

Not relevant



7 Cabinet Notes for Information

Not relevant



702 AFFORDABLE HOMES PROGRAM - HOME OWNERSHIP INITIATIVE (Jay Weatherill) - **NOTED**

Not relevant



702

CABINET NOTE

TO: THE PREMIER FOR CABINET TO NOTE

RE: AFFORDABLE HOMES PROGRAM – HOME OWNERSHIP INITIATIVE

1 PROPOSAL

- 1.1 To inform Cabinet of the launch for the home ownership initiative under the AFFORDABLE HOMES Program in late August 2007.
- 1.2 The AFFORDABLE HOMES – home ownership initiative is a program of the SA Affordable Housing Trust (SAAHT), Housing SA to increase the supply of low cost modest homes and to structure the sale of these homes to give preference to low and moderate income home buyers.
- 1.3 AFFORDABLE HOMES are exclusively for sale to eligible households for a limited period of time at a maximum fixed price.

2 BACKGROUND

- 2.1 The Strategic Plan establishes key priorities and targets that relate to housing affordability, namely:
 - Increase affordable home purchase and rental opportunities by 5 percentage points by 2014 (T6.7)
 - Halve the number of South Australians experiencing housing stress by 2014 (T6.8).
- 2.2 A further target for all new significant developments to include 15% affordable, including 5% high need housing was established in the Housing Plan for SA (2005) and the Planning Strategy (2006).
- 2.3 The housing reforms announced in May 2006 emphasised the need for a wider set of market based solutions in the provision of affordable housing.
- 2.4 As part of these reforms, Cabinet approved the establishment of the SA Affordable Housing Trust (SAAHT) as a Division of the restructured South Australian Housing Trust (SAHT) to recreate the earlier innovation the SA Housing Trust achieved in the provision of *housing for purchase* by owner occupiers. SAAHT will work with industry to develop new affordable housing rental and *ownership supply initiatives* for low to moderate income South Australian households including housing for regional workers.
- 2.5 The rise in Adelaide's median house price to \$300,000 has put affordable home ownership out of the reach of many South Australians. Just 13% of detached sales in metropolitan Adelaide in 2005/06 were affordable to the lowest 60% of household incomes and just 5% for the lowest 40%.

- 2.6 There is also a growing mismatch between size of dwellings and household size with the former increasing and the latter decreasing, placing greater pressure on housing affordability.

3 DISCUSSION

- 3.1 The housing programs are currently providing homes for purchase by low and moderate income households.
- 3.2 Since the launch of the Housing Plan of SA in March 2005, sales of public and community housing have been targeted to existing tenants supported by the Equity Start loan. Approximately 600 new affordable home purchase opportunities have been created since this time.
- 3.3 The sales of these homes have been limited to public and community housing tenants. This pool of potential buyers is limited given the targeting policies of the past decade, while the need for affordable housing opportunities in the private rental market remains high.
- 3.4 The AFFORDABLE HOMES Program will give preference to eligible low and moderate income buyers (not just sitting Housing SA tenants) and provide greater choice and opportunity to those in need of government housing assistance.

The Home Ownership Initiative


- 3.5 The objectives of the home ownership initiative within the AFFORDABLE HOMES Program include:
- **increasing the supply** of lower cost, well located and designed housing stock available for purchase by **low to moderate income** households;
 - structuring the sales program for this new supply to give preference to **eligible low and moderate income home buyers** (noting that in some cases these buyers may require a specialised affordable financing package);
 - contributing to the State Government's **urban consolidation objectives** as well as wider affordable housing objectives such as transit oriented development, energy efficient designs, housing for diverse household types and accessible housing;
 - develop models which are market based and sustainable solutions that encourage **investment by partners from the private sector, local government and NGOs**;
 - utilising the best expertise available across government agencies; and

- ensuring that **risk** is appropriately measured, managed and apportioned.
- 3.6 Approximately 600 new affordable homes for purchase and rental are required each year to meet the State's 15% target (based on estimates that half of the 8000 underlying demand is on sites greater than 20 lots).
- 3.7 Given the financial constraints of the housing system, the vast majority of these will need to be provided by the private sector with limited additional government subsidy. The home ownership program provides a cost effective framework.

Eligible home buyers

- 3.8 Eligibility will be limited to low and moderate income households (gross household incomes up to 120% of median income, adjusted for regional areas and larger households – currently \$53,000). Eligible buyers must be owner occupiers.
- 3.9 Potential buyers can self assess and list on an Enquiries Registry, which will be maintained by Housing SA, linked to systems and service centres established for social rental.
- 3.10 All applicants will need to satisfy the lending criteria of the loan provider and separate criteria may apply for specialised lending products.
- 3.11 Information collected on the profile of demand of eligible buyers (desired location, dwelling type and price range) will provide valuable market information to the development industry.

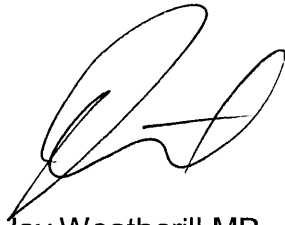
Homes to be listed on the Property Locator

- 3.12 Affordable Homes are listed on the Property Locator website and can be identified in other advertisements through the distinctive icon . In 2006/07 the indicative price is up to \$203,000 in metropolitan Adelaide and is updated annually.
- 3.13 This affordability benchmark can be achieved through a variety of approaches and/or a combination of:
- design and construction of simple, high quality homes, resulting in a lower market value (smaller homes on smaller lots)
 - innovative home financing, such as subsidiary mortgages, shared equity or subsidised financing options
 - the assignment of a restrictive covenant / agreement on the property providing some control over the sale and resale price of the property.
- 3.14 Homes will be advertised for a fixed period (typically 30 days for Housing SA divestment and 90 days for new build) and restricted for sale to an eligible buyer during this period at a fixed market price.

- 3.15 Developers will be responsible for advertising their properties and sales contact will be directly between developers and potential buyers.
- 3.16 A key source of listings is through former public housing stock identified as suitable for affordable home purchase via the Housing SA divestment strategy, which has identified the need to sell 8,000 homes over the next 10 years.
- 3.17 Another growing source of properties are those developed as part of the government's 15% affordable housing target. More than 1,000 affordable homes have already been committed through this program through the setting of affordable housing targets on government land releases.
- 3.18 Also of importance are the homes generated through Housing SA regeneration activities. As Housing SA seeks to reduce its concentration of housing, it replaces this stock with a greater diversity of housing forms (also supporting urban consolidation).

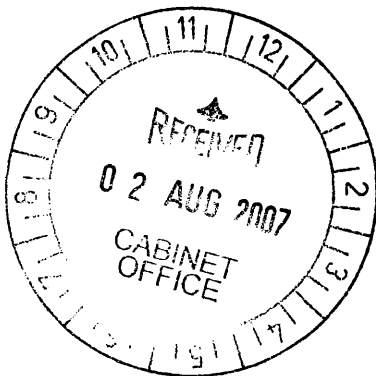
4 RECOMMENDATION

- 4.1 It is recommended that Cabinet notes the launch for the home ownership initiative under the AFFORDABLE HOMES Program in late August 2007.



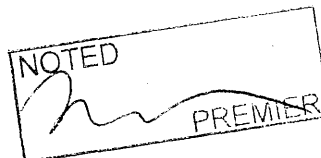
Hon Jay Weatherill MP
MINISTER FOR HOUSING

28/2007



In Cabinet

- 6 AUG 2007





**AFFORDABLE
HOMES**

Parafield Gdns



184 Kings Road Auction 5/7 @ 12.30
1st Open SUN 2-2.45 \$170,000 Plus

A Very Affordable Home – Huge

Potential WEB ID 550591

Brenton Barron 0418 850 494

Smallcombe Sanderson 8130 1400