

Millienum 3 Community
RSD Project (NGO)
C/0 PO Box 194
MARYBOROUGH VIC 3465

Productivity Commission
LB 2 Collins Street East
MELBOURNE VIC 8003

Dear Commissioners,

FIRST HOME OWNERSHIP INQUIRY - SUBMISSION PRACTICAL "SOCIAL CAPITAL" MECHANISMS FOR HOUSE OWNERSHIP IN LOW INCOME SITUATIONS THE MILLIENUM 3 CREATIVE AFFORDABLE HOUSING FACILITATION SYSTEMS MODEL - CENTRAL GOLDFIELDS

Introduction

The purpose of this submission is to ensure that, in addition to the current State & Federal Government home ownership assistance programs, and various equity and other suggestions to date in the Issues Paper 5 "Mechanisms to assist first home buyers", some more practical, modest, self-help community based, models be part of the Commission's considerations.

The objective is to have such approaches evaluated and included in the Exposure Draft and later incorporated as part of the final report of this Inquiry as a package mechanism to achieve first home ownership when other options are not cost effective, affordable, available or accessible to Low Income Households.

The submitter would also request the opportunity for presentation to the future hearings of the Commission in this Inquiry.

The First Home Ownership Context

The Issues Paper (Figure 1 - page 4) shows the real housing price upward surge 2000/02 (to \$400K) contrasting with the first home purchase downward plunge 2001/02 (Figure 4 page 8) (60,000 households and growing) and the growing first home most disadvantage group, the life cycle group "couple with children" declining from 36.4% of buyers to 27.1% relative decline 25% (1990/01) being replaced by the "loan person" (relative increase of 30%).

The Issues paper is correct in including the topic of affordability of rental housing but for a different reason than influencing purchasing decisions (p2) of choice. For low income (no choice) households the problem is of the rising costs of renting as property prices rise outstripping Commonwealth rent assistances rises and household incomes particularly for welfare recipients.

There is a plethora of both anecdotal evidence and academic discourse (e.g. Dr Winter of AHURI) to prove this.

The Commonwealth & States thus have more than a social stake in these dynamics. There is an emerging future fiscal "black hole". There is an urgent imperative to find mechanisms to assist home ownership in the short & medium term to avoid massive long term outlays from the accelerating rental assistance and housing outlays of Governments. The challenge is to

bridge the shrinking rental/household Income gap and increasing number of household joining the government assistance regimes (multi Enabling & facilitating home ownership is the key to solving this problem.

To avoid both the fiscal burdens and social disfunctions that will evolve through inaction by Government, there is an urgent need for new programs by governments, with government assistance and funding, to achieve home ownership .

Through Proactive programs and what the Issues paper refer to as "Various arrangements and proposals to assist household particularly lower income households, to benefit from owneroccupied housing..." (p3) , different outcomes can be achieved. Such interventions in housing markets however will have to include more innovative broad spectrum issues as spatial matters & creative solutions and also engage "social capital" community partnership approaches to substantially leverage government outlays & assistance, beyond current housing assistance practice, (rent assistance and public housing).

Why the Regional Context & Emphasis?

The regions can offer the greatest cost advantages in housing & land affordability. The regional communities are more cohesive & definable and better able to accommodate community housing regimes. The lessons of history. When Australia had the world's highest home ownership (90%) (& standard of living) in 1900 , 66% of National population lived in Regional cities & towns.

Overview of a Community based on "Social Capital" Home ownership Approaches

The submitter is aware that the Productivity Commission has undertaken an initial "Social Capital Research Paper". Such matters are directly relevant to these community based approaches.

The submitter addressed the nature and prospects of a Creative Affordable Housing model in a submission to the Victorian State Governments Housing study by Hal Bissett, known as the Social Housing Innovation Project (SHIP) of November 2000. All the propositions put at this time not only remain, but are even more relevant today.

Appendix 1 is the Executive Summary of this paper using the SHIP topic heading. Such comments are in the context of broadening the existing (& still current) Government Housing Assistance regimes toward affordable home ownership scenarios for low income households.

Nearby a decade ago (May 1994) the Central Goldfields Rural Housing Project (TBA Planners) (appendix 2) addressed many of the same issues now presenting to this Inquiry not much has changed other than the problem is larger, the challenge remain and the solutions suggested are still valid, such as the Owner Builder Scheme (page 19) suggested in this study.

Salient Quotes from this study directly relevant to this Inquiry are;

445

Housing Innovation & Design

5.1

Innovation in the Housing Industry

The report "Innovation in the Housing Industry", prepare by the Australia Housing Industry Development Council (1993) , identified that "there has been a considerable level of innovation other than technological, particularly through deregulation, in the provision of housing finance, and in regulations affecting both the costs of subdivision development and increasing densities.

However, with a few exceptions these innovations have not resulted in any visible changes to the housing product which is still predominantly the detached brick veneered bungalow" (p32) .

A study on innovation in housing in the US suggests that because of the fragmented nature of the industry (similar to Australia), new technologies can take between 15 and 20 years before being adopted by the majority of builders." (page 13 of Summary Booklet)

"The AHIDC report (1993 , p41) states that the major impediments to innovation in the housing industry derive from the nature of the house building industry and the size and geographic spread of the housing market - reflected in six dominant themes nominated by most industry commentators:

under-capitalisation; fragmentation; inadequate skill formation; industry and market caution; regulations and standards; inadequate research, development and design." (page 14 of Summary Booklet)

Innovation Approaches - based on traditional practical, self help, community models

The types of "mechanisms" to date (pages 22 / 24) have concentrated on the important, shared equity, fiscal, lending & taxation areas of home ownership. While other market outcome determinants are nominated in the Issues Paper (section 4) there are other "non market" community capacities in tandem with government assistance that could be developed and engaged. These techniques and potential new government programs are a development & expansion of an existing but small government program as will be later discussed. They are included in the realm of "shared & group building schemes" referred to in "Mechanisms" (page 23) . The concluding sentence to the Issues Paper poses the question, "Are there other mechanism that could be adopted to improve accessibility and affordability for first home buyers". The answer is yes, as this submission & model will clearly demonstrate.

Fundamentally the submission advocates for substantial cost savings at the land development, house construction end of the home ownership matrix.

These approaches while utilizing existing government assistance programs involve;

- 1 . The most affordable land prospects located in the Regions (not the Metropolitan areas) although the model is translatable. There is a fundamental spatial aspect to home ownership in regional planning ambits.
- 2 . Gain cost efficiencies in the land development processes by innovative construction techniques and community "not for profit and pro bono design & development & professional inputs (namely a more cost effective community model than current government urban land authority type regimes.
- 3 . Leverage human equities "sweat equities" and intellectual capital" through "social capital" approaches in the house land design and construction processes in order (for participant households themselves to different) build modest housing to proceed costings designs and models (display village) using a range of innovative materials.

4. Eliminate a wide range of commissions, lower tax thresholds, profits, interest charges, fees, charges and a plethora of other "on costs" and add ons to the current market based house/land project home package processes & products through Not for profit, cost recovery, pro bono and NGO organisation with government assistance.

The outcome is to enable single equity low income regional house ownership. A comparison sheet detailing (in 2000) these approaches is included in [Appendix 3](#).

The types of housing possible in the regions is modest 7 - 12 squares, efficient design & material choice of the order of loan/cost of \$90 - \$120K Market Value/Equity \$115 - \$140K (costs leveraged by \$25 to \$40K by various government assistance, community assistance self help (sweat equity) and a wide range of other savings and economies - a least cost model.

Housing and Land Development is not "rocket science" but it does require systems. It is quite possible apart from normal market project homes and government housing ambits, through owner builder, either as a group scheme or differentially on an individual household basis, through a robust building, management & supervision system based on known models, costs & fundings, to create home ownership outcomes.

5. The Millenium 3 Community Regional Sustainable Development Project Creative Affordable Housing Facilitation Systems.

A home ownership model system has been developed over the last 5 years at local (NGO) community level in the Central Goldfields. This facilitation system was, co ordinated and drafted by the submitter - an urban and regional strategic planner with 30 year diverse professional experience (including Regional Development at Commonwealth Level) in collaboration with & support by the local (regional) Central Goldfields Community. It forms part of integrated "social capital" project known as the "[Millenium 3 Community Regional Sustainable Development Project - Central Goldfields](#)". This model received peer recognition (in terms of community capacity building "excellent submission" by Professor Jan Carter of Deakin Human Services in her Review of the State (Vic) Department of Human Services - September 2000). The home ownership componential is titled "Creative Affordable Housing Facilitation Systems". This initiative is a basic principles, traditional approach to house ownership provision & outcomes. The Nation has forgotten such approaches, as a symptom of the 1960/80's housing boom & then fragmenting and division of society with its manifestation of shrinking National home ownership prospects as identified in the Issues paper.

It forms part (together with Life Skilling including construction & hand skills development), of a wider community capacity building project.

The attached chart (appendix 4) explains the system. The project also had identified a display village site to demonstrate, modest house designs & constructions, prove up models & preliminary cost the housing facilitation system in 2000.

Such system could be viewed as an innovative extension of an existing Vic State Government housing program known as the [Group Self-Build program \(Department of Human Services Victoria \(appendix 5\)\)](#).

The Victorian Department of Human Services "Group Self Build Program

This existing self-help home ownership Scheme developed from an original, broader, selfbuild concept 20 years earlier in Victoria under the then Victorian State Government Housing Minister, Jeff Kennett. The following extract comes from the Web Site.

"What is Group Self Build?"

Group Self Build is an owner builder program that provides home ownership opportunities to people who are willing to commit their time and energy to building their homes and the homes of others in groups of 10 to 12 families. Group Self Build is managed by the Department of Human Services and sponsored by the Estate Agents Guarantee Fund. This has been an innovative and successful Government program that has housed over 530 Victorian families in new 3 and 4 bedroom brick veneer homes.

Group Self Build allows you to buy a vacant block of land from the Department's Director of Housing. Together with other Group Self Build members, you can then build your own home.

The time and effort that you put into building the home replaces a cash deposit. The Director of Housing can provide a special short-term loan to pay for the land, building materials and establishment costs. This bridging loan must be repaid when your home is completed. TO do this, you need to arrange a long-term loan from a bank, credit union or other lender."

"Group Self Build is a Victorian Government home ownership initiative administered by the Department of Human Services and sponsored by the Estate Agents Guarantee Fund.

The Director of Housing provides bridging finance to enable participants to purchase land and pay for construction. A group usually consists of 12 homes sited near each other. A feature of Group Self Build is that you do not require a cash deposit. Participants contribute 20 hours per household per week over a period of 7 to 9 months to help build each other's homes. At the end of construction the equity generated during construction takes the place of a deposit and is used to assist in obtaining housing finance to repay the Director of Housing's bridging loan".

Comment

The current program is an excellent self help home ownership model. A partnership between community/government/Industry. The major constructive criticisms of this Scheme however is that it is limited in terms of low income" access, requires considerable time (sweat equity) inputs in a tight construction time frame. The program requires a capacity to borrow to fund a house/land (13-15 square) package cost of \$120/150K. This means a household Income of between at least 700p/w (\$35-40K). Very recently I am advised by an officer of the program that in the context of a public Housing area in Bendigo, the Scheme has proposed a special access package where the State Government (for welfare and part time income households) have offered a free land component to help leverage the accessibility of the Program to participants with household Incomes of \$500 p/w (\$26K).

This initiative lowers the loan thresholds required to 95-115K, and allows wider accessibility.

The modified community self-help proposal clearly demonstrates that governments with the other various cost assistance, (e.g. first home buyers grant \$7K) etc via home ownership schemes such as the Group Self Build can in the regions create home ownership from otherwise life, government housing tenants or rent assistance households. Short term

government assistance cost outlayers for home ownership gains v/s permanent long term government outlay pain. These are seminal matters for this Inquiry in low income home ownership scenarios.

The current Group Self Build (Victoria) scheme has assisted 530 families. A broader and more flexible scheme, with greater -government assistance, more community & cost reducing inputs etc, such as documented proposed in the Millenium 3 system, **thousands of households in Low Income circumstances could become home owners.** It involves spreading the enabling and facilitation cost savings across a wide range of players and ambits and at all stages of the land and building development & construction phases and in the products and loans employed.

Comparison of 3 Models

In appendix 6 is a brief tabular comparison and analysis of the 3 systems discussed to date.

1. Group Self Build Program - Standard
2. Group Self Build Program - Modified
3. Millienum 3 Creative Affordable Housing Facilitation System

The existing and potential interventions and features are compared and identified to demonstrate the prospects.

Conclusion

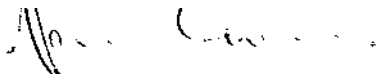
I would compliment the Commonwealth Government and the Commission for their foresight in conducting this Inquiry on this vital brief for the future of the Nation. The "Lucky Country" is rooted in the tradition of home ownership. The Commission needs to consider and identify all feasible options that will enable first home ownership to become the continuing and increasing reality rather than a memory for an increasing number of Australia Households. ^{1,-1}

Norm Cameron

STRATEGIC URBAN & REGIONAL PLANNER

13/10/03

Convenor Millienum 3 Project (NGO)



Appendixes Millienum 3 - Home Ownership Inquiry Submission

Appendix 1	Millienum 3 submission to Social Housing Innovation Project - Hal Bissett 2000 Executive Summary of submission (5 pages)
Appendix 2	Central Goldfields Rural Housing Project 1994 Summary Booklet (20 pages)
Appendix 3	A Comparison of Leveraging between the Millienum 3 model and project home (market) model (2 pages) to demonstrate potential savings areas and efficiencies.
Appendix 4	Brief Chart detailing the nature and structure of the Millienurn 3 Creative Housing Facilitation System Project (1 page)
Appendix 5	Brief Details of Vie Government DHS Group Self Build Program (9 pages)
Appendix 6	Comparison of Group Self Build (2 Models) with Millienum 3 Model
Appendix 7	Brief Description of the Millienum 3 RSD Project.