

## *HOMES WE WANT MORE OF*

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### OPTIONS FOR THE DEVELOPMENT OF AFFORDABLE HOUSING ON COUNCIL-OWNED LAND

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## TABLE OF CONTENTS

Table of Contents .....	3
1. Executive Summary .....	4
2. Introduction.....	6
3. Moreland Affordable Housing Projects .....	7
4. Council’s Objectives.....	7
5. Role of the Moreland Housing Strategy Reserve.....	9
6. Housing for whom? .....	9
7. Prioritising locations .....	10
8. Community Benefit.....	10
9. Other forms of Council Support .....	11
10. Key Partners-What is a Registered Housing Agency (RHA)?.....	11
11. Technical Aspects A: Methods for Assigning land .....	13
12. Technical Aspects B: Financing Construction .....	14
13. Options not in scope.....	15
14. Option 1: Take no action .....	15
15. Option 2: Sell land to private developers with agreements attached.....	15
16. Option 3: Land Trust Model (Primary Recommendation) .....	16
17. Option 4: Lease of land to A Registered Housing Agency (Secondary Recommendation) .....	19
18. Implementation: Two paths to increased affordable housing provision .....	19
19. Attachments .....	21

## 1. EXECUTIVE SUMMARY

One of the key goals in the *Moreland Affordable Housing Strategy 2014-18* (The Strategy) is to use Council-owned land to address the need for affordable housing in our community. It is acknowledged that potentially suitable land is limited and, inspired by two projects in the City of Port Phillip, a study of council owned sites where there is the potential to develop airspace above the land was endorsed by Council in December 2014. To assist Council in defining its priorities for site allocation, development and partnership, a framework is proposed in this paper using the concepts of Control, Perpetuity, Scale and Resources, with each of these concepts associated with a measurable outcome.

This paper assists Council to make informed decisions on the costs, financial benefits and commercial risks of providing affordable housing on Council-owned land. It also outlines the community benefits for providing stable housing for our community. This paper considers four options. It provides a guide through the various legal tools and governance systems available and frames them within two potential pathways – either developing affordable housing through a land trust entity which would take control of nominated land, or forming partnerships for specific projects with a registered community housing agency. The primary recommendation is for the immediate establishment of a land trust to pursue a demonstration project.

The role the community housing sector as a partner with Council is crucial as it specialises in providing vulnerable and disadvantaged Australians with quality homes and secure tenure. Council commissioned the Planet Group to research the current state of the community housing sector and to identify how Council could best work with them. That research; the *Moreland Affordable Housing Background Paper* (Background Paper), should be read in conjunction with this paper. The Background Paper emphasises that the community housing sector is keen to work with Council.

It is recommended that the Moreland Affordable Housing Strategy Reserve continues to assist the housing provision aims of the Strategy through supporting both individual projects, land trust capacity-building and community-based initiatives with small scale contributions (\$10,000-40,000). Also identified are decisions Council may take and processes Council officers may undertake which form part of achieving the policy outcomes focussed upon in this paper. In sections 5-9, the paper identifies an approach to the selection of sites, the fostering of community support, and looks at existing Council mechanisms that can also be used to increase affordable housing.

Sections 11 and 12 of the paper refer to technical aspects such as legal arrangements, governance and financing. They show how a local government can deliver on its commitment to the community while having the scope to form sustainable business partnerships with other organisations. This paper recommends that Council does two things: establish a Land Trust and also to consider opportunities in the future to lease land to suitable Registered Housing Agencies.

A Land Trust is a defined-purpose entity which can ensure a consistent approach to meet Council's aims. It has the ability to participate in innovative development and financing models, and has the scope to include multiple agencies and even other local governments. It is recommended that

Moreland establish a land trust by March 2016, have an initial project planned within 12 months, and to be providing housing within three to five years of its establishment.

The second path, which would ensure that current and short term development opportunities can be realised, involves the lease of land to community housing providers. Using this model, Council is able to control the future use and development of the land by imposing restrictions on its use to that of the provision of affordable housing. The criteria for choosing Registered Housing Agencies should include the Agency's record of housing vulnerable communities that Moreland has prioritised, the provision of secure tenure and its ability to obtain funding, and good governance. It is recommended that Council consider leasing land to community housing providers as opportunities arise.

## 2. INTRODUCTION

Moreland Council is committed to exploring ways to increase the provision of social and affordable housing options in the municipality. In adopting the *Moreland Affordable Housing Strategy 2014-18* (MAHS), Council identified increasing the supply of housing on Council-owned land as a priority. The MAHS proposes, as a key action, the development of a “Moreland Land Trust”. A land trust is an independent legal entity whose purpose, though not exclusively, is to hold ground leases and to direct development of housing assets on such leases and provide long term asset and program management.

In late 2014 the Moreland Land Trust Feasibility Project was set up to investigate the feasibility of a land trust and other developmental models to facilitate affordable housing opportunities in Moreland, in particular on Council-owned land. This options paper summarises the Feasibility Project’s work to date.

Currently, Council has a specific focus on the potential use of airspace above Council-owned car parks. The *Airspace Above Council Owned Carparks Feasibility Study* published and adopted by Council in December 2014 identifies 14 car parks in the Brunswick and Glenroy activity centres for priority consideration. In its resolution supporting the airspace report, Council noted that the purpose of conducting the study was: “to investigate the potential of developing airspace to increase the supply of affordable housing options in Moreland” (DED100/14). Council has also committed at this time to a Request for Proposal (RFP) process to gauge interest in the possible sale of airspace over one of the sites (276 Barkly St Brunswick). Any potential financial returns that may result would be subject to further Council consideration.

The provision of affordable housing is a complex endeavour and the assessment of feasibility involves taking into account variables including site location, timing and building scale. With this in mind, this paper aims to provide a framework for common understanding of the key elements and issues upon which future council decisions on individual projects will be made.

This paper draws on commissioned research and legal advice as well as input from a wide range of informed sources from inside Council, in the local and state government sector, in the housing and homelessness sector and from overseas experts. The Affordable Housing Working Group acts as the project’s internal advisory body, with membership across key relevant areas including Place Managers, Property Services, Finance and Strategic Planning. The Moreland Housing Matters Advisory Committee acts as an ongoing channel for experts and community input. Some of the research and advice that has informed this paper includes:

- Legal and strategic advice from Maddocks Lawyers in 2012 and in March 2015.
- The Australian Community Land Trust Manual<sup>1</sup>
- Preliminary reporting from Cr Lenka Thompson’s McArthur Scholarship research visit to Community Land Trusts in the UK<sup>2</sup>

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<sup>1</sup> Crabtree et al, 2014 [http://www.academia.edu/3626713/The\\_Australian\\_Community\\_Land\\_Trust\\_Manual](http://www.academia.edu/3626713/The_Australian_Community_Land_Trust_Manual)

<sup>2</sup> Reports in <https://lenkathompson.wordpress.com/> and presentation to Housing Matters advisory Committee October 2014

- Discussions and interviews with more than 50 housing stakeholders since August 2014
- A desktop review of policies, papers and submissions by other local governments, not for profit and academic stakeholders
- Participation in the Melbourne University Transforming Housing Industry Workshop on 17 October 2014 and Affordable Housing Summit on 31 April/1 May 2015.<sup>3</sup>

### 3. MORELAND AFFORDABLE HOUSING PROJECTS

Council has contributed land on a leasehold basis which has led to the supply of social housing to residents in Coburg and Fawkner. These are:

- Fawkner- 12 units elderly and disabled residents leased to Community Housing Ltd & Director of Housing (40 year lease).
- East Coburg- 8 x single person units leased to Yarra Community Housing & Director of Housing- (40 year lease)
- Fawkner- Single home with one tenant who has a significant disability. Leased to Community Housing Ltd (40 year lease)
- Merlynston- single home (currently under construction) for supported accommodation for 4 young people and a full time carer. 50 year lease with Lighthouse Foundation.

These developments have come about through Council responding to specific requests and proposals from individuals and organisations. From the experience of these developments, the investment of officer time and in-kind Council resources is significant in the development phase. However, once the homes have been established the arrangements with the housing organisations have resulted in minimal administrative or resource requirements.

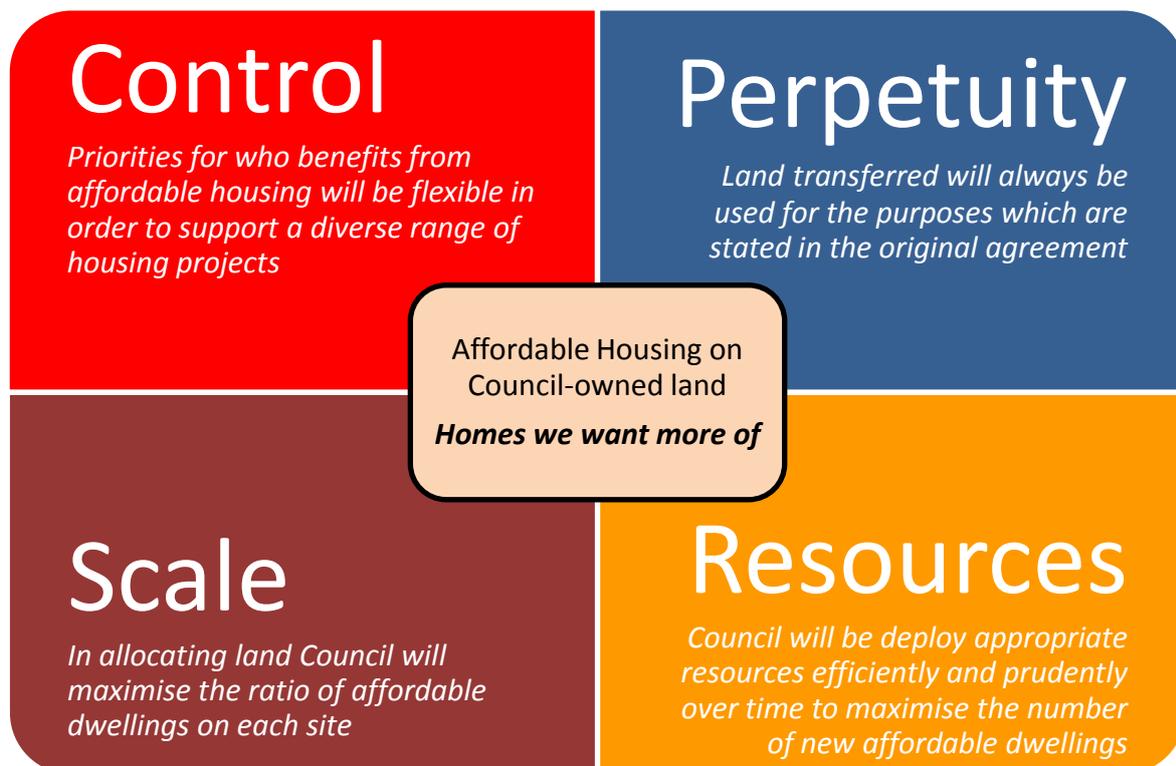
### 4. COUNCIL'S OBJECTIVES

The main driver for this paper was the adoption of the MAHS. The Strategy proposed investigation of a land trust and other development models to facilitate affordable housing opportunities. The MAHS is embedded with the concept that access to safe and secure housing is a human right which is enshrined in a number of United Nations treaties. Access to housing is also embedded in a number of key Council policy documents. The *Moreland Council Plan 2013-17* includes a strategy “to support the improvement of affordable housing options to accommodate the diverse Moreland community.” Affordable housing is also embedded in the *Municipal Public Health and Wellbeing Plan 2013-17*, the *Municipal Strategic Statement* and in the structure plans for the Coburg and Brunswick Activity Centres.

As the question of housing affordability has come to be a major national conversation in the past year, it needs to be recognised the term ‘affordable housing’ has multiple meanings. The MAHS aligns with the most commonly-used and understood definition, which is housing costing no more than 30% of gross income for a household in the lower 40% of income range. Any truly affordable

<sup>3</sup> More information (including an Options Paper) at <https://msd.unimelb.edu.au/transforming-housing-affordable-housing-all>

housing project needs to provide housing which meets this definition. However, a development with a mixture of different housing types, which is generally recommended, can include factors such as location, proximity to services and ‘lifecyle costs’ such as heating and cooling as significant considerations as to what is affordable. SGS Economics and Planning has suggested to Council affordable housing be taken to be “housing permanently available at an affordable rent”<sup>4</sup>. Therefore, Council can avoid getting tied up in explanations and debates about ‘affordable housing’ by defining the overarching objective as the provision of “Homes we want more of”. This objective is supported by four key concepts which can frame further decisions to allocate sites or resources for future developments. These are Control, Perpetuity, Scale and Resources. Each of these concepts points to a measurable outcome:



To map out the relevance of the framework through this document, icons indicate each of the four concepts:



Control



Perpetuity



Scale



Resources

<sup>4</sup> SGS Economics and Planning (2013), *Affordable housing provisions in the Moreland Planning Scheme* (D14/177689).

## 5. ROLE OF THE MORELAND HOUSING STRATEGY RESERVE

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Council established the Housing Strategy Reserve in 1997-1998 following the forced sale of the Coburg and Brunswick electricity wholesaling businesses as part of the privatisation of the SEC (State Electricity Commission) in 1996-1997. A total of \$1.5 million was allocated to the Housing Strategy Reserve to foster affordable housing.

Since 1997, \$1,104,760 of the Reserve has been spent on:

- Land purchase \$941k (85%)
- Site specific research and consultancies \$104k (9%)
- Other research \$60k (6%)

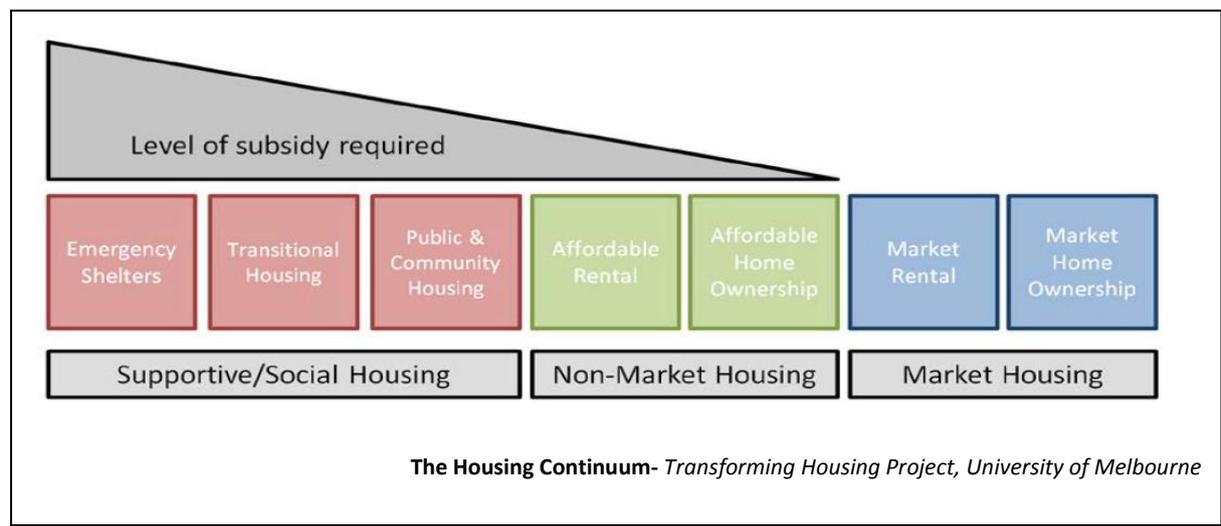
As of December 2014, the Reserve had funds of \$395,240.

Further to a Council resolution of December 2014 (DCS71/14), Council committed to allocating \$50,000 annually towards the Housing Strategy Reserve each year beginning with the 2015-2016 Financial Year. The amount of funds in the Reserve at this time limits its use to seed funding for developments, for instance for the purchase of parcels of land or in undertaking major site testing works.

It is recommended, that until substantial funds can be channelled into it, the Housing Strategy Reserve continue to support the broad aims of the MAHS through supporting both individual projects and community-based initiatives with small scale contributions (\$10-40,000).

## 6. HOUSING FOR WHOM?

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The MAHS does not specify if certain members of the community should receive priority for housing provision. It should be noted that groups with high need in terms of addressing negative social and community outcomes are not always on the lowest income levels. For instance, women escaping family violence or seniors who wish to age in place may have employment incomes or the proceeds of a home sale. A May 2015 Senate Report of the Senate Economics Committee found that “a

significant number of Australians are not enjoying the security and comfort of affordable and appropriate housing". The problem of housing affordability in Moreland stretches across income groups, from asylum seekers living on 80% of the unemployment allowance rate to health care professionals on good incomes who cannot afford to live less than 15kms from their workplace.

As the Background Paper outlines in detail, social housing providers have developed a model where having a range of tenure types in affordable housing developments can ensure financial viability. The Background Paper points to local Councils reaching good outcomes for community members by setting broad policy settings and targets and allowing reasonable flexibility in the allocation policies of new housing. This approach has been seen to be effective with housing managed by Yarra Community Housing and Community Housing Limited in Coburg and Fawkner on Council-owned land. This approach also allows councils to choose community housing providers who demonstrate a commitment to prioritising housing for those who are most in need.

## 7. PRIORITISING LOCATIONS



The Council-owned land identified in the Airspace Feasibility Report represents, at this time, the only land that Council has currently flagged for potential affordable housing development. The land is located within Brunswick and Glenroy Major Activity Centres. Also, there is potential to include other unencumbered Council land within the site selection process.

Smaller scale affordable housing projects, led by specialist housing providers, may be proposed in Neighbourhood Activity Centres or elsewhere. Council can look to develop other forms of assistance for these projects which may include assisting with advocacy, creating partnerships, rate reductions and technical assistance. The Background Paper reports that housing providers have identified that the local government area of Moreland meets many of the needs of community housing residents in terms of access to transport and services.

Both the technical methodology and the recommended priority sites in *Airspace Above Council Owned Carparks Feasibility Study* will significantly inform the Affordable Housing Working Group in developing site selection criteria including a site for a proposed demonstration project which will be subject to further Council approval.

## 8. COMMUNITY BENEFIT



Moreland's experience with the development of social housing units in Fawkner and Coburg reflects a positive outcome for the residents and for the community as a whole. Women's Property Initiatives, a registered housing provider has used Social Return on Investment (SROI) modelling to measure that impact of its investment in housing and determined that it delivers \$3.14 to the Victorian community for every \$1 invested<sup>5</sup>. Using a cost/benefit analysis approach, SGS Economics

<sup>5</sup> Kliger, B., J. Large, A. Martin and J. Standish (2011), [How an innovative housing investment scheme can increase social and economic outcomes for the disadvantaged.](#)

and Planning have identified a 7:1 community benefit for providing affordable housing in the right location<sup>6</sup>

The attendance of over 150 community members at the Maurice Blackburn Oration in November 2014 on housing affordability is one indication of a groundswell of community support for Council to play a lead role in affordable housing provision. Council has an opportunity to build on this growing interest and utilise the media attention on the issue to further develop community support.

## 9. OTHER FORMS OF COUNCIL SUPPORT



As the Background Paper notes, there are other ways Moreland could support the provision of affordable housing within current Council structures. RHA's have advised that the key to successful partnerships with local government is early and ongoing engagement and support, including:

- Establishing partnerships and identifying sites
- Direct contributions such as land or money and indirect contributions such as fee reductions
- Good timing, meaning taking advantage of opportunities that arise without delay.

## 10. KEY PARTNERS- WHAT IS A REGISTERED HOUSING AGENCY (RHA)?

The community housing organisations referred to in this paper include two kinds of housing organisations, both of which will be referred to from here on as Registered Housing Agencies (RHA's). This paper notes the crucial importance of Registered Housing Agencies as key partners in the provision of affordable housing.

In Victoria the Housing Registrar (established under the Housing Act 1983) provides a registration scheme for not-for-profit organisations that own, manage and develop affordable rental housing for low income households. There are 42 registered agencies consisting of eight housing associations and 34 housing providers. The two kinds of RHA's operate in these ways:

- Housing Associations develop and acquire housing and manage both their own portfolios and those of others (including the Director of Housing properties). Those that have major assets in Moreland include Housing Choices Australia, Wintringham, Community Housing Ltd and Yarra Community Housing.
- Housing Providers manage rental housing portfolios. Many operate in Moreland including Homeground, Women's Property Initiatives and Baptcare.

All RHA's are required to report annually to the Housing Registrar on their compliance with Performance Standards and regulations under the Housing Act. Most agencies will have a focus on, and expertise in, on the housing needs of particular groups (such as seniors, youth, women, and people with disability).

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<sup>6</sup> SGS Economics and Planning (2015), [Revisiting the economics of inclusionary zoning](#).

The Background Paper provides further details about the current operational environment for Registered Housing Agencies within the context of reduced Federal and State funding and policy.



### Lease of freehold title

When selling or exchanging land, Council must comply with the provisions of s189 of the Local Government Act (LGA). Maddocks Lawyers advises that these provisions should be considered to apply even if the land is gifted. In addition there are general principle and best practice guidelines to follow.

If Council is, as is likely, transferring land for a consideration less than market value then the guidelines require that the sale and reasons for the lower value be clearly set out in a Council Report. Council's decision and reasoning regarding an s189 land sale needs to be accepted as satisfactory by the Minister for Planning.

### Grant of a lease

s190 of the LGA prohibits Council from granting of a lease for more than 50 years. This is in contrast to Crown Lands (for example state government land) which can be offered on a 99-year lease such as those offered in the Victorian Snowfields<sup>7</sup>.

Council has provided a number of 40 and 50-year leases for small scale social housing developments since 2004. However, the limited term of the lease period may present a significant barrier to attracting finance. The *Australian Community Land Trust Manual* considers a 99-year leasehold, similar to those available in the US, as a key element in a successful Land Trust entity. If Council wished to offer a 99-year leasehold, its only option under current legislation would be to apply to the Minister for Local Government for a specific Ministerial Direction. This appears likely to be a protracted and expensive exercise with no guarantee of a positive result.

### Restricting the use of land

Council has a number of options which can be used singly or in combination to ensure that the land will only be used for the purpose it is intended (in this case affordable housing).

- Section 173  
This is an agreement under the Planning and Environment Act which can place restrictions, use regulations or strict conditions on the use and development of land. A s173 agreement can be registered against the title of the land, which means it applies to future landowners. Therefore Council could, for example, require parties to whom a freehold is transferred to agree that the land be used for exclusively for affordable housing.
- Restrictive Covenants

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<sup>7</sup> It should be noted that the City of Yarra met the financing needs of a social housing provider by offering a renewable 2 x 40 year lease on a development in Fitzroy.

A covenant is registered on the title by agreement and must be restrictive in nature (for example land cannot be sold at a later date for commercial purposes). Like an s173 agreement, it is binding on future owners.

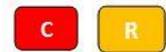
- Lease Provisions

Council may include as a term of its lease that the land is only used for a specific purpose or purposes and retains the right to terminate the lease if there is a breach. Council can also use this method to place restrictions on the use of assignment or subletting.

- Partnering Agreement

As a condition to the transfer of the land Council may require the creation of a partnering agreement which requires that the Land Trust or RHA assist Council to achieve its affordable housing objectives. This agreement can also set out how Council and the Land Trust or RHA functions together.

## 12. TECHNICAL ASPECTS B: FINANCING CONSTRUCTION



In an affordable housing project the interest in the land alone will not be sufficient to obtain the level of private finance required for the construction of social and affordable dwellings.

Options to raise alternative or additional finance to private sources include:

- Sale of a proportion of the dwellings to third parties on the open market. This could mean transferring part of the land to a private developer (either prior to or after development). The returns from this can be used to cross-subsidise the construction of affordable housing dwellings.
- Entering into a joint venture with a developer where the RHA or Land Trust contributes the land and the developer carries the development risk along with contributing the financing and construction components.
- Creating a mixed tenure development with a combination of financing sources based on resident profile. For example, social housing dwellings may attract state government funding; units for people with disability could be financed with a mix of resident and National Disability Insurance Scheme equity and mid-range income housing financed through a cooperative or shared equity arrangement.
- Grant funding. Potential sources include State government (via the Federal Government National Affordable Housing Agreement), Victorian Property Foundation and philanthropic trusts.

For further specific consideration of project financing for the Land Trust option see section 16 below.

### 13. OPTIONS- NOT IN SCOPE

**Council as developer** is not being considered because this option requires Council to finance the design and construction of dwellings and to carry all the attendant risks. In addition, if Council is the developer it may not be able to access the same range of financing options as a Land Trust or RHA.

**Public housing futures** are also not considered in this paper at this time. There is potential for Council to work with the State Government on the redevelopment of dwellings currently under the control of the Director of Housing, however Council along with other local governments and the social housing sector, is waiting for a clear policy direction from the state government with regard to the role of LGA's in the future of public housing in Victoria.

### 14. OPTION 1: TAKE NO ACTION

It could be argued that as Council does not have any statutory obligations regarding housing provision that a viable option is to take no action and not consider use of Council land or resources to improve affordable housing supply in Moreland. However, it also has to be accepted that access to affordable housing in Moreland is a serious and growing problem. Access to housing for a diverse population is not being adequately addressed by other levels of government and Councils have the ability to demonstrate leadership, not just in advocacy but in action. Taking action on housing meets Councils policies on human rights, social justice, health & wellbeing, and inclusion.

### 15. OPTION 2: SELL LAND TO PRIVATE DEVELOPERS WITH AGREEMENTS ATTACHED



This option involves Council selling its land outright to a developer with conditions attached. The conditions could be included in a contract of sale or form the basis of a section 173 Agreement or a Restrictive Covenant placed on the land. The conditions would require the delivery of a certain proportion (to be defined) of affordable housing dwellings provided and allocated to an RHA by the private developer. In addition to specific legal agreements as noted above, Council can also put in place the relevant planning framework, zone and overlay, prior to sale so it is clear what development outcome is required in terms of overall heights and densities.

This approach requires Council to define the required proportion of affordable dwellings to be delivered which then enables the market to determine a suitable value of the land. A relatively low target— 5% or under – may be more attractive to a private developer because it could be more confident that it could transfer a small number of completed properties in a development to one or more of the smaller RHA's and provide greater profit for the remaining private dwellings to be sold on the open market. This would result in a greater return to Council on the sale of the land and may result in increased viability of the project overall. Based on available research it would appear that this option would not deliver the scale of affordable housing delivery on Council-owned sites which the MAHS envisages.

Moreland has used a s173 condition which committed development of half the dwellings as social housing on the sale of a small block its of land in Coburg in 2014. The purchaser was not a private developer but a small RHA, Womens Property Initiatives. Planning approval for a 7-unit townhouse development which will be 100% social housing was granted in August 2015 and the construction will be financed by the Victorian Property Foundation.

## 16. OPTION 3: LAND TRUST MODEL (PRIMARY RECOMMENDATION)



The Land Trust model involves the transfers of land or grant of a long leasehold interest to an independent charitable trustee. The trustee entity is an organisation that holds land in perpetuity for the provision of affordable housing. A Land Trust can also have objectives for the provision of other community benefits such as small enterprise spaces, kindergartens and other community infrastructure.

This model involves the gifting or transferring of land for a consideration below market value to the Land Trust. The Land Trust may have an RHA as its trustee or enter into agreements with RHAs for delivery of key operational aspects of its work.

The Land Trust model has the following advantages

- Ability to participate in innovative development and financing models
- A defined-purpose entity which can ensure a consistent approach to meet Council's aims
- Scope to include multiple agencies and other local Governments in the governance of the trust to broaden the scope (for example a "Northern Melbourne Land Trust")
- Council's reputation is protected by the Land Trust being a separate entity.

### **Delivery options**

Tenancy and Property Management- the Land Trust can either:

- Provide these services in-house, where the Land Trust is an RHA or
- Contract with a RHA to provide these services (the Land Trust pays the RHA a service fee).

Development and Construction- the Land Trust can either:

- Commission a contractor to construct the dwellings or
- Appoint the RHA to manage the construction.

### **Governance**

Land Trusts may be either incorporated associations or companies limited by guarantee.

A charitable company limited by guarantee is a "not for profit entity" familiar to the commercial sector and this is likely to assist with the raising of capital. The beneficiaries of a Land Trust are

aligned with its purpose, which means that they receive the benefit of the services and facilities that are supplied to them by the Land Trust.

To have charitable status, a charitable entity needs to be an organisation that has 'charitable purposes'. The most likely purposes applicable to a Land Trust are:

- *the relief of poverty or the needs of the aged*
- *other purposes beneficial to the community*

Current legal advice recommends that a Land Trust is established as a charitable entity because:

- A charitable entity can make a profit however any profit cannot be distributed to their individual benefit and must be used solely for the purposes of the objects or purposes set out in its constituent documents.
- In the event a charitable entity is wound-up, any surplus assets or profits which remain after the entity has satisfied its liabilities cannot be distributed to its members and can only be distributed to other charitable entities with similar purposes. This means that if Council transfers its land to the Land Trust, it can be assured that the land will remain in use for public benefit.

### **Board directors and Council influence**

Board Directors are responsible for the general control and management of the administration of the Land Trust. As with any Board, they should be appointed based on their skills, knowledge and experience, including specialist financial or marketing skills. Directors can be drawn from beneficiaries of the Land Trust such as tenants or housing associations or from the community as a whole including neighbourhood residents or local business operators.

Council has three ways to exercise influence over the Land Trust:

- a. Through board membership
- b. By imposing restrictions on use of the land, and
- c. Through a partnering agreement (see section 11)

With regard to (a), if Council wishes to establish the Land Trust as a Council entity then it can reserve the right to appoint all (or the majority of) board members. If the Land Trust is to be independent of Council (for instance to allow the significant involvement of other entities such as a RHA or another Council) then its nomination rights would be limited to 49%.

Any Councillor serving on the Board of the Land Trust would need to be aware of potential conflicts of interest between Council and Land Trust business, bearing in mind that as a director of a company their prime duty in law is to act in the best interests of that entity.

### **Funding sources for land trusts**

While established as a model in the UK and US, the Land Trust model is a new concept in the Australian housing sector and there is, as yet, no working model (meaning a Land Trust that has actually built dwellings). This does create a degree of uncertainty about the ability to attract funding

and private sector finance. However the success of the model in similar countries should encourage us to advance with a degree of confidence.

Some of the funding sources specifically for Land Trust funding could include grant funding, through The Victorian Property Fund and other charitable funds, and private finance.

In recent times some banks and financing entities such as Bank Australia (formerly bankmecu) and Bendigo Bank have taken the opportunity to invest in innovative affordable housing models. The University of Melbourne Transforming Housing Project, which Council has supported is currently working with private sector financiers and developers to facilitate the funding of 'demonstration model' affordable housing developments, with a particular interest in trialling a Land Trust model.

### **Community Land Trusts in the United Kingdom**

In the UK, the National Community Land Trust Network has developed a resource for local councils: the Large Scale Voluntary Transfer Manual- which provides detailed guidance on how councils can resource Land Trusts. This includes arrangements of Service Level Agreements (SLAs) where a council may provide certain services (financial, HR, communications) to the Land Trust to minimise overheads in its early years. An emerging model to support new Community Land Trusts in the UK is the role of regional support specialists who are based part-time in Council offices with a skills and capacity development role working with both community members and council officers.

### **The Equity land Trust Model**

The Equity Land Trust is a model that utilises capital from home buyers to fund construction. The price of these homes excludes the cost of the land, which is held in trust. The homes would be targeted at long-term private renters who, because they have been unable to afford to purchase in the market may be vulnerable to homelessness, especially after retirement. Over time a trust could enter into cross-subsidies that could pay for social rental or be used for the purchase of more land. If an owner in an equity land trust wants to sell their property they retain only a portion of the capital growth. The remainder goes back to the land trust which can use the funds to ensure the affordability of the property is retained into the future.

While this model that may meet some of the needs of those on middle incomes currently locked out of housing ownership, and Equity Land Trust doesn't meet Council requirements in terms of providing affordable housing for a diverse population. The model requires residents to have a home deposit and to be able to pay a mortgage and this puts the housing out of reach for the homeless, those on low incomes and those on government benefits. While this housing model is not one that Council should initiate it is one we could consider supporting if approached in the future. As yet there have been no Equity Land Trusts established in Australia.

## 17. OPTION 4: LEASE OF LAND TO A REGISTERED HOUSING AGENCY (SECONDARY RECOMMENDATION)



### Lease of land to a housing provider to develop and manage

This option involves the lease of land, via the grant of a long leasehold interest, by Council, as in existing arrangements outlined in Section 3. Using this model, Council is able to control the future use and development of the land by imposing restrictions on its use. For instance, it leases the land to an RHA on the condition that:

- The RHA funds the costs of construction and appoints a contractor to construct the dwellings.
- The RHA leases the dwellings for affordable housing purposes based on terms prescribed by Council.

The land lease to RHA model has these advantages:

- The dwellings are wholly controlled by an RHA, whose core business is to develop and manage affordable housing
- Council transfers a development risk to a party not connected to it
- Council can set the rules without being involved in ongoing governance
- Council's financial (or in-kind) contribution can be multiplied many times over due to the RHAs ability to raise private capital.

The Background Paper tells us that Registered Housing Agencies see councils such as Moreland as potential partners and they are keen to work with us. This paper (and, in more detail, the Background Paper) has identified that there are a range of ways that Council can partner directly with RHAs and meet the policy objectives of the MAHS. Therefore, it is recommended that Council consider leasing land, in particular airspace, to community housing providers as opportunities arise.

## 18. IMPLEMENTATION: GETTING MORE 'HOMES WE WANT' IN MORELAND

### Moreland Land Trust

It is recommended that Council establish a land trust. The establishment of a land trust is a demonstration by Council to the community that we are responding to need and are committed to improving the provision of housing through perpetual affordable rent. Another Land Trust, with an equity home purchase rather than affordable rental model, is being established in the southern suburbs of Melbourne with land provided by the State Government<sup>8</sup> and a grant from a philanthropic trust. A technical reference group has been set up, and there should be opportunities for learning and exchange between Moreland and this project.

Using models based on the development of UK Land Trusts, Council will be, in the initial phase of development, a partner in providing research, skills development and capacity building.

<sup>8</sup> The Age 9 July 2015, [Proposal for public housing tenants to buy their own homes](#).

It is recommended that:

- Moreland establish a Land Trust by March 2016.
- The aim of the Trust is to have reached a sustainable level of operational capabilities that allow it to plan its first project within twelve months, and to be providing housing within three to five years of its establishment.
- Council should allocate an airspace development site to the Trust.
- \$30,000 of Council's the current \$50,000 committed to the Moreland Affordable Housing Reserve should be allocated to the Moreland Land Trust for an initial three year period.

#### **Lease of land to a Registered Housing Agency**

While the Moreland Land Trust is recommended as the primary means to develop Council-owned land as the long term It is recommended that Council lease land to suitable Registered Housing Agencies as opportunities arise where a project can be delivered through a simple partnership agreement. The criteria for choosing RHA's should include the RHA's record of housing vulnerable communities that Moreland has prioritised, the provision of secure tenure, the ability to obtain funding, and good governance.

## 19. ATTACHMENTS

D15/158543 *Moreland Affordable Housing Background Paper* (Background Paper) (18 pages).

This report was commissioned from the Planet Group in April/May 2015 to report on the needs and requirements of the community housing sector in relation to providing affordable and social housing in locations such as Moreland.

