

GIFTING OF LAND OR DWELLINGS



Photo courtesy of Housing Choices Australia

Overview of the model

- Gifting of land or dwellings at nil consideration and transfer of title to a Registered Housing Agency or a council-established Special Purpose Vehicle (SPV).
- It is expected that the landowner will need to enter a legal agreement with the Registered Housing Agency or SPV.
- Requires the landowner to forego all value and potential financial return for the land or dwellings.
- Gifting **council owned land** can include gifting 'air rights', where council gives up some of its interest in existing land and transfers separate title to a Registered Housing Agency or SPV. For example, council can retain or upgrade the existing land use such as public car parking but allow a Registered Housing Agency to develop housing assets above the land.
- Gifting by another landowner through a **planning system** Affordable Housing contribution can include gifting of land, or gifting of dwellings.
- Key strengths of this model include that it reduces the subsidy gap for the Registered Housing Agency, and it provides the Registered Housing Agency with control of the asset, assisting in securing financing and funding.



Landowner: Registered Housing Agency or council established SPV



Responsibility for assets and tenants at end of term or dwelling life: Registered Housing Agency or council established SPV



Level of resourcing to implement: Low to moderate depending on procurement process and legal agreement, or other mechanisms that are applied to secure value over time.

GIFTING COUNCIL OWNED LAND

KEY STRENGTHS

- Maximises value of land for public benefit.
- Reduces the subsidy gap required for development to occur.
- Provides Registered Housing Agency with control of the asset, assisting in securing financing and funding.

KEY WEAKNESSES

- Requires council to transfer land from its ownership.
- Unless coupled with a mechanism to lock in a specific term or use, may involve council also foregoing a right to the value of land or the reinvestment of the council contribution.

	MOST LIKELY TO SUIT SCENARIOS WHERE:	LESS LIKELY TO SUIT SCENARIOS WHERE:
GIFTING EXISTING LAND	<ul style="list-style-type: none"> ● Council's primary objective is maximising the scale and likely delivery of Affordable Housing. ● Council only expects to release a small number of sites and/or developments are of a small scale. ● There is an urgency to release land to address demand and/or to align to funding opportunities and, therefore, a simpler delivery model is required. 	<ul style="list-style-type: none"> ● Other council services are required to be delivered (although a lease-back arrangement could be agreed). ● Council expects the site could be required for another purpose in the future. ● Council requires a financial return. ● Council has a strong policy position to not transfer land out of council ownership.
GIFTING 'AIR RIGHTS'	<ul style="list-style-type: none"> ● The land is suitable for multi-level residential development. ● Council desires retention of an existing use of the land in the medium- to long-term. ● The site has contamination issues that impact on ability to significantly disturb the underlying land. 	<ul style="list-style-type: none"> ● The land needs to serve as security for debt finance. ● Council requires a financial return. ● Council wants to retain options for further development of the land in the long-term.

Check out the full report *Options for Delivering and Securing Affordable Housing on Local Government Land* to learn more about gifting council land for Affordable Housing, inc. a case study example.

GIFTING LAND OR DWELLINGS THROUGH THE PLANNING SYSTEM

Gifting land or dwellings can occur under any amendment or agreement. However, it is not suitable where the landowner needs to retain control of the land, for example in a Built-to-Rent scenario, or a contract of sale and return is required for the developer to secure financing. A key strength of the model is that it provides the Registered Housing Agency with control of the asset, enabling the asset to be used as security for borrowing.

Deciding between gifting land or gifting dwellings involves several trade-offs:

- Gifting land reduces the **subsidy gap** required for development to occur, whereas gifting dwellings means the Registered Housing Agency or SPV does not need to secure any funding or financing.

- Gifting dwellings is likely to impact on the **number of dwellings provided** as contribution per dwelling is 100 per cent of market value (compared to a discount sale or gifted land model).
- Gifting land requires the Registered Housing Agency to have **capacity to develop** and it will need to manage the design, permit approval process, sourcing and management of funding, financing, and construction.
- Gifting dwellings may not be suitable where there are **high owners' corporation costs** which can mean it is not feasible for a Registered Housing Agency to own a dwelling.

Check out the full report *Options for Delivering and Securing Affordable Housing Through the Planning System* to learn more about providing a planning system Affordable Housing contribution by gifting land or dwellings, inc. a case study example.