

Deferred Density Zones and Super Fund Bonds

A Residential Subdivision and Financing Process
in support of the promotion and facilitation of
More Affordable Housing in Australia

N. S. McNally
November 2022

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at the

TREASURER'S INVESTOR ROUNDTABLE

(25th November 2022)

and the

NATIONAL HOUSING ACCORD 2022 MEETINGS

as facilitated by

**The Treasurer of Australia
The Hon. Dr Jim Chalmers MP**

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**A Residential Subdivision and Financing Process
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More Affordable Housing In Australia**

as submitted by

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20th November 2022

Preface

This paper has been prepared for the use and consideration by participants in the Australian Treasurer's, Dr Jim Chalmers MP, 'Treasurer's Investor Roundtable' and by participants at any other meetings associated with the National Housing Accord 2022. The paper is an introductory discussion document describing a new residential subdivision concept that is entirely directed to providing a development option to be used in the drive to achieve more affordable housing throughout Australia.

The concept will require further investigation, negotiation and adjustment in order that all legal, statutory, regulatory, planning policies and stakeholder administrative requirements are appropriately satisfied.

The author respectfully requests cognitive flexibility by the reader whilst considering this concept proposal. Terms used throughout such as 'will', 'might', 'may', 'require' etc. should not infer full qualification or the use of existing objective evidence but are used in the light of the author's experience and the anticipated support from the subject stakeholder or party for the point being discussed.

The author has had many years experience in the area of land subdivision and strata scheme development.

The author's tertiary qualifications include: Associate Diploma in Valuation; Graduate Diploma in Property; Master of Project Management, *inter alia*.

Stakeholder cooperation and input and possible sponsorship will be required to obtain the most desirable outcomes for the implementation of the subject concept within the shortest time.

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Executive Summary

This proposal has been submitted for the purposes of consideration by participants in the Treasurer's Investor Roundtable, all participants in meetings related to the National Housing Accord 2022 and generally by all of the major stakeholders within the Australian property industry.

It is solely aimed at creating a residential subdivision development process that has the potential to become a most desirable option in the endeavour to provide more affordable housing for those Australians who may be economically challenged when it comes to buying house and land packages. The process might also be adaptable to the provision of new housing estates urgently required for the purpose of the relocation of current home owners living in flood prone areas or fire danger regions.

The process described herein is referred to as the Deferred Density Zone ("**DDZ**") and the Super Fund Bond ("**SFB**") Residential Subdivision Development Process.

To be successful the predominate players will be the Commonwealth Government; Super Fund Trustees and Management Groups ("**SMGs**"); Commercial Banks; all other levels of government and, of course subdivision groups and consultants.

It is envisaged that all town planning and operative aspects of the process will be able to be regulated within current property statutes. There may be minor technical adjustments required in some land title administration areas. The involvement of SMGs in respect to their capability for the provision of the SFBs may require some technical adjustments to 'superannuation related' regulation. (Nothing herein refers to any proposal for the use of personal superannuation savings for property purchase.)

Suitably located subdivision sites will be classified as 'Residential - Deferred Density Zones'. 'Deferred Urban' zones are in current use in many Town Planning Schemes ("**TPSs**") to indicate possible urban use of land in non-determined time periods. That land is usually converted to a full residential zoning when the relevant governmental planners decide that the demand for new lots is occurring. The classification of a residential DDZ can be easily slotted in to any TPS.

The DDZ operates to allow the automatic subdivision (subject to the provision of new lot service connections) of a single land lot into a higher density, say two lots, after the expiration of the DDZ period. For example R10 to R20 or R20 to R40. The DDZ period may be any time between ten to twenty years. (There are already double R Code classifications in

use but these usually have prerequisites for the higher R Code to be used such as the primary development lot being of a certain size and availability of services.) The DDZ process classifies the land to be developed as 'Residential' at the lower R Code rating 'now' and after the DDZ deferral period has elapsed the higher R Code immediately comes into force.

The initial residential subdivision will be based on the lower density but the initial planning and engineering designs will take into account the infrastructure and servicing requirements for the higher density use in the future when owners are able to automatically subdivide their original lots as and when required.

The initial land development may be funded either directly or indirectly (use of bridging facility) by access to an SMG's financial assets. When the original subdivision lots have been constructed Super Funds Bonds "SFBs" will be issued to land lot buyers to secure the land purchase. The SFB will be endorsed on the new land title by appropriate instruments and deeds and the land title registered proprietorship will be transferred into the name of the buyer. The SFB bonds will be redeemable at the expiration of the related SFB term being the same or about the same as the DDZ period expiry date. Fixed interest on the SFBs will accumulate until the SFB term expires and the bonds are called.

The original land buyer will use a bank or other institutions to finance the house construction. The SFB will be secured on the land title ahead of the bank financing. Normal mortgagee actions will be available to banks if unfortunately required. Any foreclosure and related mortgagee action will be undertaken subject to the continuation of the SFB.

The original home owner may operate an amortization fund to prepare for the payout of the SFB but he will also have the opportunity to automatically subdivide his original land lot and sell the newly created lot to pay out the SFB at the time the DDZ period expires. It would be desirable if each SFB had an associated 'Commonwealth Guarantee' that may be used in extreme circumstances by the SMGs, however such a guarantee may never be relied upon as the SMGs will have complete mortgagee rights that can be used over the original property and any new lot created under the higher DDZ.

The main elements of the DDZ and SFB proposal are discussed at length in this document.

Further detailing of this proposal will require more research, and discussions with, and inputs from, all interested stakeholders. The undersigned is ready to cooperate with all stakeholders to bring this valuable proposal into fruition.

All feedback and comments at this stage of development of the DDZ and SFB Residential Subdivision Process will be welcomed.^{A10}

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ACRONYMS

DDZ	Deferred Density Zone
SFB	Super Fund Bond
SMG	Superannuation Fund Trustees and Fund Management Group
TPS(s)	Town Planning Scheme(s)
A#	Refers to Annexure Number

DDZ and SFB Subdivision and Development Process

1.0 Preliminary Description

1.1 The Deferred Density Zone Process

The residential subdivision process discussed herein is called 'the Deferred Density Zone' ("**DDZ**") subdivision approach.

Broad acre development sites can be selected anywhere in Australia where:

- the land is within reasonable reach of services provided by regional townships or existing developed suburbs
- existing or proposed public transport infrastructure is or will '*soon*' be located nearby
- there is sufficient developable land area to provide educational facilities within the subdivision plan or is already located nearby
- highway and or railway infrastructure is available nearby or is proposed to be constructed
- growth of economic activity and the promotion of employment opportunities is expected to be enhanced by residential development
- the topography of the land avoids future flooding
- fire corridor protection barriers are existing or are able to be set aside

Basically the above planning prerequisites are just some of the normal characteristics of any well planned broad acre residential subdivision process.

The DDZ subdivision and housing process is to be designed and constructed in accordance with all excellent contemporary subdivision processes and will include as many current social, climatic and economic design principles envisaged by the Commonwealth and State Governments as is possible.

Current subdivision design usually focuses on the current planning density as shown on local TPSs. For example if the 'Residential Code'^{A7} density for an area is 'R20' (twenty dwellings per hectare) then the current subdivision is fully designed and built to conform with the R20 design regulations. When the subdivision is sold out the developer moves on to the next broad acre site to repeat the development process. And so the process goes on for years. Eventually the established home owners may decide that their land might be better used if a higher density code was applied to the older R20 land. As a result, years of negotiations, arguments and meetings take place so that there might be an amendment to the local TPS to facilitate the implementation of a higher residential use of the land, doubtless to service and profit from the apparent higher demand for residential uses within in the subject older locality. Gentrification within the much older suburbs is often a major driver of public and governmental actions to increase residential density in well established suburbs. Otherwise an increase in residential density is more likely to be the result of state and local government planning authorities eventually deciding that upgrading density is a potential solution to providing more housing as apparent demand increases in well located areas that are usually fully serviced by infrastructure, community and economic needs. Infill programs then begin to appear everywhere sometimes much to the chagrin of existing residents.

The latter process is often successful but can take many years - even decades. In the extreme cases some well planned, well serviced and very attractive residential suburbs progressively become high rise, very high density residential cityscape type areas. (Mill Point, South Perth and Canning Bridge, Applecross for example.) In time these types of areas can become very successful in achieving the servicing of a high demand for high density residential living but they do not do much for the provision of more affordable housing.

State authorities invariably have overall metropolitan and regional planning processes under control^{A3} with appropriate regional schemes and related TPSs managed by municipalities (local governments) but, when a planning proposal pops up that is not in accordance with the current regulations, state policies and local planning structures the fun starts, often for years.

The DDZ process does not set out to provide a total solution to future regulatory planning conflict but the application of the DDZ will provide an amicable option for the facilitation of longer term higher density uses at the lower end of the density scale. A future stock of residential lots will be created.

A further and parallel benefit of the DDZ process, in association with the Super Fund Bond ("**SFB**") proposal as described below, is that many more Australians will now be able to take up the opportunity to secure their own home and thus increase their future wealth standing through a more affordable method than contemporarily available (2022).

When a DDZ R20/40 residential subdivision is designed it is configured to conform with all R20 requirements but the concept plans will also incorporate design features that will conform with a future higher R40 density. Engineering and services will be designed so that in the future when the R40 density is required the existing subdivision (estate) services and infrastructure will also facilitate the overall servicing demands of the newly created R40 lots. (Major governmental service and infrastructure design and construction have included these kinds of provisions for anticipated demands on a suburban wide basis for decades.)

Individual lot construction and housing design will also take into account the future conversion of the locality to the higher density. Housing will be positioned on individual lots so that the future division of those lots is easily facilitated without major disruption to the ongoing use of existing buildings and other improvements. This requirement will be rather more of an option with which the buyers of the initial R20 lots may or may not conform but the owners will be aware from the outset that their lot will be capable of subdivision into smaller R40 lots at some time in the future.

The higher level DDZ will not activate until the 'deferral period' has expired. That deferral period will probably be between ten to twenty years after the former R20 subdivision has been fully constructed. TPSs will protect the deferral period and land titles will have covenants registered thereon that fully set out the requirements for future conversion to the higher density use.

After the expiration of the deferral period subdivision of individual lots will be largely automatic subject to application to land title authorities for new titles to be issued. These applications may be required to be supported by certifications from local and state authorities that the 'deferred density' period has now expired and the proposed new lot has appropriate services connected. The new higher density land titles may then be issued subject to all DDZ related encumbrances upon the land being withdrawn or appropriately satisfied as a normal land title registration process requires.

So during the initial DDZ period families will have the benefit of being able to utilize larger lot sizes at the time of growing the family. There will be space for the kids to grow up in larger and safer residential lot sizes compared to some of the very small lots that families are expected to grow within contemporary sprawling and cramped subdivisions.

The nature of the DDZ process will induce many social and community benefits and it will favour generational opportunities.

1.2 The Super Fund Bond Process and Housing Affordability Benefits.

However, the most important benefit is the ability to structure individual purchaser financing of the initial lots and the financing of the related house construction so that 'home purchase' becomes relatively much more affordable for thousands of Australians than contemporary financing structures will normally allow.

To achieve the primary purpose of the 'facilitation of more affordable housing' a Super Fund Bond ("**SFB**") is to be introduced. (Please note that this 'bond' has nothing to do with some recent proposals that suggest the personal superannuation savings of individuals and couples be used to help with home purchase.)

The SFB process will be a method by which major SMGs (with very large financial holdings under management) can safely and securely participate in selected residential subdivisions that will allow a greater portion of the Australian public to take up a more affordable housing option for the purposes of raising families and securing a long term stable financial future. Currently many first home buyers, wanting to raise a family, enter the so called 'property market' because they have been scared into thinking they might miss out of the opportunity to get 'onto the property ladder'. (*The exact approach which has actually resulted in more*

people 'missing out' than ever before and many more of those who have committed are now under financial stress.)

It is expected that if the DDZ and SFB residential development proposal is to be advanced then certain Commonwealth regulation may be required to be adjusted to facilitate the use of SMG funds for the purposes of selected residential subdivision proposals, throughout Australia, that meet and utilize the concepts discussed herein. Further the Commonwealth Government may be required to provide some sort of 'guarantee' for the return or redemption of any SMG funds that are used to create the proposed DDZ residential subdivisions and the following use of SFBs. The reason for the proposed 'guarantee' is not to cover any risk associated with the process but it might help the SMG management teams to persuade the owners of the 'superannuation fund holdings', being a large portion of the Australian public, that the process is a safe and worthwhile use of their savings.

Regardless, it will become clear that the DDZ and SFB process automatically guarantees the return of any subdivision funding back to SMGs along with appropriate interest over the DDZ period and the SFB term.

2.0 The DDZ Residential Subdivision Funding Process is as follows:

- Appropriate subdivisional land is identified. (Can be private land or governmental holdings.)
- Preliminary feasibility and design studies are undertaken.
- The participating SMG is identified and contracts executed.
- The subdivision meets final design requirements and is constructed in accordance with the DDZ processes.
- Progressive construction funding is provided directly by the SMG or by an appropriate bridging finance structure that will be paid out by the SMG.
- At this stage the SMG has a completed residential subdivision that is now ready for transfer settlements of the new lots to first home buyers and others and is ready for the construction of housing. (Of course there will have been preliminary marketing of the new lots prior to subdivision civil works and marketing will have been running in parallel with the period of construction works as is normal in residential subdivision processes.)

The primary aim of the DDZ and SFB process is that new lot buyers will be able to build their homes in the most affordable manner.

The new lots are individually funded by a Super Fund Bond ("**SFB**") which is secured by the appropriate deed endorsed on the Certificate of Title. The new lot buyer will be the Registered Proprietor, subject to the new lot buyer having in place bank or institutional finance to construct an appropriately designed house.

The SFB is a long term loan with an interest rate that is hopefully below the normal rates offered by banks and other financiers. The rationale is that SMGs are notably more interested in achieving long term security and long term guaranteed returns from investments rather than returns from short term more risky investment scenarios. The SMGs do not want to lose funds belonging to their clients, being mostly the Australian public, under any circumstances. *(Some financing groups might be more interested in taking higher risks to generate greater immediate profits for their shareholders.)*

So is born, the **Super Fund Bond**. ("SFB") The individual SFBs are secured against each new lot and is registered/endorsed on the Certificate of Title of each lot. There are several methods by which the SFBs might be registered against a land title:

- Registered as a Mortgage (at various levels)
- Memorial on Title^{A1} (*Notification by The Commonwealth*)
- Caveat^{A2}
- Covenant on Title
- Special Endorsement on Title

Obviously the most appropriate 'security' method for the SFB will be adopted but at this stage it is the author's view that a Memorial and associated Deed might be used as the notification for the new form of bond. (There are multiple government and commercial 'bond' structures and, as noted, the most appropriate form for DDZ and SFB residential development process will be devised as the proposal is advanced in more detail.)

Individual new home buyer financing to construct the associated house and living improvements will be provided by banks and other finance groups. The security preferred for that process will probably be by way of first mortgage registered over the land. (*Subject to future investigation and negotiations with banks and other finance groups.*)

The SFB must have a higher security over the land than a normal first mortgage as the SFB will not be required to be redeemed until the DDZ period has expired. As the SFB may also be guaranteed by government that may enable the use of a 'Memorial' registration on the land titles. The final SFB land title registration structure will require ongoing discussions with land title Registrars throughout Australia.

After the DDZ period falls away and the SFB term has expired the SFB will be required to be redeemed. (The SFB term may be longer than the DDZ period.)

There are various financing and account structures that the land owner may use over the years of SFB term to save the funds required to pay out the SFB at the end of the SFB term BUT no SFB interest or principal redemption will be required until that time.

The most important aspect of this financing approach is that no matter what progressive or amortisation funds savings the land owner has or has not used over the DDZ period and the SFB term, the land owner will have the opportunity to simply subdivide his original lot and sell off the newly created higher density lot to pay out the SFB completely.

When the DDZ period falls away and the SFB term is up, and the SFB is not reasonably redeemed then the SMG will have full entitlement to take possession of the land, apply for the higher density titles and then sell the land and redeem the SFB and the interest due. After sale costs and the full SFB amount is paid out any balance can be transferred to the unfortunate past registered proprietor. (As is normal with mortgage actions.)

Even further if everything completely fails the SFB redemption may be guaranteed by the Commonwealth.

3.0 Interim Mortgagee Action by House Construction Financiers

If a first mortgagee who has provided the funding for the initial house construction takes mortgagee action on their loan at any time during the DDZ period and the SFB term, that action will be entirely subject to the future rights and claim that is stipulated in the SFB deed. That is, the SFB will continue until the DDZ period ends and the SFB term expires. (The SFB term might be longer than the DDZ period.) The buyer in the foreclosure action will simply take over the position of the original land lot owner/home builder. The new buyer will benefit from the future subdivision potential after the DDZ period falls away.

4.0 Detailed Discussion of the Main Elements of the DDZ and SFB Process

4.1 A Method of Residential Subdivision:

A TPS classification called a **Deferred Density Zone ("DDZ")** is introduced.

The subdivision layout of selected sites classified as DDZ residential land is planned in accordance with normal land subdivision practice except:

- The DDZ will facilitate the automatic re-subdivision of the original residential lots into a higher density, moreover a higher Residential R Code^{A7} after the expiration of the 'DDZ period' being within the range of ten to twenty years. (Fifteen years will allow full maturation of the original estate.)
- At the end of the DDZ period any lot owner can apply for the automatic subdivision of his/her original lot based on the higher DDZ level.
- Future subdivision is envisaged (normally) as being one lot (the original lot) being subdivided into two lots. (i.e. R10 to R20 or R15 to R30)^{A7}.
- The original planning and subdivision design processes must take into account all aspects of any Residential Design Codes for the future DDZ higher density use.
- Progressive individual housing designs and other improvements on the original lot should take into account the potential for the future subdivision of the original lot (*The original buyer may have other ideas such as the long term retention of the DDZ future lot for family generational reasons.*)

When the DDZ period falls away the future new DDZ lots can be sold off and used to redeem the SFB; transferred to grown up family members for their housing - build a house for the kids (there are many intergenerational benefits possible); used for independent retirement quarters. Whichever choice, it will be condition precedent that a certificate of title for a new lot will not be issued until the SFB is completely discharged or withdrawn from the original land title.

The DDZ process will provide a highly desirable future stock of residential lots.

4.2 A Method of Financing:

- A **Super Fund Bond ("SFB")** is to be secured on individual land titles for a 'Fixed Term' of a number of years (10 to 20 years).
- Interest is not paid until the expiration of the Term when the total accumulated interest sum is paid.
- The entire Principal is redeemed at the expiration of the Term.

- The SFB Interest Rate is purposely set at a moderate fixed level by the SMGs.
- The Commonwealth Government guarantees the SFB.
- The SFB Deed is endorsed or registered on Certificate of Titles as the primary encumbrance.

At the expiry of the SFB term, the original lot/home owners are committed to pay the SFB Principal plus all accumulated interest. This may be achieved by:

- Operating an amortisation account that runs in parallel with other finance secured on the property over the SFB Term.
- Operating a progressive but flexible savings account to pay out the SFB at the expiration the SFB Term.
- Restructuring financing at the expiration of the SFB term. (Convert any remaining first mortgage sum and the redeemable SFB sum into a singular principal and interest reducible mortgage or even commit to a renewed SFB if the property has not yet been subdivided under the DDZ scheme.)
- By the use of any other optional financing facility available at the time of the termination of the SFB Term.

OR, as is the principal element of the DDZ and SFB concept:

- Automatically subdivide and sell the newly created lot via the DDZ process to payout the SFB.

AND, if the SFB redemption is overdue:

- If the SFB is not appropriately redeemed by the lot/home owner then the SMG, issuer of the SFB, may take foreclosure actions over a newly created DDZ lot for which the SMG has made appropriate application, or the entire original lot, to have the SFB redeemed. (A land title for a newly created DDZ lot cannot be issued unless the SFB has been redeemed in entirety.)
- If it is the case that a Commonwealth Government SFB guarantee is in place then the SFB might be redeemed by via that guarantee being activated. There after the Commonwealth Government may take any appropriate action on the subject property as it sees fit. (Activating a SFB Guarantee is probably going to be a highly unlikely event due to the availability of basic 'auto redemption' principles used in the DDZ and SFB process.)

NOTE:

1. The SFBs are designed to secure the housing lot for new home builders.
2. The house construction will be secured by first mortgage financing from commercial finance groups such as banks and other institutions who are participating in a DDZ and SFB affordable housing proposal. Applicants will be assessed as required but effectively the building site will be secured.
3. As noted above, the SFBs will not stop first mortgage holders from taking normal mortgagee action if the mortgagor fails to honour the mortgage terms. Any mortgagee

foreclosure action will be subject to the uninterrupted continuation of the terms and covenants related to the SFB as established at the start of the SFB Term. Any new owner, as a result of mortgagee action, will be committed to the terms and covenants of the SFB as if the new owner was the lot buyer at the very beginning of the Term of the SFB.

It is envisaged that the Deeds that secure of the terms and conditions of the SFBs will be standardized throughout Australia.

4.3 A Method of Ensuring Socially Acceptable Residential Design:

In supporting the DDZ and SFB and facilitating any required regulatory changes along with 'possibly providing' guarantees for the issue of SFBs, the Commonwealth Government may wish to implement certain residential subdivision design prerequisites and also require conformance with any policy being born from the National Housing Accord 2022.

Good design elements might include:

- Housing construction must be 'World's Best Practice' in energy efficiencies.
- Solar energy systems must be installed throughout the subdivision and on individual housing lots. (domestic electrical, water heating, neighbourhood lighting etc.)
- Collective community battery systems must be installed and be capable of interconnection to other community battery stations and the grid.

Other design features might include:

- All services such water, grid power access, sewerage, communications, gas service to be facilitated through service corridors.
- Individual lot and/or community electrical vehicle charging points be incorporated into the subdivision design.
- Private vehicle ingress/egress to individual homes be by way of the service corridors.
- Each residential lot to have frontage to parkways (progressively landscaped) that provide low speed access for local public transport that connects to major public transport infrastructure. (i.e. small dual use roads for pedestrians, small buses, small personal electric vehicles and visitor vehicles only.)

4.4 A Method of More Affordable Housing Construction :

With the cooperation of the main residential property players and any number of architects a design portfolio of housing types and layouts might be produced that will suit the configuration of the DDZ housing lot configuration.

As is the case with a lot of contemporary house construction the building structural elements are to be designed so that they can be mass produced and then transported to the individual housing lots.^{A6} Construction of 'packaged' housing will follow a standardised management schedule. Eventually, the expertise in the construction of the specifically designed homes will increase. This process may result in progressively lowering the cost or at least tapering off any rising costs of housing construction. The process may result in much more 'factory produced' housing than is currently the case, but this aspect will not limit any other appropriate building method from being utilised within a DDZ estate.

The DDZ and SFB residential subdivision and housing construction process is squarely aimed at providing a system of more affordable housing throughout Australia.

The DDZ subdivision process and housing construction methods will create a large number of employment and training opportunities throughout Australia.

4.5 About the Feasibility of the Concept

The main aim of the DDZ and SFB development process is to make housing 'more affordable' for the masses of Australia public who are currently sitting outside of the qualification levels that will allow the comfortable purchase of first homes within the current value ranges in the Australian property market.

The economic system within which we all live does not allow easy price reduction of any item. Within the parameters of the current property development system an overall reduction of the costs of residential land subdivision and the associated house construction is probably not achievable outside of a complete property market collapse and that, of course, is not a desirable set of circumstances. The best that can be hoped is that costs are controlled as well as can be and that the servicing of the required financing for first home buyers can be made easier. The DDZ and SFB process is designed to try and achieve both of these outcomes whilst providing an assured future for family generational residential property ownership.

As described above the financing of a house and land package is broken into two parts. The first being the SFB which sits undisturbed for a number of years. The SFB finances the land purchase. The second part is by bank or institutional finance which provides the funds for the house construction.

For the 'SFB Term' only the first mortgage finance used for house construction must be periodically serviced by the home buyer.

Over time, if the new home builder progressively gains the income capability, an optional parallel savings account may also be managed to progressively amortise the SFB. Those savings may then be used pay out at SFB, either fully or partly, at the end of the SFB Term.

If savings are not available the redeem the total SFB then the DDZ subdivisional capability can activated to create a new lot that can be sold to pay out the SFB. If the SFB is paid out by progressive savings at the end of the SFB term then the family owning the original lot can decide to do whatever they wish in respect to the DDZ subdivisional capability. The family will 'own the subdivisional capability'.

4.5.1 An Example of a DDZ and SFB Financial Analysis

An example of the cash flow streams associated with the SFB and DDZ process is shown in the Chart 1.0 below. A multiple variable analysis has been undertaken in the Excel spread sheet format. A further scenario Chart is shown in the annexure^{A5}.

[An interactive spread sheet may be available at www.scppm.com in due course. The analysis format will be relatively straight forward for financial professionals.]

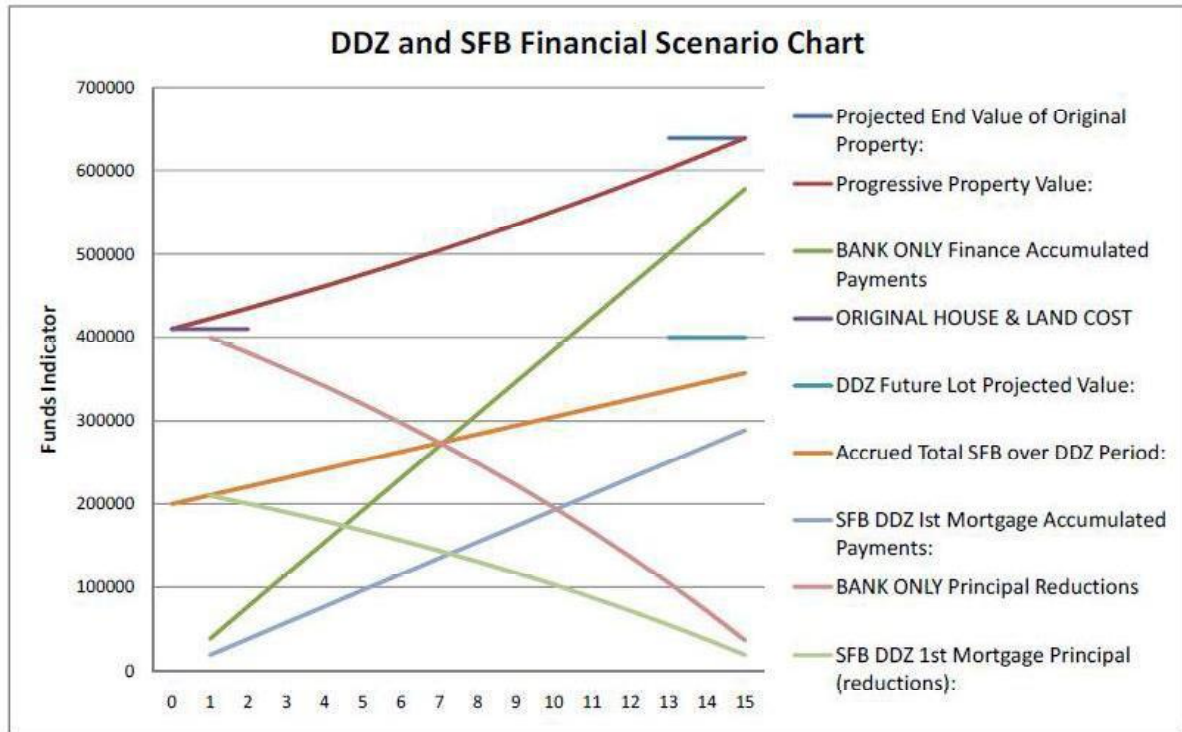


Chart 1.0

For the purpose of introduction to the DDZ and SFB concept the financial scenario shown in Chart 1.0 is a conservative approach over a DDZ Period and a SFB Term of fifteen years. This analysis is based on a Fixed Interest Rate of 5% PA being applied to the SFB and a P&I Reducible Mortgage Rate of 5% being applied to both reducible mortgage comparisons. A 3% annual appreciation rate is applied to the initial land purchase and the house construction cost to arrive at an estimated value of the house and land, as a single land title, in fifteen years, shown as the 'Progressive Property Value' with the horizontal mark at 15 years being the 'Projected End Value of Original Property'. (See TABLE 1.0)

4.5.2 Full Bank Financing with a Single First P&I Reducible Mortgage

Chart 1.0 shows a principal reduction curve and an associated accrued periodic payment line for the situation where a homebuyer finances the entire land purchase and house construction cost with one principal and interest reducible first mortgage from a bank. These are noted as the 'BANK ONLY Principal Reductions' curve (starting at \$400,000) and the 'BANK ONLY Finance Accumulated Payments:' (starting at \$0 and finishing at a sum of \$578,054 in total periodic payments at the end of the 15th Year - *not shown in Table 1.0 see full excel spreadsheet.*)

So at 15 years the single first mortgage is fully redeemed and the overall property value is shown as being \$638,767 and the owner has progressively paid out \$578,054. (See the TABLE 1.0)

NOTE: The actual monthly payment for a 15 year, \$400,000, 5% rate P&I Bank Loan will be \$3,163.17 or **\$727.96 per week**. (*The calculations used for the demonstration Charts result in figures based on 'per annum only' inputs.*)

4.5.3 Application of the DDZ and SFB Process

The DDZ and SFB property purchase process uses a SFB to fund and secure the land component and bank or institutional funding for the house construction.

In the Chart 1.0 demonstration scenario the two joint methods of financing are split fifty/fifty. So the overall purchase is \$410,000 with a \$10,000 deposit. Finance of \$400,000 is then required. Thus, \$200,000 is secured by the SFB and the balance \$200,000 is provided by normal bank or institutional finance.

Chart 1.0 shows the 'bank' financing details as the 'SFB DDZ 1st Mortgage Principal (reductions)' starting at \$200,000. In 15 years this P&I loan is fully redeemed. The accumulated payments for the bank loan are shown as the 'SFB DDZ 1st Mortgage Accumulated Payments' line which total just below \$300,000.

NOTE: The actual monthly payment for a 15 year \$200,000 P&I Bank Loan will be \$1,581.59 or **\$363.99 per week**. (Much more manageable than the larger total financing stated above.)

The 'Super Fund Bond - SFB' finances the land component of the new home establishment process. An annual fixed interest rate for the SFB is set at a level that only SMGs could manage on the basis that the long term redemption is 'guaranteed' by way of the physical land asset value and also, hopefully, technically by the Commonwealth (*as discussed herein*). This scenario uses a fixed rate of 5% PA but it is expected that the rate applied in practice will be lower than the reducible rate applied to P&I Reducible Mortgage funding at the relevant time. (Determination of the SFB interest rate will depend on the views of the executive management teams of the various SMGs and the likely reactions from the funds owners. The Commonwealth Government might assist in the related decision making.)

The growth of the SFB over 15 years is shown as the 'Accrued Total SFB over DDZ Period' in Chart 1.0 and the redemption amount in 15 years is shown as the 'SFB Payout' in Table 1.0 being \$350,000.

It can be seen in this demonstration scenario that in 15 years when the bank first mortgage part of the financing has been paid out completely there is greater than enough equity in the projected single property value to cover the entire payout requirement of the SFB which has now reached the end of its term and requires redemption.

At the end of the 15 year DDZ period the home owner might simply pay out the SFB as they may have successfully managed a parallel SFB amortisation account or they could simply refinance in any appropriate manner to pay out the SFB.

BUT: Chart 1.0 also shows a horizontal line that is the 'DDZ Future Lot Projected Value'. At the expiration of the DDZ Period home owners will have the opportunity to subdivide their single lot under the DDZ process and 'probably' completely redeem the SFB. That process will leave the homeowner with smaller land parcel that property will be totally unencumbered and they will soon have new neighbours to join the community.

Obviously there is no way of accurately determining future values over a term of fifteen years but that term is long enough to apply past trends of growth statistics to achieve relatively safe

projections^{A8/A9} for use in this DDZ and SFB Residential Subdivision Process proposal. For financial experts the related calculations and Chart outcomes are not complicated. At the time of writing this version of this document^{V1} the author intends to set up associated interactive spreadsheets to allow the testing of multiple variable scenarios by those interested in this proposal. (Please visit www.scpmm.com in due course.)

Projected End Property Value:	\$ 638,767
SFB Payout:	\$ 350,000
Equity (in Original Lot Size) Prior to DDZ Lot Subdivision:	\$ 288,767
DDZ New Lot Projected Value:	\$ 400,000
SFB Payout:	\$ 350,000
Equity in new DDZ Lot:	\$ 50,000
Property Value Adjustment after DDZ Subdivision:	-10%
Final Property Value (Adjusted after DDZ Future Lot is excised):	\$ 574,890
Cash from DDZ Lot Transfer:	\$ 50,000
Original Owner Total Asset Value after DDZ adjustments:	\$ 624,890

TABLE 1.0

Table 1.0 shows extracts from the spreadsheet calculations using the following inputs:

Land and House Construction Costs:

Land	\$200,000
House Cost	\$200,000
Deposit	<u>\$10,000</u>
Total Initial Cost	\$410,000

Interest Rate	5% PA (herein calculated on an annual periodic basis)
SFB Interest rate	5% PA fixed rate for 15 years
Term for all Finance	15 years

Annual Property Appreciation Rate 3%

The conservative approach that has been adopted in this document for explanation and demonstration purposes, demonstrates that the DDZ and SFB process can be feasible at lower levels of input variables.

Table 1.0 shows that at the expiration of the DDZ period the overall original house and land has a value of \$638,767 as a result of the annual appreciation at 3% PA. The interest component of the outstand SFB at the fixed 5% PA has resulted in a redeemable SFB sum of \$350,000 when the SFB term has expired at 15 years. In this scenario the home owner has an equity of \$288,767 after deduction of the SFB redemption sum which is then due for payment. At that time the owner will have the option to refinance his single lot property in order to pay out the SFB if his/her income stream at the time will support the refinancing.

HOWEVER, the principal aspect of the DDZ and SFB process is that when the DDZ period expires or falls away the home owner has the option to apply for the title for the new DDZ lot and pay out the SFB from the new lot sale proceeds. This option will leave the original home owner with a completely financially unencumbered property and a new neighbour.

In the subject scenario shown in Table 1.0, if the projected value of the new lot is \$400,000 and a 10% adjustment is made to the future value of the original holding due to the original lot size being decreased, the original owner will have unencumbered 100% equity in his original home plus some cash.

No one can predict the future absolutely accurately but this simple elaboration on the DDZ and SFB residential subdivision process demonstrates the high probability of the process being successful.

Review a second DDZ and SFB Financial Scenario at Annexure A5.

The DDZ and SFB residential subdivision process will assist many new first home buyers by presenting a more affordable choice in the battle to secure their home.

Application of the DDZ and SFB process will certainly assist currently stressed home owners who need to relocate due to floods, fires or other financial reasons.

The DDZ and SFB process may become a major option in the aim to provide more affordable housing opportunities throughout Australia.

The application of the DDZ and SFB process will be a primary driver in the creation of greater wealth over future years for the more economically challenged sectors of our communities.

5.0 Town Planning Schemes ("TPS") Considerations

Selected broad acre land sites that are suited to the DDZ and SFB residential subdivision process will obviously have to be integrated into the local planning schemes or classified as 'Residential' if away from other residential estates.

A 'special development zone' or 'control zone' category may also overlay the residential zoning to protect and control the DDZ process.

A further overlay zone will be the Delayed Density Zone ("DDZ") and relevant TPS details will categorize the levels of the Residential R Code^{A7} to be applied to the selected subdivision areas.

For the purposes of this introductory discussion R Code R10/R20 has been selected. In Western Australia the R10 category requires an average lot size of 1,000 square metres ("M²") and the R20 has an average lot size of 450 M². (In most TPSs minimum lot sizes can be a little bit less for various reasons.)

So under the DDZ process, after the expiration of the 'DDZ deferral period' the R10 - 1,000 M² lots will be able to be subdivided into the R20 - average 450 M² lot size.

Most TPSs have 'Dual R Code'^{A4} configurations in use such as R20/R40. The main use of the contemporary dual residential coding is to make sure the higher density use is restricted to englobo development lots of minimum overall area to allow for better design outcomes for the larger number of proposed residences. An example might be 12 villas to be constructed over a 3,000 M² englobo development site as a multi-lot strata scheme. The dual codes are often used to make sure vehicular ingress and egress are satisfactorily designed to restrict access to major thoroughfares on adjacent lots and so on.

Nothing in the dual residential coding uses noted above indicates any time restriction for the implementation of the higher density level. If the physical planning requirements are met then the higher density can be applied to the proposed developments.

The main controlling principal in the DDZ and SFB process is exactly that the capability of the implementation of the higher density is restricted until the deferred density period has expired. When that expiry happens all lots of the lower density can be automatically subdivided into the higher density. So if the DDZ period is 15 years then all original land owners of a DDZ R10/20 lot will know that in 15 years they can apply for a certificate of title for new lot that will take up about half the land area of their original lot. (*The kids should be grown up by then.*)

The DDZ process is then the prerequisite basis for the use of Super Fund Bonds - SFBs which are paid out on or after the DDZ period falls away and the original land is able to be subdivided. (Unless the original owner has successfully operated a parallel amortisation account and is able to pay out the SFB without subdivision.)

At the expiry of the DDZ Period the entire subject residential area reverts to the higher Residential R Code.

Most TPSs throughout Australia will require minimal, if any, regulatory changes to enable the DDZ and SFB process to be integrated into the existing TPSs. It is envisaged that the entirety of the DDZ and SFB process can be integrated into existing schemes by way of the activation of discretionary powers of the local authorities along with the use of deeds to secure all related processing and management contracts.

Commonwealth Government support in the spirit of the National Housing Accord 2022 will go a long way to having the DDZ and SFB residential subdivision process in action in the shortest possible time.

6.0 General Discussion

6.1 Possibility of Individual Investor Involvement

The SFB and DDZ residential subdivision process is wholeheartedly directed to the provision of more affordable housing but nevertheless the process may also be very attractive for property investors who might be inclined to participate in a parallel '**rental cap program**' that might be backed by the various levels of government and the SMGs.

6.2 Other 'Housing Affordability' Programs

The SFB and DDZ residential subdivision process is an option that may be used very successfully within the very widespread endeavour to find methods that will provide affordable housing solutions throughout Australia.

Some existing shared equity schemes by various governments and institutions split the registered proprietorship of a property between the home owner and the agency or institution that provides the purchasing equity. There may also be other conditions that require the immediate 'pay back' of the shared equity amount if the home owner is required, for whatever reason, to sell the property subject of the particular shared equity scheme. These types of requirements may make life somewhat difficult for some owners in various situations. (Loss of job, vicissitudes of life etc.)

Within the DDZ and SFB process the original home owner/buyer/builder retains one hundred percent of the registered proprietorship of the property whilst a SFB is in place. DDZ and SFB participant home owners are also highly likely to retain ownership of the property all the way through to the expiration of the DDZ period. If vicissitudes of life take hold, and a sale of the property is required before the expiration of the SFB Term then a transfer of the property is simply undertaken subject to the continued operation of the SFB.

6.3 Generational Benefits (*Conveying wealth, not debt.*)

The intergenerational benefits associated with maintaining ownership of property are obvious. The DDZ and SFB ownership process presents many more desirable possibilities than in trying to achieve the same benefits if restricted to financing and equity transfers within the current land title and property development system.

6.4 Current Land Title Systems

It is expected that there will be no need to alter any current land title legislation or regulation to achieve the implementation of the DDZ and SFB process. (We do not have decades for any of that to occur.) The entire process can be facilitated within the current statutory range of options. Investigation and conversation with land title authorities simply needs to take place to determine which registrable instruments are best suited to the DDZ and SFB process.

It will be a condition precedent that a certificate of title will not be issued for any new lot created under the DDZ and SFB process until the SFB is fully redeemed and the appropriate discharge/withdrawal documentation has been registered with the respective land title authority.

6.5 Potential Residential Participants

- First Home Buyers
- Low income earners
- Families with multiple children and couples wanting to grow a family
- Rescue packages for currently financially stressed home owners
- Relocation of occupants of flood prone residential areas
- The establishment of 'fire safe' residential estates
- Provision of affordable housing for 'new Australians'

NOTE: There should be no restriction to limit access to the overall DDZ and SFB benefits to only those who have 'not owned any property within Australia' as do other housing assistance schemes.

The DDZ and SFB process is designed to relieve financial stress on anybody who needs the assistance.

7.0 THE ROLES OF STAKEHOLDERS

(All suggestions being subject to progressive support and ratifications as required.)

In the interest of progressing the DDZ and SFB residential development process all levels of government might give priority to administering their parts on a 'whole of government' approach.

7.1 Commonwealth Government

- To investigate and support any legislative and regulatory requirements in order to facilitate SMG participation in the DDZ and SFB process.
- To provide a guarantee to SMGs for bond redemption at termination of SFB Term.
- To require the integration of socially desirable design and construction elements within any SFB/DDZ residential subdivision.

7.2 State Governments

- To provide planning support and approvals for designated broad acre subdivision areas.
- Provide appropriate regulations and or policies that will facilitate the operation of SFB charges/memorials on land titles.
- Provide support to local authorities in the provision of infrastructure and services head works.
- Expedite planning processes for the introduction of the DDZ and SFB residential subdivision process to Australia wide regional and country townships.

7.3 Local Governments

- To actively seek out suitable broad acre land sites for the SFB and DDZ residential subdivision process.
- Initiate, finalize and integrate all appropriate TPS approvals and amendments to facilitate the DDZ process.
- Oversee all subdivision works and certifications where required for government owned subdivision sites.
- Process, as priority items, all housing construction applications and approvals as required.
- Facilitate all subdivision, construction and land title certifications as required (or arrange for outsourced certifiers.)
- Progress residential estate and community improvement works over the term of DDZ period so that all services will meet full density demands when the DDZ period falls away and the relevant residential area automatically becomes a 'higher density use'.

7.4 Super Fund Trustees and Fund Management Groups - SMGs

- To provide sufficient finance resources to:
 - a) develop the residential DDZ subdivisions directly, or
 - b) alternatively, provide guarantees for any bridging finance to be used to develop DDZ residential subdivisions.
 - c) manage the release of the new lot land titles.
- To charge every new lot with a SFB so that the total SFB collective subdivision charge will cover the total cost of construction works and title release.
- To transfer new lots to buyers contracting to participate in the DDZ and SFB affordable housing scheme but only subject to appropriate commercial finance approval for first mortgage funding to be used to construct individual houses for the lot buyers.
- Sign all appropriate deeds to protect the ongoing integrity of the DDZ and SFB development process.

7.5 Banks and Finance Institutions

- To provide appropriate land buyer/owner financing (effectively first mortgages) for the purposes of individual home construction and other lot improvements.
- To assist in the promotion, development, marketing and construction within DDZ and SFB 'affordable' residential development schemes especially in regional areas throughout Australia.

7.6 Building and Development Organizations

- To provide professional services that will enhance the promotion of 'world's best practice' in the overall development of the DDZ and SFB 'affordable' residential development processes.

7.7 Architects and Designers

- To provide a series of innovative housing designs that will suit the DDZ subdivision layouts.
- To provide expertise in best practice design and implement consideration of requirements of the Commonwealth to be integrated into the DDZ and SFB schemes.

7.8 Subdivision and Housing Construction Professional Consultants

- To provide expert assistance within individual professional consultancy areas and possibly contribute to the detailed finalisation of a proposed DDZ and SFB residential subdivision practice manual.

7.9 Marketing Groups

- Professional inputs from all parties interested in promoting participation in the concept and realisation of more affordable housing for Australians achievable through the DDZ and SFB residential development process.

8.0 A Summary of Critical DDZ and SFB Principles

- *The DDZ and SFB residential subdivision and housing construction process is squarely aimed at providing a system of more affordable housing throughout Australia.*
- *The DDZ subdivision process and housing construction methods will create a large number of employment and training opportunities throughout Australia.*
- *The DDZ and SFB residential subdivision process will assist many new first home buyers by presenting a more affordable choice in the battle to secure their home.*
- *Application of the DDZ and SFB process will certainly assist currently stressed home owners who need to relocate due to floods, fires or other financial reasons.*
- *The DDZ and SFB process may become a major option in the aim to provide more affordable housing opportunities throughout Australia.*
- *The application of the DDZ and SFB process will be a primary driver in the creation of greater wealth over future years for the more economically challenged sectors of our communities.*
- *Commonwealth Government support in the spirit of the National Housing Accord 2022 will go a long way to having the DDZ and SFB residential subdivision process in action in the shortest possible time.*
- *It will be a condition precedent that a certificate of title will not be issued for any new lot created under the DDZ and SFB process until the SFB is fully redeemed and the appropriate discharge/withdrawal documentation has been registered with the respective land title authority.*
- *Potential Residential Participants includes:*
 - *First Home Buyers*
 - *Low income earners*
 - *Families with multiple children*
 - *Couples wanting to grow a family*
 - *Rescue packages for currently financially stressed home owners*
 - *Relocation of occupants of flood prone residential areas*
 - *The establishment of 'fire safe' residential estates*
 - *Provision of affordable housing for new Australians*
- *The DDZ and SFB process is designed to relieve financial stress on anybody who needs the assistance.*

9.0 Conclusion

The undersigned is of the view that the Treasurer the Hon. Dr Jim Chalmers MP's 'Treasurer's Investor Roundtable' and National Housing Accord 2022 will be successful.

The DDZ and SFB residential subdivision and housing construction process as described herein is squarely aimed at the potential provision of 'more affordable housing' throughout Australia. The process is very suited to being applied to broad acre land sites near the larger regional cities and towns but this does not restrict application to various peripheral areas of Australia's capital cities and even more isolated locations.

The process will not be applied overnight. There is much discussion and negotiation to be undertaken to refine the systems. Introduction of new concepts need to start somewhere and that somewhere for this proposal is at the National Housing Accord 2022 meetings.

Consideration of the concept by all stakeholders and participants within the Australian property development industry is requested.

All feedback, input and comment is welcome.^{A10}

Sponsors and stakeholder cooperation may be required to expand the investigations into the overall practicability of this proposal.

Deferred Density Zones and Super Fund Bonds

A Residential Subdivision Process
in support of the promotion and facilitation of
More Affordable Housing In Australia

Submitted by:

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Website for interactive analyses: www.scppm.com (*in due course*)

20th November 2022

Please submit any comments or contact requests by email: southerncities@nw.com.au

© N S McNally PO Box 1000, Canning Bridge, APPLECROSS WA 6153. 20/11/2022

ANNEXURE

to the

DDZ and SFB Residential Development Process Discussion Paper

Ref: DDZSFB/V1/20/11/2022 ©

Definitions and Further Information

A1. MEMORIALS on LAND TITLES

The right to lodge a Memorial against land is a statutory right that is given to various Government Departments and statutory authorities by acts of parliament.

For WA see: Landgate MEM-01 Memorials LINK: <https://www0.landgate.wa.gov.au/for-individuals/Land-Transactions-toolkit/land-titles-registration-policy-and-procedure-guides/practice-manual/encumbrances,-interests-and-limitations/mem-01-memorials>

As the Commonwealth Government is envisaged as being the major supporter of the DDZ and SFB 'more affordable' residential development process the ability to register a long term 'memorial' on land titles is expected to be automatic.

A2. CAVEATS Subject to Claim

Any person or corporate body capable of taking a registered interest in land, a mortgage, a lease or a charge may lodge a caveat.

For WA see: Landgate CAV-03 Caveats - types of.. LINK: <https://www0.landgate.wa.gov.au/for-individuals/Land-Transactions-toolkit/land-titles-registration-policy-and-procedure-guides/practice-manual/encumbrances,-interests-and-limitations/cav-03-caveats-types-of>

A3. Development Control Policies

Development control policies such as WAPC DC Policy 2.2 and all other planning regulatory requirements will be adhered to in the application of the DDZ and SFB residential subdivision process but the associated subdivision plans will show approximately where the individual lots can be subdivided when the DDZ period has expired. (Search: WAPC DC Policy 2.2)

The planning and design requirements for residential subdivisions in all Town Planning Schemes can be met in the DDZ and SFB process but it will be desirable to introduce the latest design and planning techniques to meet the energy and climate conscious based ideas for the future.

A4. Dual R Codes Commentary

"What does R20/40 mean? R20/40 is a **dual-coded residential area which means that the development is R20 by default but may allow up to R40 if certain conditions are met.**

Usually, these are set by the local council and differ between each local council's policies."

(Source: Google generic)

"Dual density zoning (also called "dual density coding", "split residential density" or "bonus zoning" in various council scheme texts) is an initiative we are seeing adopted and applied to scheme maps and subdivision application assessments by many councils in Western Australia. It allows local governments to offer more flexibility to property owners on how to subdivide land in Perth. It also provides infill development opportunity to help councils meet ambitious subdivision targets adopted in state planning policies." (Source <https://www.subdivisionexperts.com.au/r20-40-zoning-definition/>)

"Sometimes Local Planning Scheme maps identify properties as *having* a 'dual' density code such as R20/40. This does not mean that you can just pick R40 because it suits you. In order to qualify for the higher 'discretionary' density the Local Planning Scheme text will outline criteria that a subdivision must meet in order to qualify."

(Source: <https://www.landdivision.com.au/resources/faqs/>)

NOTE: The current use of Dual R Codes is almost always directed to the promotion of 'infill' residential development wherein the higher use is entirely subject to a raft of other planning and design requirements. Contemporary use of dual R Code does not have a 'deferred classification' which is suggested in the DDZ process to be applied to future new 'affordable housing' residential subdivisions. The 'deferred aspect' of the Dual R Code creates the ideal, if not the only, opportunity for the use of the proposed SFBs which are not able to be applied to the standard subdivision process.

A5. A further DDZ and SFB Scenario for Comparative Purposes

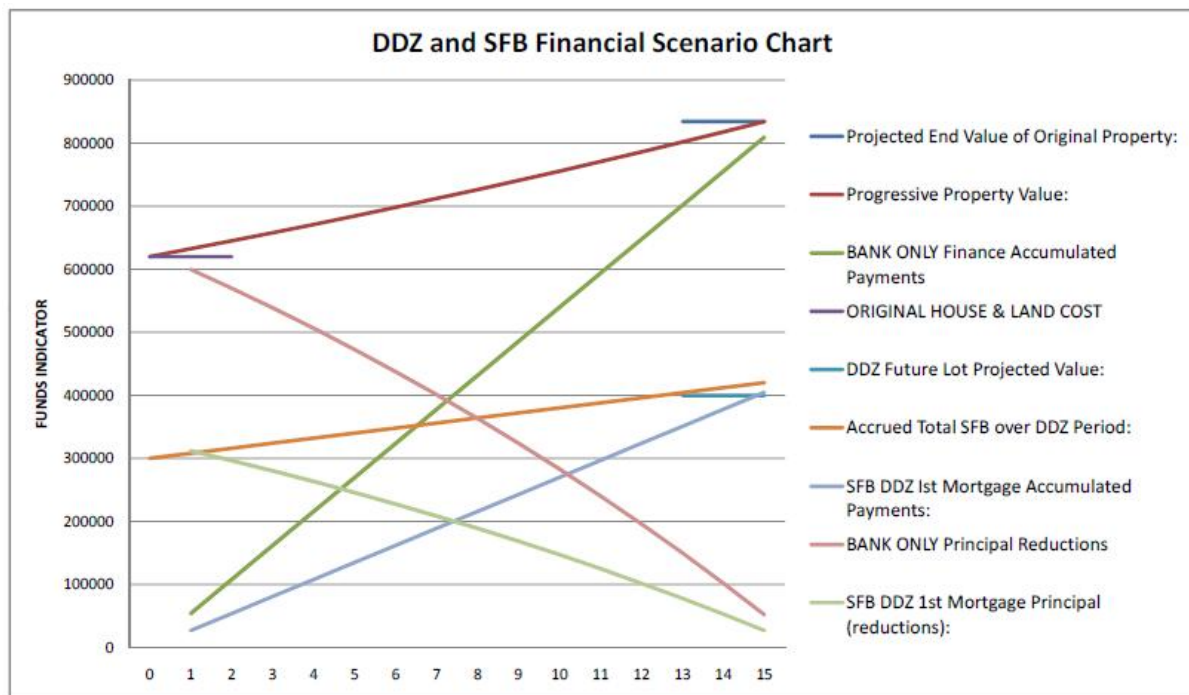


Chart 2.0

First P&I Mortgage Only
Construction

Total Loan Amount: \$600,000
Interest Rate: 4.00% PA
Term: 15 Years
Monthly Payments: \$4,438.13
Weekly Payment: \$1,021
End Result: Unencumbered Freehold

SFB and First P&I Mortgage for House

\$300,000
4.00%
15 Years
\$2,219.06
\$510
End Result: Unencumbered Freehold after SFB is paid out by sale of new lot at about \$400,000

Other parameters used in this scenario:

Annual appreciation rate for original property at 2% PA
Fixed interest rate on the SFB is 2.5%
Projected future DDZ Lot value \$400,000

So the object of this demonstration is that the original home builder who has totally financed his home with a single principal and interest 15 year loan has to do that by way of weekly loan repayments of about **\$1,021**.

The home builder who has participated in the DDZ and SFB financing method has serviced his loan on a weekly basis at **\$510** and after the sale of the future DDZ to pay out the SFB he has ended up being in much the same financial position as the former party who took up the First P&I Mortgage only.

In reviewing these scenarios one must be flexible. The scenarios are designed to demonstrate the capability of the proposed DDZ and SFB process and of course in practice the process will be subject to more detailed financial analyses. After further investigations a standard input analysis sheet will be developed for general use. Professional financiers will see the relationships immediately.

A6. Suggested Related Reading

2020 Australian Affordable Housing Report, Power Housing Australia, CoreLogic 2022
 LINK: <https://www.powerhousingaustralia.com.au/wp-content/uploads/2021/11/PHA-eScan-2021-FINAL.pdf>

A7. R Code Comparisons

R-Codes
State Planning Policy 7.3 Residential Design Codes Volume 1

Page 53

Table 1: General site requirements for all single house(s) and grouped dwellings; and multiple dwellings in areas coded less than R40

1 R-Code	2 Dwelling type	3 Minimum site area per dwelling (m ²)	4 Minimum lot area/rear battlement (m ²)	5 Minimum frontage (m)	6 Open space		7 Minimum setbacks (m)		
					min total (% of site)	min outdoor living (m ²)	primary street	secondary street	other/rear
R2	Single house or grouped dwelling	Min 5300	-	50	80	-	20	10	10
R2.5	Single house or grouped dwelling	Min 4300	-	40	80	-	15	7.5	7.5
R5	Single house or grouped dwelling	Min 2300	-	30	70	-	12	6	*%
R10	Single house or grouped dwelling	Min 875 Av. 1000	925	20	60	-	7.5	3	*%
R12.5	Multiple dwelling	1000	-	-	60	-	7.5	3	*%
	Single house or grouped dwelling	Min 730 Av. 800	762.5	17	55	-	7.5	2	*%
R15	Multiple dwelling	800	-	-	55	-	7.5	2	*%
	Single house or grouped dwelling	Min 590 Av. 665	615	12	50	-	6	1.5	*%
R17.5	Multiple dwelling	665	-	-	50	-	6	1.5	*
	Single house or grouped dwelling	Min 520 Av. 571	587.5	13	50	36	6	1.5	*
R20	Multiple dwelling	571	-	-	-	-	6	1.5	*
	Single house or grouped dwelling	Min 350 Av. 453	450	10	50	30	6	1.5	*
R25	Multiple dwelling	450	-	-	50	-	6	1.5	*
	Single house or grouped dwelling	Min 330 Av. 353	425	8	50	30	6	1.5	*
R30	Multiple dwelling	330	-	-	50	-	6	1.5	*
	Single house or grouped dwelling	Min 250 Av. 303	410	-	45	24	4	1.5	*
R35	Multiple dwelling	303	-	-	45	-	4	1.5	*
	Single house or grouped dwelling	Min 220 Av. 263	395	-	45	24	4	1.5	*
R40	Multiple dwelling	263	-	-	45	-	4	1.5	*
	Single house or grouped dwelling	Min 180 Av. 223	380	-	45	20	4	1	*
R50	Multiple dwelling	223	-	-	40	-	2	1	*
	Single house or grouped dwelling	Min 130 Av. 183	380	-	40	16	2	1	*
R60	Multiple dwelling	183	-	-	40	-	2	1	*
	Single house or grouped dwelling	Min 120 Av. 153	380	-	40	16	2	1	*
R80	Multiple dwelling	153	-	-	30	-	1	1	*
	Single house or grouped dwelling	Min 120 Av. 162	380	-	30	16	1	1	*

All standards for single house or grouped dwellings within R100, R150 and R-AC areas are as for the R80 Code

Legend

- subject to variations permitted under clause 5.1.1 C1.4
- ▼ only applies to single houses
- secondary street: includes communal street, private street, right-of-way as street
- indicated not applicable
- * see Tables 2a and 2b and clause 5.1.3
- Av. average site area

Western Australian State Planning Policy 7.3 Residential Design Codes Volume 1
 (Source: WA Planning Commission)

Table 1 has been inserted to demonstrate the relationships between the different levels of Residential R Codes. It is envisaged that the entirety of the requirements Policy 7.3 is able to be met or satisfied in the application of the proposed DDZ and SFB process to residential subdivision.

A8. Dwelling Value Progressive Appreciation

Dwelling Values Over the Past Twenty Years

Over the past twenty years the median value of a capital city dwelling has risen by \$524,291 or 258.1%, with a larger (300.3%) lift in house values relative to units (+207%).

On an annual compounding basis, capital city home values have been rising by 7.2% per annum over this period, although increases in home values were much stronger over the first decade (between 2001 and 2011, capital city dwelling values rose by +139.8%) than the second (+67.6% between 2011 and 2021). The rise in home values also significantly outstripped the rate of inflation (2.4%) and wage growth (3.2%) over the past two decades.

Table 3: 20 year property value change

Median dwelling values over the past twenty years

Month	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra	Combined capitals	National
30/06/2001	\$310,102	\$216,100	\$155,263	\$142,974	\$158,790	\$108,847	\$156,617	\$183,466	\$203,136	\$174,039
5yr change	69.0%	76.9%	21.4%	37.3%	30.1%	7.0%	n.a.	40.0%	52.4%	40.6%
30/06/2006	\$424,230	\$321,534	\$323,944	\$271,131	\$409,395	\$268,943	\$292,255	\$367,695	\$357,697	\$333,755
5yr change	36.8%	48.8%	108.6%	89.6%	157.8%	147.1%	86.6%	100.4%	76.1%	91.8%
30/06/2011	\$518,013	\$400,412	\$412,447	\$372,004	\$461,290	\$327,030	\$403,168	\$429,270	\$450,304	\$419,400
5yr change	22.3%	49.4%	27.3%	37.5%	12.7%	21.9%	65.3%	35.8%	28.1%	23.9%
30/06/2016	\$781,608	\$583,037	\$484,332	\$406,796	\$488,981	\$340,369	\$480,116	\$518,167	\$584,107	\$492,779
5yr change	50.6%	21.4%	17.4%	9.1%	6.0%	3.8%	-0.6%	3.8%	27.4%	19.2%
30/06/2021	\$994,298	\$753,100	\$586,142	\$508,712	\$523,673	\$607,960	\$475,083	\$770,873	\$727,427	\$645,454
5yr change	27.2%	29.2%	21.0%	25.1%	7.1%	78.6%	-1.0%	48.8%	24.5%	31.0%

Median house values over the past twenty years

Month	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra	Combined capitals	National
31/06/2001	\$315,648	\$223,523	\$156,507	\$152,076	\$162,869	\$114,167	\$169,847	\$192,149	\$199,154	\$169,567
5yr change	70.8%	72.8%	22.7%	40.0%	31.2%	9.6%	n.a.	38.4%	49.9%	39.0%
31/06/2006	\$468,575	\$346,863	\$337,424	\$287,431	\$424,588	\$285,761	\$324,769	\$391,691	\$376,756	\$345,192
5yr change	48.4%	55.2%	115.6%	89.0%	160.7%	150.0%	91.2%	103.8%	89.2%	103.6%
31/06/2011	\$582,203	\$517,146	\$430,714	\$393,708	\$477,333	\$342,369	\$528,251	\$537,554	\$476,025	\$412,380
5yr change	24.2%	49.1%	27.6%	37.0%	12.4%	19.8%	62.7%	37.2%	26.3%	22.1%
31/06/2016	\$889,900	\$688,117	\$518,330	\$436,706	\$516,075	\$365,002	\$536,845	\$573,631	\$618,785	\$503,599
5yr change	52.9%	33.1%	20.3%	10.9%	8.1%	6.6%	1.6%	6.7%	30.0%	19.5%
31/06/2021	\$1,224,613	\$929,769	\$657,551	\$551,538	\$547,215	\$652,092	\$567,842	\$877,311	\$797,287	\$682,728
5yr change	37.6%	35.1%	26.9%	26.3%	6.0%	78.7%	5.8%	52.9%	28.8%	35.6%

The Table above clearly demonstrates that the appreciation rates that have been chosen for the DDZ and SFB analysis scenarios in this discussion document are completely within the ranges of statistical evidence over past years. This Table information has been sourced from p.27 "2020 Australian Affordable Housing Report, Power Housing Australia, CoreLogic 2022" that is noted above at A6 as suggested related reading.

A9. Australian House Prices GRAPH



Source: Deutsche Bank, ABS, Corelogic, RBA, REIA

Affordable v actual house prices in Australia from 1983. Credit: Supplied

Graph 3.0 Australian House Prices Comparative Graph

(Source: TheWest and as noted.)

End of Annexure to Discussion Paper

See Comment Page Template following

A10

EMAIL TO: southercities@nw.com.au

Attention: Mr N S McNally

PO Box 1000

Canning Bridge

APPLECROSS WA 6153

RE: Deferred Density Zones and Super Fund Bonds

*A Residential Subdivision Process in support of the promotion and facilitation of
More Affordable Housing In Australia*

From: _____

Email Address: _____

Phone: _____

Insert comments as required:

Thank You.

A response will be forthcoming.

N S McNally