable the land to be ready for residential construction.

¹⁶ [Housing 2041: NSW Housing Strategy](#) page 7.

5 HOUSING FINANCE

The ability of participants to access housing finance is central to the success of the CLT. For this reason, a key area of work has been to engage with selected financial institutions to explore their:

- interest in the model
- view of obstacles and issues
- requirements for their participation
- appetite for further involvement.

5.1 Approach to engagement

In general, banks prefer the company of other lenders when entering a new market, particularly where less traditional housing models are involved. Nevertheless, there may be one or two front runners prepared to make a greater commitment. These are likely to be institutions with a strong commitment to the local area and an awareness of local housing challenges.

With this in mind, the decision was made to focus on engagement with a small number of mutual banks. Being customer owned, with a mindset focused on responding to the needs of members and their communities, there is good alignment between these mutual principles and a community driven CLT model.

Four institutions of varying size with an interest in affordable housing and local communities were selected on this basis. Three of these have an

established presence in the Mid North Coast Region and the other, a large mutual, was an initial participant in the ACT Land Rent Scheme which, like the CLT model, involved innovative tenure arrangements that were unfamiliar to lenders.

Discussions were also undertaken with the Business Council of Cooperatives and Mutuals (BCCM), a peak group representing mutuals and cooperatives across Australia, including customer owned banks, to introduce the concept and explore alignment. The BCCM has shown strong support for the work and will be an important ally in building greater awareness of the model and its benefits amongst the broader customer owned banking sector.

5.2 Appetite for involvement

The receptiveness of the selected institutions to this initiative was excellent. Discussions revealed high levels of awareness of the housing issues being experienced in the region and the need for alternative approaches, along with strong interest in the model itself.

Some of the four indicated a greater preparedness to engage in the early stages of developing the Proof of Concept and detailed discussion have focused on these, but all were keen to be kept abreast of the initiative and to engage more actively as the initiative becomes more concrete.

The discussions were particularly helpful in influencing directions for the Proof of Concept in respect to the preferred tenure model, arrangements

should a participant household experience difficulties meeting their loan repayment commitments and strategies for risk mitigation. These matters are drawn out in the following sections.

5.3 Loan type, term and interest rates

Participant households will have varying capacity to contribute up-front to the purchase of their share of their home. Some will have greater access to funds from downsizing or a marital settlement for example, but the nature of the eligibility requirements for a CLT will be such that participants will generally require some finance.



If this finance is available at rates on par with residential mortgages, not only will housing be more affordable for participants but they will be able to finance purchase of a greater share of their housing, thus extending the housing opportunities created by capital contributions to the initiative.

If on the other hand, participants have to rely on personal lending, not only will the cost of finance be much higher for residents but the size of the loan that a household can secure will be smaller and so will be the share of a CLT dwelling that they can purchase. As a result, the amount of housing that a CLT entity can support from a given resource pool will be less. In other words, fewer housing opportunities will be created.

Also important to the security of the housing for occupants and the success of the model, is the term of the loan. Home mortgages are typically 25-30 years while personal loans are generally much shorter, around 6 months to 3 years. A shorter term creates uncertainty for borrowers about their ability to refinance the loan at the end of its term.

With these considerations in mind, we asked financial institutions to consider if their existing home mortgage products could be applied to lending for this market and, if not, if their product suite could be adapted or augmented to facilitate lending to this market in the future.

5.4 Housing tenure – Long term lease versus shared equity

Discussions undertaken with financial institutions to date suggest a preference for a shared equity model over long-term lease as the CLT ownership model.

While the concept of holding property through a shared equity arrangement between a resident and a CLT entity is novel in Australia, the notion of shared equity property ownership is not. Indeed, it is commonplace for distinct legal parties to share title and lenders are reasonably well accustomed to mixed ownership arrangements.

On the other hand, outside the Australian Capital Territory (ACT), lenders are generally unfamiliar with long-term leases for housing. As well as being less well understood, more importantly still, there is not an established market on the Mid North Coast for properties held under long lease, so there is no point of reference for risk assessment and valuation purposes.¹⁷

The lack of comparable products in the marketplace makes it difficult to assess the value of property held under this tenure arrangement and makes it more likely that valuations will be on the conservative side as a result. With bank regulation placing limitations on levels of high loan to value lending, it is important to secure a reasonable property valuation for each property, not an overly conservative one¹⁸.

¹⁷ It is interesting to note that the majority of properties sold by the NSW Government in the Rocks and Millers Point had 99 year leases and there was strong market interest.

As well as potentially attracting a higher interest rate, generally mortgages with a loan to value ratio (LVR) over 80% will be required to have mortgage insurance, which adds to the purchaser's costs and the need to meet this extra cost may impact their borrowing power.

5.5 Risk Appetite and Managing Risk

Banks are required to hold higher levels of capital for a higher risk lending portfolio. This impacts on an institution's returns and makes high risk lending more expensive which is chiefly why it attracts higher interest rates.

As the CLT model is untested in Australia, it could be viewed as higher risk. The uncertainty this creates could translate to a reluctance to lend to this cohort of potential buyers, higher interest rates and/or other requirements.

One way a bank can seek to offset this uncertainty is to require a guarantee from a party with financial standing. This was the approach used in the ACT when its Land Rent Scheme was first introduced. At that time, the first lenders to join the scheme, mutual banks, requested that the government guarantee the initial loans while the market became established and the ACT government agreed to this request. Over time, with the success of the scheme, the need for this requirement has fallen away.

¹⁸ It is possible that this will change as the market becomes more familiar with the product. Certainly, the popularity of land lease communities in coastal areas would suggest that consumers are comfortable with a land lease product.

The ability of a CLT entity established on the Mid North Coast to provide a similar guarantee is very different to the capacity of the ACT government. At its establishment, the CLT entity will not have a financial track record, nor is it likely to have any surplus financial resources to support a guarantee given its principal resources will be its share of the land and housing. These are not assets that can be liquidated to support a struggling participant.

There are however potential alternatives to a guarantee by the CLT entity worthy of exploration, such as under the Federal government's Home Guarantee Scheme and through the involvement of a philanthropic trust.

Under the Federal government's Home Guarantee Scheme for first home buyers, loans to eligible borrowers by a participating lender are guaranteed by the National Housing Finance and Investment Corporation (NHFIC) up to a maximum amount of 15% of the value of the property (as assessed by the lender). Under the Family Home Guarantee (FHG), the guarantee is extended to a maximum of 18% of the property value. In this context, it is noted that mutual banks are very well represented in the panel of participating lenders, which includes three of the four banks that we have engaged with. It is understood that under the current program parameters, CLT residents are not eligible to access the scheme and further discussions will be required at a federal level to explore potential to extend eligibility to shared equity purchasers under a CLT model.

A less well-established path to a guarantee could be through the participation of a philanthropic organisation. Early discussions have been held with one trust with a keen interest in the CLT initiative that may be

positioned to play a role such as this, though no specific discussions have been held as to their preparedness to contribute through this kind of instrument. Should a guarantee emerge as a critical requirement to enable lending to this sector, discussions with potential supporters will need to be progressed.

Before going down this path, it is suggested that further work on the risk profile of lending to this sector may counter possible calls to have a guarantee in place. As outlined in the next section, while perceptions of a higher risk profile for this tenure are not unexpected given the infancy of the model and the target client group, the support available through the CLT entity will be considerably greater than available to a stand-alone purchaser, thus potentially lowering risk to below that of a regular borrower¹⁹.

¹⁹ The experience of CLTs during the Global Financial Crisis in the USA demonstrated that CLT mortgagees had significantly lower default rates than other parts of the market.

5.6 What if a purchaser's circumstances change?

For the reasons touched on above, alongside the discussions with financial institutions, consideration was given to mapping out the steps that could be taken if a participant purchaser begins to experience difficulties repaying their loan.

Notably, this demonstrates that the CLT model provides more support than is available to a standard borrower. Indeed, the support offered may head off the need for a forced sale or, failing that, help in transitioning residents to a more sustainable housing option and thereby enabling the recycling of the CLT housing for the benefit of another eligible household.

The key steps in such circumstances would be:

Step 1 – Parties work collaboratively

- To enable the early delivery of support should a household begin to experience difficulties repaying their loan, arrangements could be structured to require notification be given to the CLT entity in the event of default in repayments (of, say, over 30 days) by a purchaser; and
- If default occurs or at the request of the participant household, the CLT entity and the financial institution provide relief and support to restore the relationship and the loan. This may include, for example, limited term repayment relief and financial counselling.

If this cannot be achieved as, for example the household's circumstances have changed so that CLT participation is no longer a sustainable option, then the parties would move on to the next step.

Step 2 – Transition resident to alternative housing and offer property to another CLT participant

- The CLT entity works with resident to transition them to a more suitable and/or affordable CLT property or onto community housing or another option; and
- The CLT entity facilitates the sale by the resident of their share to another CLT participant or purchases the share itself to offer to another participant; and
- The resident receives any surplus after costs for their share in accordance with their agreement.

If this cannot be achieved, as a last resort, the parties would move on to the next step.

Step 3 - Sale of land and dwelling, with proceeds of CLT share recycled for further CLT housing

- The property (comprising both CLT and resident's shares) is sold on the open market, with funds for the CLT's share returned to the CLT to be applied to other housing and the resident receives any surplus after costs for their share in accordance with their agreement.

In this way, in the unlikely circumstance of a forced sale, the assets of the CLT can be reinvested in future housing thus maintaining their use in perpetuity for affordable housing.

5.7 Future involvement

We are awaiting further responses to a number of specific questions raised with the institutions we engaged with, including:

- Whether the business could adapt standard products to this form of tenure or alternatively whether a targeted product could be developed?
- Whether home loan rates would be on par with standard home loans?
- Whether the business would need to apply any special terms?
- How requirements for mortgage insurance would be applied?
- Whether any impediments to lending to this market were envisaged, such as from a credit policy or regulatory perspective?

- Whether the business was interested in continuing discussions with a view to becoming a partner or supporter in the establishment of a CLT on the Mid-North Coast and, if so, what would assist the institution in progressing this, acknowledging that the initiative is still in its early stages.

While all of these matters were covered in discussions, a more formal response on these questions would be helpful in building greater certainty. Of course, at proof of concept stage, it would be premature to expect concrete commitments.

Nevertheless, it is important to highlight that whilst at this stage in developing a CLT model for the Mid-North Coast, outright endorsements cannot be expected, at least one of the institutions consulted expressed an interest in potential involvement as a partner.

The interest of these institutions should be encouraged and their involvement will be key to realising this initiative.

6 OTHER SUPPORT AND RESOURCING

As noted above, a CLT requires land or funding to purchase land as well as other support and resources to get established. Exploring a wide range of avenues will be needed to bring together these resources.



While investigation of council-owned sites is a good starting point, additional funds to develop the land and establish the operation of the CLT and other opportunities will need to be explored. The MNCJO and member councils are particularly well-placed to drive this work.

²⁰ [National Housing Infrastructure Facility | NHFIC](#)

6.1 Grants and loans

Government grants and funding programs combined with land and other local community resources will be the most likely source of funds.

The National Housing Infrastructure Facility (NHIF) administered by National Housing Finance and Investment Corporation (NHFIC) offers concessional loans, grants and equity investments to local councils to help fund land development. In November 2022, the application of this facility was extended to provide financing for construction of social and affordable housing.²⁰ The fixed costs involved in securing a loan can make very small loans a less attractive option, with loans of more than \$500,000 being most typical.

While there is no readily available grant program targeted to establishing CLTs, as noted above, there are a number of programs and strategies underway in New South Wales which are seeking to support delivering of affordable housing in regional locations.

The NSW Housing Strategy, *Housing 2041*, develops five-year action plans to progress outcomes across 6 pillars. In response to regional housing issues, the NSW Government has also recently announced its response to the Regional Housing Strategy. This includes funding for strategic planning needed to bring land to development and increase housing supply at scale.

The urgent need for affordable housing solutions following the devastating floods on the Far North Coast of New South Wales is also driving consideration of innovative approaches. If a CLT model were to be considered in this context, there would be potential to utilise the platform on the Mid North Coast.

The NSW Government's response to the NSW Regional Housing Taskforce has a number of elements that might provide some assistance to a CLT ranging from funding for Council studies and strategies, some availability of shared equity funding, as well as some resources for local infrastructure that will support new housing.²¹

Given the strong alignment between the outcomes sought under these initiatives and the purpose of the CLT, advocacy for grant funding or land to support establishment of the CLT should be pursued as a priority.

6.2 Inclusionary Zoning

Another mechanism with potential to bring land and/or dwellings into a CLT is inclusionary zoning. Under State Environmental Planning Policy (Housing) 2021, (Housing SEPP) councils can develop affordable housing contribution schemes. An affordable housing contribution scheme allows a council to require developers to provide an affordable housing contribution in the form of land or dwellings or an in-lieu monetary contribution.

The current provisions require the affordable housing provided under the schemes to be rented at an affordable rate to eligible households. As such the provisions could not be used to support a CLT. However, given the

²¹ <https://www.nsw.gov.au/media-releases/regional-housing-taskforce>

alignment between the objectives of a CLT and the Housing SEPP, consideration could be given to amending the provisions to allow for contributions to be utilised for a CLT.

If the Housing SEPP were amended and councils established a regional or individual affordable housing contribution schemes, the rezoning of greenfields sites or urban infill areas across the region could potentially bring additional land and housing to help grow the CLT.

Further work to demonstrate the costs and benefits of utilising the scheme for a CLT, which serves a slightly different cohort than those renting affordable housing, would help to support amendment to the Housing SEPP. Even if amendments are made, schemes take time to be established and the rate at which contributions are made is dependent on when development occurs.

Voluntary planning agreements (VPAs) whereby a developer can agree to fund affordable housing or other public benefits or contribute land for such purposes are also a potential option for seeking developer contributions. VPAs are generally negotiated in association with a planning proposal or development application, particularly in circumstances where permissible heights or densities are being increased.

6.3 Pro bono and access to council resources

Pro bono and access to resources can also provide much needed resources. The MNCJO and member councils can help support the establishment of the CLT. Usually Councils have budget for studies and staff with relevant expertise, as demonstrated by the sponsorship of this

project and the associated feasibility work on land owned by Bellingen Council.

In addition to the significant knowledge and skills within the Housing Matters Action Group, other local businesses such as architects, engineers, builders, tradespersons and lawyers may be approached to donate their time for free or for a reduced fee.

6.4 Philanthropy and social impact investing

Philanthropists might also be interested in contributing funding for a CLT, perhaps in the form of a start-up grant. Philanthropy Australia provides a listing of potential donors. Philanthropy might also be interested in providing a revolving loan fund which might assist the CLT to pay for minor capital works. As part of the engagement undertaken through this project, discussions have been held with two philanthropic institutions with an interest/presence in the region. It will be beneficial to foster their continuing involvement in the initiative.

Private sector led social impact investing is another realm where there is clear alignment between the values and aspirations of investors and a CLT and a strong basis for initiating discussion with selected players in the field, possibly with a local focus.

6.5 Membership fees

Once a CLT is established, some funds could be raised by collecting membership fees. CLTs typically collect fees from households currently

living in CLT homes, individuals wishing to be considered for living on CLT land and a broader membership of local residents who support the aims of the CLT while not needing its housing. The CLT might also have a supporters membership category. If annual memberships were \$50, it would seem feasible to attract 150 members which would generate \$7,500 per annum. Note that the membership provides an opportunity for the members to elect Directors (see below).

6.6 Ground Lease

Another source of income for UK and USA CLTs is what is called the ground lease fee or ground rent. This is the fee for renting the land from the CLT to construct a building on the CLT land. Although the model proposed in this Proof of Concept does not involve a lease payment, it is still appropriate to charge the residents an administration fee to contribute to the running costs of the CLT. Care is required in setting such a fee, so as not to constrain affordability or compromise a resident's ability to raise a mortgage but a fee of around \$75 per month might be feasible.

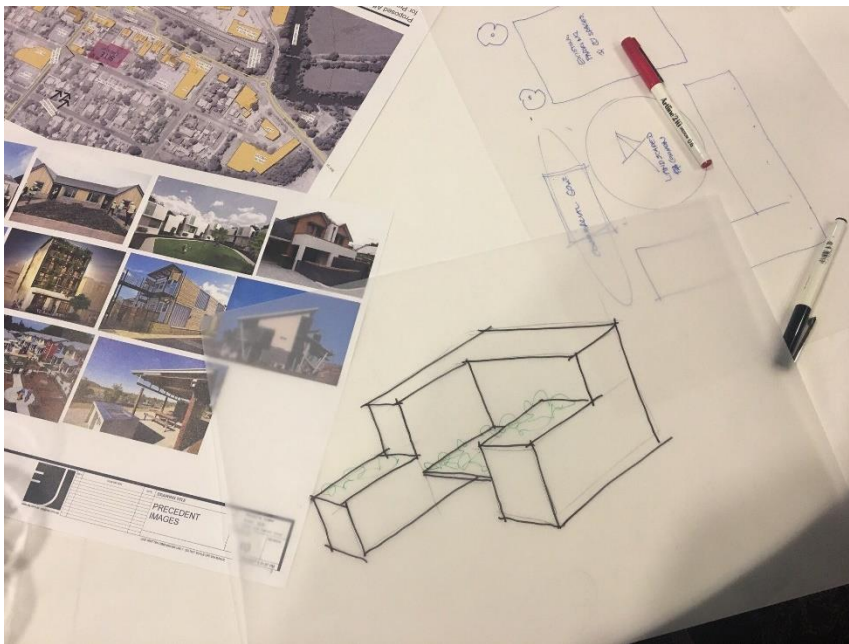
6.7 Services Fee

A services fee is sometimes charged for qualifying potential members and providing help and support to qualify them for any relevant government programs, to help organise the builders and a range of other services. This fee might be in the order of \$1,000.

PART B: PREFERRED CLT MODEL

1 KEY ELEMENTS

The core elements of a CLT are the tenure arrangements, partners, corporate entity and establishment requirements such as targeting and eligibility. The Community Land Trust Manual examines these in some detail. The guidance offered in the Manual has been further developed taking into account the Mid North Coast context to recommend a preferred CLT model in this Proof of Concept.



The key elements of the model are:

- Tenure – the arrangements for land and housing between the CLT and participants
- Partners – the entities involved in establishing and managing the CLT
- Corporate Entity – the optimal form for a CLT
- Structure – defines and safeguards the interests of parties and ensures that affordability is locked in in perpetuity
- Charitable and Concessional Tax Status
- Establishment Requirements – these include setting out principles and objectives, identifying who may be eligible.
- Financing – identifying and estimating the costs to establish and operate a CLT, including costs for the CLT and for participants
- Service Area – the scale and service area for the CLT

The recommendations provide a starting point for consideration. They demonstrate how key elements of a CLT might be applied on the Mid North Coast. It is anticipated that these would be further developed and refined when a CLT is established.

2 TENURE

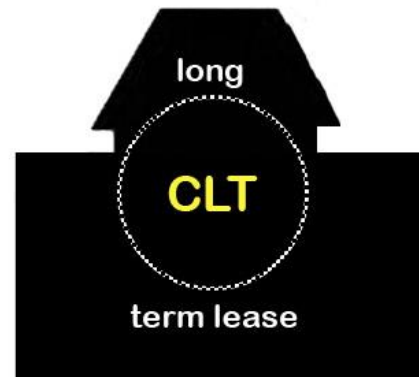
In Australian property law there are two main types of property rights: freehold and leasehold. Freehold is that right associated with having purchased the title to a defined piece of land and all the buildings and other things on it, whether natural or constructed. Leasehold is where a right is granted to exclusive use of the land for a certain time. The landlord (or lessor) is the owner, but the lessee (leaseholder or tenant)

has rights to use of the land and the house or fixtures erected on the land.

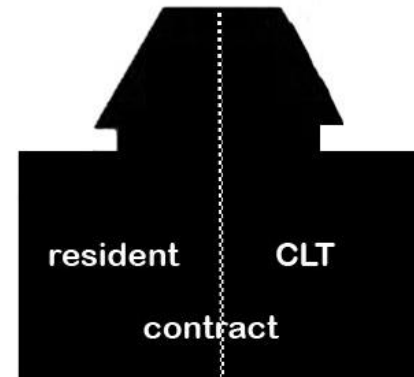
The two main tenure options for a CLT²² in Australia are therefore:

- **Long term leases** (e.g. 99 years) of both home and land, where the CLT retains ownership of title²³
- **Shared equity arrangements** where land and home are jointly owned by CLT entity and the resident.

99-year leasehold option



Modified shared equity option



²² Community Land Trust Manual (2013) Chapter 4

²³ The best example of this option might be the ACT Land Rent Scheme which was like a public CLT. In this scheme households could rent land from the Government under a rental lease and pay for a builder to construct a house on their rented land. They could transition over time to a full ownership

model. Details of the scheme are available at <https://www.revenue.act.gov.au/home-buyer-assistance/land-rent-scheme>

Shared equity schemes enable the division of the value of a dwelling between more than one legal entity. The purchaser enters into an agreement with a partner to share the cost of purchasing a property. The resident is able to recoup what they have put in if they decide move out.

As discussed in section 5.4 above, a modified form of shared equity is likely to be a more attractive option for participants and financial institutions. It is a more familiar concept as it has been implemented in several jurisdictions. The other advantage of shared equity is that it is associated with owning, rather than leasing and thus may be more psychologically desirable for the CLT and potential participants

In the case of a shared equity offered by a CLT, one co-owner is the CLT and the other co-owner is the participant. The CLT might sell a specified portion of the value of the property to the participant for an agreed price; for example, a CLT may sell 50 per cent of the equity and keep 50 per cent. Or the resident's proportion could be higher, or lower depending on their financial capacity.

A CLT utilising a modified shared equity approach usually limits the equity gain to the participant upon exiting the scheme. This is referred to as a subsidy retention model because the subsidy has been made available to the initial participant and needs to be made available to future participants. To reduce 'subsidy leak' the price of the home has to stay

affordable into the future – which means that the price needs to be controlled rather than opened up to market forces and house price inflation.

The most likely scenario for a small to medium sized CLT is that a potential participant will borrow from a bank or other financial institution at commercial rates of interest. A shared equity contract may require that the mortgage be approved by the CLT and contain certain specified terms or be provided by approved lenders. This is to protect the borrower, as well as the CLT, from potential mortgage default.

Establishing a CLT with a modified form of shared equity does not preclude expansion of the CLT to include leasehold options in the future. Once established and the CLT is sufficiently resourced, a leasehold model could be developed. Leaseholds have advantages in terms of being able to offer smaller mortgages or rental products, and being available to use where the CLT itself does not have freehold title and so cannot offer co-ownership deeds. This could be suitable for older households who do not wish to take on a mortgage or for those households who do not have sufficient income to service one.

3 PARTNERS

Many CLTs are established as partnerships between organisations to achieve their objectives. The extent of the partnership will depend on access to organisations that understand and support the model, the organisation and its objectives.

In the USA and UK, organisations that are working in similar fields, or whose objectives might be accommodated via a CLT, can form strong relationships with CLTs. An example of this is the Memorandum of Understanding signed at a national level in the USA, between the USA CLT Network and Habitat for Humanity. CLTs have also partnered with community supported agriculture schemes, youth employment programs, refugee centres and many other service providers.

Some CLTs have emerged from partnerships between a government entity and existing non-profits. Building on this approach, a starting point for a CLT for the Mid North Coast could be a partnership between the MNCJO, other local councils in the region, the Housing Matters Action Group and participants. A locally based mutual bank could also be a potential partner, as could a community housing provider. Other entities with capacity to support a CLT or who may benefit indirectly, for example local businesses, could be involved through participation on the CLT Board, alongside would-be CLT residents and community members.

4 CORPORATE ENTITY

Once a decision is made to establish a CLT, the initiating body needs to decide the form of the corporate entity that best suits its purpose. The main choices are a company limited by shares or a company limited by guarantee.

A **company limited by shares** is one of Australia's most popular commercial vehicles. Its shareholders' liability is limited to the amount (if any) unpaid on the shares they hold. This means that if the company goes into debt, the shareholders will only pay an amount proportionate to their shareholding.

Similarly, the directors of a company limited by shares are also not liable for the company's debts. They become personally liable only if they engage in activities against their legal obligations.

The limited liability of these companies means that members' personal assets are not at risk when they invest in the company. If the company experiences financial difficulties, its debts usually do not become the shareholders' debts. Likewise, limited liability provides investors with certainty and security. As a result, investment is often stimulated as third party investors are typically attracted to this type of structure.

There are two main advantages to this structure:

- **Limited Liability** – this company structure limits members' liability to any unpaid amount of shares they hold. If shares have been fully paid, members are not liable for the company's debts. In most circumstances, members of a company will have fully paid shares at the time shares are issued. Further, as the

company is a separate legal entity, members are not personally liable for its debts.

- **Growth Potential** – if the business has plans for growth, there are certain advantages to structuring the company as limited by shares. Third-party investors are typically attracted to this type of company structure. It limits shareholders' liability and is often a flexible investment as it allows investors to either sell or buy more shares.

A **company limited by guarantee** limits its members' liability to the amount that each has undertaken to contribute to the business' property. A guarantee is a fixed amount. The company constitution typically details all guarantees.

Members only need to pay their guarantee when the business ends. If the company ends with liabilities greater than the total amount of their member's guarantees, they do not need to pay any more than their guarantee. This type of company can only be public. If members create the company for a non-commercial aim and its income furthers that purpose, they do not need to include the word 'limited' in its name.

The key advantages to a company limited by guarantee are

- **Limited Liability** – the liability of members is limited to the amount of guarantee they contribute to the company property. This amount is typically nominal. Upon the winding up of a company limited by guarantee, the member must only pay the guarantee they have provided.
- **Organisation Setup** – a company limited by guarantee cannot issue shares or pay dividends to members. This structure also

limits members to one vote. Hence, no one person can acquire a controlling interest or vote in the organisation. These characteristics mean that the company is most suited to not-for-profit activities. This is a key advantage if a business is run for this purpose.

The key advantages can also be limitations to this type of structure. This may not be an appropriate structure for a for profit company with plans to expand and grow through external capital.

- **Limited Growth Potential** – a company limited by guarantee cannot issue shares. Its members also do not receive dividends from profits. This sort of company has no share capital and cannot raise equity. For this reason, businesses rarely use it. Instead, they are common among recreational clubs and in the not-for-profit sector. Their inability to raise capital is relatively unproblematic in this context because these kinds of companies have limited needs for capital. Such non-for-profits can gain capital through fundraisers, grants or with membership fees.
- **Compliance Obligations** – there are greater compliance requirements for companies limited by guarantee. These obligations vary if the company is a 'small company limited by guarantee' or a 'company limited by guarantee'. If a company limited by guarantee is small, it does not need to prepare an annual financial report or a director's report. However, a member with 5% of votes can request them in writing, and ASIC can direct a company to prepare them.

Companies limited by guarantee is the recommended corporate entity for the CLT. They are a common structure for not-for-profit organisations and charities and are also common among recreational clubs and

organisations who typically reinvest profits back into the company to further its purpose.

Further, a company limited by guarantee cannot issue shares and cannot pay dividends to members. Each member of the company only has a single vote, and therefore no one person can gain a controlling interest over company assets or profits.

5 CHARITABLE AND TAX STATUS

Though not essential for establishment, a CLT entity will greatly benefit by registration as a charity and a public benevolent institution through access to favourable tax treatment for itself and its donors.

To facilitate this, the governing documents for the company should be drafted so as to enable registration of the entity as a charity and to position it for the best chance of success in accessing charitable tax concessions and for endorsement as a deductible gift recipient.

For eligibility to register as a charity with the Australian Charities and Not-for-profits Commission (ACNC), an entity must work towards its charitable purpose and:

- be not-for-profit
- have only charitable purposes that are for the public benefit
- comply with the [ACNC Governance Standards](#) which cover an organisation's purpose, accountability to members, compliance with Australian law and responsible people
- comply with the [ACNC External Conduct Standards](#)

- not have any disqualifying purposes (which are engaging in, or promoting activities that are unlawful or contrary to public policy; and promoting or opposing a political party or candidate for political office)
- not be an individual, political party or government entity and
- have an Australian Business Number (ABN) with the right 'entity type'.

An organisation can apply to the ACNC for charity registration and charity tax concessions at the same time.

The main tax concessions available are:

- income tax exemption
- Goods and Services Tax concessions
- Fringe Benefits Tax (FBT) rebate
- FBT exemption
- deductible gift recipient endorsement (see further below).

A public benevolent institution (PBI) is one of the categories of charity that can register with the ACNC. A PBI is a charitable institution under section 12 of the *Charities Act 2013* ([Cth](#)) whose primary focus is to relieve poverty or distress.

A PBI must demonstrate it satisfies the following:

- **Public control and accountability** - in this instance this is likely to require that the entity has three or more responsible persons that

are unrelated to each other and that have a degree of responsibility in the community

- **Benevolent** relief as its main purpose – that it is working for the relief of poverty or distress
- **Institution** – that it is an establishment, organisation or association that exists to promote the benevolent purpose.

To be considered benevolent relief, it must meet a need that that is:

- Significant enough to ignite compassion in people in the community
- Extends beyond suffering experiences as part of ordinary life
- Is clearly requiring benevolent relief.

Beneficiaries must be members of a class of people that particularly needs this protection and assistance, rather than the community as a whole.

Generally, the ACNC will decide what an organisation's purposes are by looking at its governing documents (for example, its constitution, rules or deed) and the purpose or 'objects' set out therein and an organisation's activities. The ACNC will also look at annual reports, financial statements and corporate documents.

While not all charities are eligible for deductible gift recipient (**DGR**) endorsement, most PBIs are endorsed as DGRs.

A DGR status allows for supporters to make tax-deductible donations. To obtain DGR status a PBI must have a deductible gift receipt winding up clause in its constitution. In the event an entity that an endorsed DGR is wound up, or if its endorsement is revoked, the organisation must transfer all surplus assets to another DGR or equivalent.²⁴

The [ACNC](#) provides a [checklist](#) to help with registering a charity.

6 ESTABLISHMENT REQUIREMENTS

Once the CLT entity is formed, a key step is to determine how the CLT will operate, who it will target and who can participate. This requires an operating framework to be developed comprising principles, target cohorts, eligibility criteria and selection processes. An initial set of establishment requirements relevant to the Mid North Coast have been developed. These are based on a modified shared equity model where the CLT holds the land and purchasers secure a mortgage to fund cost of building or purchasing the housing.

²⁴ Refer [Ending your organisation | Australian Taxation Office \(ato.gov.au\)](#)

6.1 Working Principles

Working principles were developed by the Project Team and tested and augmented in consultation with the Project Control Group. These principals provide a starting point to guide the formation and operation of a CLT. They can be refined or augmented.



1. **Perpetual affordability** – the affordability benefits to early participants must be available on an ongoing basis
2. **Perpetual sustainability** – the scheme needs to be financially sustainable
3. **Community stewardship of land** – dual ownership, individuals and CLT
4. **Environmentally responsible** – land development and housing constructed to meet CLT sustainability benchmarks/criteria.
5. **Community health, cohesion and diversity** – open, place-based membership (within eligibility settings).
6. **Representative governance** – tri-partite governing board – one-third CLT resident members, one-third CLT non-resident members, one-third from public e.g. MNCJO, local council, local businesses
7. **Resident and community empowerment** – inclusive management frameworks and decision-making processes
8. **Openness to a variety of organisational structures** – to allow for tailoring to local opportunities/constraints and ensure compliance with relevant legal and financial requirements

6.2 Target cohorts and eligibility

A key task of the CLT is developing target cohorts and eligibility. This will likely be guided by the principles and objectives of the CLT and housing need in the service area. Key considerations for the community highlighted in the engagement for this Proof of Concept are the difficulties key workers, older women and young families have obtaining affordable housing.

While all housing need is a concern, the CLT will need to recognise that the CLT model will not cater to the full spectrum of housing need, particularly those households with lower incomes. The cost of housing it develops, the size of the mortgage and the income needed to service it will need to be considered to determine the target cohorts.

Eligibility Criteria

Identification of locally appropriate eligibility criteria will be important to ensure access by households in need of, and capable of supporting, this model of housing.

It is recommended that the base eligibility criteria not be too exacting or specific so as to allow for changing housing needs and circumstances. Also, as housing provided through a CLT may not be suitable for all demographic cohorts, for example because of its location, housing type or as a result of requirements set down by a financial contributor, it may be appropriate for more specific criteria to be developed.

Criteria could include setting requirements around the following:

- Citizenship and residency status
- Minimum age
- Eligibility for other forms of assistance such as social housing as in Table 4 below
- A minimum and/or maximum household income threshold for different household types²⁵
- Connection to the service area such as time spent living in the area previously or more recently.
- The level of assets held
- Ability to finance participation, for example: secure mortgage finance with repayments not more than 30% of income.

Table 4: Social Housing Income Thresholds NSW

Household members (regardless of relationship)	Gross weekly income
Single adult	\$655
Each additional adult	Add \$245 to the income limit
First child / Each additional child	Add \$320 / Add \$105

²⁵ -The NSW Affordable Housing Ministerial Guidelines set out equivalised household incomes for very low, low and moderate income households for

Greater Sydney and Rest of NSW. NSW Affordable Housing Ministerial Guidelines 2021/22 Source: [Department of Communities and Justice](#)

6.3 Selection processes

Given the focus of the CLT in early years on ownership products, it is necessary to identify potential residents who could be able to obtain a mortgage from a bank. Even with the advantage of not having to purchase land, this will limit the number of potential residents. Where residents do not have a substantial deposit (say \$100,000 or above), they will need to have a household income of approximately \$90,000 to be

Under current settings CLT participants would not be eligible under the Federal government's Home Guarantee Scheme. One strategy would be for potential residents to provide some evidence that they would be eligible for a suitable mortgage from an appropriate bank before they would be added to the pool of potential residents.²⁶

Table 5: Affordability Testing for Residents Constructing a Modest Pre-Fab Home

	Woman 50-55yrs Large deposit - Smaller income	Tradie - single Lower deposit - Larger income	Family 2 kids dual income Larger income	Family 2 kids one income Smaller income	Family 2 kids one income Small income	Seniors couple Large deposit Small income
Construction costs	\$380,000	\$360,000	\$440,000	\$420,000	\$400,000	\$380,000
Land Valuation	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000
Total Valuation	\$780,000	\$760,000	\$840,000	\$820,000	\$800,000	\$780,000
Resident Share of Value	49%	47%	52%	51%	50%	49%
Deposit	\$150,000	\$50,000	\$100,000	\$55,000	\$40,000	\$350,000
Annual HH Income	\$65,000	\$95,000	\$120,000	\$90,000	\$50,000	\$40,000
Set up costs	\$15,000	\$15,000	\$20,000	\$20,000	\$15,000	\$10,000
Loan	\$245,000	\$325,000	\$360,000	\$385,000	\$375,000	\$40,000
Interest rate	6%	6%	6%	6%	6%	8%
Fortnightly repayments	-\$677.63	-\$898.89	-\$995.70	-\$1,064.84	-\$1,037.19	-\$135.41
Debt to Income % of HH income	3.8 27.1%	3.4 24.6%	3.0 21.6%	4.3 30.8%	7.5 53.9%	1.0 8.8%
MORTGAGE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> NA
Source: Authors						

²⁶ Internationally eligibility requirements can include completion of a financial literacy course as well as evidence of finance being secured.

7 PATHWAYS OUT OF THE CLT FOR RESIDENTS

It is important to consider ways residents might exit the CLT if their circumstances or preferences change in the future. Two options need to be considered – the first is what could be termed a voluntary exit where for a variety of reasons the resident would like to leave the CLT (e.g. moving interstate, or wanting to change to a market home ownership opportunity). In terms of a non-voluntary exit, a resident's personal circumstances might change and they might be unable to sustain a mortgage. In both cases, the dwelling would need to be sold and any change in value of the property would be shared between the resident and the CLT on the basis agreed at the outset. This process is covered by what is called a reversionary formula.

The reversionary formula is trying to achieve a balance between fairness for the resident who has invested their money and time into the residence and the CLT responsible for maintaining affordable housing into the future. It is important to be clear to all parties that the sale will not be an open market sale but will be limited to households on the CLT waiting list. In addition, the resident's equity gain will be restricted, with only very limited access by participants to capital gains to safeguard affordability in perpetuity for the benefit of future residents. Alternatively, the CLT might index the reversion formula to local incomes or CPI.

Depending on the policy developed by the CLT assets such as stoves, floor covering etc may need to be depreciated (using standard ATO tables). For improvements or additions, the CLT may choose to specify which capital improvements to the original house can be made, the process for approval, and how these are treated in the reversionary formula.

The details of the formula are best left to the working group to finalise – Chapter 9 of the Australian CLT manual provides an excellent discussion on the issue – but recent experience in the USA has shown that the reversion formula is the source of many disputes in CLTs and it is important that the formula is simple, understandable, and based on sound principles, and that residents are very clear about what this means if they exit the CLT. Most CLTs simply opt to add 25% of the agreed uplift to the initial purchase price, but this would need to be checked for local workability in terms of balancing equity gain and affordability. The reversionary formula also is important for potential land donors who would like to see their donation providing a sustainable and ongoing contribution to housing affordability and not to generate windfall gains for early participants.

An important part of the process for potential residents is that they are aware of the reversionary formula and what it means for them and indeed all the other features of CLT tenure before they are placed on the waiting list. Some sort of short training course (perhaps online) is an important part of establishing a waiting list with the course being provided by a third party and not the CLT.²⁷

In terms of providing support for an involuntary move, the CLT might be able to establish a relationship with a CHP who would be in a position to provide a rental dwelling for the exiting CLT resident. This would likely to be attached to a commitment by the CLT to provide access to their waiting list to CHP tenants who would be able to sustain a CLT mortgage.

²⁷ In the case of the ACT Land Rent scheme this course was provided by TAFE.

8 FINANCING THE CLT



8.1 Introduction

The financing requirements will be different for the start-up and operational phases of the CLT. The start-up phase will consist of the CLT finalising its corporate structure, appointing staff, setting up procedures, rules, contracts and documentation, approving resident members for the first tranche of properties and finalising the details of land which will be donated to the CLT (Phase 1 in Table 6 below).

The operational phase of the CLT will involve preparing the donated land for future residential development (this could include planning changes to the zoning of the land as well as the development of infrastructure required such as roads, paths, draining systems, water, sewerage and energy and telecom utilities). In other cases, the CLT might be donated land which is ready to develop (e.g. an existing large residential lot which could be subdivided). In addition, in this phase, residents will be obtaining finance and organising construction of their dwellings.



8.2 Start-up Costs

The CLT will have a number of start-up and operational costs which will be similar to many other non-profit organisations. These will include:

- Staff salaries including superannuation payments - The initial roles could be part time and are likely to a CEO and a project officer)
- Office space and expenses such as internet, utilities and office materials
- Legal fees and incorporation costs
- Book keeping and accounting
- Marketing and advertising costs
- Promotional materials including website
- Networking events
- Travel budget.

An estimate of the likely annual budget for a small CLT in start-up mode are shown in Table 6. Note that a column of the table indicates if the expense might be able to be included in a pro-bono form.

Table 6: Budget Estimate – Annual CLT costs in start-up phase

Item	Min Annual Amount	Pro Bono option
Staff salaries*	\$91,000	NO
Office space and expenses	\$2,500	YES
Legal fees and incorporation costs	\$4,800	YES
Accounting	\$1,100	YES
Marketing and advertising costs	\$3,250	YES
Promotional materials including website	\$1,950	YES
Networking events	\$1,500	YES
Travel Budget	\$1,200	NO
TOTAL	106,980	

*Based on CEO one day per week and a Project officer two days per week

Source: Authors from CLTs Guides/Manuals

8.3 Operational Phase

Costs in this phase are much harder to estimate for a number of reasons. The situation in terms of the status of developed land is hard to predict. Some donors might be in the position to provide the land so it is build-ready (i.e. they organise planning changes and the development of infrastructure). In other cases, the CLT might be responsible for some of these charges and/or development processes. In total the development charges for a greenfield lot (excluding planning charges) would be in the order of \$95,000 per lot²⁸ with a development period of about 9-12 months once broad planning approval is in place.

Table A1 examines the potential size of these charges by examining the costs of developing 30 lots of donated land over a one year period. It is assumed that low-cost finance would be available from NFHC (via Local Government) and that repayment could be deferred to the end of year 2 (after their dwelling has been constructed), with the interest payments capitalised (i.e. added to the total debt). It assumes that the total costs per lot would be \$95,000 and that the interest rate would be 5%. This generates at the end of year 4 of \$3.091 million or \$103,000 per lot. Some of this capital might be available as a grant from NFHC, some might be funded by Government, and some could be paid by residents but this would have a negative impact on their affordability. If it was possible to set up a revolving loan fund to pay these development charges that would provide additional capacity for the CLT to maintain a stream of production of lots if more raw land was available from donors.

²⁸ This estimate is based on adjusting industry figures from other regions but consultation with Bellingham Council suggested that a recent study they have

8.4 Housing Construction

As discussed in section 5.6 of Part A, residents of the CLT will require mortgage finance to be able to purchase their share of a CLT dwelling. The dilemma for the resident is that if they have to finance the construction process whilst at the same time paying rent, this will generate affordability pressures particularly if the construction is delayed by bad weather or other issues. Note that even in circumstances where a resident secures an interest only construction loan that can be drawn down on as needed basis (i.e. when progress payments are made to the builder), this will nonetheless place significant financial strain on a household with limited means. Indeed, the target cohort may have difficulty securing such a loan because of the lack of surplus funds to support it.

One alternative strategy might be for the resident to use a pre-fabrication construction method. This approach might have several advantages for the CLT resident:

- Pre-fab home builders will often provide debt finance which results in a higher build cost (1-2%) but no progress interest payments are required;
- The bank will provide access to loan funds when the pre-fab building arrives on the site. This means that the resident is only required to pay mortgage payments (interest only) for 6-8 weeks before the final handover of the dwelling.

Note however that pre-fab housing construction is not suitable for all building sites such as sites with steep slopes.

commissioned indicated that per lot development costs are very close to that estimate.

Table A2 shows the cash flow for a CLT resident who purchases a pre-fab home using a construction loan from a bank and debt finance from pre-fab supplier. The resident will use about \$8,000 of their deposit in servicing the debt finance and paying interest on their construction loan whilst they are also renting (about \$6,000 for debt financing and \$2,000 for the interest on the construction loan). By way of comparison, the interest payments for a conventional construction would be about the same for a 12 months build (assuming a build cost of \$420,000 and the same assumptions). However, the risks are different for the resident who will be paying about \$1100 per month at the end of month 12, and they will be adversely impacted by any delays to the completion of the dwelling built through conventional construction methods.

It is important given the enduring interest of the CLT in the property (since it is located on CLT land) for the CLT to be party to any construction contracts. This will ensure that the aims of the CLT in issues like sustainability and providing a property with low running costs can be met. CLTs in the USA for example have built social enterprises around house construction and maintenance which have provided training opportunities for local labour.

Whatever construction option is chosen, there will be an opportunity for the CLT to help lower construction costs by bundling up the construction process seeking builders to construct multiple dwellings.

If traditional construction is employed, once again the option of a revolving fund could assist, this time to cover costs over the dwelling construction period.

8.5 Participant finance

As discussed in some detail in Section 5 of Part A, the willingness of banks to lend to CLT participants at rates on par with a standard mortgage is critical to the success of a CLT, as is the ability of participants to qualify for a loan of sufficient size to enable them to purchase a viable share of a CLT dwelling.

To provide a level of certainty to potential participants and the CLT entity, it would be helpful if participating lenders are able to approve conditional lending approval. This would greatly assist the CLT to manage eligibility and dwelling allocations and at the same time allow participants to engage in project development and construction with some certainty that it will become their future home.

The other essential ingredient for success is the guidance and support available should a participant run into difficulties meeting their repayment obligations and the benefits of having the backup of the CLT entity to help return a borrower to a sustainable position or to assist a participant household to move on to another housing option.

The arrangements governing the relationships between participants, the CLT entity and the lender should allow for early notice to the CLT in the event a borrower fails to meet their repayment obligations. Early notice will position all parties for the best chance of a sustainable outcome.

Strong working partnerships between the CLT entity, participating lenders and one or more local CHPs will clearly be important.

9 CLT SERVICE AREA AND SCALE

Established CLTs in the USA and United Kingdom (UK) and Europe vary in terms of scale and size. There is no one model or set of requirements for success, rather it depends on objectives of the CLT, its resources, and opportunities and constraints. In many cases CLTs have started small due to limited land and resources and a local need and focus.

Servicing a small number of people across a large area could prove difficult from a small base of operations while too narrow a focus may preclude other partners and opportunities and some of the benefits of operating at scale. The CLT Manual undertook a financial analysis which suggested that CLTs could be self-funding at a scale of about 200-250 dwellings²⁹. Essentially the increasing number of dwellings generated enough revenue from the ground lease to fund wages and other costs. If the primary or initial funder is locally-based, this will determine the area it will serve.

A larger CLT can increase the number of participants and may offer potential for a mix of land uses and household incomes, thus enabling cross-subsidisation and facilitating diversity. At the same time, as well as the challenges associated with managing a larger entity, there is also a risk that the CLT may lose its connection with the local community. The latter can be addressed through mechanisms such as sub-committees for various areas and ensuring local community representation.

Given that CLTs are new to NSW and the resources available to start it are likely to be limited, at least in the initial stages, establishing a CLT with a small number of properties and participants in Bellingen Shire or another

area on the Mid North Coast is a lower risk option and more likely to succeed.

An initial success, albeit at a small-scale, is critical for future expansion. It would be possible to leverage off the experience of this initial CLT for expansion in other LGAs on the mid-north coast using some additional staff from the other LGAs. These additional staff would help recruit members and potential residents in these new areas. They would also help identify potential land partners and also expand the membership of the Mid North Coast CLT. These staff could be hosted by partner organisations such as a community housing provider.

In expanding the original CLT it is important to consider the need to maintain the connection with the local community the CLT is serving - too big and regionally dispersed will make this difficult unless there is a well-considered governance framework which enables localised participation.

²⁹ See Australian CLT Manual (2013) Chapter 10

10 CONCLUDING COMMENTS

A mid-North Coast CLT would provide an important diversification of housing options in a region with pressing and escalating housing need. Whilst a number of important steps are necessary to develop and implement the model (as set out on in the next section), the pre-conditions for a successful CLT are present in the region.

The preparation of this Proof of Concept provides a critical step forward in developing a CLT on the Mid North Coast. As well as establishing that there is a sound basis for applying the CLT model in the local context, the wide engagement with stakeholders during this project completes what is a critical first step, building awareness and educating key players about the CLT model. This provides a platform for the MNCJO and partners, or any of the participating councils individually, to take the next steps towards establishing a CLT in the region.

At the same time as assisting local residents in need, the establishment of a mid-North Coast CLT would demonstrate leadership in the development of responses to regional housing need that could be copied in many other parts of Australia.



Source: <https://www.ehabitat.com.au/gallery-1>

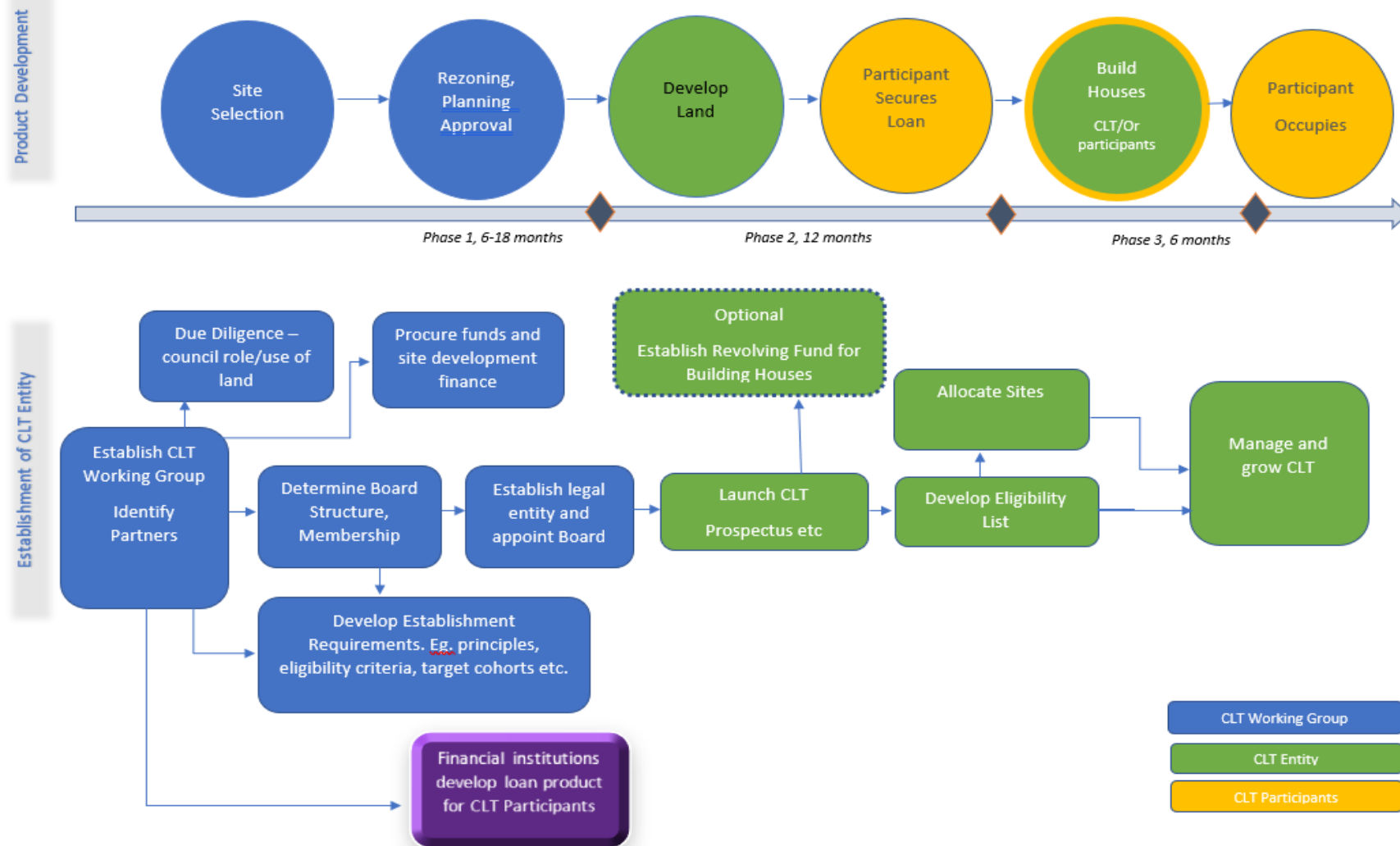
PART C: CRITICAL PATHWAY TO ESTABLISH THE CLT

A critical path to establish the CLT has been developed based on the preferred model outlined in Part B. There are two key components, establishing the CLT Entity itself and procuring the land and housing. The critical path options set out below separate the steps for these processes. While CLTs can be established with existing housing, as noted earlier the most likely scenario is the donation of land. Option 1 is based on a CLT commencing with a council land parcel as this has emerged as a potential opportunity. Option 2 assumes that land is made available to the CLT from another entity.



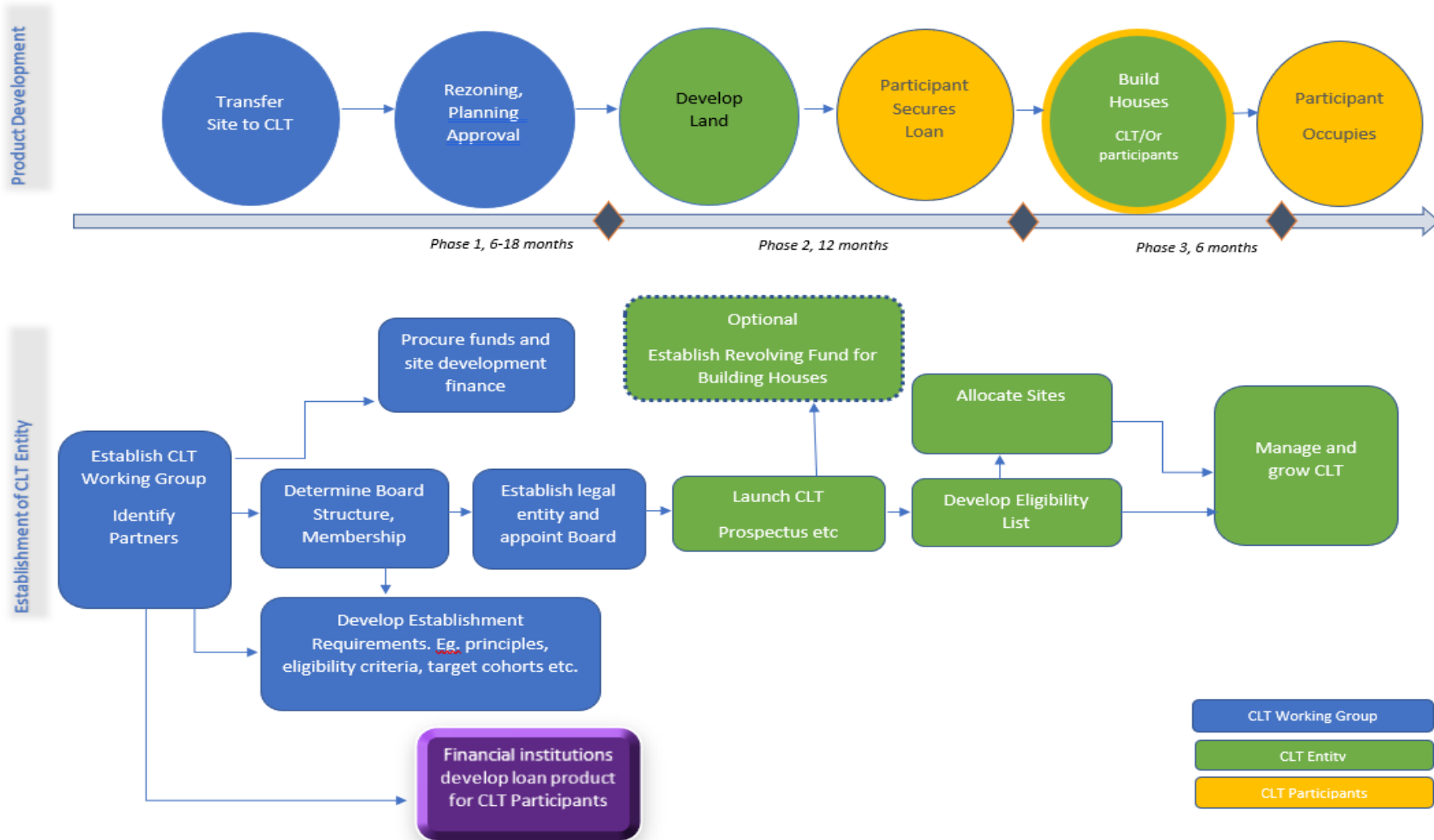
Option 1 – CLT establishment with Council Land

CLT Critical Path for Implementation – Option 1 Council Land



Option 2 – CLT establishment with Other Land Donation

CLT Critical Path for Implementation – Option 2 Private Land Donation



Building on the critical path a more detailed set of tasks and actions for key stages of developing the CLT are set out below. This implementation plan could be modified to support a pilot in a specific LGA.

Establishing the CLT Entity			
	Task	Timing	Dependencies – Next Steps
1	Establish CLT Working Group	0-3 months	Start-up membership – MNCJO, Bellingen, Kempsey and Port Macquarie Hastings councils, Housing Matters Action Group, Community Housing Provider, Financial Institution (and members with construction, legal, marketing, financial, community, HR, government skills).
2	Establish operating framework for CLT Working Group	0-3 months	Develop Terms of Reference – meeting frequency, appoint Chair, roles and responsibilities and initial Action Plan.
3	Source start up and operational funding	0-6 months	Develop initial operating budget. Advocate to state and federal agencies for grant funding to support start-up. Seek philanthropic support for start up operational funding. Approach NHFIC for loan (where eligible).
4	Establish legal entity	0-6 months	Examine options and draft documentation mindful of matters addressed in this Proof of Concept particularly in relation to objects, protection/disposal of assets, membership and requirements for appointment of directors.
5	Establish CLT Board	0-6 months	Determine structure and membership, marketing and process for recruiting Board members, Board governance arrangements etc.

6	Appoint CLT Staff	0-8 months	Develop Position Descriptions, advertise and recruit and/or second staff.
7	Seek charitable and deductible gift recipient status	0-3 months	Seek expert advice to document and submit case for charitable and deductible gift recipient status.

Developing the CLT Model			
	Task	Timing	Dependencies – Next Steps
1	Delineate initial service area for CLT	0-6 months	Linked to land opportunity. Could consider a two-tier approach with initial focus on town with land opportunity but region-wide marketing for future opportunities and growth.
2	Identify target groups/beneficiaries	0-6 months	Develop agreed method - Needs -based but linked to form of development on land, product and cost
3	Establish eligibility criteria	0-6 months	Consider target cohort, product cost and mortgage serviceability.
4	Develop CLT model (e.g. revisionary formula, participant rules etc.)	0-8 months	Assess operating costs and determine: <ul style="list-style-type: none"> - Reversionary formula - Administration fee for residents - Membership fee, membership framework and governance rules for members - Services fee for residents

5	Establish financing arrangements	0-8 months	Work with financial institutions to develop mortgage product, establish supporting infrastructure e.g. revolving fund to support housing construction phase and mitigate default risk.
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Launching the CLT			
	Task	Timing	Dependencies – Next Steps
1	Market the CLT to participants and others. communication and 'prospectus' for potential participants	12 -18 months	Develop a marketing strategy with factsheets and guidance for potential participants, a communication strategy for the broader community to build support for the CLT and a prospectus for future donors/participants.
2	Seek Expressions of Interest for participants.	12 -18 months	Develop an EOI process and documentation.
3	Develop a wait list if demand exceeds supply.	12-18 months	Establish rules for wait list selection.
4	Select participants	12 – 18 months	Rules for selection – meet eligibility criteria, have mortgage secured/approved. Determine an allocation process if eligibility wait list exceeds supply Design a training course for residents.

Land Development and Construction

	Task	Timing	Dependencies – Next Steps
1	Source initial land opportunity.	0-6 months	Identify vacant or surplus council or other government, not-for-profit land.
2	Commission feasibility assessment of one or more sites.	0-6 months	Suitability of site for development, planning/zoning and land classification changes required, infrastructure and development costs.
3	Due diligence – legal etc.	0-6 months	If council land, consider any restrictions under Local Government Act 1993, or Environmental Planning and Assessment Act 1979 and related policies. Formalise agreements with land donors
4	Determine financing requirements.	0-6 months	Source development funding for infrastructure, site development etc.
5	Secure development funding	0-8 months	Ensure CLT principles are met with finance and land development and construction contracts.
6	Secure Planning Approval	12-18 months	Determine arrangements and resources for preparation of planning proposal to rezone and reclassify (if required) land and securing all relevant planning approval.
7	Develop land	12-24 months	Appoint Project Manager.

8	Construct Houses	12-24 months	Decide on construction management processes (how much support to provide to residents). Establish construction guidelines to set minimum. sustainability standards for dwellings and exclusions –include in main resident contract.
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Operation of CLT			
	Task	Timing	Dependencies – Next Steps
1	Allocate households to land	18 -24 months	Establish governance and resources.
2	Support CLT residents through finance and construction processes	18-24 months	Develop guidance and allocate resources, e.g. run workshops, meetings.
3	Seek further land, partnerships and financial support	2+ years	Develop a CLT growth strategy.
4	Establish reporting framework to board, JO, land donors, membership and public	2+ years	This will help build confidence in the model and secure future donations.
5	Publicise the CLT model and seek expansion in other parts of Mid North Coast and elsewhere.	2+ years	

PART D: RISK ASSESSMENT AND MITIGATION

Establishing the CLT will bring with it inherent risks associated with developing land and building housing which are known and well documented as well as risks associated with the establishment of a new and untested model. The risk assessment developed below is separated into these categories. The mitigation actions suggested highlight the importance of building robust governance and dedicating resources to key components of the CLT.

Risk of Doing Nothing

Stage	Potential Risks	Impact	Mitigation Actions
Do nothing approach	1.1 Households in housing stress or forced from area; increased homelessness; workforce shortages especially in aged care and service industries; lack of community cohesion; increased poor mental health outcomes.	High	Implement CLT or comparable initiative.

Land Development and Construction

Stage	Potential Risks	Impact	Mitigation Actions
Site Selection	2.1 Site is not suitable for residential development.	High	Conduct development feasibility and costing.
	2.2 Costs to develop are high.	Medium- High	Source development funding/grants to offset.

Stage	Potential Risks		Impact	Mitigation Actions
Reclassify land/planning approval	3.1	Community opposition to reclassify and rezone land.	High	Engage with community. Build support for CLT.
	3.2	Unforeseen planning issues emerge.	Medium-High	Ensure sufficient resources for requisite site investigation.
Land Development	4.1	Difficulty sourcing funds for land development.	High	Pursue opportunities for grants, partner contributions.
	4.2	Time and cost overruns.	Medium-high	Engage reputable and experienced project manager for land development. Robust costings and feasibilities and contractual arrangements to protect CLT.
Securing Loans	5.1	Financial institutions not willing to lend for a CLT.	High	CLT works with one or more institutions to develop a suitable CLT loan product.
	5.2	Selected participants not successful in securing loan.	Medium	Pre-screening and educating participants.
Dwelling Construction	6.1	Participants unable to service loan while building.	Medium-High	Establish a revolving fund to cover cost of building. CLT funds construction and building of houses.
Occupancy	7.1	Limited risk.	Low	

CLT Establishment and Operation

Stage		Potential Risks	Impact	Mitigation Actions
Establish CLT Working Group	8.1	Limited risk.		Ensure participants understand roles and responsibilities. Establish Terms of Reference and relevant protocols (confidentiality etc.)
Identify Partners	9.1	Partners with interest or resources not identified.	Medium	Promote establishment of the CLT to local businesses and entities.
Procure funding to operate CLT	10.1	Insufficient funds for CLT start-up.	Medium	Source contributions from partners and through other grant programs for start-up costs. Set rates and fees to cover ongoing costs.
Due diligence – council role/use of land	11.1	Council unable to undertake some roles due to current legislative and policy frameworks.	High	Conduct due diligence on council role with reference to Local Government Act, EP&A Act, etc. Develop CLT as separate entity. Strong governance and accountability.
Determine Board Structure and Membership	12.1	Board membership too narrowly based, insufficient skillset.	Low	Establish requirements, review similar entities (e.g. CHPs), seek EOIs, develop orientation process and materials for Board members.
Launch CLT	13.1	Policies and procedures not sufficiently developed.	Low	Test-run of policies and procedures/soft launch testing/pilot.
	13.2	Lack of interest.	Low	Smaller scale should attract a sufficient number of participants.

Develop eligibility list	14.1	Limited risk.	Low	Develop clear criteria for establishing eligibility.
Allocate sites	15.1	Limited risk.	Low	Establish clear process.
Manage and grow CLT	16.1	Risk of foreclosure on loans	Medium	Robust eligibility requirements and targeting and processes for contacting residents in the case of arears.
	16.2	Transfers of ownership by participant.	Medium	Establish clear rules and procedures for CLT. Educate participants.

APPENDIX 1 – FINANCIAL MODELS

A1. Potential Costs associated with preparation of land for residential development (excludes planning costs) with capitalized interest and a one year loan repayment deferral

Assumptions	Number of lots						30
	Cost per lot (\$',000)						95
	Interest rate						5%
	Year 1 lots						100%
	Construction time (months)						0.12
	Total Loan						\$2,850,000
	Outputs	Total Repayment					
Cost per lot							\$103,030
(\$,000)	Q1	Q2	Q3	Q4	Y2	TOTAL	
Drawdown rate	20%	30%	40%	10%			
Quarterly expenditure	570	855	1140	285		2,850	
Progressive Drawdown Interest	570	1,432.1	2,590.0	2,907.4	2,943.7		
(\$,000)	7.1	17.9	32.4	36.3	147.2	240.9	
Drawdown incl interest Loan repayment	577.1	1,450.0	2,622.4	2,943.7	3,090.9	3,090.9	

Source: Authors

A2: Reducing the affordability impact of dwelling construction by using debt financing from a pre-fab manufacturer and a construction loan

Assumptions	Builder Debt finance	Y							
	Build cost	380							
	Build cost with debt finance	385.7							
	Available deposit	150							
	Deposit for builder	15%							
	Construction loan payment	2 months							
	Final payment	10%							
	Rent per week	400							
	Interest only payments	5%							
Outputs	Interest payments	1.66							
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	TOTAL
PAYMENTS	From deposit (\$'000)	57.855				90.145			
	From loan (\$'000)					199.13		38.57	237.7
	Interest payments (\$'000)					0.830	0.830		1.66
	Rent + interest (\$'000)					2.430	2.430		

Source: Authors and Prefab Companies website

APPENDIX 2 STAKEHOLDER ENGAGEMENT

Stakeholder engagement comprised a significant component of the development of this Proof of Concept. This took place via in person workshops and meetings on the Mid North Coast and through a series of online meetings. In addition to providing important local knowledge and technical expertise to inform the recommended model and approach, the engagement has gone some way to progressing the establishment of a CLT in the region by building a more detailed understanding of the CLT model with key stakeholders.

The following stakeholders were engaged in the development of this Proof of Concept:

- ◆ Banana Coast Credit Union / P&N Bank
- ◆ Beyond Bank Australia
- ◆ Bellingen Shire Council
- ◆ Commonwealth Treasury
- ◆ Community Housing Limited
- ◆ Cork Family Trust
- ◆ Crown Lands
- ◆ Department of Planning and Environment
- ◆ Dorrigo Plateau Local Aboriginal Land Council
- ◆ Housing Matters Action Group
- ◆ Kempsey Shire Council
- ◆ Mid North Coast Joint Organisation
- ◆ National Housing Finance and Investment Corporation
- ◆ North Coast Community Housing
- ◆ Port Macquarie Hastings Council
- ◆ Regions NSW
- ◆ Regional Australia Bank
- ◆ Siddle Family Foundation

HMAG workshop - Stakeholder engagement attendees:

Housing Professionals / Developers group: 9th May 2022

Present: Bruce Levy, Paul Tipper, Boaz Keeda, Reiner Schimminger, Dustin Learney

HMAG CLT Working Group 9th May 2022 (Bellingen):

Present: Vicki Parkes, Daisy Charlesworth, Fiona Crosskill, Ute Schulenberg, Rose West, Rebecca Richardson, Peter Phibbs & Emma Belcher.

Apologies: Kerry Pearse, Fran Clayton & Vanessa Moreton.

HMAG CLT Working Group – Dorrigo Plateau Residents 12th May 2022 (Dorrigo):

Present: Kerry Pearse, Rose West, Fran Clayton, Vanessa Moreton, Cathy Thomas (CEO of Dorrigo Aboriginal Land Council), Dan Bennett (Strategic Planner, BSC), Andrew Turbill (NSW National Parks project officer, North Coast Branch).



Urbanista

