

CIVITAS SOLUTIONS PTY LTD  
FINAL REPORT TO THE PROJECT CONTROL GROUP  
AFFORDABLE HOUSING FEASIBILITY STUDY  
JOINT COUNCIL'S KEY WORKER HOUSING PROJECT

JUNE 2023

**CIVITAS SOLUTIONS PTY LTD  
LEVEL 29 CHIFLEY TOWER  
CHIFLEY SQUARE. SYDNEY NSW 2000  
TEL: 0292527177  
[www.civitas.biz](http://www.civitas.biz)**

## ACKNOWLEDGEMENTS

This is the summarised updated and consolidated final Report of four earlier reports commencing 10 October 2022. This is Affordable Housing Feasibility Study Joint Council's Key Worker Housing Project Final Report.

We would like to thank the following organisations for their input suggestions and comments:

- Westpac and Bank SA
- Bendigo Bank
- Local Government Finance Authority
- PropTrack
- Regional Australia Institute
- National Housing Infrastructure Facility
- Leonie Boothby Associates
- Australian Bureau of Statistics

And of course, the Project Control Group Members from:

- a. Tatiara District Council
- b. Coorong District Council
- c. Naracoorte Lucindale Council
- d. Southern Mallee District Council

(the PCG Members)

## EXECUTIVE SUMMARY

### BACKGROUND

The Feasibility Study was commissioned to provide an understanding of the local housing market failure in the PCG LGAs in relation to regional affordable housing and potentially how to address the problem. The Feasibility Study was supported by:

- a. Tatiara District Council
- b. Coorong District Council
- c. Naracoorte Lucindale Council
- d. Southern Mallee District Council

The four Local Government areas make up the PCG LGAs. Three of the four council currently own land suitable for residential development.

Funding for the project has been provided by the Local Government Association of South Australia's *Local Government Research and Development Scheme* and the four councils.

The PCG LGA's had identified that there is an ongoing shortage of key worker accommodation within their respective areas. The shortages were impacting the ability of local industries to attract and retain key workers, and also have the subsequent knock-on effect of reducing potential productivity to the local economies. The current housing construction and development applications were insufficient to meet the estimated current or future demand. Civitas had previously met with the four Councils and presented its Affordable Housing model, as an option to address, at least in part, the affordable housing shortage.

The Goal of this Project is to undertake a Feasibility Study into the delivery of affordable housing for defined cohorts of people across the four Local Government Areas.

The key Objectives were to examine the viability and demand for Council led, small scale estates of housing, using the Civitas financial model or a modified model developed by Civitas Solutions where council land was not available.

In particular, the Feasibility Study was to:

- assess demand for key worker housing in the Project Control Group Councils Local Government Areas (LGAs);
- consider whether demand for key worker housing (owner occupier/rentals) was being met by normal market mechanisms;
- identify if demand was not being met, why demand was not met by existing market mechanisms;

identify options for how the Civitas model (or variations of) could provide a potential solution for introducing more affordable housing into the LGAs.

The Feasibility Study was limited to key worker new owner-occupier or key worker rental housing and excluded social or affordable housing focused on people not in full-time or part time employment.

## SUMMARY OF FINDINGS

### 1) Why Is Demand Not being Met – Market Failure

Banks value new housing in the PCG LGAs based on postcodes. Postcodes within the PCG LGAs are all category 7 for lending purposes, which is different to the bank's lending criteria for capital cities.

Category 7 lending criteria is based on land value and the valuer's assessment of the cost of construction. Banks do not include the usual property developer's premium of approximately 30% with a loan in a category 7 postcode. As a result, the bank's valuation is often approximately 60% of the property developer's asking price. The standard loan to valuation ratio of 80/20 results in many potential buyers being unable to finance the loan. A simplified explanation is as follows:

#### **Property developer price – new build**

\$100 = Land + Construction Cost (\$77) + Developer Premium 30% (\$23)

#### **Bank valuation**

\$77 = land + development and construction cost (excludes 30% developer premium)

\$15.40 = 20% home buyer deposit based on valuation of \$77

#### **Bank loan**

Bank lends 80% of valuation (\$77) \$61.60 on a new build by a property developer whose price is \$100.

The bank's valuer always inspects a new property for valuation purposes in a category 7 area. The valuer may, if the data is available and appropriate, consider the sale price of 3 similar dwellings over the past 6 months.

Understandably the Bank's lending valuations, can make it difficult for property developers, who would have to the risk of development without a commercial premium on the sale, as the bank's valuation methodology excludes the property developer's premium and values at cost.

The second issue is that property developers are finding it more difficult to obtain construction finance for house and land packages. Property developers are traditionally required to:

- own the land unencumbered or have a mortgage with the proposed lender;
- have the site shovel ready with development approval;
- have an agreed level of capital;
- In medium density developments the bank will often require 75% pre-sales.

We understand banks also consider the likely valuations of the dwellings on construction completion and take that into account when the property developer indicates their return on investment. The collapse of a significant number of property developers and builders over the past 12 months has resulted in banks being more cautious in providing loans to developers. As a result, compared to demand, there are insufficient new residential dwellings being constructed by property developers.

## 2) Supply

Supply is not rising to meet demand in the PCG LGAs. The Regional Australia Institute “Building the Good Life: Foundations of Regional Housing - May 2022” (RAI May 2022) noted that each of the PCG LGAs in this Feasibility Study are categorised as “Stable”. The RAI May 2022 recommended that rezoning land as “residential would assist in addressing the housing shortage” and noted that “While more local land might be zoned as residential, state and local policy makers should consider policies that activate this land to be development ready.” Civitas notes that the RAI May 2022 was limited to research on changes that Government could implement to increase the supply of housing. It did not consider other impacts on housing supply.

The Civitas Interim Report of December 2022 found that there is more than sufficient land zoned residential across all PCG LGAs that is investment ready. There are several property developers in the local area with tradespeople available to undertake developments. There is available investment ready land, with prices for housing continuing to increase, local property developers and current availability of tradespeople to construct dwellings.

A review of the development applications from the previous 12 months across the PCG LGAs in January – February 2023 (included in the Phase 1 Stage 3 Report) indicated that very few residential developments were being proposed in PCG LGAs the foreseeable future.

The key question is why are new dwellings not being built?

It is apparent there is market failure in the new housing sector across the PCG LGAs that needs to be addressed.

## 3) Demand

Civitas assessed the demand for key worker housing using Proptrack data for January - February 2023 and PropTrack sales data based on postcode and SQM Research rental data. Proptrack data indicates the optimum rental vacancy rate should be approximately 3%, the point where demand is considered to be roughly equal to supply. Rental vacancy rates recorded by [realestateinvestar.com.au](https://realestateinvestar.com.au) in June 2023 ranged from 0.12% in Tatiara and 0.11% in Naracoorte-Lucindale to 0.012% in the Coorong and 0.0% in Southern Mallee, indicating a severe shortage of rental accommodation.

Demand for housing for purchase or rental in all PCG LGAs continues to exceed supply. The Employer Survey May-June 2023 indicated that local employers were unable to obtain sufficient staff due to the chronic ongoing shortages of housing. 34 Employers indicated that they were interested in purchasing housing for incoming staff, alternatively employers were willing to offer rental guarantees to investors for their staff.

ABS census results for 2021 indicate that affordability is not the major issue. Mortgages and rents in most cases at the time were approximately 25% of gross household income, which, even taking into account interest rate increases, is still below the threshold of housing stress of 33% of gross household income.

#### **4) National Housing Infrastructure Facility (NHIF)**

NHIF may potentially provide loans for infrastructure in the PCG LGAs in the future, if as expected, existing applicants are unable to complete NHIF requirements in the 2022-2023 financial year. If that is the case a small amount of NHIF funds may be briefly available for new applicants up until August 2023.

#### **5) Regional Development Growing Regions Grants**

Expressions of Interest for Growing Regions Grants were announced in May 2023 and open on 7 July 2023 and close on 1 August 2023. Grants are available of \$500,000 to \$15million to local government for capital works in regions outside capital cities.

#### **6) Options for Councils**

- a) No change and hope that the market and existing purchasers, builders and property developers are able to obtain adequate finance to addresses the ongoing housing shortage;
- b) PCG LGAs utilise council owned or purchased land and finance the construction and sale of new dwellings using council funds;
- c) PCG LGAs borrow funds from the NHIF or obtain grants from Growing Regions Grants to finance infrastructure to reduce the cost of new council owned or private developments;
- d) Utilise the Civitas Model to obtain a government guaranteed bank loan to finance housing development at cost (land value plus construction costs as determined by the lending bank) to pre-approved future owners utilising LGA owned land where available;
- e) Where LGA owned land is not available and private land development was proposed to be supported by council, the primary focus would be to manage the risk to the guarantor. One option would be to require a first mortgage to council over the privately owned land with council step in rights to appoint a new builder to complete construction on default. It would also be necessary to ensure that the sale price on completion met bank lending criteria and that pre-purchase agreements were in place. This approach would require further detailed work and support from the guarantor regarding the specifics surrounding the private land ownership.

### **CONCLUSION**

The Feasibility Study indicates that there is a chronic ongoing shortage of housing in the PCG LGAs. The housing shortage has not and is unlikely to be addressed with current market mechanisms. PCG LGA regional housing market failure is in large part due to bank lending criteria which is set at a national level and is reinforced by strict regulatory requirements on bank lending.

Councils who own appropriately zoned land may decide to finance the cost of construction of new dwellings using council funds, operate as project manager and market the dwellings at an affordable price themselves.

The Civitas Model addresses issues with bank lending criteria and utilises council land but not council funds for construction and establishes a new entity held by pre-approved future owner occupiers and landlords as the project manager. Council's financial risk is carefully managed, and the council land is sold to the incoming owner occupier or landlord on completion at market rates. The sale of the dwelling is at cost in accordance

with category 7 lending criteria. A modified version of the Civitas Model maybe available subject to careful risk management and negotiation with the guarantor where the land is privately owned.

There are options available to regional councils. It appears that market intervention is needed to support the construction of new dwellings, with decisions supported by information provided by, or direct participation of local employers at a modest financial commitment and limited risk exposure to councils.

### **CREATION AND OWNERSHIP OF THE “CIVITAS MODEL”**

The Civitas Model is the pre-existing intellectual property that was created over a period of 6 years prior to this Report being commissioned. The Civitas Model described in this Report and the earlier interim reports remains the exclusive intellectual property of Civitas Solutions Pty Ltd. The Civitas Model has been acknowledged by Commonwealth and State Treasuries around Australia as a unique financial model with intellectual property created and owned by Civitas Solutions Pty Ltd. The ownership of the intellectual property in the unique Civitas Model was acknowledged by the four councils who commissioned this Report and the earlier interim reports as being created and owned by Civitas Solutions Pty Ltd.

Civitas Solutions Pty Ltd  
June 2023

## Table of Contents

ACKNOWLEDGEMENTS.....	2
EXECUTIVE SUMMARY.....	3
1. THE FEASIBILITY STUDY.....	9
2. PROBLEMS WITH TRADITIONAL LENDING MODEL FOR NEW REGIONAL HOUSING IN SOUTH-EAST SOUTH AUSTRALIA .....	11
3. DEMAND AND SUPPLY IN JOINT COUNCIL AREAS .....	13
4. TATIARA SUMMARY .....	16
5. COORONG SUMMARY .....	21
6. NARACOORTE-LUCINDALE SUMMARY .....	27
7. SOUTHERN MALLEE SUMMARY.....	32
8. RESPONSES TO EMPLOYER SURVEY MAY-JUNE 2023 .....	37
9. POTENTIAL SITES IN JOINT COUNCIL AREAS.....	38
10. GUARANTOR & LENDERS .....	40
11. INFRASTRUCTURE LOANS AND GRANTS.....	43
12. RISK MANAGEMENT .....	46
13. NEXT STEPS.....	48
ATTACHMENT 1- NHIF SUMMARY CHECKLIST .....	50
ATTACHMENT 2 - POTENTIAL TATIARA COUNCIL SITES .....	52
ATTACHMENT 3 - POTENTIAL COORONG COUNCIL SITES.....	56
ATTACHMENT 4 - POTENTIAL NARACOORTE - LUCINDALE COUNCIL SITES.....	61
ATTACHMENT 5 -POTENTIAL SOUTHERN MALLEE COUNCIL SITES.....	63



## 1. THE FEASIBILITY STUDY

1.1 The Affordable Housing Feasibility Study Joint Councils Key Worker Housing Project (Feasibility Study) is a venture between Civitas Solutions Pty Ltd (Civitas) and:

- a. Tatiara District Council
- b. Coorong District Council
- c. Naracoorte Lucindale Council
- d. Southern Mallee District Council.

(the PCG).

Funding for the project has been provided by the Local Government Association of South Australia's *Local Government Research and Development Scheme* and the four councils. Civitas retains the ownership in the intellectual property and copyright material in the Civitas Solutions Model presented to the PCG and the 4 councils prior to the commencement of Project agreement. The Civitas Solutions Model is the subject of a non-disclosure non-compete deed between the relevant parties.

1.2 The Feasibility Project commenced on 10 October 2022 and was scheduled to conclude prior to 30 June 2023.

1.3 In November 2022 Civitas visited each of the proposed sites with the potential for future development and discussed with each PCG member their ideas and options for the sites. Civitas from that information assessed the preferred sites for future development.

1.4 In January- February 2023 Civitas supported by Brendan Dewar of Proptrack undertook research to estimate the demand and supply for housing in the following towns:

- Bordertown
- Keith
- Tailem Bend
- Tintinara
- Meningie
- Naracoorte
- Lameroo
- Pinaroo

1.5 Proptrack data is collected from search statistics via realestate.com.au, where persons return to the town and searches online for buy or rentals multiple times. Data is tracked to each individual and differentiates between an individual returning to the site multiple times, compared to multiple different individual searchers. That is the Proptrack methodology for establishing demand and civitas accepted the methodology as the most efficient way of assessing demand from potential purchasers and tenants.

1.6 Proptrack also collects housing and rental data and records the actual sale or rental price.

1.7 Proptrack also collects data regarding the location of the person searching realestate.com.au. If the Project proceeds to implementation this location data would be useful to focus the marketing campaign for potential new homeowners.

1.8 SQM Research only collects actual rental data, not demand.

1.9 Civitas has included the January-February data in the Final Report, as Protrack advised that is the most common time of the year for people to look for housing or accommodation. Civitas also included the Protrack housing sales graphs for those towns from June 2022-May 2023. Protrack advised that May-August each year is the lowest demand period. That graph for each town was included to show changes in prices to May 2023, the last data available during the Feasibility Study time period. SQM research data was used to assess for rental demand.

1.10 There was an inception meeting with the PCG and 3 subsequent interim reports as the PCG was taken through the research outcomes as it became available. This allowed the PCG to assess step by step whether there was unmet demand for housing and whether the Civitas Model could assist in meeting unmet demand.

1.11 Civitas then researched the reason for unmet demand and housing market failure in the PCG LGAs. The primary causes appear to be the bank's lending criteria for new housing in category 7 regional areas, together with the standard lending criteria for property developers. We understand the capital requirements for property developers has increased in the last 12 months due to the collapse of many property developers and builders.

1.12 The interim reports established that the Civitas Model could address the reason for market failure. Civitas then met with LGFA who indicated that they may in principle be willing to provide a Government guarantee to support a bank loan. Civitas previously had discussions with Westpac and Bendigo Bank regarding their interest in lending to a housing entity (with membership / shareholding held by future housing purchasers) supported by a Government guarantee. It was noted that the interest rates should be at a discount to market, due to the reduced capital requirements associated with the Government guarantee. Both banks expressed an ongoing interest subject to the terms of the Government guarantee. They noted that whilst the Civitas Model focused on council owned land, funds may be available for the purchase of land in council's name supported by the Government guarantee to support further housing developments.

1.13 Civitas also met with the National Housing Infrastructure Facility (NHIF) in Sydney, who advised that a loan may be considered for infrastructure in Tatiara and Naracoorte, if an application was made by August. Whilst applications in excess of the maximum funds available from NHIF for the financial year had been received, the NHIF anticipated that a number of applications may fail to proceed as it appeared they would not to be ready within the required timeframe.

1.14 In June 2023, PCG LGAs undertook a Survey of Employers as part of the Feasibility Study requirements. The Survey had a relatively short turnaround time and was hampered by the fact that research had been done previously with significant time and support from local employers without any actual increase in housing availability. The PCG had expressed concern that employers may not actively engage with the research process again. There were 30 responses from Tatiara employers, the response rate from Coorong was 5, Naracoorte was 6 and Southern Mallee was 5. It should be noted that many employers have offices or branches in LGAs and the lower response in some areas may not adequately reflect the presence of their business in other LGAs. In total, employer respondents had approximately 1,000 employees and included some of the largest employers in the PCG LGAs. The Survey did provide valuable information on the suggested size of new dwellings and confirmed employer struggles to obtain new staff now and in the future due to the lack of available housing.

1.15 The earlier interim reports and this Final Report therefore confirm the feasibility of using the Civitas Model as a viable method for increasing the supply of housing for key workers in the PCG LGAs within a 18–24-month period.

## 2. PROBLEMS WITH TRADITIONAL LENDING MODEL FOR NEW REGIONAL HOUSING IN SOUTH-EAST SOUTH AUSTRALIA

2.1 Civitas Solutions has over the past six years raised the problems associated with obtaining bank finance for new dwellings in regional areas including:

- a) Bank's credit approval processes have been centralised into capital cities. There is no longer flexibility for regional managers to take into account the specific nature of their own local government area;
- b) Valuations in regional areas impacted by the preponderance of low value existing dwellings that in many cases are in poor condition and more than 50 years old;
- c) Limited if any one or two bedroom medium density dwellings in walking distance to key amenities resulting in there being few equivalent dwellings for the purpose of the valuation;
- d) Limited housing stock in regional towns results in low turnover of housing as there is no replacement stock. Banks default position is that if demand for housing is low there must be limited or no market if the house has to be sold by the mortgagee. In some cases, this false narrative results in banks refusing to lend for new housing in some areas at all.

2.2 Civitas met with Westpac / Bank SA in early February 2023, to understand and discuss the banks lending criteria in the PCG LGAs. Civitas had met with Bendigo Bank on several occasions prior to and after the commencement of the Feasibility Study.

2.3 The discussions identified that lending criteria is categorised based on postcodes. Bank's valuation methodology varies depending on the maturity of housing market in the area and the monthly volumes of sales for similar dwellings. New constructions in low volume markets have specific bank valuation criteria. The PCG LGA's reviewed are all identified as 'Category 7 Regional'. As such,

- a) New dwellings are valued on the basis of land + construction cost.
- b) Existing dwellings in Category 7 markets are valued on a minimum of 3 comparable dwellings in the previous 6 months.

2.4 The bank's valuation on a new property build is based on market value of the land plus construction cost. It is not based on the 'Property Developer' sale price, that includes the roughly 30% developer premium. The bank usually lends 80% of the bank's valuation, with a borrower requiring a 20% deposit of the valuation plus stamp duty. A simple example is:

**Property developer price – new build**

\$100 = Land + Construction Cost (\$77) + Developer Premium 30% (\$23)

**Bank valuation**

\$77 = land + development and construction cost (excludes 30% developer premium)

\$15.40 = 20% home buyer deposit based on valuation of \$77

**Bank loan**

Bank lends 80% of valuation (\$77) being \$61.60 on a new build by a property developer whose price is \$100.

2.5 The bank lends on the value of the ‘sum of the parts’ – rather than the value of the ‘completed whole’ value of the property. This may be higher than the market price if the area is dominated by older, poor-quality housing or lower than the market price if prices are rising and there is good quality housing available.

2.6 The bank valuation methodology is a key issue for the development of housing in the regions. The issue is the difference between the “property developer value” of the dwelling and the bank’s valuation methodology.

**2.7 Effectively, the banks’ lending criteria in the regions does not include the standard property developer’s margin (the property developer market price) – only the actual market value of the land and construction valuation costs.**

### 3. DEMAND AND SUPPLY IN JOINT COUNCIL AREAS

- 3.1 The PCG has identified potential land suitable for development in the following towns:
- a) Tatiara District Council (Bordertown, Keith)
  - b) Coorong District Council (Tailem Bend, Meningie, Tintinara)
  - c) Naracoorte-Lucindale Council (Naracoorte)
  - d) Southern Mallee District Council (Lameroo, Pinnaroo)
- 3.2 South Australia and in particular the South-East region of South Australia, has over recent months defied the downturn in house prices impacting the rest of the nation, and has continued to experience significant price increases across the region.
- 3.3 In the PCG LGAs, based on data from Proptrack in January & February 2023, demand for housing at the date of this Phase 1 Report, appears to significantly exceed supply. A brief review of Proptrack data for May 2023 confirmed the trend continued.
- 3.4 Updated ABS Data in the PCG LGAs between 2016 and 2021 shows a demand for one and four bedroom dwellings. Much of this appears to be attributable to workers coming into the region, either as single persons or with young families. The Employer Survey carried out by the PCG in May-June indicated that the strongest demand anticipated by employers was for 1-2 bedroom dwellings and to a lesser extent 3 bedroom dwellings. Employers anticipated a low demand for 4 bedroom dwellings.
- 3.5 The rental market based on realestate.com and SQM Research in January and February 2023 for the PCG LGAs also indicates a severe shortage of rental properties and in some towns no rental dwellings at all. A brief review of realestate.com and SQM Research in May 2023 showed this rental shortage trend continued. The Employer Survey carried out by the PCG in May-June indicated a willingness to invest in rental properties or provide rental guarantees for staff.
- 3.6 At present there are a number of large blue collar, food processing, employers in the region, who are struggling to employ workers as there is insufficient housing. There is also a shortage of housing for trades and professional key workers. The housing shortage has a serious impact on key worker recruitment in health, education and policing as noted in the Phase 1 Stages 1 and 2 Report of 7 December 2022. The Employer Survey carried out by the PCG in May-June confirmed that employers were seriously impacted by the shortage of housing resulting in the inability to recruit sufficient workers for their businesses.
- 3.7 Employers have tried to address the housing shortage through, for example, the acquisition of motels, development of worker's camps with transportable dwellings and by building basic worker housing. Hospitals are providing housing for doctors and attempting to recruit doctors from overseas.
- 3.8 Motels and transportable dwellings provide temporary solutions to the housing shortage; however the often poor quality and temporary nature of the accommodation discourages a long-term commitment from workers. Quality housing close to services is needed to attract and retain long term residents and key workers to the region.
- 3.9 The monthly median mortgage, based on the ABS 2021 data across the PCG LGAs is around 25% of the median income. Using the standard definition of housing affordability being no more than 30% of income the ABS figures for the PCG LGAs as of August 2021 indicates low levels of housing stress, for those who have accommodation. Mortgages have of course increased since May 2022 as interest rates have risen, however the median mortgage should still be within the definition of affordability.

3.10 The Regional Australia Institute “Building the Good Life: Foundations of Regional Housing - May 2022” (RAI May 2022) noted that each of the PCG LGAs in this report are categorised as “Stable”:

3.11 The following Table provides an overall summary

REGION	KEY TOWNS	SIZE / POPULATION	SUPPLY / DEMAND (Houses)	MEDIAN MORTGAGE MONTHLY	MEDIAN WEEKLY INCOME
<b>Tatiara</b>	Bordertown Keith	652,723 ha / 6,891	25 / 440	\$867	\$1,470
<b>Coorong</b>	Tailem Bend Meningie Tintinara	883,343 ha / 5,463	10 / 211	\$879	\$1,085
<b>Naracoorte / Lucindale</b>	Naracoorte	452,990 ha / 8,686	11 / 229	\$1,083	\$1,435
<b>Southern Mallee</b>	Lameroo Pinnaroo	570,200 ha / 1,979	9 / 313	\$672	\$1,312

3.12 Based on the small number of development applications for new dwellings and subdivisions and excluding employer provided housing, it does not appear that supply is rising in most of the PCG LGAs to meet demand.

3.13 Therefore, there is an anomaly as to why, when strong demand for housing exists with rising prices throughout the region, demand is not being met by an increase in the supply of housing.

3.14 RAI May 2022 recommended that rezoning land as “residential would assist in addressing the housing shortage”. RAI May 2022 noted that “While more local land might be zoned as residential, state and local policy makers should consider policies that activate this land to be development ready.”

3.15 Civitas visited the proposed sites throughout the 4 LGAs in November 2022. In each case it was clear there was sufficient vacant land, with appropriate zoning that was reasonably development ready.

3.16 The problem is vacant private land is just not being developed in sufficient volumes to support housing demand. This may be caused by local landowners being risk adverse to taking on the cost of subdivisions and the difficulty of selling subdivided land without a completed dwelling.

3.17 In the RAI May 2022, they recommended the following policy considerations:

“Review policy and regulatory settings to incentivise greater diversity in the housing mix. This is particularly important for two particular demographic groups:

“Older people seeking to downsize to townhouse or unit dwellings as they ‘age in place’, and Younger professionals and para-professionals who are still highly mobile in their job and location preferences and choices. “

3.18 Whilst the RAI May 2022 is useful in categorising different regions it has limitations, in that it was completed prior to the rapid rise in interest rates that commenced in May 2022. Most importantly it focused on the role of Government only and its terms of reference did not include the role of banks or financial institutions who are fundamentally important in financing new dwellings.

3.19 As previously stated in Part 2 above, Civitas believes that part of the problem is the way the banks value new house and land packages.

3.20 It is widely believed that in regional areas, banks only lend around 50% of the new build costs. In Civitas' experience, areas with reasonable levels of monthly sales are impacted by low valuations on comparable existing properties.

3.21 Civitas met with Westpac/Bank SA in early February to discuss the bank's lending criteria in the PCG LGAs. Like all banks, Westpac lending criteria is categorised based on postcodes. Bank's valuation methodology varies depending on the maturity of housing market in the area and the monthly volumes of sales for similar dwellings. New constructions in low volume markets have specific bank valuation criteria. The LGA's reviewed are all identified as 'Category 7 Regional'. As such,

- a. a) New dwellings are valued on the basis of land + construction cost.
- b. b) Existing dwellings in Category 7 markets are valued on a minimum of 3 comparable dwellings in the previous 6 months.

3.22 The bank valuation methodology is a key issue for the development of housing in the regions. The issue is the difference between the perceived market value of the dwelling and the bank's valuation methodology. For a further discussion see clause 2.4 above.

3.23 Effectively, the banks' lending criteria in the regions do not include the standard property developer's margin (the perceived market price) – only the actual market value of the land and the construction valuation costs.

3.24 Civitas met with South Australian Local Government Finance Authority (LGFA) in February and March and has been in regular telephone and email discussions since. The LGFA was suggested as a possible alternative Government guarantor to South Australian Finance Authority (SAFA). LGFA discussed the potential role as guarantor with members of the PCG.

3.25 Based on the available Proptrack data, there appears to be a substantial demand for housing across all PCG LGAs. In order to meet demand, vacant land needs to be subdivided into housing lots and housing of a quality to meet bank requirements needs to be constructed. The bank will then lend approximately 80% of the market value of the land, plus the valuer's view of the actual construction cost. The banks have advised they always do a physical inspection of new builds in category 7 regional areas.

3.26 The owners of private vacant land are perceived to have little incentive to develop new dwellings as there is insufficient profit margin compared to the risk and holding costs. The price that can be obtained on the sale of new dwellings is limited by the bank's valuation methodology.

3.27 The Civitas Model supports the development of new housing based on the bank's valuation methodology. of the market value of the land + construction cost excluding the property developer margin.

## 4. TATIARA SUMMARY

### The Tatiara Strategy

#### **WHY - What is our purpose?**

Council's goal is to support diverse economic growth in the local area, by supporting local businesses. Council aims to support local businesses who struggle to recruit new employees due to chronic housing shortages. There is sufficient demand for housing that is not met due to market failure.

#### **WHAT?**

Council is in a unique position to develop new affordable housing for key workers, due to the availability of council owned land and the potential to adopt a business model that allows for housing to be constructed at cost.

#### **WHO?**

Council proposes to support local businesses by increasing the availability of a range of new housing for future employees.

The strategy also supports future workers and their families on low income and middle incomes.

#### **HOW?**

One option provides for the construction and sale of new dwellings at cost on council land without council having to fund the cost of construction from its own balance sheet. The construction is financed by a bank loan to the proposed owners' housing entity (a group of proposed owners) supported by an LGFA guarantee. Thereby reducing the financial risk to council. The house and land package are finalised and sold to the proposed new owners on completion with council being paid market value for their land. Council on completion could request that there be a new draw down for further housing using the same model once the original loan is repaid.

Alternatively, council may choose to finance the construction on council's own land, undertake its own marketing to identify proposed new owners and accept the risk associated with construction and sale of the dwellings.

Council may also consider applying for Regional Growth Grant in the future to offset the infrastructure costs of the potential development of Keith and to a lesser extent Bordertown.

### Tatiara Overview

4.1 The Tatiara District Council (Tatiara) LGA covers approximately 652 723.4 hectares of land (ABS Tatiara Region Summary 2021). The Tatiara Local Action Plan 2013 indicates that:

- approximately 93% of the area is zoned as Rural or Conservation.
- approximately 73.1% of the land is used for agriculture,
- the presence of protected land areas, which totals 91,821 hectares, or 14.1% of the total land area in Tatiara LGA.

4.2 On the basis that there are significant areas of land in proportion to the existing and forecast population growth, zoning does not present a significant issue in respect of the development of new housing.



## Tatiara Urban Structure

4.3 Even though the majority of the land is zoned for rural or conservation use, Tatiara LGA has a limited supply of housing but sufficient suitably zoned land for new developments.

4.4 The majority of households in Tatiara live in separate houses, with a small percentage living in semi-detached or townhouses. The majority of occupied private dwellings have 3-4 bedrooms and the average household size is 2.4 people.

4.5 Over the past 5 years, there has been a decrease in the percentage of unoccupied private dwellings, with a slight increase in the percentage of medium-density housing and 1-bedroom dwellings.

4.6 The majority of households own their homes outright or with a mortgage, with a smaller percentage of households renting their properties. While the percentage of households owning their homes outright has increased, and the percentage of households with a mortgage or renting has decreased.

(information in clauses 4.2 - 4.6 was derived from ABS 2021 Census Statistics for Tatiara).

## Tatiara Projected Dwelling Demand and Price Changes

4.7 In 2016 Tatiara had a male population of 3,480 increasing to 3591 in 2021. The female population rose more rapidly from 3,139 in 2016 to 3303 in 2021. There was also an increasing number of families and families with children. The average number of people per household remained steady. For more information see Tatiara Population Table 1.1.

4.8 Median weekly household income has increased by \$305 to \$1,470 per week.

4.9 It is interesting that the median monthly mortgage fell between 2016 to 2021 by \$25 per week to \$867 per month (about \$225 per week). However, we should assume that this trend would have been reversed as interest rates on mortgages have risen since May 2022.

4.10 In contrast median weekly rents have increased by \$50 to \$200 per week between 2016 to 2021. This reflects the ongoing severe shortage of housing in the area. In June 2023 [realestateinvestar.com.au](https://realestateinvestar.com.au) indicating an average vacancy rate in Tatiara of 0.12% significantly lower than the vacancy rate of Adelaide of 1.25%.

4.11 So, the difference between mortgage payments and rent at the date of the 2021 census (10 August 2021) was increasing. It is anticipated that with the increase in interest rates since the Census in August 2021 and ongoing shortages of rental accommodation those figures will have varied by June 2023.

(information in clauses 4.3-4.11 was derived from ABS 2021 Census Statistics for Tatiara)

## Tatiara Property Sales

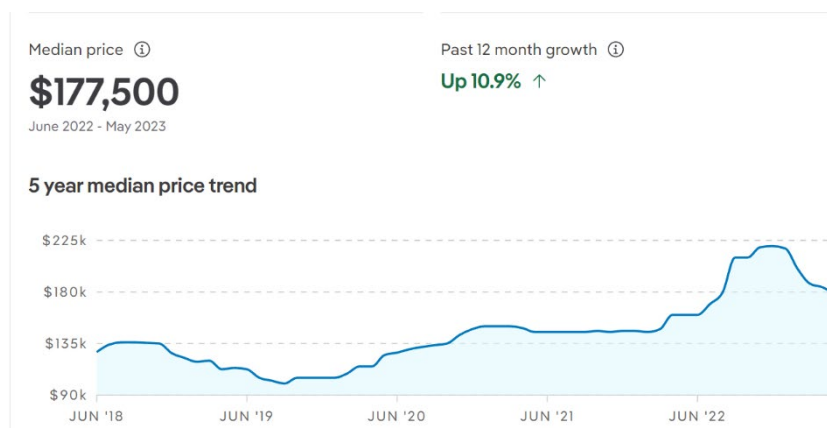
4.12 PropTrack data for house purchases in Bordertown continue to trend upwards:



**BORDERTOWN** *realestate.com.au Buy/Rent Bordertown, 5 year Median House Trend, accessed May 2023*

4.13 The PropTrack data for house purchases in Keith continue to trend upwards over the 11 months from June 2022 to May 2023 after a distortion due to a higher than average individual sale price in January 2023

### KEITH



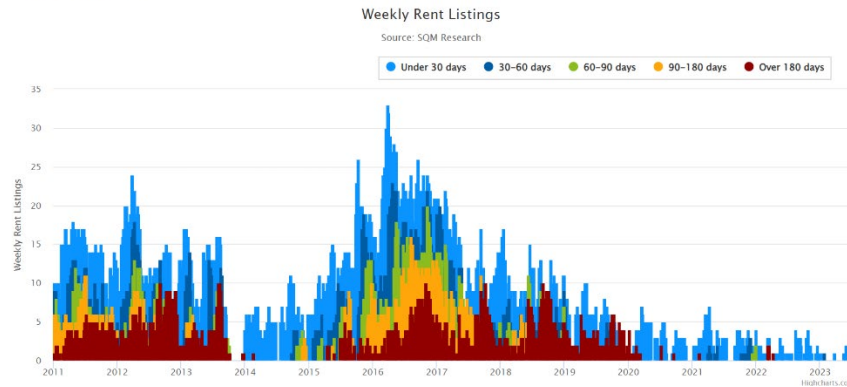
*(realestate.com.au Buy/Rent Keith 5 year Median House Trend accessed May 2023)*

### Tatiara LGA Rental Demand

4.14 The Bordertown Median price range for 3 Bedroom rentals in January 2018 in Bordertown was \$215, increasing to \$280 per week in January 2023. SQM Research shows shortages of rental properties persist.

## BORDERTOWN

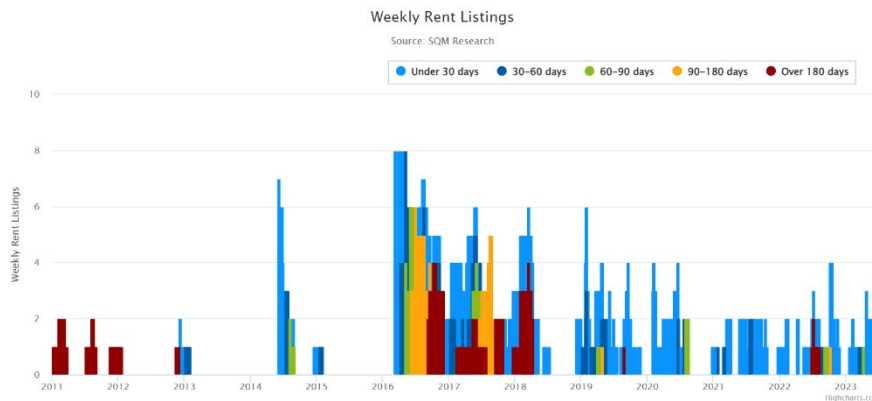
### POSTCODE 5268



4.15 There were no properties for rent in Keith at the time of the Feasibility Study.

## KEITH

### POSTCODE 5267



Tatiara Housing for particular needs (i.e. indigenous, other cultures, disability and social housing)

4.15 Civitas was advised during our meeting in Bordertown on 1 December 2022, that there is no current demand for Indigenous housing and that residential aged care was adequate. It is not proposed that this Study would cover Indigenous, Disability and Social Housing.

### Tatiara Supply of Housing

4.16 The supply of housing in Bordertown and Keith is manifestly inadequate. There is high demand and minimal supply, with few if any new dwellings coming onto the market in the foreseeable future. Local employers cannot readily obtain staff as there is, for practical purposes inadequate accommodation for them to live. The price of existing dwellings whilst comparatively low, has continued to rise sharply, with no present indication that new supply will come onto the market to meet the demand in the foreseeable future.

### Tatiara Housing Opportunities and Constraints (Bordertown & Keith)

4.17 There have been relatively few development applications for new (non-employer supported) dwellings in Bordertown (4) and Keith (5) in the past 12 months. There has been high levels of demand for owner occupier or investment housing in Bordertown (264 – refer 3.3(a) above) and Keith (124 – refer 3.3(a) above). House prices in Bordertown (26.5%) and Keith (51.7%) have risen sharply due to unmet demand.

4.18 It has been widely reported that shortages of skilled labour and construction materials may start to ease during late 2023 and early 2024. This would potentially present an opportunity for new dwellings to be constructed to meet the market in Bordertown and Keith.

4.19 The infrastructure construction costs in parts of Keith are significantly higher than average. Higher infrastructure costs would normally restrict the type of build to higher end larger dwellings, to offset the percentage of the infrastructure cost in proportion to the build. Shortages of skilled labour and availability of construction materials, caused by COVID restrictions and Government first home builder policies focused on capital cities, have also been a constraint on the construction of new dwellings since the 2020 -2022.

4.20 Tatiara District Council has advised that there is strong demand for suitable blue collar and key worker accommodation. ABS 2021 census data Tatiara Dwelling Information Comparison shows an increase in the numbers of medium density 1 and 2 bedroom townhouses. This type of dwelling would help meet existing demand and encourage workers to bring their partner and/or family to live in the region. ABS Census 2021 Tatiara Dwelling Information Comparison also shows an increasing number of 3-4 bedroom dwellings and realestate.com.au shows high and ongoing demand for this level of medium quality dwelling.

#### Tatiara Areas of Potential Development Capacity

4.21 Bordertown and Keith both have a reasonable amount of vacant land suitable for residential development. There are a number of vacant sites in reasonable proximity to infrastructure and community services.

4.22 In both Bordertown and Keith there is the opportunity for small subdivisions to increase the total number of sites suitable for small residential subdivisions. There have been few new subdivisions in the past 12 months. It is hoped that existing land owners may be willing to invest in the subdivision of their existing larger scale lots as they become aware of the high levels of demand and the increase in housing prices in the area. They may be willing to subdivide their lots, but not personally fund housing construction as the return on investment is limited.

## 5. COORONG SUMMARY

### The Coorong Strategy

#### **WHY? What is our purpose?**

Council's goal is to support diverse economic growth in the local area by supporting local businesses. Council aims to support local businesses who struggle to recruit new employees due to chronic housing shortages. There is sufficient demand for housing that is not met due to market failure.

#### **WHAT?**

Council is in a unique position to assist in the development of new affordable housing for key workers due to the availability of council owned land and the potential to adopt a business model that allows for housing to be constructed at cost.

#### **WHO?**

Council proposes to support local businesses by increasing the availability of a range on new housing for future employees.

The strategy also supports future workers and their families on low income and middle incomes.

#### **HOW?**

The strategy provides for the construction and sale of new dwellings at cost on council land without council having to fund the cost of construction from its own balance sheet. The construction is financed by a bank loan to the proposed owner's housing entity (a group of proposed owners) supported by an LGFA guarantee, thereby reducing the financial risk to council. The house and land package are finalised and sold to the proposed new owners on completion with council paid the market value of its land.

Council could potentially utilise the funds from the sale of its land on completion to purchase new land for development. Council could if it chose to do so request that there be a new draw down for further housing using the same model once the original loan is repaid. This would allow the housing funds to be repaid and recycled during the term of the guarantee.

### *Coorong Overview*

5.1 The Coorong District Council (CDC) LGA covers approximately 883,343.4 hectares of land (ABS Coorong Region Summary 2021).

### *Coorong Urban Structure*

5.2 In summary, the Coorong district has a limited supply of housing but sufficient suitably zoned land for new developments. Even though the majority of the land is zoned for rural or conservation use, zoning is not the issue.

5.3 The majority of dwellings in the Coorong LGA are separate occupied private dwellings owned outright or with a mortgage. The average number of bedrooms per occupied private dwelling increased slightly from 3.1 in 2016 to 3.2 in 2021 and the average household size fell slightly from 2.3 to 2.2 people. There was a decrease in the number of unoccupied private dwellings from 2016 to 2021.

5.4 The percentage of rented properties in the Coorong decreased from 25.4% in 2016 to 22.5% in 2021.

This reflects the ongoing severe shortage of housing in the area. In June 2023

[realestateinvestar.com.au](https://realestateinvestar.com.au) indicating an average vacancy rate in The Coorong of 0.03% compared to the vacancy rate in Adelaide of 1.25%.

(information in clauses 5.2 - 5.4 was derived from ABS 2021 Census Statistics for Coorong).

5.5 There is sufficient vacant land zoned for housing in the Neighbourhood and Corridor Zones, Township and Settlement Zones, and Deferred Urban areas to meet the foreseeable needs of the community.

#### *Coorong Projected Dwelling Demand and Price Changes*

5.6 Coorong has an increasing number of single men and a falling number of couples and families with children. As a consequence, the average number of people per household is also falling.

5.7 The Coorong LGA median weekly income has increased by \$154 to \$1,085 per week, whilst the median monthly mortgage has increased by \$13 per week to \$879 per month (about \$202.85 per week).

5.8 In contrast median weekly rents have increased by \$65 to \$190.

5.9 Therefore, the difference between mortgage payments and rent at the date of the 2021 census (10 August 2021) was narrowing. These figures may have changed due to the increase in interest rates from September 2021.

(information in clause 5.6 – 5.9 was derived from ABS 2021 Census Statistics for Coorong)

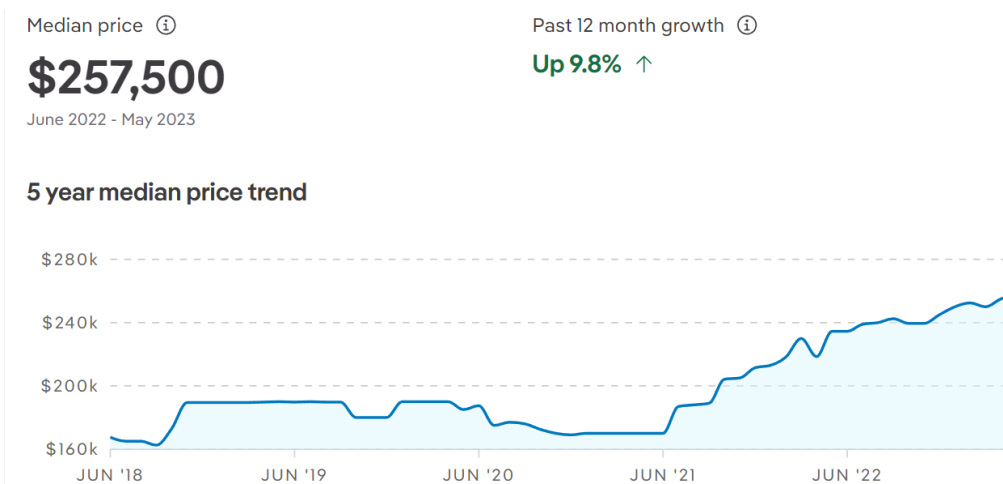
#### *Coorong Property sales*

#### 5.10 Taillem Bend – Housing Prices

The housing market in Taillem Bend for 3 bedroom houses, has seen a significant increase in house prices over the past five years. The median price for a 3 bedroom house has risen by 21.7% in the past year from January 2022 to January 2023. The market slowed from June 2022 to May 2023 with purchase prices increasing by 9.8%. There is a high demand in the peak period of January 2023 in Taillem Bend with only 9 houses for sale and 188 interested buyers.

Median 3 bedroom house prices in Taillem Bend rose from \$165,000 in the 5 year period from January 2018 to \$242,500 in January 2023. In May 2023 there were 11 houses for sale in the previous month and 262 interested buyers.

#### **TAILEM BEND**



*realestate.com.au Buy/Rent Taillem Bend 5 year Median House Trend accessed May 2023*

### 5.11 Meningie – Housing prices

The housing market in Meningie appears to be quite shallow for sales in the peak December 2022 to January 2023 period.

Median 3 bedroom house prices in Meningie rose from \$196,250 in January 2018 to \$380,000 in January 2023. The housing market in Meningie appears to have had significant growth in the price of 3 bedroom houses, with a 49% increase from the 5 year period from January 2018 to January 2023.

The Meningie housing market price continued to grow by 3.1% over the period of steeply rising interest rates from June 2022 to May 2023

There were 11 houses for sale in the previous month and 228 interested buyers. The market was very shallow so the figures may be distorted by low volumes.

## MENINGIE

Median price ⓘ

**\$303,000**

June 2022 - May 2023

Past 12 month growth ⓘ

**Up 3.1%** ↑

### 5 year median price trend



*realestate.com.au Buy/Rent Meningie 5 year Median House Trend accessed May 2023*

### 5.12 Tintinara – Housing Prices

There has been 1 house for sale in Tintinara in the summer peak period of February 2023 with 23 interested buyers. Only 2 Tintinara houses have sold over the past 12 months.

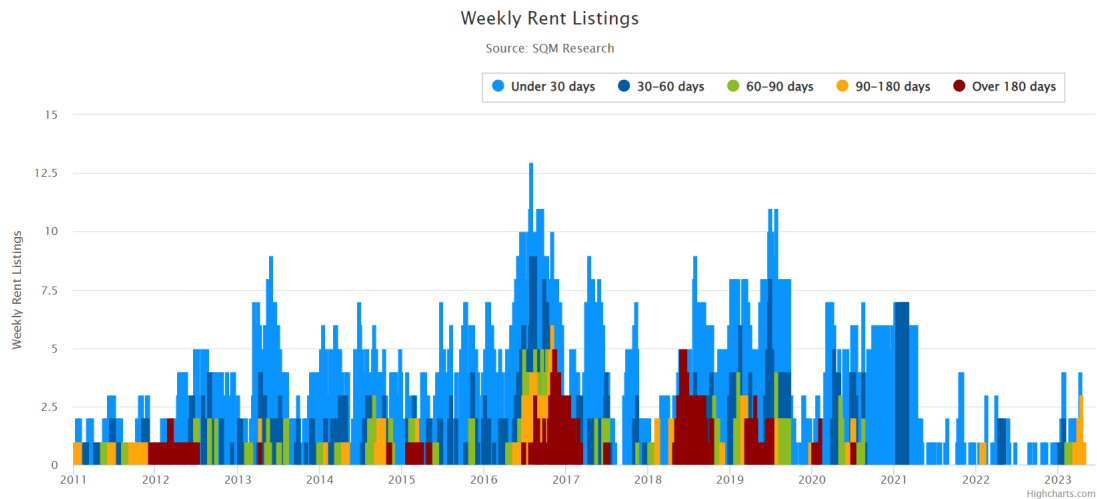
#### *Coorong LGA Rental Demand*

### 5.13 Tailem Bend – Rental Prices (realestate.com.au Buy/Rent Tailem Bend 5 year Median House Trend accessed February and May 2023)

Median price range for 3 bedroom rentals in January 2018 in Tailem Bend was \$220 increasing to \$280 per week in January 2023. Rents for a 3 bedroom house increased 10.9% in the past 12 months. The market was very shallow so the figures could be distorted by low volumes.

## TAILEM BEND

### POSTCODE 5260



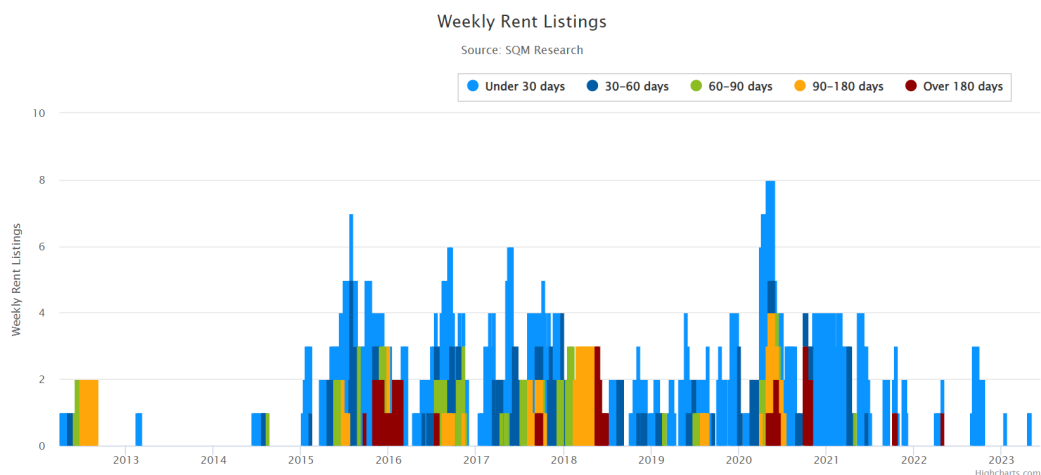
#### 5.14 Meningie Rentals (realestate.com.au Buy/rent Meningie 5 year Median House Trend accessed February and May 2023).

Only a few houses were leased in Meningie in the last 12 months and no available data on rental prices. The one 3 bedroom house that was listed for rent in the peak December 2022 to January 2023 was listed on 12 January 2023 with a rent of \$350 per week.

Meningie rental figures were unavailable as there was no data on realestate.com.au for the median prices for dwellings for rent. Only 3 houses were leased in the last 12 months.

## MENINGIE

### POSTCODE 5264



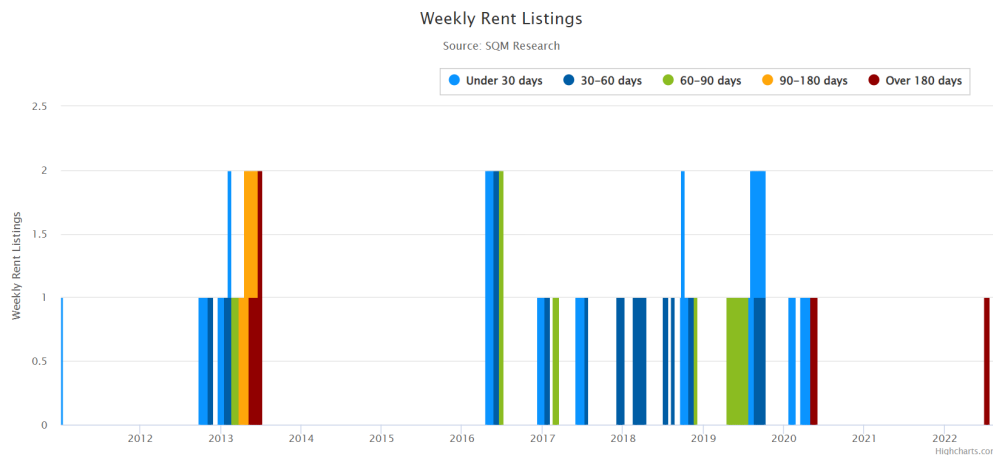
#### 5.15 Tintinara Rents and Property Sales

No meaningful median purchase or rental figures were available for Tintinara due to the low volumes. (realestate.com.au Buy/Rent Tintinara 5 year Median House Trend accessed February 2022)



# TINTINARA

## POSTCODE 5266



### *Housing for particular needs (i.e. indigenous, other cultures, disability and social housing)*

5.16 Civitas was advised during our meetings in the Coorong on 31 November 2022, that the demand for Indigenous housing would need to be revised in the future, as current housing is not adequate.

5.17 It is anticipated that the proposed Meningie site could be designed to meet aged care standards to encourage existing residents to move closer to support services. This approach would address the goal of freeing up existing housing for new residents with young families. It is not proposed that this Study would cover disability and social housing.

### *Coorong Supply of Housing*

5.18 The supply of housing in Tailem Bend, Tintinara and Meningie is manifestly inadequate. There is high demand and minimal supply with few new dwellings in Tailem Bend or Tintinara coming onto the market in the foreseeable future.

5.19 A small number of new dwellings are being constructed in Meningie however this is inadequate to meet demand and may possibly be holiday or retirement homes.

5.20 Local employers have difficulty obtaining blue collar, hospitality and key workers as there is for practical purposes nowhere for them to live. The price of existing dwellings whilst comparatively low has continued to rise sharply with no present indication that new supply will come onto the market to meet the demand.

### *Coorong Housing Opportunities and Constraints*

5.21 Tailem Bend, Meningie and Tintinara Housing Opportunities – There have been relatively few development applications for new dwellings in Tailem Bend (5-6) Meningie (5-6) and Tintinara (0) in the past 12 months. There has, however been high levels of demand for owner occupier or investment housing in Tailem Bend (262) and Meningie (228) and it is difficult to determine demand in Tintinara due to the lack of availability of dwellings (2 in 12 months). House prices in Tailem Bend (21.7%) and Meningie (49%) have risen sharply due to unmet demand over the past 5 years. House prices continue to rise over the 12 month period from June 2022 to May 2023 regardless of steep interest rate rises.

5.22 It has been widely reported that shortages of skilled labour and construction materials may start to ease during late 2023 and early 2024. This would potentially present an opportunity for new dwellings to be constructed to meet the market in Tailem Bend, Meningie and Tintinara.

Tailem Bend, Meningie and Tintinara New Housing Constraints – Shortages of skilled labour and availability of construction materials caused by COVID restrictions and Government first home builder policies focused on capital cities have been a constraint on the construction of new dwellings since the 2020 -2022.

*Coorong Areas of Potential Development Capacity*

5.23 Tailem Bend, Meningie and Tintinara all have a reasonable amount of vacant land suitable for residential development. Each town has at least one council owned vacant site in reasonable proximity to infrastructure and community services.

5.24 In all three towns there is the opportunity for small subdivisions to increase the total number of sites available. There have been 9 new lots created by subdivision in Meningie and an additional 16 in Tintinara in the past 12 months. The new lots in Tintinara have not to date resulted in development applications for additional new dwellings.

5.25 There is an awareness of the high levels of demand for owner occupier and rental dwellings in the Coorong supported by increasing housing prices in the region. Existing landowners may over the next couple of years be willing to invest in the subdivision of their existing larger scale lots for the development of new housing although it must be acknowledged that returns on investment is limited.

## 6. NARACOORTE-LUCINDALE SUMMARY

### The Naracoorte Strategy

#### **WHY? What is our purpose?**

Council's goal is to support diverse economic growth in the local area by supporting local businesses. Part of this goal is to support local businesses who struggle to recruit new employees due to chronic ongoing accommodation shortages. Based on the evidence available to this review, there appears to be sufficient demand for housing that is not met due to market failure.

#### **WHAT?**

Civitas was advised on 1 December 2022 during the Naracoorte site visit that Council did not own suitably zoned land for residential development. The issue therefore becomes the access to land for development in line with Council's aim. A number of potential options are available for Council to address the issue of land availability, in a form conducive to take advantage of government guarantees, grants and bank lending.

#### **WHO?**

It will be for Council to determine to what extent it wishes to push forward with supporting private land development for the purpose of affordable owner occupier or rental housing for key workers.

#### **HOW?**

As the Council does not own land to support the guarantee, the guarantor will need to be satisfied with the security that Council provides to support the guarantee. Council should consider active risk reduction measures for example requiring proposed purchasers be in place with preapproved housing loans to meet the sale price of the dwelling based on banks' lending criteria. Security must be in an acceptable form to satisfy the various bodies providing guarantees and loans, to support the construction and sale of new dwellings at cost on private land.

Council may seek to negotiate access to the government guarantee based on a Council first mortgage. The guarantor will need to be satisfied with the security Council can provide over the private land, (including potentially step in rights). It is a decision of the LGFA whether or not it is satisfied that a first mortgage and preapproved purchasers would be sufficient to manage LGFA risk as the guarantor.

The construction is financed by a bank loan to the proposed owner's housing entity (a group of proposed owners) which is supported by an LGFA guarantee, with Council providing security to the satisfaction of the guarantor. The house and land packages are finalised and sold to the proposed new owners upon completion to release the guarantee and the first mortgage to Council.

### *Naracoorte-Lucindale Overview*

6.1 The Naracoorte-Lucindale Council (NLC) LGA covers approximately 452,990 hectares of land (ABS Naracoorte-Lucindale Region Summary 2021) of which 393,000 hectares is rural (National Regional Profile Naracoorte Lucindale 2016).

### *Naracoorte-Lucindale Urban Structure*

6.2 The majority of occupied private dwellings in the area are separate houses, with just under 95% properties in this category. The number of separate houses increased by 142 from 2016 to 2021.

6.3 Most of the occupied private dwellings in the area have 3 bedrooms, with 54.4% in 2016 and 53.4% in 2021. The percentage of 4 or more bedroom properties increased significantly from 26.2% in 2016 to 28.4% in 2021.

6.4 In terms of tenure, the percentage of occupied private dwellings that are owned outright increased from 36.8% in 2016 to 39.6% in 2021.

6.5 The percentage of properties that are rented decreased from 27.2% in 2016 to 24% in 2021.

6.6 In terms of the supply of housing, the number of unoccupied private dwellings in the area is relatively low, with only a slight decrease from 526 to 524 from 2016 to 2021. This indicates that existing housing is fully occupied and there are only 2 unoccupied dwellings and that the policy of encouraging the leasing unoccupied dwellings has been successful in Naracoorte. This reflects the ongoing shortage of housing in the area if so few dwellings with [realestateinvestar.com.au](http://realestateinvestar.com.au) in June 2023 indicating an average vacancy rate in Naracoorte Lucindale of 0.11%

6.7 There was also an increase in the percentage of properties in "other tenure type" and "tenure type not stated" from a total of 120 to 174, potentially indicating an increase in temporary accommodation. (Naracoorte-Lucindale Dwelling Comparison ABS 2016-2021).

6.8 NLC LGA had an increased number of men, 4,308 increasing to 4,513 (an extra 205 men) and women, 3,984 increased to 4,177 (an extra 193 women). (Naracoorte-Lucindale Population Changes ABS data 2016-2021.)

6.9 The number of families increased from 2,194 to 2,279, an extra 85 families or people whose families have joined them.

6.10 Median weekly income has increased from \$1,203 to \$1,435 an increase of \$232 per week, whilst the median monthly mortgage of \$1083 per month remained the same (about \$249.92 per week). In contrast median weekly rents have increased by \$180 to \$220. So, the difference between mortgage payments and rent at the date of the 2021 census (10 August 2021) was closing. (Naracoorte-Lucindale Household Changes ABS data 2016-2021). These figures may have changed due to the increase in interest rates from May 2022.

#### *Naracoorte-Lucindale Projected Dwelling Demand and Price Changes*

6.11 In summary, the Naracoorte Lucindale (NLC) Local Government Area (LGA) has seen significant growth in housing demand over the past few years.

6.12 Overall, it appears the housing market in Naracoorte is experiencing a high demand for both sales and rentals, with significant increases in median prices over the past 12 months. However, due to low volume of available rental properties, it is difficult to draw conclusions about the rental market.

#### *Naracoorte Property Sales*

6.13 Over the past 12 months June 2022 to May 2023 the median house price in Naracoorte rose by 36.4% to \$341,000 regardless of 12 interest rate rises in that same period. Demand for properties to purchase is therefore very strong.

6.14 The town of Naracoorte has a wider range of data available for the purchase of dwellings:

- Median 2 bedroom house price in January 2023 is \$245,000 an increase of 16.7% over 12 months. In the month of January 2023 there were 3 houses for sale and 88 interested buyers.

- Median 3 bedroom house prices in the town of Naracoorte rose from \$202,000 in January 2018 to \$272,500 in January 2023. The median price range for 3 bedroom houses rose by 31% in the past 12 months. In the month of January 2023 there were 14 houses for sale and 338 interested buyers.
- Median 4 bedroom house prices in Naracoorte rose from \$349,500 in January 2018 to \$450,000 in January 2023. The median price range for 4 bedroom houses rose by 26.1% in the past 12 months. In the month of January 2023 there were 11 houses for sale and 229 interested buyers.

6.15 It is reasonable to assume that some interested buyers may have been double counted across 2,3 and 4 bedroom houses.

Source: (realestate.com.au Buy/Rent Naracoorte 5 year Median House Trend accessed 15 January 2023)

## NARACOORTE



Source: realestate.com.au Buy/Rent Naracoorte 5 year Median House Trend accessed May 2023

### Naracoorte Rental Information

6.16 In terms of rentals, the market is relatively shallow with low volumes, making the figures difficult to interpret. The median price for a 2 bedroom rental was not available in January 2018, but in January 2023, it was \$225 per week with 34 interested renters and only 2 houses available for rent. The median price for a 3 bedroom rental has increased by 9.1% over the past 12 months to \$300 per week, with 52 interested renters and 3 houses for rent.

6.17 Median price range for 2 bedroom rentals in January 2018 in Naracoorte was not available in January 2023. There were two, 2 bedroom houses available for rent in January 2023 and 34 interested renters. Only six 2 bedroom rentals were available in the previous 12 months. The market was very shallow so the figures could be distorted by low volumes.

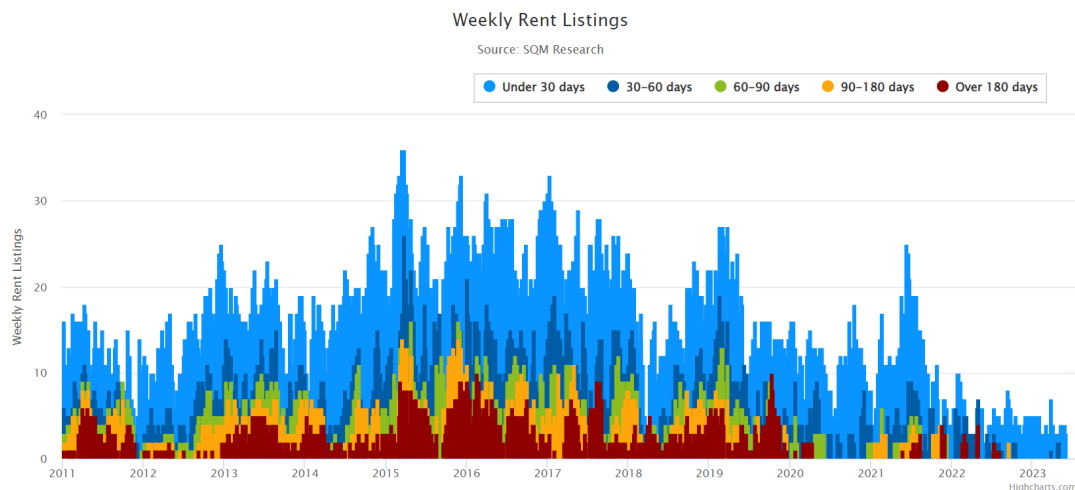
6.18 Median price range for 3 bedroom rentals in January 2018 in Naracoorte were \$250 increasing to \$300 per week in January 2023. Rents for a 3 bedroom house increased 9.1% in the past 12 months. The market was very shallow so the figures could be distorted by low volumes. There were three, 3 bedroom houses for rent in January 2023 and 52 interested renters.

6.19 Median price range for 4 bedroom rentals in January 2018 in Naracoorte were \$310 increasing to \$337 per week in January 2023. The market was very shallow so the figures could be distorted by low volumes. There were zero 4 bedroom houses for rent in January 2023 and only five 4 bedroom houses rented in the previous 12 months.

6.20 Median price range for 2 bedroom medium density rentals was \$225 per week in January 2023. No previous figures were available. The market was very shallow so the figures could be distorted by low volumes.

## NARACOORTE

### POSTCODE 5271



*Housing for particular needs (i.e. indigenous, other cultures, disability and social housing)*

6.21 Civitas was advised during our meetings in Naracoorte on 30 November 2022, that there is no current demand for Indigenous housing and that residential aged care was adequate. It is not proposed that this Study would cover Indigenous Disability and Social Housing.

#### *Naracoorte Supply of Housing*

6.22 The supply of housing in Naracoorte is manifestly inadequate. There is high demand and minimal supply. Local landowners appear to be willing to subdivide existing land parcels, however it is unclear if they have the capital to build dwellings. Traditionally it is difficult to sell land instead of house and land packages. The underlying problem is that the bank usually requires the purchaser to own the land unencumbered before obtaining a loan for construction.

6.23 Local employers struggle to secure blue collar and key workers as there is for practical purposes, nowhere for them to live. Two local employers are considering funding low-cost worker's accommodation. A development application has recently been lodged for the first proposal for worker's accommodation in Naracoorte. The second proposal is still in the early stages from Teys local food processing plant for low-cost housing for their workers on the outskirts of town, initially for single men. The price of existing dwellings whilst comparatively low has continued to rise sharply with no present indication that new supply will come onto the market to meet the demand.

#### *Naracoorte Housing Opportunities and Constraints*

6.24 Naracoorte Opportunities – Naracoorte has a relatively robust level of development applications for 16 new dwellings of the past 12 months (see 5.3(a) above). There has, however been high levels of demand for owner occupier or investment housing in Naracoorte across 2,3 and 4 bedroom dwellings, as well as worker accommodation. (Refer 5.3(a) above note the highest demand is 338 interested buyers for 4 bedroom dwellings). There is also a strong and unmet demand for rental properties.

6.25 There are a number of builders that are actively addressing the demand in the Naracoorte market. However, it is reasonable to assume that consistent with the rest of the country, builders have been impacted by shortages of skilled labour and construction materials due to COVID restrictions and supply chain issues.

6.26 The Government funding support for new home buyers has mainly been focused on the capital cities. It is anticipated that these shortages may start to ease during late 2023 and early 2024. This would potentially present an opportunity for more new dwellings to be constructed to meet the market in Naracoorte.

6.27 Naracoorte New Housing Constraints – Shortages of skilled labour and availability of construction materials caused by COVID restrictions and supply chain issues, along with Government first home builder policies focused on capital cities have been a constraint on the construction of new dwellings since the 2020 - 2022.

## 7. SOUTHERN MALLEE SUMMARY

### The Southern Mallee Strategy

#### **WHY? What is our purpose?**

Council's goal is to support diverse economic growth in the local area by supporting local businesses. Council aims to support local businesses who struggle to recruit new employees due to chronic housing shortages. There is sufficient demand for housing that is not met due to market failure.

#### **WHAT?**

Council is in a unique position to develop new affordable housing for key workers due to the availability of council owned land and the potential to adopt a business model that allows for housing to be constructed at cost.

#### **WHO?**

Council proposes to support local businesses by increasing the availability of a range of new housing for future employees.

The strategy also supports future workers and their families on low income and middle incomes.

#### **HOW?**

The strategy provides for the construction and sale of new dwellings at cost on council land without council having to fund the cost of construction from its own balance sheet. The construction is financed by a bank loan to the proposed owners' housing entity (a group of proposed owners) supported by an LGFA guarantee, thereby reducing the financial risk to council. The house and land package are finalised and sold to the proposed new owners on completion. Council is paid the market value of the land on completion.

Council on completion could request that there be a new draw down for further housing using the same model once the original loan is repaid.

### *Southern Mallee Overview*

7.1 The Southern Mallee District Council (SM) LGA covers approximately 570,200 hectares of land (ABS Southern Mallee Region Summary 2021) of which 394,000 was agricultural land (ABS 2016 National Regional Profile Southern Mallee).

### *Southern Mallee Urban Structure*

7.2 The majority of occupied private dwellings in the SM LGA are separate houses, with 96.6% of occupied private dwellings being separate houses and an increase in numbers from 733 to 773.

7.3 The number of occupied bedsits, 1-2 bedroom dwellings increased by 19 in total from 135 to 154. 3 bedroom dwellings increased by 22 from 422 to 444, a reasonable increase, whilst 4 bedroom dwelling increased slightly by 4 from 183 to 187.

7.4 The percentage of occupied private dwellings in SM LGA that were owned outright increased from 47.4% in 2016 to 48.1% in 2021, while the percentage of properties owned with a mortgage fell from 25.4% to 23.2%. The number of unoccupied private dwellings decreased from 259 in 2016 to 183 in 2021, with a percentage decrease from 25.4% to 18.6%.

7.5 The percentage of rented properties also fell from 23.3% in 2016 to 18.4% in 2021. The significant change was in "Other tenure type" plus "tenure type not stated" increasing from a total of 29 in 2016 to 86 dwellings in 2021, potentially indicating the presence of more temporary accommodation. Southern Mallee Dwelling Comparison ABS 2016-2021.



These figures from the ABS reflect the ongoing severe shortage of housing in the area. In June 2023 [realestateinvestar.com.au](https://realestateinvestar.com.au) indicated that the average vacancy rate in Southern Mallee was 0.00%, that is there were no vacant properties - the most severe housing shortage of all four LGAs.

7.6 A major drawcard in the Southern Mallee is the availability of low density rural lifestyle blocks at reasonable prices compared to Adelaide. It appears that these larger size blocks are attractive for people looking for an alternative lifestyle.

#### *Southern Mallee Projected Dwelling Demand*

7.7 SM LGA has a falling population, a decreasing number of men, 1,047 in 2016 falling to 1,033 (14 fewer men) in 2021 and women 984 in 2016 decreasing to 950 (34 fewer women) in 2021. The number of families remained basically the same, falling from 514 to 513.

(Southern Mallee Population Comparison ABS 2016-2021.)

7.8 Median weekly income has increased from \$1,155 in 2016 to \$1,312 in 2021 an increase of \$157 per week, whilst the median monthly mortgage of \$650 per month increased marginally to \$672 (about \$5.07 per week).

In contrast median weekly rents have increased by \$120 to \$160.

7.9 Therefore, the difference between mortgage payments and rent at the date of the 2021 census (10 August 2021) was closing. These figures may have changed due to the increase in interest rates from September 2021.

(Southern Mallee Household Changes ABS 2016-2021).

#### *Southern Mallee Property Sales*

7.10 Lameroo – Property Sales: (realestate.com.au Buy/Rent Lameroo 5 year Median House Trend accessed February 2023)

7.11 From the realestate.com.au data for Lameroo, it appears that the housing market in Lameroo is relatively small, with a limited number of properties available for sale. The median price for a 3 bedroom house in Lameroo is relatively low at \$200,000 but has seen a significant increase of 39.9% in the past 12 months. The number of houses for sale is also low at 3, with 82 interested buyers.

7.12 There was no data for the previous 5 years.

*Source: (realestate.com.au Buy/Rent Lameroo 5 year Median House Trend accessed February 2023)*

7.13 Pinnaroo – Property sales (realestate.com.au Buy/Rent Pinnaroo 5 year Median House Trend accessed February 2023)

#### **Pinnaroo Property Sales Information**

7.14 The town of Pinnaroo has a small range of data available for the purchase of dwellings:

Median 3 bedroom house price in the town of Pinnaroo was \$180,000 in January 2023. The median price range houses price rose by 26.3% in the past 12 months. There was no data for the previous 5 years. In the month of January 2023 there were 9 houses for sale in January and 313 interested buyers. 19 houses sold in the previous 12 months.

7.15 The market was very shallow and figures could be distorted by low volumes of dwellings for sale.

Source: (realestate.com.au Buy/Rent Pinnaroo 5 year Median House Trend accessed February 2023).

7.16 There was no realestate.com.au data for house sales in Pinnaroo in 2018. In January 2023 there were 9 houses for sale in January and 313 interested buyers. 19 houses sold in the previous 12 months.

Source: (realestate.com.au Buy/Rent Pinnaroo 5 year Median House Trend accessed February 2023). The market was very shallow so the figures could be distorted by very low volumes of dwellings for sale.

### Southern Mallee Rental Information

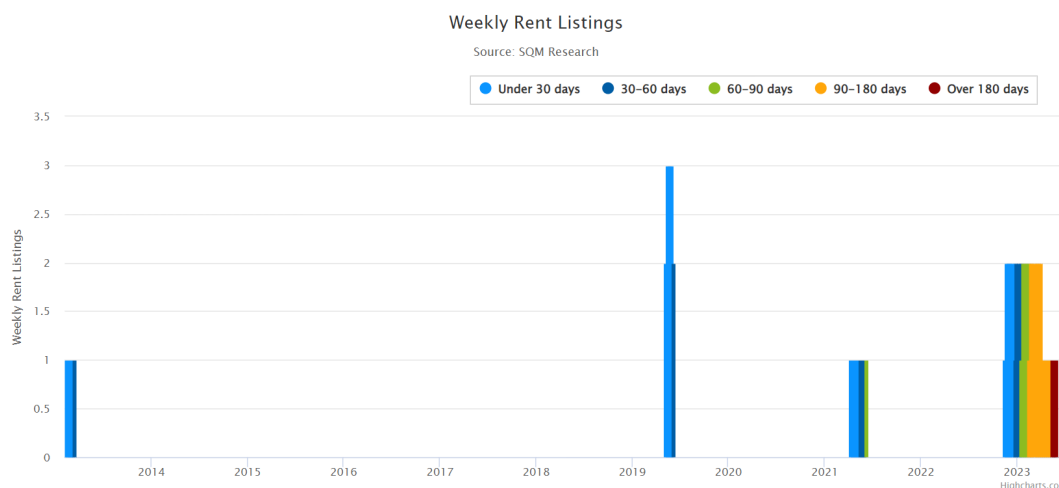
7.17 ABS data showed the median rent in SM LGA rose from \$120 in 2016 to \$160 in 2021.

### Lameroo rents

7.18 The rental market in Lameroo is limited, with no houses available for rent in the Christmas peak of January 2023 and only 1 house rented in the previous 12 months. The small volume of data and the shallow market could be distorting the figures.

### LAMEROO

#### POSTCODE 5302



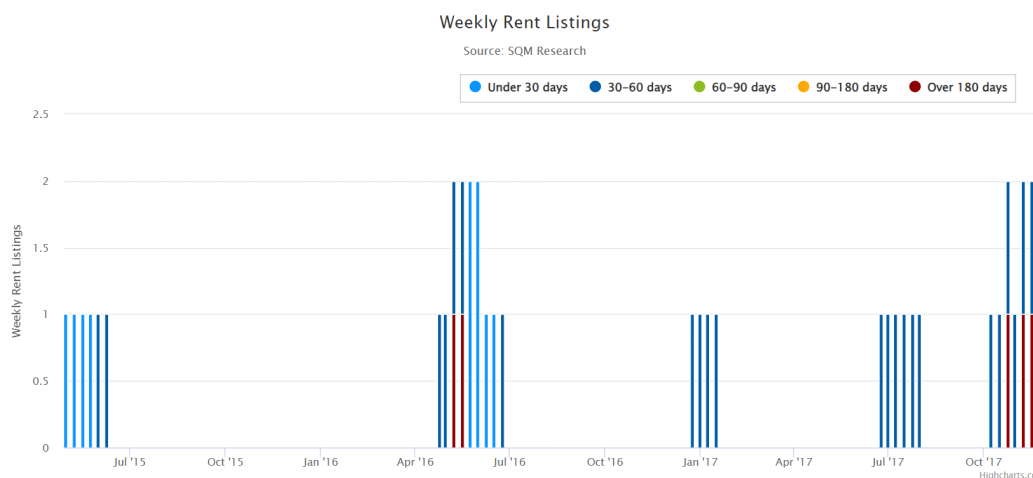
### Pinnaroo Property Rental Information

7.19 No dwellings were available for rent in January 2023 and no houses had been rented in the previous 12 months. The market was very shallow so the figures could be distorted by low volumes.

7.20 There was no realestate.com.au 5 year data for rentals in Pinnaroo in 2018. In January 2023 there were no houses for rent and no Pinnaroo rental data for the previous 12 months.

## PINNAROO

### POSTCODE 5304



#### *Housing for particular needs (i.e. indigenous, other cultures, disability and social housing)*

7.21 Civitas was advised during our meeting in Lameroo on 29 November 2022, that there is no current demand for Indigenous housing and that residential aged care was adequate. It is not proposed that this Study would cover Indigenous, Disability and Social Housing.

#### *Southern Mallee Supply of Housing*

7.22 The supply of housing in Lameroo and Pinnaroo is manifestly inadequate. In January 2023, realestate.com data indicated Pinnaroo has the highest differential between demand and the lowest supply in the LGAs we surveyed in this study. It appears that Pinnaroo was favourably featured on the ABC “Back Roads” program broadcast on August 22, 2022, spiking potential home buyer interest.

7.23 There is high demand and minimal supply. Local landowners appear to be willing to subdivide existing parcels but to date these small one lot to two lot subdivisions have not increased dwellings coming on to the market.

7.24 Local employers cannot obtain staff as there is for practical purposes nowhere for them to live. The local food processing plant has built 8 low-cost family homes for their workers in Pinnaroo in 2022 and this appears to have been successful. However, this does not address the wider shortage of housing and is insufficient to meet local employer demand.

7.25 The price of existing dwellings in Pinnaroo is the lowest of the local LGAs at \$180,000 (one dwelling only) but has continued to rise more sharply than other local LGA areas.

7.26 There have been an additional 4 residential lots created in Pinnaroo in 2022 but only one development application lodged excluding 8 dwellings for employees built by a local food processing plant..27 There was one new dwelling development application lodged in 2022 and 3 new lots created by one to two lot subdivisions. There is no indication that new dwellings will come on to the market in the foreseeable future to meet demand.

#### *Southern Mallee Housing Opportunities and Constraints*

7.28 *Lameroo and Pinnaroo Housing Opportunities* – There have been relatively few development applications for new dwellings, excluding employer constructed housing in Lameroo (1) and Pinnaroo (1) in the past 12 months (Refer 6.2(a) above).

7.29 There has been medium levels of demand for owner occupier or investment housing in Lameroo (83 – Refer 4.3(a) above), however demand in Pinnaroo on January 21, 2023 (313 – see 4.3(a) above) is close to the highest in the 4 LGAs falling back to 192 interested buyers on 7 February 2023. House prices in Lameroo (39.9%) and Pinnaroo (26.3%) have risen sharply in the past 12 months due to unmet demand.

7.30 It has been widely reported that shortages of skilled labour and construction materials may start to ease during late 2023 and early 2024. This would potentially present an opportunity for new dwellings to be constructed to meet the market demand in Lameroo and Pinnaroo

*7.31 Lameroo and Pinnaroo New Housing Constraints* – Shortages of skilled labour and availability of construction materials caused by COVID restrictions and Government first home builder policies focused on capital cities have been a constraint on the construction of new dwellings since 2020.

## 8. RESPONSES TO EMPLOYER SURVEY MAY-JUNE 2023

### ***Updated Employer Survey Information***

8.1 The PCG resolved to contact local employers once it became apparent that the proposed PCG housing project satisfied the feasibility requirements and had reasonable prospects of proceeding. There had been considerable research undertaken involving local businesses and housing shortages in the past that confirmed the housing problem, but the issue remains unresolved.

### ***Summary of Employer Survey Responses***

8.2 We anticipate that if the Project moves beyond the feasibility stage to implementation, that employer interest will increase. We are mindful that employers have been surveyed a number of times previously and this may have reduced some employer's willingness to respond.

8.3 In summary, the response showed 22 employers were interested in purchasing one or more dwellings for their staff. Employers anticipated their staff would be interested in purchasing 34 or more dwellings. 13 employers advised they would consider providing a rental guarantee for their staff.

8.4 The majority of employer respondents said they were interested but required more detailed information. Should the Project move towards implementation, Civitas can undertake a more detailed evaluation of employer demand assisted by detailed information about the Project.

**For more detailed information see Attachment 6**

## 9. POTENTIAL SITES IN JOINT COUNCIL AREAS

- 9.1 The PCG advised in February 2022 that PCG council land maybe available to meet an estimated demand of more than 60-80 new dwellings for workers required in the PCG LGAs. Also additional dwellings maybe available if private land owners were to develop land in Naracoorte on a basis that was acceptable for all parties.
- 9.2 In early December 2022, at the commencement of Phase 1 of the Pre-feasibility Study, Civitas noted that funding from Renewal SA to June 2023, indicated of the 28 projects that were funded all 28 were in Adelaide. At the time of writing the Feasibility Study in June 2023, no direct funding for housing developments from the South Australian or Commonwealth Government had been allocated to PCG LGAs. It was noted that the National Housing Infrastructure Fund was in the process of undertaking a survey in South Australia and the survey was circulated to regional councils.
- 9.3 Private sector property developers have not met, and at the present time do not have the capacity to meet, the market for the demand for new housing in the PCG LGAs. High profile collapses of major property developers caused by a range of factors understandably create a perception of lending to property developers being perceived as higher risk. Private sector regional property developers are constrained by:
- the difficulty of obtaining bank finance for new housing in regional areas due to bank's lending criteria for developers;
  - low rates of return on investment in regional areas compared to capital cities;
  - skilled labour shortages in regional areas;
  - ongoing shortages of construction materials;
  - rising interest rates.

In June 2023, Civitas continued to be advised by the PCG that employers were considering or had constructed or purchased dwellings or accommodation for their employees, due to the extreme housing shortages. This was supported by the Survey of Employers undertaken by the PCG in May - June 2023.

- 9.4 Examples include Pye Group's constructing new dwellings for employees in Lameroo and JBS Australia acquiring a motel in Bordertown with accommodation for up to 70 employees. Teys was considering constructing worker accommodation near its facilities in Naracoorte.
- 9.5 Historic State and Commonwealth housing policies overheated new housing markets in capital cities driving up housing prices. Regional housing markets in 2020 -2023 were unable to compete on rates of return and were severely impacted by labour and ongoing construction material shortages. We note that the construction material shortage was beginning to ease in June 2023 but labour shortages remained a problem. (CoreLogic 18 April 2023 Cordell Construction Cost Index).
- 9.6 Construction material shortages in the past 3 years have in part been created by:
- high Australian demand caused by first homeowner grants and subsidies;
  - shortages of construction materials in the international market such as timber caused by COVID manufacturing disruptions;
  - shortages of container ships caused by EU Fit for 55 regulations requiring a 55% reduction in greenhouse gas (GHG) by 2030. The Fit for 55 regulations prohibit EU entities from using ships that do not meet new requirements. Immediately prior to the introduction of the new EU regulations large numbers of older ships were being scuttled. This was happening in the run up to the COVID pandemic, with COVID restrictions subsequently creating delays in the construction of replacement ships.

The limited ships that were available in many cases were diverted from Australia, often on short notice, to higher volume ports creating shortages of a volume of goods entering Australia.

- 9.7 A number of construction companies around Australia have now collapsed due to rising construction costs that could not be absorbed in fixed price building contracts. The Reserve Bank of Australia is now attempting to rein in inflation by increasing interest rates twelve times May 2022 and June 2023. Cash rates (unsecured overnight loans between banks) rose from 0.35% on 4 May 2022 to 4.10% on 7 June 2023 significantly increasing mortgage payments and creating mortgage stress. Increased interest rates have reduced consumers ability to borrow for a home loan as banks adjust credit lending criteria. These interest rate rises have impacted capital city housing as consumers require larger mortgages and higher repayments than their regional counterparts. PropTrack's Home Price Index for May 2023 noted:

*Regional South Australia, the strongest performing market out of the 16 Greater Capital City Statistical Areas (GCCSAs) that cover the whole country, continues to record strong growth. Prices rose 0.15% in May to a new price peak and are now 10.55% above their May 2022 level.*

- 9.8 Construction contracts in capital cities have now largely been completed and the pipeline of housing construction projects in capital cities has slowed. Civitas Solutions believes that the reduction in demand may free up skilled labour for regional markets. (CoreLogic 18 April 2023 Cordell Construction Cost Index).
- 9.9 PCG LGAs have advised that several builders have expressed interest in providing quotes for proposed construction arising from this Project.

## 10. GUARANTOR & LENDERS

### *Meeting with Local Government Finance Association (LGFA)*

10.1 Civitas presented the Model and Project to the LGFA to determine support for the Project moving to the implementation stage.

10.2 Civitas had suggested to the PCG that the LGFA appeared to meet the criteria for a Government guarantee for the purposes of a bank loan due to section 24 of the Local Government Finance Authority Act 1983:

#### **24—Guarantee by Treasurer etc**

*(1) Liabilities incurred or assumed by the Authority in pursuance of this Act are guaranteed by the Treasurer.*

10.3 The Australian Prudential Authority, Prudential Standard 112 Capital Adequacy Standard Approach to Credit Risk provides at Paragraph 17:

*17. An ADI may apply a risk weight of 35 per cent to residential property exposures that satisfy the conditions for inclusion within the First Home Loan Deposit Scheme or the Family Home Guarantee Scheme, and in respect of which the National Housing Finance and Investment Corporation has issued a guarantee certificate to the ADI. This capital treatment ceases to apply when: (a) the guarantee certificate expires or is released in accordance with the terms of the Deed of Guarantee in respect of the First Home Loan Deposit Scheme or the Family Home Guarantee Scheme; or*

*(b) APRA determines that it no longer applies.*

*APRA may determine that this treatment may also be applied to a similar guarantee scheme that is offered by the Australian Government or an Australian State or Territory government.*

10.4 Civitas met with Davin Lambert CEO of the LGFA, on Friday 3<sup>rd</sup> February at the LGFA office in Adelaide provided a formal presentation and discussed the Civitas Model. Mr Lambert advised he would contact the member councils and come back to Civitas with a response.

### *Determine what key elements are required by SAFA*

10.5 Civitas and LGFA discussed what were the key elements within the Feasibility Study in order for LGFA to make a determination.

10.6 Civitas spoke to Mr Lambert again on Tuesday 21 March and he gave a tentative confirmation that the LGFA would provide the guarantee subject to agreeing the terms of the guarantee with the participating councils and subsequently the bank.

### *LGFA Key Elements*

10.7 Mr Lambert has suggested that the Councils form a “regional subsidiary” under **Local Government Act 1999** Schedule 2—Provisions applicable to subsidiaries for the purposes of the guarantee and the Project structure simple. The internal arrangements between the Councils could be covered in the Charter of the regional subsidiary.

10.8 Housing entity’s members must as part of their membership application provide an



in-principle letter from the member's bank, that the bank will lend an amount, that together with the member's deposit is sufficient to purchase the dwelling on completion. Note banks will only lend on the basis of the market value of the land plus a valuation of the construction costs. The banks traditionally require a 20% deposit any difference between the banks valuation and the bank loan would need to be covered by the member.

#### 10.9 LGFA fees and security requirements:

1. Mr Lambert suggested a modest fee for the guarantee to be negotiated (possibly as low as 0.1%)
2. Mr Lambert suggested that LGFA would suggest security over the council's rates income stream (cashflow). Civitas suggested an alternative would be LGFA security over the land associated with the Project.

10.10 Civitas met with Katie Harris State Manager Home Lending & Premier Banking Westpac & BankSA SA/NT and subsequently with Lindsay Hick, Regional General Manager Property BankSA Westpac regarding Westpac's potential interest in being the Lead Project Bank to the Project. Lindsay Hick suggested that an indicative interest rate for the Housing Entity where the land was owned by the Council and supported by and LGFA guarantee would be BBSY + 2-3%. He acknowledged that an August 2023 timeline to commence negotiations on the guarantee is plausible.

10.11 Civitas had previously met with Ken Langston Head of Sector Engagement, NFP Specialist Team, Business Banking at Bendigo Bank shortly before the Project commenced. Mr Langston has since retired but he arranged a call with the Bendigo Commercial Banking Team who are aware of the Civitas Model. Civitas had a preliminary call outlining the Civitas Project with the Commercial Banking Division on 9 June 2023 and is arranging an in-person meeting at Bendigo in July. Bendigo has expressed an interest in being the Lead Project Bank and noted that they are already familiar with the potential for a loan backed by a Government guarantee.

Davin Lambert from LGFA has also put Civitas in contact with Bendigo Bank in Adelaide with:

Jim Sarris:	GM Specialised Segments / Property / Performance
Joe Formicella	Head of Sales, Performance & Strategy Business
Banking	<a href="mailto:joe.formicella@bendigoadelaide.com.au">mailto:joe.formicella@bendigoadelaide.com.au</a>

#### *Bank Lending Requirements Supported by the Guarantee*

10.12 The key element of the loan for the Project from the Bank is confirmation that they are satisfied with the Government guarantee and that the guarantee is unconditional, subject to the liability for payment being in the first instance on the housing entity on completion of construction and settlement.

#### **Term of Guarantee**

The term of the guarantee is open to discussion although there should be a maximum term with the guarantee able to be released on an earlier date of settlement.

#### **Drawdowns**

It is anticipated that there will be separate loans to the individual housing entity in each council area with a cross reference to the guarantee. The guarantee may allow the loan to be repaid in part and up to the maximum amount drawn down again.

**Interest Rates**

Interest rates are to be negotiated but will take into account the reduced risk associated with a Government guarantee.

**Termination for Breach**

This will need to be discussed in more detail in conjunction with the LGFA.

## 11 INFRASTRUCTURE LOANS AND GRANTS

11.1 Civitas met with Fred Ibrahim, Director – Infrastructure, National Housing Finance and Investment Corporation at the head office in Pitt Street Sydney on 26 April 2023. At the meeting Civitas provided its' responses to the NHIF Summary Checklist for discussion.

11.2 The Indicative Interest Rates for a NHIF Loan are the same as NHFIC and are set out below. We anticipate councils would be subject at most to the CHP (Community Housing Provider) rate. This needs to be discussed with the NHIF should Councils be offered a NHIF loan as councils have a lower risk profile than CHPs:

Current pricing (indicative)	NHIF*				AHBA bonds						Comments
	1 year	2 years	3 years	5 years	10 years	11 years	12 years	13 years	14 years	15 years	
<b>Fixed rate lending</b>											
Australian government bond yield	3.15%	2.89%	2.88%	2.96%	3.22%	3.29%	3.36%	3.43%	3.50%	3.57%	Source: Bloomberg
Estimated NHFIC premium	0.00%	0.00%	0.00%	0.00%	0.65%	0.66%	0.67%	0.68%	0.69%	0.70%	Estimate
<b>NHFIC cost of funds*</b>	<b>3.15%</b>	<b>2.89%</b>	<b>2.88%</b>	<b>2.96%</b>	<b>3.87%</b>	<b>3.95%</b>	<b>4.03%</b>	<b>4.11%</b>	<b>4.19%</b>	<b>4.27%</b>	
Add: Standard NHFIC lending margin	1.50%	1.50%	1.50%	1.50%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	Source: NHFIC Finance
<b>Fixed rate for CHP</b>	<b>4.65%</b>	<b>4.39%</b>	<b>4.38%</b>	<b>4.46%</b>	<b>4.52%</b>	<b>4.60%</b>	<b>4.68%</b>	<b>4.76%</b>	<b>4.84%</b>	<b>4.92%</b>	Excludes establishment fee
<b>Floating rate lending</b>											
Estimated NHFIC cost of funds (Margin over 3M BBSW)					0.23%	0.26%	0.30%	0.36%	0.42%	0.48%	
Add: Standard NHFIC margin*					0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	Source: NHFIC Finance
<b>Floating margin for CHP over BBSW 3M</b>					<b>0.88%</b>	<b>0.91%</b>	<b>0.95%</b>	<b>1.01%</b>	<b>1.07%</b>	<b>1.13%</b>	Excludes establishment fee
Current 3 month BBSW rate					3.64%	3.64%	3.64%	3.64%	3.64%	3.64%	

\* The same NHFIC cost of funds is applicable for the AHBA Line of Credit.

Tenor (months)	1	2	3	4	5	6
BBSW curve (%)	3.5932	3.6300	3.6390	3.6600	3.6800	3.7000

### 11.3 NHIF QUESTIONS

The Table below provides a summary of the questions asked by Mr Ibrahim, with the Civitas responses attached:

<p><b>Question 1</b> SPV – For Council to access the NHIF funding, it would need to be lent into an SPV that is owned/controlled by Council and established for the purpose of delivering housing.</p>	<p><b>Answer 1</b> Councils propose to form a “regional subsidiary” under <b>Local Government Act 1999</b> Schedule 2</p>
<p><b>Question 2</b> Servicing – If Council propose to rely on their balance sheet revenue to repay the NHIF Loan – then NHFIC has a preference that our template financial model is utilised. Council may need to engage a modeler to help them build the model. The model and user guide can be downloaded from here (referred to as the CHP Financial Model): <a href="https://www.nhfc.gov.au/affordable-housing-bond-aggregator-ahba-loans">https://www.nhfc.gov.au/affordable-housing-bond-aggregator-ahba-loans</a>.</p>	<p><b>Answer 2</b> Councils propose to repay the loan as the properties are sold.</p>

<p><b>Question 3</b> Security – NHIF finance will need to be secured with either real estate security or a guarantee from SA Treasury or a GSA over Council’s balance sheet.</p>	<p><b>Answer 3</b> The loan is proposed to be secured over either council property or more likely a guarantee from the LGFA which is guaranteed by the SA Government.</p>
<p><b>Question 4</b> The Councils appear to be in good financial health. Why would they not fund the Infrastructure themselves? This is a key consideration for NHIF, in regard to what will happen to the project if no funding is provided.</p>	<p>While the Council are in good financial health – this is relative to their size. The funding required for the proposed infrastructure would be a major impost on the Council resources and they would not be in a position to proceed with the project(s)</p>

#### 11.4 CIVITAS QUESTIONS

The table below provides a summary of the questions asked by Civitas and the responses provided by Mr Ibrahim

<p><b>QUESTION 1</b> Will the NHIF provide a loan plus 20% grant of \$5-6million for the regional subsidiary?</p>	<p>Yes, but they will need more details we explained that the liability for the loans would be with Tatiara and Naracoorte Lucindale – there is no cross subsidy between the Councils. The Regional Subsidiary is incorporated under the Local Government Act is incorporated and requires the approval of the Minister and an approved constitution.</p>
<p><b>QUESTION 2</b> Are NHIF funds still available for SA for 2024 financial year?</p>	<p>There are applications currently in excess of the total of the remaining funds – Fred is of the view that for various reasons not all will go to completion and there is a possibility if we lodge the EOI by August that funds may possibly become available, particularly as only roughly \$5million in total is being requested. This Project is relatively well developed in terms of showing low demand and high supply and includes the current ABS data on income and demographics.</p>
<p><b>QUESTION 3</b> Has the NHIF lent funds in regional SA and are they familiar with the South East South Australia housing market.</p>	<p>No they have not lent funds in regional SA due to the previous emphasis on larger scale projects – that changed with the amendments to the NHIF guidelines before Christmas.</p> <p>The smallest amount they have lent to date was \$1million.</p>

	Fred indicated that the NHIF legal costs for the loan is likely to be around \$30,000 as the documentation required is the same for a large loan as it is for a \$5 million loan.
<b>QUESTION 4</b> Does the NHIF key worker definition include low income food processing manufacturing workers?	It can – it was suggested we just need to make the case that they are key workers. The term is not defined. In general the NHIF is less focused on the affordable housing criteria than NHFIC is, the NHIF is mainly concerned that housing will be built within 18 months.
<b>QUESTION 5</b> What interest rate does the NHIF charge and are there any other conditions relating to regional loans?	Fred indicated that it could be satisfactory if the NHIF could receive a guarantee from LGFA for the loan. The NHIF has not lent to councils before, as it has mainly been to RCHPs.  We have attached - the NHIF Scope inclusions – Attachment 2 -standard NHIF loan application– note the maximum grant is 20% and has additional conditions to the loan. Attachment 3

### 11.5 GROWING REGIONS FUND

Information about the Growing regions fund was limited as Expressions of Interest had not opened by the due date for the Final Report.

Civitas understands that the Growing Regions fund will provide grants for local government entities outside capital cities for capital works programs of between \$500,000 to a maximum of \$15million. Grants are not available to third party private parties.

## 12 RISK MANAGEMENT

12.1 The risk management framework is based on the International Standard on Risk Management ISO 31000:2018. The Standard defines risk as “the effect of uncertainty on objectives”.

12.2 All objectives that LGAs undertake involve identifying the risks in relation to the “reward” for achieving the objective. PCG councils recognise that market failure to provide new housing to meet high demand is crippling industries in PCG LGAs and that intervention is under consideration.

12.3 In this case the objective is for PCG councils to facilitate the development and construction of new key worker housing to support economic growth in their respective LGAs while managing and minimising financial risk to PCG LGAs.

12.4 The Civitas Model has been designed to limit the costs and risks to Councils of new housing on council owned land for sale to the public.

12.5 What are the Components of Risk Management?

1. *Risk Identification*
2. *Risk Analysis*
3. *Response Planning*
4. *Risk Mitigation*
5. *Risk Monitoring*

### 12.6 CIVTIAS MODEL FINANCIAL RISK MANAGEMENT FOR COUNCILS

#### **Risk Identification, Analysis**

1. Councils do not provide or borrow funds to develop and construct new dwellings.
2. The housing entity is the borrower not the council.
3. The bank loan is provided for construction supported by a LGFA guarantee.
4. Councils do not engage the builder the builder is engaged by the housing entity.

#### **Response Planning and Risk Mitigation**

5. Councils retain ownership of Council land until construction is complete and the bank loan is repaid by the new home owners.
6. Alternatively, in the case of privately owned land in Naracoorte, Council would need to provide security satisfactory to the LGFA. Council could consider suggesting a first mortgage over the private land subject to step in rights if that was acceptable security to the LGFA It is a decision of the LGFA whether or not the LGFA is satisfied this would be sufficient to manage LGFA risk as the guarantor.

- Council risk is limited to step in rights if housing entity fails to complete as council continues to own the land until completion. The council may then decide to engage the builder to complete the project supported by the guarantee.

### Risk Monitoring

- Council retains project oversight either with a representative on the housing entity board or as a board observer.
- Council requires the housing entity to provide regular reports on progress to council and to provide regular risk analysis and disclosure.

## RISK MANAGEMENT PLAN

	LIKELY	IMPACT	ACTION
<b>CONSTRUCTION RISK</b>			
Quality of the construction is poor	Possible	Significant	Establishment of a Project Control Group (PCG) out of the Co-op Appointment of a quality Project Manager
Builder engaged for the Development goes into Administration	Unlikely	Minor	Professional Tender process Appropriate background checks
<b>DEMAND RISK</b>			
Insufficient Home Buyers to meet demand	Unlikely	Major	Detailed work to be undertaken to confirm previous identified demand still exists and at a level that will ensure take up of Housing
			Project does not proceed until there is an approved list of Home Owners – including a substantial 'Reserve' list
Identified Buyers don't have funds to acquire Home	Unlikely	Significant	Vetting of prospective owners Prospective owners required to have formal approved Bank Loan documentation approved
<b>HOUSING MARKET RISK</b>			
Project does not get completed due to unforeseen circumstances	Possible	Major	Council retains the property and whatever construction takes place
			Potential to repurpose the property
The housing market collapses resulting in negative equity	Possible	Significant	A key outcome of the model is that it provides the home at a 20-30% discount to market
Interest Rates rise substantially causing large mortgage Stress	Possible	Significant	Potential owners will require approved documentation of loan from Bank. There will be reliance on the Bank that they have factored this into their approval consideration.

## 13 NEXT STEPS

### **CHANGE OR NO CHANGE?**

1. Each Council consider and resolve whether to maintain the status quo (no change) or if Council proposes to address housing shortages. If no change no further steps required.

### **CONSIDER REQUIREMENTS FOR ADDITIONAL INFRASTRUCTURE FUNDING**

2. Confirm whether or not to apply for a future grant round from the Regional Growth Fund or a loan at a from National Housing Infrastructure Facility in the 2024 financial year and what the application information required and the timing of the application.

### **COUNCIL FUNDED OR CIVITAS MODEL?**

3. Does Council wish to fund new housing from Council's own funds or use the Civitas Model with Council land as security? If Council land is not available Council will need to discuss the LGFA's requirements to support the guarantee.

4. If Council is self-funding new housing the usual development process would commence here.

### **SINGLE COUNCIL OR MULTIPLE COUNCILS PROGRESSING USING CIVITAS MODEL?**

5. If multiple Councils are progressing with the Civitas Model a draft Constitution for a Regional Subsidiary may be required with an application to the Minister for approval under the Local Government Act.

6. Draft Guarantee between the Bank, LGFA and proposed Regional Subsidiary (SPV) with a schedule for relevant future owners housing entities to be inserted on incorporation

7. Incorporate owner housing entities meeting key worker and develop membership register and waiting list.

8. Dwellings are categorised as affordable housing for the purposes of the NHIF.

9. Dwellings must be sold at the market value of the land plus reasonable project and construction costs to future owners.

10. On provision of an approved disclosure document, future owners must become members of the owner's housing entity and provide a modest deposit and a pre-approval letter from their bank stating that they will be provided with sufficient funds on settlement to complete the purchase of the dwelling.

11. Confirmation of the loan by the bank to the individual housing entities in accordance with the guarantee.

12. Housing entity appoints Project Manager to manage the project and report to the board of the housing entity.

13. Tenders called for construction of infrastructure and dwellings by the housing entity.

14. Builder/s approved by the housing entity, Regional Subsidiary or individual Council and potentially the LGFA as guarantor.

15. Consultants appointed for the reports and lodgement requirements for the Development Application

16. Development Approval and construction commences – possibly staged across different council areas depending on number of builders. Project Manager to oversee Project on behalf of the Housing entity and report to the board.

17. Construction completed and certifications finalised.



18. Settlement of individual owners through their housing entity and bank repaid

19. Guarantee to the bank released in stages as loan is repaid.

20. If applicable guarantee to support the loan from the NHIF released in stages as the lots are sold,

21. Depending on the term of the guarantee and with the approval of the parties, a further draw down could be made supported by the guarantee to fund new projects.

## ATTACHMENT 1- NHIF SUMMARY CHECKLIST

<b>PROPOSED APPLICANT</b>	
SPV	<b>Regional Subsidiary under Local Government Act SA</b>
INDIVIDUAL COUNCIL	
<b>PROJECT</b>	
Will not proceed without NHIF	Keith - Yes
Will be delayed without NHIF	Naracoorte
Would proceed with fewer social or affordable dwellings	Would exclude sites in Keith where there is high and urgent demand Would delay sites in Naracoorte where there is high and urgent demand
<b>PURPOSE OF FUNDING</b>	
Social Housing	No
Affordable Housing	Yes
<b>DEFINITION AFFORDABLE HOUSING</b>	
Limited to essential services police, health care workers, teachers, police cleaners	Yes (under co-op rules) but proposed criteria includes staff for local food processing employers
Includes staff for local industry?	Essential services defined to include food processing plant staff as well as health care, education, police and cleaners
<b>AFFORDABLE HOUSING ONLY</b>	
100% Grant	N/A - Affordable housing
Loan/Grant	Grant Cap 20% Loan Balance 80%
Loan	Concessional terms
	Loan grant \$2.6m for Keith, \$2.5m Naracoorte
<b>SPV CONTRIBUTION</b>	
Land	Tatiara
Funding	Naracoorte-Lucindale
<b>PROJECT COMPLETION</b>	
6-18 months	yes
<b>HEAD CONTRACTOR REQUIREMENTS</b>	
Head Contractor Accreditation required if infrastructure over \$4m	<b>Yes</b>

Total value of NHIF contribution is \$6m and more than 50% contribution	
NHIF Contribution is more than \$10m regardless of %	
<b>FUNDING</b>	
Equitable between the States and Territories	SA not known?
National Annual grant Cap	\$35million
National Concessional Loans and Equity Finance	\$165million p.a.
If Application acceptable funding can be deferred if annual funding cap completed	Potential funding may be approved 2023-2024 or 2024-2025
<b>PROJECT COMMENCEMENT</b>	Other parts of the Project not dependent on NHIF can commence if not dependent on NHIF funds e.g Tatiara dwellings while waiting for Keith or Naracoorte funding

## ATTACHMENT 2- POTENTIAL TATIARA COUNCIL SITES

### Overview

An overview of the local building industry provides the following insights:

- a) There are quite a few local builders, however at present they have long 'pipelines' of projects, with current waiting times for new homes being up to 3 years
- b) Kookaburra Builders currently have their minimum delivery time in some cases to be 1 year.
- c) Destination Homes have expressed a desire to potentially be involved. They undertake both 'Prefab' and 'On Site' builds.

Many of the new homes in Bordertown have been locals looking to upgrade.

Regional Development Limestone Coast did a high level demand analysis, that indicated at the time there were approximately 150 jobs advertised, with a further 150 jobs available but not advertised due to perceived difficulty in attracting applicants.

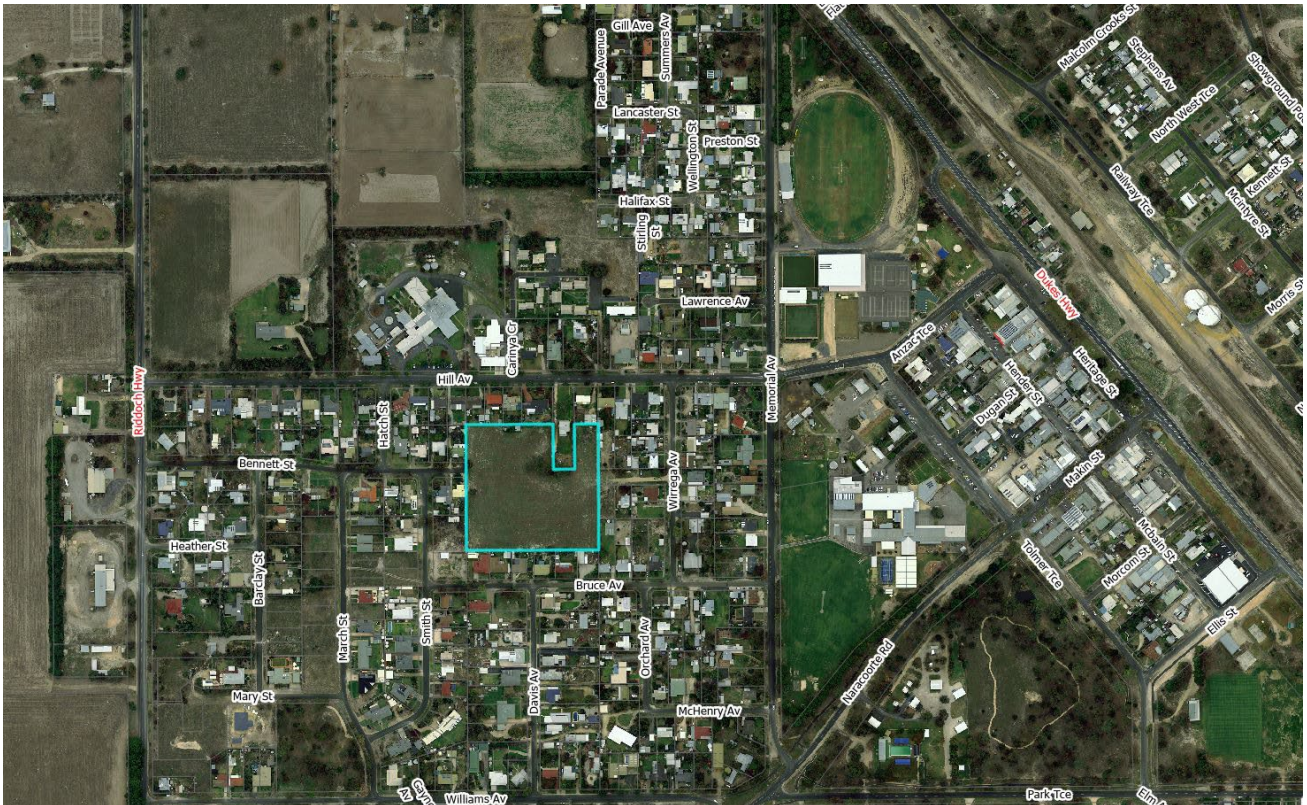
Unmet housing requirements includes demand from potential:

- a) Owner occupiers
- b) Businesses seeking to acquire residences to attract and retain employees
- c) Investors requiring new homes to rent

It is anticipated that the highest demand is for quality low to medium density housing in the affordable price range and it is anticipated that this Project should be able to provide those entry level dwellings. The longer term goal of the Project is to kick start future construction by encouraging banks to lend for new housing. Over time it is hoped that housing prices would improve to a level that would encourage local property developers to enter the market, constructing new dwellings and freeing up lower priced existing dwellings for low to medium income families.

### Site 1 – Lot 105 Bennett Street KEITH SA 5267

- Zone Neighbourhood Zone ID Z4201
- Ownership Tatiara District Council
- 22 allotments
- Title Details [CT5435/273](#)



## Opportunities

Keith is an area with good quality housing, despite traditionally being valued lower than Bordertown, but there appears no reason why it cannot attain a similar valuation as Bordertown. It is important that a new development is of comparable quality.

The site is located within close proximity to the town centre, the land is well placed, surrounded by other residential properties. The land was originally acquired by Council with the intention of residential development and is considered a logical progression for future expansion.

The high infrastructure cost may not necessarily be a deterrent to future purchasers given the shortage of dwellings and the potential for medium priced homes on larger blocks.

## Issues

The main consideration for the site is the lack of connection to critical infrastructure in part due to the site being on limestone. This would result in higher costs to develop the site. It is anticipated that the infrastructure cost for each site could potentially be \$30,000. Current land value in Keith appears to be around \$25,000 so additional consideration as to how to ensure the financial viability of the site development is required.

## National Housing Infrastructure Facility

The issue of providing infrastructure to the Keith site could be addressed with a NHIF grant of up to 20% (subject to meeting grant criteria) plus a loan at moderate rates. The NHIF has advised that a small window of opportunity exists up to August 2023 to lodge an application for a loan/grant as it is possible there may be some funds available from the 2022-2023 financial year that are not taken up by other existing applicants.

## Conclusion

The site should be included as part of the Project with additional consideration given to how to offset the higher infrastructure costs.

## Site 2 – Lot 20 Brown Terrace Bordertown SA 5267

- Zone Employment Bulk Handling
- 12 allotments
- Title Details CT6141/899



### Opportunity

Close to town centre

### Issues

A low lying block of land adjacent to the railway line and with an industrial workshop next door.

Limited critical infrastructure.

### Conclusion

The Ramsay Terrace site is preferable as it has lower costs of connection to infrastructure and is closer to services.

### Site 3 – Ramsay Terrace Bordertown

- Zone Neighbourhood
- Zone ID
- Potential for the subdivision and staged sale of 40 - 42 allotments and low density dwellings



#### Opportunity

The site is flat, well located near services.

#### Issues

The site has recently been acquired by Council for subdivision and development to augment the availability of key worker housing.

There is infrastructure to the boundary of the site.

To optimise the site it is preferable to reduce the number of lots to accommodate upgraded infrastructure. This site has good amenity, is appropriately zoned and has the potential for further expansion to meet future demand.

## ATTACHMENT 3- POTENTIAL COORONG COUNCIL SITES

### **SITE 1 - (Rear) 49 -51 Becker Tce TINTINARA SA 5266**

**Ownership** Coorong District Council

**Title Details** CT5728/527

**Zone Name** Township Activity Centre

**Site Size** 1000m<sup>2</sup> (2 duplex)

**Location** In center of town

**Site Topography** Flat and suitable for development

**Costings** No costings have been undertaken, infrastructure services are in place to the site.

**Market Commentary** No houses are for sale in Tintinara and there are no houses available for rent.



### **Opportunities**

The site lends itself to mixed commercial - medium density development and would be suitable for young families. Consideration should be given to the demand to start small businesses with one partner working at the aerodrome in the feedlots or abattoir and the other running a small business on site with medium density dwelling at the rear. Suitable for families with one spouse supervising children while working in the commercial area on site. May also be suitable for multi-generational families.



The site is council owned close to the main street with services connected to the site. Tintinara has a small area school Pre-school to year 12. Tintinara is approximately 2 hours from Adelaide and so is also suitable for residents looking to work from home in affordable housing with occasional days in the office in Adelaide.

Consideration could also be given to encouraging the development of the aerodrome which has the potential to support adjacent light industrial development.

## Issues

Tintinara is split by the Dukes Highway and is subject to high speed traffic. The population in Tintinara in 2016 was 527 so it is significantly below the self sufficient threshold of servicing a population of 7000. The town has potential for growth by strengthening its role in the highway economy.

## **SITE 2 - 78 Princes Hwy MENINGIE SA 5264**

**Ownership** Coorong District Council

**Title Details** CT5980/138 & CT5980/137

**Zone Name** Township Activity Centre

**Site Size** 2700m2 potentially 5 -7 Age in Place medium to low density quality dwellings

**Location** In center of town

**Site Topography** Flat and suitable for development

**Costings** No costings have been undertaken, limited infrastructure augmentation required.

Residential blocks in the area have been valued at \$100k to \$120k

Good properties in Taillem Bend sell for \$400k to \$500k

**Market Commentary** There are 7 houses for sale in Meningie and there is one house available for rent. Potential for freeing up other existing housing stock and facilitating local residents to remain in Meningie with existing family and social support networks. The concept allows residents to remain in the district with housing that is suitable for their time in life.



## Opportunities

Meningie is located on Lake Albert with a small population of approximately 1200. Meningie is 1 ½ hours from Adelaide. Meningie is both a hub for the region and tourist destination. The town with moderate support for tourism appears to be economically self-sustaining

The site is located next to Wadmore House a historical building dating to the 1850s. Wadmore House has been identified as a potential community centre with an estimated \$500k required to upgrade the building. Expressions of Interest are being sought however a degree of creativity will be required to make Wadmore House viable.

Meningie has an existing ageing population and is a popular tourist spot. The site has the potential for medium density age in place dwellings with the possibility of freeing up larger existing dwellings for young families. The potential for an age in place medium density development adjacent to the Wadmore project, raises the possibility of residents making regular active use of Wadmore House. The Matson Street development could play a supporting role in the Community Centre for activities such as unaccredited courses in computer skills, genealogy, local history as well as regular movie nights and craft markets to attract tourists.

The site would also lend itself to couples looking for a sea change and the ability to work locally or work from home 1 ½ hours' drive from Adelaide.

The school is within walking distance, with the potential for school children to visit their grandparents until their parents have finished work for the day. The Hospital is also within walking distance and has aged care support facilities.

## Issues

Meningie has an ageing population and a shortage of housing. Part of the goal is to encourage existing residents to move to the Matson Place development to free up aged resident's dwellings for rent or sale to incoming young families. It will be necessary to undertake some research on potential demand from existing older residents to determine whether the site should be "age in place" or simply be made available to incoming families.

## SITE 3 - 115 Princes Highway TALEM BEND SA 5260

Talem Bend is located on the main highway one hour from Adelaide. The town has a number of employers, with many residents also working in nearby Murray Bridge.

**Ownership** Coorong District Council

**Title Details** CT5381/984

**Zone Name** Neighborhood (Residential)

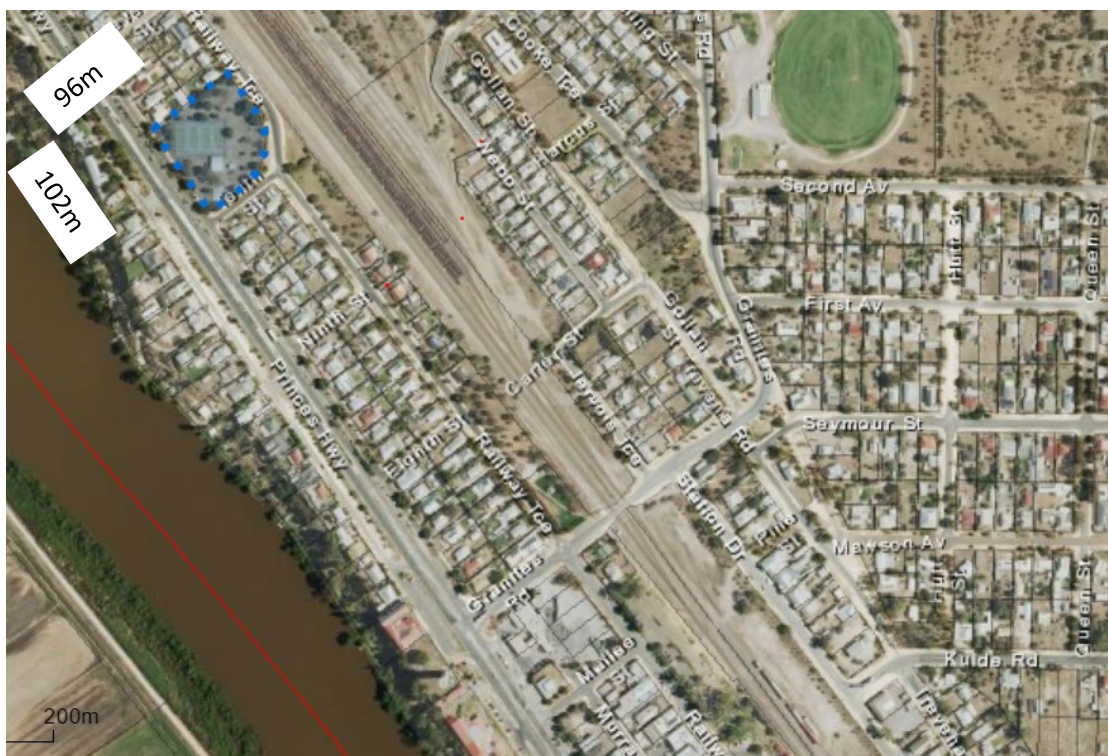
**Site Size** 11000m<sup>2</sup> yield dependent on housing type-potentially 15-20 townhouse type buildings with on-site parking. Alternatively, 10 low density quality single dwellings each with on-site parking and direct street frontage)

**Location** Close proximity to center of town.

**Site Topography** Flat and suitable for development

**Costings** No costings have been undertaken. Minimal infrastructure augmentation required-essentially only easement for main traversing site and individual allotment connections.

**Market Commentary** 4 houses are for sale in Talem Bend market and no houses available for rent.



## **Opportunities**

Walking distance to the town Centre, with full services on site.

The site is considered best suited to the establishment of 7-10 low - medium density, smaller manageable properties, suitable for:

- Singles / Couples
- Workers

- Investors for Rentals

It is anticipated that buyers will be individuals as there is not a single employer with demand for the entire site. The proximity to Adelaide makes the site suitable for commuters to Adelaide and people working from home. The site has existing trees and would have an attractive price point as an entry level home for young lower middle-class professionals such as teachers, police and health care workers.

## **Issues**

The price point for the site and dwellings may be too high at \$400-500,000 to be affordable for low-income abattoir and feedlot workers unless they are a dual income family.

The site requires further demand analysis to optimise the benefit to the Council local employers and the community.

## ATTACHMENT 4- POTENTIAL NARACOORTE- LUCINDALE COUNCIL SITES

### Overview

Naracoorte is a service town for the local farming community and has economies of scale and economic diversity sufficient to support its independent financial viability. The presence of three banks in the town – a rarity for a town of this size confirms its apparent economic stability.

Naracoorte has experienced significant inflow of migrants over time, with the proportion of migrants identified in the last three census being:

2011 - 13% migrants

2018 - 19% migrants

2021 - 25% migrants

Educational facilities include:

- 2 Primary Schools
- 1 High School
- 1 Private School

Students also travel via bus to nearby Mt Gambier for other educational services.

There are many sporting clubs and other activities that would prove attractive to new residents coming into the area.

There is a well-resourced public hospital along with 2 private clinics.

There was also movement of residents from nearby western Victoria arising from the Victorian COVID restrictions in 2020-2021.

A blended mix of housing is predominantly 3 bedrooms. Further demand analysis is needed to clarify the mix of new housing required in Naracoorte.

There is a potential shortage of child care with waiting lists for most centres. The availability of child care improves the opportunity for dual income families to acquire their own home.

It is estimated that 'dual income families' would normally earn a combined income of \$100,000 to \$120,000 which may be sufficient to service an entry level mortgage. The shortage of properties to rent has resulted in rents being higher than mortgages. However, the level of deposits required by banks in rural areas are often as high as 50% loan to valuation thereby excluding many potential new home owners.

There is a new subdivision currently underway at Eucalypt Estate – with the lots being sold by Elders and GJ Gardner's undertaking the build.

Key areas of employment for the migrant population include Teys Abattoirs, aged care and viticulture.

### Existing Housing Issues in Naracoorte

There are a number of current property developments in Naracoorte and it is unclear whether Naracoorte suffers from the market failure apparent in other towns in regional Australia. Property developers have a number of sites under development with mixed levels of success. Based on the information available to us it appears that funding is available for these existing sites to the property developer, however the price of new dwellings may not be in the range that is attractive and easily affordable to the mainstream purchaser in the local community.

Teys Abattoir owns land across the road from its processing facility. Teys is considering the development of a Caravan Park type development to accommodate some of their workforce. The site will require considerable

work to connect the site to services and infrastructure. A potential concern with this site is that the distance from the town centre limits the workers and their family's ability to integrate into the community – and therefore the availability of dwellings this distance from services may not assist in retaining workers with families.

The old TAFE Education facility was acquired privately and converted into worker accommodation. However, this has not been received favourably from locals who are disappointed that the quality of the development was not commensurate with the surrounding housing.

There is also private development being undertaken near the showgrounds to develop 8 to 10 townhouses.

### **National Housing Infrastructure Facility**

NLC does not currently have council owned land suitable for the Civitas Model, in respect of infrastructure funding access. However, NLC could support the development of privately owned sites for subdivision by applying to the National Housing Infrastructure Facility for a loan to upgrade and extend existing council infrastructure. The NHIF only lends to Government bodies such as councils or community housing providers for infrastructure loans. Where the infrastructure upgrade only benefited private individual and not the wider community the NLC could consider borrowing the funds for the upgrade supported by a back to back loan from the developer. The NHIF needs to be advised of the arrangement with a private developer or private developers but has no policy objections to such an arrangement.

The NHIF has advised that a small window of opportunity exists up to August 2023 to lodge an application for a loan/grant as it is possible there may be some funds available from the 2022-2023 financial year that are not taken up by other existing applicants.

The NHIF loan would not address the underlying problem of bank lending criteria for property developers and bank valuations for new residential housing being the based on the market price of the land plus the valuer's assessment of the cost of construction. The banks do not lend on the developer's margin in category 7 markets.

### **Growing Regions Grant**

The focus would need to be on a potential grant to Council for infrastructure from the Growing Regions. Grants range from \$500,000 to \$15million for local government capital works. Expressions of Interest open on 7 July 2023 and close on 1 August 2023 we understand additional rounds may be available in the future.

## ATTACHMENT 5-POTENTIAL SOUTHERN MALLEE COUNCIL SITES

### Overview

#### Housing Demand

The main employer in the area is Pyes, who have invested \$45million potato packing facility in Parilla. Pyes relocated their workforce from Adelaide to Lameroo and Pinaroo and provided 17 new dwellings in Lameroo and 10 in Pinaroo. The new dwellings were constructed by Selecta Homes offsite and are in the lower range affordable category.

Parilla also has a 42 bed Council facility for seasonal backpacker worker accommodation.

The McMahons McPiggery employs around 30 mostly migrant workers. The company is currently considering the option of developing accommodation for its staff.

Council may have a demand for housing for new workers in the future with 7 - 8 staff expected to retire in the next three years.

There are sufficient aged care and retirement dwellings in Southern Mallee with Council owning 5-7 retirement units. Other aged care facilities are adjacent to the Hospital.

The price for vacant lots is approximately \$25,000 and they are difficult to sell. House and land packages sell more readily however it is anticipated that the problem maybe the lower income levels in the Southern Mallee Council area and the likelihood that the banks may require a deposit of 50% loan to valuation ratios for new dwellings due to the low value of existing dwellings dragging the valuation.

The main builders in the area are GJ Gardner (Riverlands) and Kookaburra (Murray Bridge)

#### Average Income Demand and Child care

Average wage in the area for factory workers is around \$60k with dual income households of \$100 – 120,000. It is anticipated that the deposit required by the bank for a new dwelling may be a barrier to home ownership. This requires further research in the next stage of this Project.

It is anticipated that there may be a total demand of 5 to 10 dwellings for Southern Mallee – with between 2 to 5 new dwellings in each town with 3 bedrooms and 2 bathrooms. The demand may be stronger in Lameroo than Pinaroo.

There are two Childcare Centres which are sufficient for the local area, although acquiring staff for the centres is difficult due to lack of housing.

#### Site 7 – Pinaroo SA 5304

Scattered council and privately owned vacant lots.

#### Pinaroo Summary

Zoning Neighbourhood 37 sites

Zoning rural 15 sites

Zoning Rural Living 7

## **Opportunities**

Pinaroo has a number of rural living lots owned by council that may be attractive to multi-generational families on Simon Street (Brownswell Highway). The low price of lots of approximately \$25,000 with entry level affordable housing of \$200=250,000 may be attractive to migrant families requiring greater living space and a larger lower priced dwelling close to regular employment.

Pinaroo does have a strong community culture and a relatively younger demographic which would be attractive to many people wishing to live in a more rural environment. Pinaroo has the potential to develop a stronger highway economy being a convenient stop 2 hours and 40 minutes from Adelaide on the Mallee Highway.

## **Issues**

The population of Pinaroo in 2022 was 712 so the town on its present population is not self-sustaining. The closure of a number of the small stores indicates that the current population cannot easily sustain itself. Some thought needs to be given to increasing the population by targeting new employees and small businesspeople able to work from home to reach a self-sustaining population supported by the local highway economy.

## **Site 2 – Lameroo SA 5302**

Scattered council and privately owned lots.

### **Lameroo Summary**

Lameroo has a population of 852 in 2022. Lameroo has an older demographic than Pinaroo and has a hospital and adjacent aged care facilities. Lameroo has a reasonable highway economy and consists of well-maintained single story predominantly 3 bedroom dwellings. There are scatterings of new dwellings in addition to the dwellings newly constructed by Pyes. Vacant lots sell for \$25,000 and house and land packages could be priced at \$200-250,000 which would be affordable and possibly attractive to migrants from major capital cities who could find work in the local industries. Further demand analysis is required in the next stage to determine the viability of the Project.

## **Opportunities**

### **Oval Terrace**

Zoning Neighbourhood 10 sites

Connected to existing services and walking distance to the town centre.

Demand analysis is needed to establish a preliminary number of sites for development, with the opportunity to progressively 'bolt on' additional houses at the Oval Terrace site to a maximum of ten over time as demand increases.

## **Issues**

Lameroo population depends on the highway economy to be self-sustaining. Lameroo is also dependent on Pyes for the town's economic viability making it vulnerable to changes over time. It is recognised that it is important to support Pyes in their expansion and to increase the population and income Lameroo. Consideration should also be given over time to diversifying the range of employers and the labour market to improve Lameroo's economic resilience.



## ATTACHMENT 6 – EMPLOYER SURVEY RESULTS

### *Employer Survey Questions and Responses*

The survey questions were as follows:

#### **1. Tell us about your business type and employee numbers**

There were 55 respondents to the survey.

##### **Business types included:**

- Agriculture and agricultural service industries
- Construction and related industries
- Health and dental care
- Real estate and property
- Food processing
- Transport and related services
- Motor vehicle and farm equipment sales
- Education
- Engineering or Manufacturing
- Hospitality and retail

##### **Total Number of employees**

The total number of employees for the businesses who responded was approximately 1,000.

#### **2. Do you need additional housing for your staff in the next 12-18 months? Yes/No**

Of the 53 responses 70% needed additional housing for their employees.

#### **3. Are there specific towns within the LGA that would best suit your staff requirements for housing?**

Towns within the LGAs:

##### **Tatiara**

30 – a mixture of large (30-50 staff) medium (6-29) and small local employers (1-5)  
This reflects the number of respondents.

##### **Coorong**

5 – with a large local employer and a mixture of medium and smaller local employers  
This reflects the number of respondents.

##### **Naracoorte Lucindale**

6 – mainly larger local employers with 30-50 staff and smaller local employers with 1-5 staff  
This reflects the number of respondents.

##### **Southern Mallee**

4- large medium and small local employers

This reflects the number of respondents.

**a) How many kilometres from your premises do you believe would be suitable for staff housing?**  
The average response was 25 kilometres but some respondents indicated 60-100 kilometres.

**b) Would you be interested in purchasing housing for your staff to rent?**

Of the 51 responses 22 indicated they would be interested in purchasing a house for their staff to rent.

**c) Do you believe your staff would potentially be interested in purchasing housing as owner occupiers?**

Of the 50 responses 34 believed their staff would be interested in purchasing housing as owner occupiers.

**e) If you are interested, would you be acquiring dwellings as an individual or via a corporate entity?**

Of the 40 responses 15 were interested as an individual, 12 in a corporate entity, 13 in both.

**f) If Council owned and operated housing they rented to your staff, would you be willing to provide a Rental Guarantee to Council or direct debit from staff salaries?**

Of the 49 who responded 39 responded positively with 13 interested in a rental guarantee and 26 as a direct debit from staff salaries.

**g) If the accommodation was not for your own staff, would you be interested in acquiring housing as an investment for rent to 3<sup>rd</sup> parties who are not staff?**

Of the 50 who responded 19 indicated they would be interested in investment accommodation in the local area.

**h) What type of accommodation would you be potentially interested in acquiring:**

**a) 1 bedroom**

18

**b) 2 bedroom low cost medium density dwellings for single employees or married couples?**

35

**c) 3 Bedroom**

33

**d) 4 bedroom medium affordably priced low density dwellings for families with children?**

8 – in separate discussions there is potentially another 3-4 in this category.

**4. Based on staff member's current salary, what price level would you or your staff be willing to pay?**

**a. Approximately \$250,000 medium density affordable 1-2 bedroom dwelling**

16

**b. Approximately \$300,000-\$350,000 low density affordable 3 bedroom dwelling**

18

**c. Approximately \$350,000 - \$450,000 or more low density higher quality 3-4 bedroom dwelling**

3 -5

**5. If you have a demand for housing for staff, when would the housing be required?**

Of the 44 who responded:

- a. **As soon as possible**  
16
- b. **Within 12 Months**  
13
- c. **Within 18-24 months**  
13
- d. **More than 2 years in the future – please indicate timeframe**  
6 responded but only one required more than 5 years – the others stressed they need housing as asap or within 12 months

**6. If you are interested in acquiring housing for your staff are you:**

Of the 44 who responded to employer interest in housing

- a) **Very committed housing is required as soon as possible.**  
5
- b) **Interested subject to detailed information and discussions with Council**  
26
- c) **Casual interest only**  
13

**7. If you believe your current or future staff are interested in acquiring a dwelling, to the best of your knowledge, are they:**

Of the 41 who responded to staff interest in housing

**Very committed to acquiring housing is required as soon as possible.**

- 4
- d) **Interested subject to detailed information and discussions with Council**  
22
- e) **Casual interest only**  
15

**GENERAL COMMENTS**

In summary, the additional comments acknowledged the problem of housing shortages impacting their businesses. One comment suggested the problem could be solved by rezoning existing land. As we have noted in this final report, all PCG LGAs have more than enough appropriately zoned land for residential housing, the difficulty is market failure due to bank credit controls on lending for new housing in regional areas.