GROUNDED IN AFFORDABILITY

THE ECONOMIC CASE FOR COMMUNITY LAND TRUSTS

Grounded

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About Grounded

Grounded is a not-for-profit organisation established to advocate, incubate and accelerate the development of Community Land Trusts in Australia. We do this by engaging with communities, ethical landholders and government. Grounded produces innovative analysis of the nation's most difficult housing problems.

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Karl is a housing economist celebrating 20 years of advocating for a fairer economic system. He has helped change a number of Victorian taxes that de-commodify housing including: the Vacant Residential Land Tax, the Rezoning Windfall Gains Tax and reductions in the Land Tax threshold.

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For all Appendices please visit:
https://grounded.org.au/grounded-in-affordability

Abbreviations

ACCC	Australian Competition and Consumer Commission
ATO	Australian Taxation Office
BRM	Bedroom
CGT	Capital Gains Tax
CLT	Community Land Trusts
FHB	First Home Buyer
FHBG	First Home Buyer Grants (used interchangeably with FHOG)
FHOG	First Home Owners Grants
LPI	Land Price Inflation
ROI	Return on Investment
SMSF	Self-Managed Super Fund
SDD	Stamp Duty Discounts
Psqm	Per square metre

Executive Summary

Community Land Trusts (CLT) are a vital tool to create a fairer housing future. With property commodification continuing unchecked, a more localised form of housing supply is needed where prices are kept in check with the reality of wage growth.

Savings of 39% are possible under this approach, with a 60% lower deposit gap helping more people gain secure housing. Better yet, over their tenure, they will pay it forward by providing the seed funding for the next CLT community.

This provides a greater ROI for public investment than inflationary demand side incentives such as the First Home Buyers Grant (FHBG). Not only are public subsidies maintained over time, but the shared equity component allows for scaling of scarce public funds.

When comparing a CLT to a typical master planned community, one 20 dwelling CLT development saves residents a combined $300,000 per year. This is money that can be spent into the local economy, driving local business, employment and wage growth.

This provides much needed resilience, particularly for regional communities who have been challenged by the growth of short term rentals in addition to broader affordability pressures.

Key Findings

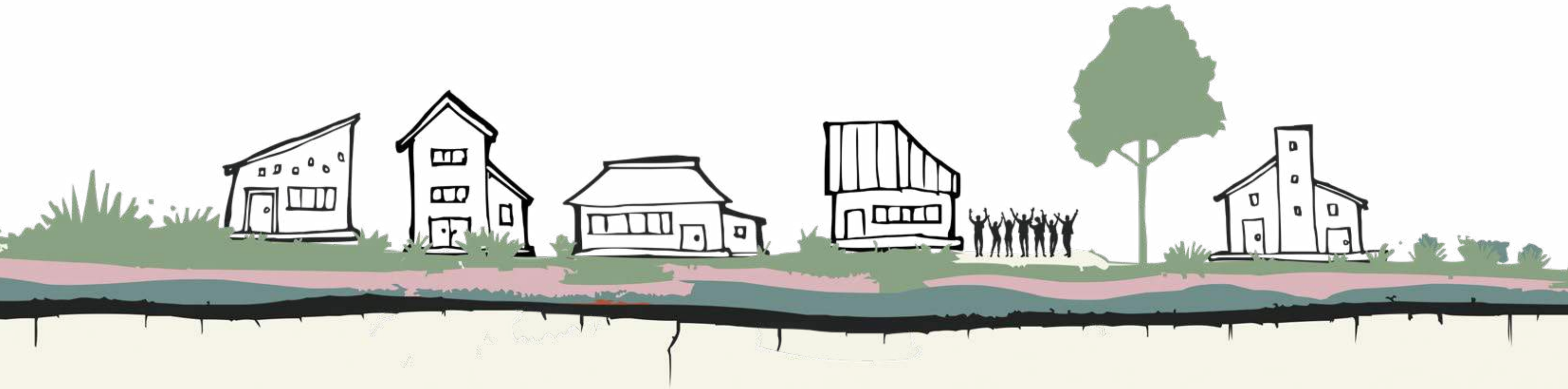
- A **60% lower deposit** reduces the barrier to entry into housing.
- CLTs can reduce housing costs by up to **39%** compared to market purchases over time.
- Residents of CLTs save approximately **$153,000 in housing costs** over a 12 year tenancy.
- Each decade, residents furnish the seed funding for **a new CLT.**
- Government investment in Help to Buy and First Home Buyer Grants could be better directed towards CLTs, delivering a **450% return on investment** when considering supply outcomes to costs.
- A **20-home CLT** project could generate an **annual economic dividend of $308,000** for local communities, contributing **$9.24 million over 30 years** in local economic activity.

Policy Considerations

- Redirecting funding from inflationary demand-side incentives (e.g., First Home Buyers Grants, Stamp Duty Discounts) to supply-side CLT models would **increase affordable housing stock and prevent inflationary price hikes.**
- The shared equity model within CLTs ensures that affordability gains from public subsidies are **maintained**, rather than lost when properties are resold at market rates.
- CLTs enhance **financial resilience** for households and regional economies, reducing reliance on social housing and welfare programs.
- CLT financing models offer **lower default risks**, making them an attractive option for government-backed housing initiatives.

Strategic Recommendations

- **Legislative Support:** Introduce regulatory frameworks to recognise CLTs as a key affordable housing mechanism.
- **Public-Private Partnerships:** Encourage superannuation funds and impact investors to participate in CLT financing, diversifying risk while ensuring social returns.
- **Targeted Land Policies:** Allocate surplus government land to CLT developments, ensuring sustainable and affordable housing supply.
- **Scalability:** Establish pilot CLT programs in high-demand regions and expand based on demonstrated success.



Introduction

Australia has a housing crisis because it has a housing policy crisis. For too long, governments have either relied on market forces to bring prices down or introduced demand-side incentives that often have limited long-term success in restoring affordability. Neither the market nor government intervention has worked because policymakers refuse to acknowledge land as a monopoly product. Instead of alleviating the crisis, these well meaning intentions have only compounded housing pressures.

With the optics of genuine reform seen as too difficult, a mid-step is urgently required.

The supply side mechanism that can deliver the best long term outcomes are for-purpose housing providers.

Government needs to encourage housing providers who have affordability as the foundation of their operations. These are organisations that recognise housing as a human right that is fundamental to the fair and effective economic functioning of our communities. Further, they recognise that the family home should never be a profit-making centre.

Of the various shared equity models available, Community Land Trusts (CLTs) are a form of housing provision that is perpetually non-inflationary. Too many shared equity models (Help to Buy, Victorian Homebuyer Fund) incentivise more buyers into the market. They only provide relief for one home buyer, and any market-wide affordability outcomes are lost at resale.

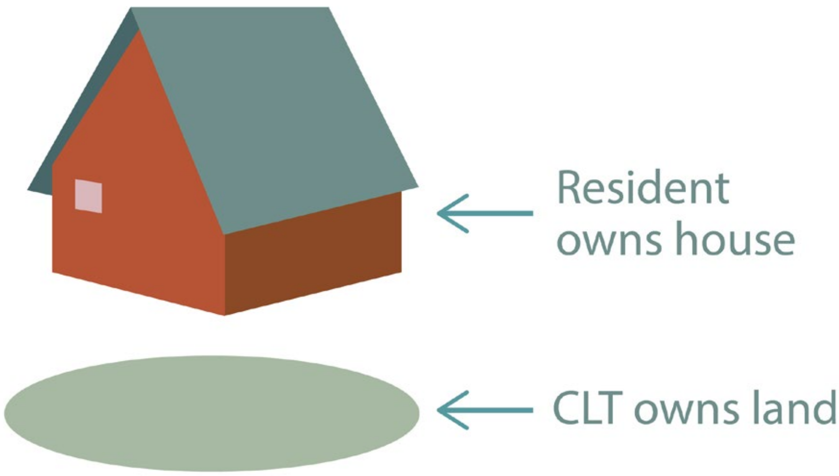
By integrating CLTs into Australia's housing strategy, the government can maximise public investment efficiency over time - without risking significant political capital. They also offer a structured approach to land stewardship, ensuring perpetual affordability and multi-generational housing security.

This paper will demonstrate how successive iterations of demand side incentives have actually inflated the market - acting as a public subsidy for developers. A more effective outcome would redirect public subsidies toward Community Land Trusts, establishing a third market housing model that is purpose built to meet the reality of wage growth and thus housing need.

The report focuses on the regional Victorian city of Castlemaine. The international precedent is that CLTs typically start in regional areas, then move towards higher densities over time.

> **If there was a best practice method for offering an alternative model to the for-profit, trickle down housing supply model, Community Land Trusts offer just that.**

What is a Community Land Trust?



Credit: Grounded

The Community Land Trust (CLT) model offers a pathway for perpetually affordable housing, saving the government money over time. CLTs close the loop on both public subsidy and standard land and housing payments so that affordability gains are maintained and money is kept within the local community.

In a CLT, the resident purchases just the house, maintaining their private property rights over the building.

The Trust owns the land in perpetuity, with the understanding that housing locations remain affordable over time. The corporate structure is suggested to be a company limited by guarantee, potentially registered as a Public Benevolent Institution with the ACNC.

CLTs foster community engagement, turning on-site community gardens and the attached commercial kitchen/hall into respected gathering spaces for residents and neighbours. In time, these can become volunteer hubs for a financially sustainable model that encourages social cohesion.

The Trust is governed by a tripartite board consisting of residents, local community members, and civic leaders. This balanced structure ensures that affordability is protected, and decisions reflect the community's needs. Residents therefore cannot stack the board to remove affordability provisions. A robust constitution with an aim to "expand the base for affordable housing" is important to entrench a multi-generational purpose.

Once a site has been attained, the community typically comes together to plan what type of housing they want under a deliberative development model. They reach out to local builders, architects, town planners and volunteer labour to envision all that a community asset could be. This arms length distance from government and institutions gives people a sense of agency that they can actually make a difference, not only to their lives, but in their community.

In essence, through the CLT, the community holds the equity in the project and can use that for further expansion in time, shielding more people from housing pressures at least cost.

Similar applications can be seen in the ACT Land Rent Initiative. This is closer to what is known as a public land trust.[1] Residents pay a 2% ground lease for access to the land. With Canberra's land prices increasing by 7.8% p.a, residents were gifted a 5.8% return per year.[2] After providing policy design advice in 2005-06, Grounded has learnt from this and incorporated it into the Grounded Affordability lock.

Advantages

One of the most significant barriers to security of tenure is the size of the deposit required for a home on the open market. In many capital cities, a $200,000 deposit is necessary. In many regional towns the deposit required is closer to $130,000.

Under a CLT, the resident only borrows for the dwelling. For a detached home this is just 40% of the total mortgage cost. In a regional setting, this brings the deposit back to a more feasible $44,000, narrowing the entry gap for local workers and households.

Over the life of the mortgage, residents avoid interest on the land component, typically 60% of a mortgage. Instead, they pay a smaller ground (land) lease fee to the Trust. These are significant numbers worth $153,000 in savings to households.

CLTs offer housing affordability for both younger residents and older buyers who want to re-enter the housing market. They also have a mandate to prioritise people who have a local connection, be that by living or working in the area. Certain types of essential workers may be prioritised.

The CLT model has grown substantially in the UK[4] and US,[5] despite limited government funding. The standout feature has been perpetual affordability.

The Classic CLT Formula

The typical CLT formula includes the following components:

- An exit fee (commonly around 75% of the capital gains).
- A resale formula that limits sales prices to either:
    - » An agreed upon percentage of the median price ie. 70% of the area median.
    - » A price that ensures median income earners do not pay more than 30% of their income on the purchase price (over time).
- An administration fee (commonly around $100 per month).

This is the general composition used throughout the world, though there are many variations.[6]

Grounded's Affordability Lock

Grounded aims to improve the CLT formula so that the arrangement suits both the resident and the Trust. The overall aim is to drive the economics of the project, so that finance is more supportive.

Perpetual affordability is delivered by what we call an affordability lock:

- A Ground Lease fee of 1.5%, based on annual municipal land valuations.[7]
- A Stewardship fee (akin to a Capital Gains Tax) at 50% of the capital gain accrued over the duration of residence.
- A resale formula that limits housing prices to 30% of area median income.

This model is beneficial to the resident in that they can save from the lower deposit requirement and lower lifetime mortgage costs. Instead of paying interest to the bank on the cost of the land, residents pay a smaller ground lease fee to the Trust.

CLT purchasers will be coached to recognise they have ongoing financial commitments to the Trust, including the annual ground lease alongside repaying a share in the capital gains (via the Stewardship fee). These ongoing costs are typically subtracted from any open market comparison during the formulation of the purchasing bid.

A Stewardship fee is a payment at sale as the resident exits the community. It is a calculation between the purchase price and today's valuation. It is essentially a capital gains tax, but instead of it heading to the Federal government, it is kept within the community. Over multiple resale cycles, this arrangement ensures that housing subsidies remain at the local level, enabling councils and community stakeholders to see enduring benefits from an initial investment or land contribution.

The price for incoming residents is kept in check by the resale formula. The resale formula acts as a cap on price growth so that home prices do not grow beyond the 3040 rule.[8] For the different sized homes, the comparative median wage for single/couple/family would be applied to price.

One can familiarise themselves with this concept by replacing the ground lease with society's common knowledge of interest rates. If a buyer understands that interest rates are increasing, market prices generally cool. The buyer understands that rising interest rates mean they can afford to bid less because the higher interest rates will bite over time. The finance industry reinforces this in their willingness to lend.

> **With strategic organisational planning, alongside modest government support, the Trust could repay the majority of the project costs in just five years. This financial sustainability can enable the CLT to scale its operations, advancing its core constitutional objective–to expand the base for affordable housing.**

The combination of CLT payments act in a similar manner. However, instead of banks benefiting from a rising interest rate spread, the affordability lock acts to channel the naturally rising land price away from finance and back towards the community.

This is a key point to understand. Instead of "renting" the land from the bank, we instead lease it from the community, via the CLT. With land costing 60% of a typical mortgage, this closes the loop on the majority of the housing cost. This helps the CLT resident keep this money 'in house', building resilience within the community.

The savings over time can be wisely invested, assisted by the advice of a financial advisor on the CLT board. The combination of the affordability savings, the investment portfolio returns and modest capital gains provides the exit pathway to enter the open market if the resident so desires.

This payment stream closes the loop between housing access and long-term affordability. Over time, the funds generated from land and housing payments are reinvested into new housing. This makes the community stronger, unlike traditional housing payments that flow out to the financial sector.

The Trust benefits from this arrangement in that the ground lease payments help keep on top of the project cost borrowings. When residents do leave, a share of the capital gains contributes to the paying down of project debts via the Stewardship fee. In time, the CLT entity can look to its emerging network of financiers and philanthropists to expand the base for affordable housing.

CLTs become a magnet for philanthropic investment as they ensure long-term affordability, even as properties change hands over time. This offers a much-needed pathway for community agency. The Trust can then either expand on existing land or mentor a new steering committee to establish another CLT.

It's Not All Gravy

Whilst CLTs have many advantages, some shortfalls must be recognised.

One of the key considerations for CLT homebuyers is prioritising long-term security of tenure over capital gains.

The CLT model is sometimes criticised for creating a lifetime of rental-like living. However, we believe a change in culture will see many preferring to rent land from a CLT than remaining beholden to the real estate cycle.

That said, some may not want to be part of a living arrangement that may involve working together in a community garden or the bulk buying of goods. They might be more interested in a distributed CLT model, where houses are dotted within an existing suburb.[9]

One of the great challenges is the ability to deliver affordability for single person households. Our calculations show that achieving this will require a discounted land lease at 1% (not 1.5%) and a smaller footprint to keep within the 3040 rule.

Participants have to be comfortable in the prioritising of community health over individual benefit.

Community Led Shared Equity

Community-led development empowers local problem solving and fosters a sense of collective ownership. This grassroots approach is a compelling alternative to profit-driven Build to Rent models, ensuring housing remains a community asset. The UK's former conservative housing minister Michael Gove stated:[10]

"What could be a better example than a neighbourhood taking control, then being in charge of its destiny and making sure that the homes in which people live have the heart and soul of that community embedded in the bricks and mortar! That's why I'm a supporter of CLTs."

The CLT model's inherent strength lies in its ability to stimulate community-driven solutions that protect affordability and promote local wealth building. In contrast, criticisms of developer-driven projects as 'soulless subdivisions'[11] reflects the antithesis of a group of people coming together to reclaim housing as a fundamental human right.

Governments are pinning their hopes on the Build to Rent sector — an emerging profit driven model expected to capture a significant share of the rental market. However, numerous reports from the northern hemisphere document concerns over significant rental increases alongside proptech orientated privacy losses[12,13] Compounding this trend is the use of Rental Backed Mortgage Securities, which enable private investors to raise large amounts of capital with attractive yields.[14]

The real question is whether we want to allow private equity funds such as Blackstone Capital to dominate and control rental supply. Compared to a housing landscape increasingly reliant on institutional rental products, CLT's deliver greater affordability, genuine housing security, modest capital returns for residents, economic and social investment in local communities, and overall a more secure future for those looking for a fair and just housing outcome.

Methodology

Castlemaine was chosen as a study focus as CLTs typically start in regional areas, then over time move into cities. It is a mid-sized town, with typical regional working class pressures.

Unless otherwise stated, we compare 2 BRM homes between the market and CLT throughout the report.

The Grounded CLT model is based on the ability of land lease fees acting as a counterweight to Land Price Inflation (LPI). The land lease is calculated as a percentage of the land value. Rather than the land price increasing at the market rate, we use an adjusted land value price index. This is calculated as follows:

Land value price index = (LPI * (1 - Stewardship fee)) - (Ground Lease rate).

Land Price Inflation is calculated according to annual Valuer General land valuations for the area. The average over 10 years is taken. Where delays occur between valuations, an Automated Valuation Mechanism can be utilised.

The Stewardship fee reflects the growth in land and housing costs being redirected towards the CLT instead of the market. Our model sets this value to 0.5. The 0.5 rate accounts for the Stewardship fee residents pay upon exit. This is akin to a Capital Gains Tax (CGT). It is paid directly to the Trust.

The second half of the equation captures a portion of the annual LPI via the Ground Lease rate of 1.5%.

The combination of the headline LPI reduced by the Stewardship fee rate, minus the annual payment of Ground Lease fees, delivers a residual that is applied to the land valuation in year 1. In the example below, this recognises that land values will not increase at 8.6% p.a, but the lower 2.8% because of the combination of factors in the fee structure.

In the Castlemaine example, this works out to:

> Land value price index = (LPI * (1 - Stewardship fee)) - (Ground Lease rate)
>
> Land value price index = (8.6 * (1 - 0.5)) - (1.5)
>
> Land value price index = 2.8%

The 2.8% is then indexed to the baseline land valuation each year. The 10 year average is updated at a rolling three year interval.

A 1.5% Ground Lease fee is then applied to the land value baseline, which increases by around 2.8% each year, depending on the rate of land price inflation.

The formula in effect taxes away 50% of the gains via the point of sale Stewardship fee, and over the 12 year tenure, 18% of the gains via the annual ground lease fee. The outcome is that 67% of the economic dividends to land, the economic rents,[15] are shared with the Trust and thus kept in the local community.

This allows some 32% of gains for the resident to offset depreciation over time. The combination of the Ground Lease and Stewardship fee act to balance out the natural growth of community, as recognised by the rising value of land price.

At a macro level, this is understood via land taxation theory. The Grounded CLT formula recognises this at a micro level, one site at a time. Economist Saul Eslake said it best:

> *"Both economic theory and evidence suggest that a broad based land tax, which everyone would have to pay, reduces the future value of land because there's an additional stream of obligations associated with it, and hence would be reflected in lower land prices."* [16]

Home buyers intrinsically understand this when it comes to interest rates. If interest rates increase, buyers bid less because they understand the ongoing costs stretch their budget.

If affordability is to improve, we need to grasp how this same effect works with any type of holding charge on land (i.e. ground lease, land taxes, site value rates). CLTs are a micro version of the much larger macro effect land taxes can provide.

Other key factors in our method include the variance of home valuation data between the more conservative Valuer General and optimistic REA.com.au valuations. This led us to take a median between these two valuation approaches. We then brought that median house valuation down by 10% to represent the bottom 40% of income earners. This gave us a $576,000 market based mortgage. There are currently only six out of 60 properties for sale under $600,000 in Castlemaine.[17]

There was also a challenge finding a median for 1 BRM homes in the town. We therefore compared the cost differential between 2 + 3 BRM homes and applied that percentage cost differential to calculate a likely 1 BRM mortgage.

The cost of the house build was conservatively valued at $3,000 psqm. See Table 2 (page 16) for sizings per household.

Interest rates were calculated at a comparison rate as per Table 1.

Table 1 : Interest Rates

BORROWER	INTEREST RATE
Residential CLT	6.44%*
Market Residential	6.01%
Project	7%
Construction	10%

**This is similar to the Police Bank's current 6.42% offer for the ACT Land Rent Scheme (comparison rate on 80% LVR).*[21]

A lower interest rate of 6.01% was charged for market participants.

Wages were indexed from the 2021 Census according to the ABS' seasonally adjusted WPI.[18]

According to the census, single person earnings were such that we had to reduce their Ground Lease payment from 1.5% to 1% to get closer to the 3040 rule. As a contra, their Stewardship fee paid upon exit was increased to 55%.

A market homeowner has an average tenancy of 10 years.[19] Due to the scarcity of affordable housing, we expect CLT residents will stay two years longer, to 12 years. For the comparison in Figure 3, renters total costs include moving once every three years.[20] Rental costs were indexed at just 3% p.a.

In recognition of turnover, the baseline year was moved from year 1 to year 12 for the second 12 year tenure, so that gains in the 15th year were compared to the 12th. This was repeated from year 25 onwards.

The CLT resident's capital gains were significantly lower due to the effect of the affordability lock which compresses the 8.6% market rate down to a modified 2.8% annual increase in land prices. This is generally less than wage growth, providing a welcome respite for home buyers. The Trust shared 50/50 in the gains for 2 & 3 BRM homes. 1 BRM homes paid a slightly higher 55% Stewardship fee to recompense the lower annual 1% Ground Lease charge.

Regarding construction, it was assumed that the annual increase in building costs reverts to a more regular 3%, as recent data has suggested.

In terms of the built form, maintenance costs were left out of the equation for all cohorts in the study. CLT residents could fund this out of cost savings made via environmental infrastructure such as heat pumps, solar and water tanks.

Municipal rates were indexed at 3%, in line with Victoria's Essential Services Commission and their most recent rate cap.[22]

At a Project level, there was considerable leeway allowed in cost overruns, with a miscellaneous budget to account for cost overruns of 10%. An additional $300,000 was borrowed in the Land facility beyond what is expected to be required.

Project Delivery

What would a CLT project look like with 21 dwellings in a regional city such as Castlemaine?

The finances required include:

1. $2.5m - project costs (architect, town planning, internal roads, common areas).
2. $1m - residential land.
3. $1m - philanthropic grant towards land.
4. $3.5m - construction borrowings.

This will likely require four distinct lenders: one for each of the three primary project categories, plus one for residential mortgages.

Construction borrowings would be repaid via residential mortgages, within 18 months to 2 years. Some communities may be able to reduce the project costs through collaborations with architects, builders, or council-facilitated partnerships, allowing for greater collective input and lower construction expenses. Others may benefit from a land bequest.

To improve the viability of the project, we propose to sell one third of the potential sites at market rates to subsidise the remaining 14 perpetually affordable CLT homes.[23] This method, as successfully applied in social housing projects, avoids the need for large-scale government funding whilst aggressively paying down project debt.

Figure 1 (below) assumes all debts are cleared by year 5 through the sale of one-third of the homes on the open market, with seven homes sold for a total of $4.4 million to repay outstanding loans.

Figure 1 : CLT Profit and Loss

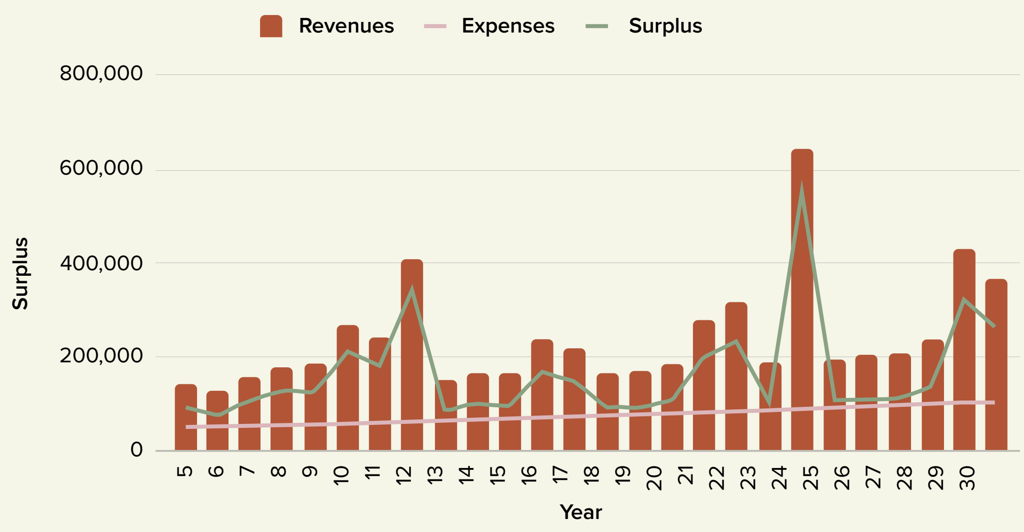
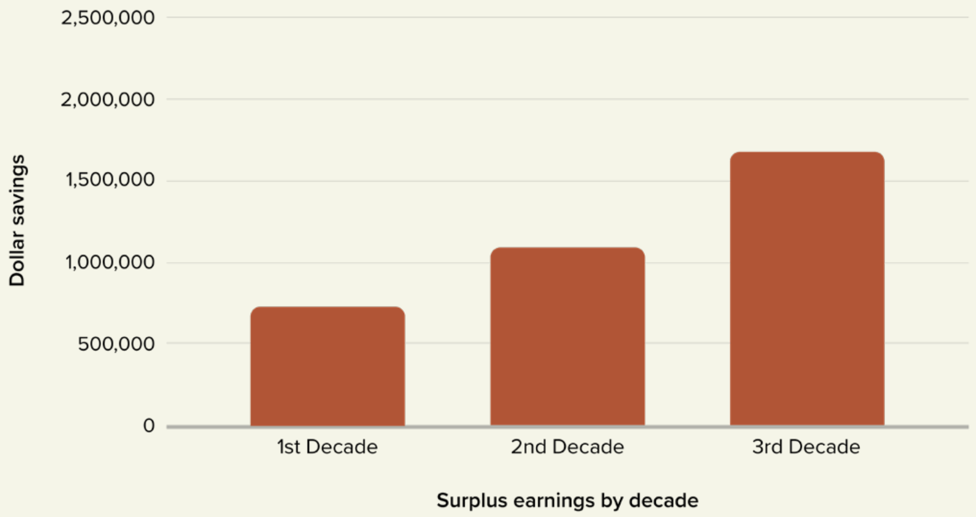


Figure 2 : CLT Surplus Earnings per Decade

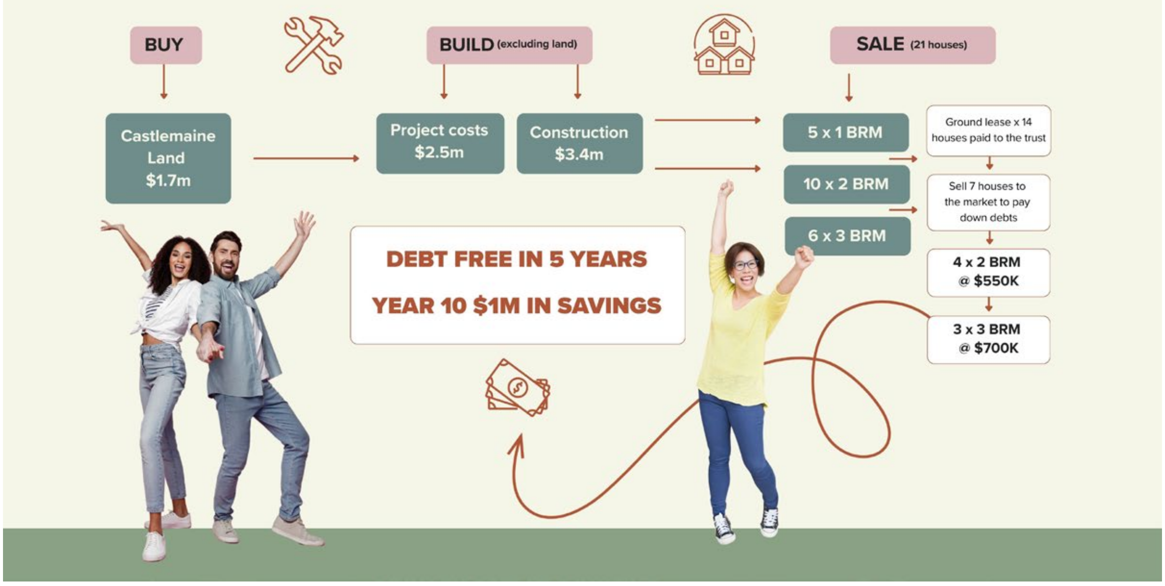


In continuing with this drive to prove the business case, we expect the first few CLTs may not include CLT rental options. Residents will need to introduce their own equity through personal capital or a loan. Rental supply requires further development credit, with a longer repayment window. In time, as the CLT's capital base increases and its connections with funders improves, we expect rental supply will become a regular component of this approach.

Over the three decades of analysis, the CLT would earn $2.5m in surplus revenue, with a handy $637,000 in the first decade. This places the CLT in a position to expand the base for affordable housing with either an onsite expansion or a seed development for another project.

Deliberative development via community engagement would be adopted to design the most appropriate housing, and enable the site design to encourage social connection. Modular housing could be utilised to get the housing on site as soon as possible.

Figure 3 : CLT Financial Flow



CLT Resident Saving

This section demonstrates how a CLT supports residents with significant savings alongside security of tenure and a deepening of community connection. As explained in our affordability lock section, land and housing costs see the ground leased from the CLT, keeping more of our land and housing payments for local resilience purposes.

An annual Ground Lease payment of 1.5% of the valued site value (as per annual municipal valuations in Victoria) is charged for land access. The challenge of delivering any hope of affordability for single person households sees a discounted 1% Ground Lease fee paid annually, but a slightly higher Stewardship fee on exit.

In an admission of the 'endangered species' type pressure that 1 BRM home owners face, we limited such a house build to just $120,000. At a $3,000 per square metre (psqm) cost, a 40 sqm home could be built. In regional areas, sweat equity could further reduce costs with community-driven initiatives like working bees potentially contributing to the build labour, although our model does not rely on this saving. Collaborative approaches like these exemplify the power of community in making housing more affordable.

The mortgage was set at 6.44% over 30 years, across all build types. Municipal rates were tiered according to the differing land size requirements of each dwelling type. The CLT resident can be seen in Table 2.

Table 2 : CLT Resident Costs

COST $	SINGLE HOUSEHOLD	DUAL HOUSEHOLD	FAMILY (3 BRM)
Home size psqm	40	70	92
Ground Lease	2,056	3,855	4,318
Mortage	7,248	13,032	16,584
Municipal Rates	1,500	2,100	2,400
TOTAL	**10,804**	**18,987**	**23,302**

Table 3 : Median Income Earners - CLT Dwelling Types

	1 BRM	2 BRM	3 BRM (Family)
Median Income (2024)	38,349	63,493	93,747
Housing costs as % of median income	28.2%	29.9%	24.9%
Median 40% Income Quintile	30,679	50,795	74,998
Housing costs as % of 30/40	35.2%	37.4%	31.1%

Now that annual land and housing costs have been considered, the median incomes of a single, a couple and a family are compared. In order to meet standardised affordable housing metrics, the cost base for income earners in the bottom 40% of earners must be considered to ensure they don't spend over 30% of their gross income on housing - the 3040 rule. This continues to be a challenge.

Table 3 reflects how median income earners in all dwelling types spend less than 30% on rent, with a family in a 3 BRM home paying just 25% of income.

To meet genuinely affordable outcomes, CLT homes struggle to meet the requirements of income earners in the lower 40%. The substantial increase in land and housing construction costs in recent years requires that further government subsidy is required, particularly for singles.[24]

Whilst this is a challenge, how much are median income earners currently expected to pay for market housing in Castlemaine?

Table 4 : Castlemaine Median Income Earners - Market Housing[25]

	Owner 1 BRM	Owner 2 BRM	Owner 3 BRM
Median Income	90%	60.3%	45.3%
3040 Income earner	112.6%	75.4%	56.6%

The Brotherhood of St Lawrence's annual Rental Affordability Index report reveals just how scarce affordable housing is per income quintile.[26] A glance at the outcomes found in Table 4 show just how badly the housing market has failed middle class Australians.

Compounding the issue, neither Federal political party is willing to address the deeper cultural issues of housing commodification encouraged by the CGT discount and negative gearing.

Alongside a host of ineffective government inquiries, the result is that the general public has been disempowered, and feels no agency that hope can be delivered. The power of the property lobby is so extensive that the only hope we are allowed is through the delivery of even more market power to developers via the housing supply fallacy.[27]

With the housing crisis having endured some 20 years, and most households having moved twice over that period, there are few households that haven't had to face a drastically higher housing burden. This is reflected in the number of retirees still under mortgage pressure. According to the census over the past 20 years, 'the number of Australians aged 55 to 64 who owned their homes outright had almost halved.'[28]

Halving the Capital Gains Tax discount must be an urgent priority.

With the politics challenging, the CLT model offers a middle pathway forward.

Table 5 : Cost Savings Over 12 Years

	RENTAL	Market 1 BRM	Market 2 BRM	Market 3 BRM	CLT 1 BRM	CLT 2 BRM	CLT 3 BRM
Deposit	-	95,901	106,320	117,920	24,000	43,200	55,000
Annual	27,040	27,636	32,736	36,372	7,248	13,032	16,584
12 Year Total	333,340	352,920	397,435	441,725	148,986	244,238	293,653
CLT Saving	89,102				203,934	153,198	148,072
% Saving	26.7%				57.8%	38.5%	33.5%

Table 5 looks at the cost basis of living in a market or CLT home. The CLT savings are significant, ranging from 57.8% (1 BRM) to 33.5% (3 BRM). These are welcome savings, made possible by:

- the avoidance of paying interest on land provides an 89% saving when comparing the Ground Lease with the interest charge on the 60% of a mortgage related to land
- the ability to gain security of tenure with a deposit at a 60% lower impost
- the ability to save 39% on housing costs (2 BRM)
- the potential of community coming together through collective effort so that single person households can exist and common assets can be built at least cost.

If we assume 30 years of occupancy, the cost comparison can be seen in Figure 3.

Figure 4 : CLT v Market Housing

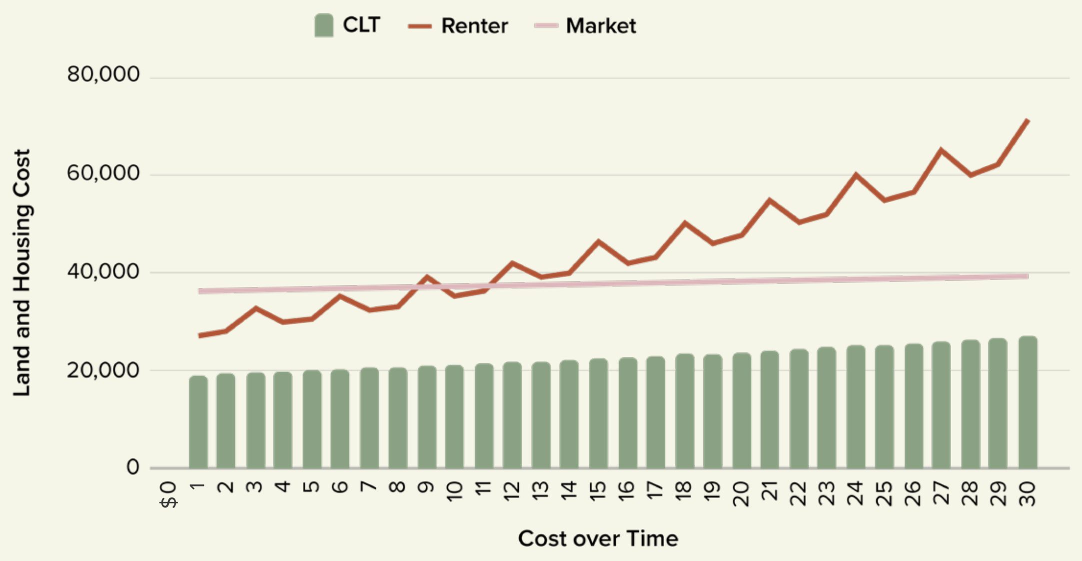


Figure 4 demonstrates the occupancy costs for shelter. It reflects how the CLT residents' housing costs slowly increase over time (due to the gradual increase in the ground lease and council rates). The renters index jumps every three years when they are forced to move. The market participant's costs slightly increase due to rising council rates.

But does this tell the whole story?

To offer a balanced, longer term perspective, economic returns must be considered over the lifecycle of occupancy. We compared this over 12 years.

Table 6 : Economic Returns Over the Lifecycle of Occupancy

	RENTAL	Owner 1 BRM	Owner 2 BRM	Owner 3 BRM	CLT 1 BRM	CLT 2 BRM	CLT 3 BRM
12 Year Total Housing Cost	333,340	352,920	397,435	441,725	148,986	244,238	333,340
Year 1 Value		479,503	531,600	589,600	120,000	216,000	275,000
Year 12 value		1,188,282	1,317,386	1,461,119	164,343	298,090	372,612
Capital Gains		708,779	785,786	871,519	19,954	39,045	48,806
Investment Portfolio[29]					73,281	57,073	55,163
Exit Deposit	0				93,235	96,118	103,969
ROI	-	5.4	5.3	5.1	3.8	3.0	2.4

Table 6 demonstrates the exit pathway for CLT participants. The goal is to encourage disciplined savings towards an investment portfolio while fostering an entrepreneurial spirit. This could involve leveraging onsite facilities, such as the commercial kitchen or collaborating with like-minded community members on new ventures.

Our assumptions set residents the challenge of saving some $4,000 p.a to invest in an ethical funds manager at an average 6% return. They could make that target alone if they save 25% of the annual CLT savings of $12,800 over a market home.

While the return on investment is significantly lower in the CLT, this trade-off is in exchange for the security of tenure, the benefits of living in community, and the ongoing community benefit of supporting perpetual affordability. The alternative — a lifetime of housing instability — is less desirable, as the plight of the renter is demonstrated. A CLT resident would be $96,118 better off than a renter (Table 6).

The higher returns in the open market highlight how the deposit gap severely undermines one's future wealth-building opportunities. CLT residents do miss out on a significant $747,000 capital gain over 12 years, highlighting the two-speed economy for those who have a well paid job or access to the Bank of Mum & Dad.

Change of Culture

> *"Let your home be your mast and not your anchor."*
> – Kahlil Gibran

Despite the accelerating commodification of housing in Australia amidst the wave of well-intentioned politicians, lasting change will require communities having agency to actively contribute to long term outcomes.

The destabilising effects of housing financialisation, exacerbated by emergent threats such as property fractionalisation, requires an education program outlining how the act of participating in a CLT challenges the culture of commodification. CLT residents must recognise and respect that the capital gains forgone are a reciprocal act for the privilege of living on the commons.

Sometimes, community development can occur in an enclave-like approach, where residents feel safe and secure but become isolated from the broader community. While this approach has merits, in an era where communities are increasingly undermined by investors prioritising short term profits, we must shift the paradigm toward long term, community-focused solutions.

How can residents feel safe, whilst also respectful of the privilege they enjoy to align with the mission to help others? We need to invert the enclave into one of opportunity for the wider community.

To achieve this, we need an economic model that actively supports the expansion of affordable housing. The most direct and effective path forward is to ensure the community shares in the rising value it creates.

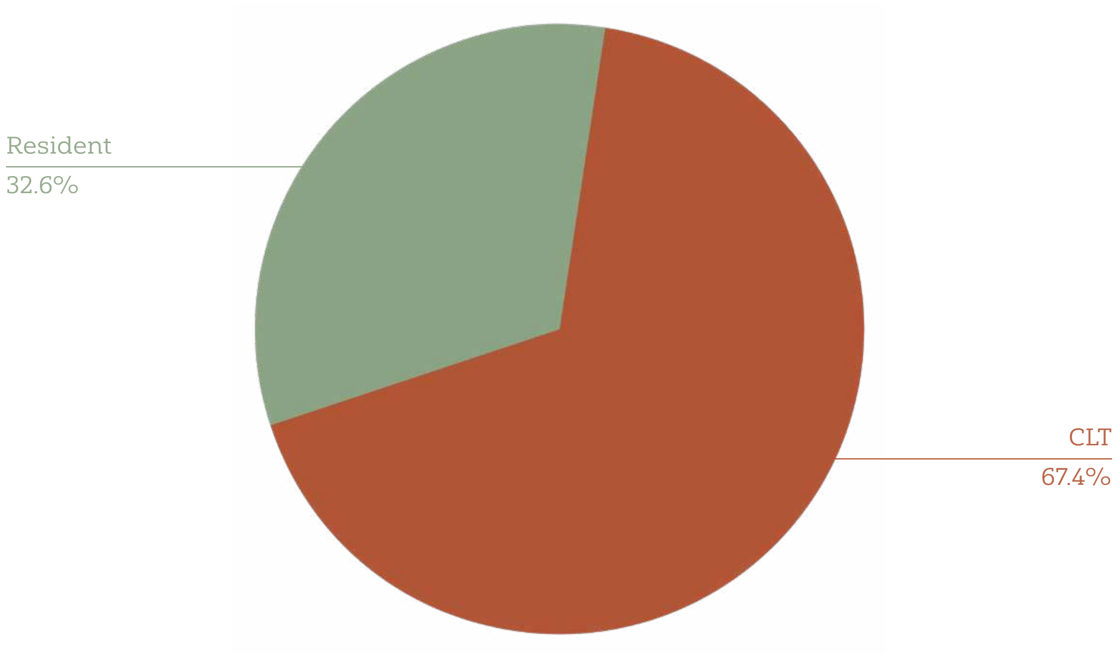
Over the typical 12 years of tenure, the economic returns are equivalent to 67.4% for the Trust and 32.6% to the resident.

The cultural shift of 'we (not me)' can be seen within the CLT land and housing payment streams. The residents gain security of tenure, a vibrant community to engage with, and the satisfaction that they are making a better world possible by paying affordability forward. But is this sufficient benefit to form a new social contract?

A culture of respect must be central to fostering residential custodianship, shared responsibility and community wellbeing.

This could be recognised by calculating the contributions of a resident to more affordable land and housing over their tenure. A 2 BRM CLT resident would pay the Trust $93,138 over 12 years of tenure. Across 14 residents, this provides an income stream of $1.3m. Finance, philanthropy and/or government could be approached to leverage this income stream for expansion.

Figure 5 : CLT Return v Resident



A capital stack for a future land purchase could be built off the $1.3m, with residents recognising their role as seed funders of additional affordable housing opportunities.

Would this understanding of paying it forward bring a unifying perspective to the core of the Trust's purpose? Would it build respect in the community and amongst decision makers for the primary objective of a Trust to deliver more affordable housing over time? Would philanthropists see this cultural shift as providing the type of impact they could support?

These are the questions future generations urgently need answered, to provide hope that there is a place for them in our society.

We must transform enclaves into positions of collective privilege, where access to community controlled land is respected and valued for its potential to benefit future generations. This aligns with the reciprocal approach to housing provision we are forging to build.

Financial wealth means little when we are surrounded by the richness of community.

Problem

The Westminster system is designed to protect property rights. The bicameral structure of Parliament has traditionally acted to ensure a property owning democracy maintains a distinct advantage over other forms of economic activity.

When looking into the eyes of the Westminster system, one can see the influence of property emanating from the UK's House of (Land)Lords throughout the anglosphere.

Victoria was the last Australian state to remove the qualification for all MPs to own property (until 1950).[30] A property qualification was required to even vote in the upper house until such time. Such is the hangover of property interests, and the drive to protect its sanctity, that to challenge property interests is still seen as a great political risk some 70 years later.

> **The righteousness of private property rights is democracy's achilles heel.**

Meanwhile, an ageing demographic and declining family formation rates intensify the need for more effective and diverse housing outcomes. In fact, unaffordable housing is having a direct impact on the nation's record low fertility rate.[31]

The problem has got to such an extent that ownership amongst 30-34 year olds has fallen by 14%.[32] The locked out generations include those 45-54, where a 46% rise in renters has occurred in just the last 16 years.[33]

The Australian Institute for Health and Welfare also finds:

"From 2007–08 to 2017–18, the proportion of young people aged 15–24 living with their parent/s (as a dependent student or non-dependent child) increased from 69% (or 2.0 million) to 75% (or 2.3 million)" A 10% increase occurred for 20 - 24 year olds.[34]

The mental health of young people are suffering from the twin pressures of housing and climate. How many kids from broken or dysfunctional households suffer the additional emotional burden of precarious housing?

Moreover, what are the ripple effects–such as stress, depression and poor communications skills–spilling over into their schooling environment and across fellow students?

How many relationships, and therefore lives, are stuck in limbo due to the inability to move away from an abusive partner? What are the social and economic costs of this limbo?

For those who do find a pathway to leave the family home, the proportion of single occupant homes increased from 18% to 26% between 1981-2021.[35] However, rental prices are again laying the pressure on these households. National rental growth for 2024 was 4.8%, after surging 8.1% in 2023 (with a 36.1% increase since COVID).[36]

Median Victorian weekly income for individuals was $803 compared with $2,136 for families.[37] The Community Housing Industry Association - Victoria (CHIA) states this income disparity is putting upward pressure on social housing stock, where 61.6% of such stock is being allocated to these households, with only 29% of the state's stock a suitable 1 BRM home.[38]

The higher land prices go, the more we have to discount our dreams.

At the heart of the issue is whether affordable housing can be provided by the for-profit industry. Hume/Mitchell is one of Australia's fastest growing development corridors. The Victorian Government's Greenfields Land Monitor finds they have 45 years of land supply available.[39] This is three times greater than Plan Melbourne deemed as necessary for house prices to become affordable.

The most recent Valuer-General data, traditionally a conservative data source, finds that land and house prices increased by 6% in Kalkallo, one of the major development suburbs in Hume (2022).[40] Over the decade to 2022, land prices increased by 139%.[41] Clearly supply is not the panacea that many suggest it is.

While it is clear the Albanese government is encouraging social housing, the scale of the problem is immense. Forward thinkers must be looking for improved outcomes.

The deposit gap is one of the largest barriers prospective homebuyers face. Sydney homebuyers need a staggering $281,500 just as a deposit.[42]

Part of the injustice of housing is that policy protects and enhances the power of those who own property, making it harder for those locked out.

Table 7 : Policy Effectiveness Matrix

POLICY	HELPS FIRST HOME BUYERS	HELPS HOME OWNERS
First Home Buyers Grant	↗	↗↗↗
Stamp Duty Discounts	↗	↗↗↗
Negative Gearing	X	↗↗↗↗
Capital Gains Tax	X	↗↗↗↗↗
Supply, supply	Rarely*	↗
SMSF tax incentives	X	↗↗
Infrastructure funding	X	↗↗
Land Tax Thresholds	X	↗↗
Superannuation Access	X	↗↗↗

**If supply is provided by community housing providers. Elsewise supply enhances market power and is drip fed to maintain fiduciary responsibilities.*

A quick summary of Table 7 provides an opportunity to discuss the danger of demand side incentives. If buyers gain additional purchasing power via a First Home Buyers Grant, a Stamp Duty Discount or through mooted Superannuation access, the additional purchasing power is effectively a subsidy for sellers.

Similarly, tax incentives for Self-Managed Super Funds (SMSF) to turnover real estate without a CGT infers additional purchasing power. This emboldens retirees to outbid First Home Buyers (FHB).

The most noted pair of investor incentives sees Negative Gearing roll out the red carpet for investors to enter the market. When they exit the market, the CGT discount is there to slap them on the back in congratulations. Investors are rewarded on both the way in, and out!

Even the method by which infrastructure is funded works masterfully to support those who enjoy power. Historically, infrastructure has been funded through municipal bonds which leverage state borrowing discounts. Repayments were made via site value rating over 20 years. That infers capital is borrowed at least cost and then repaid by multiple property owners over 20 years. In contrast, the current financial system funnels billions in profits to the financial sector by passing developer charges for infrastructure directly to the current home buyer. This loads an extra $15,000 - $30,000 onto a mortgage, resulting in a sizable interest bill over 30 years.

Credit: Grounded

Credit: Grounded

Few discuss the impact of rising land tax thresholds - arguably the most readily available de-commodification tool available. The higher the land tax threshold, the less land tax investors pay on land valued under or near that amount. Such thresholds provide a free pass to investors in suburbs where land values are less than say NSW's current $1,075,000 threshold. This threshold has increased by 55% over the last 6 years.

Recent increases in NSW, South Australia and Tasmania have further incentivised investors to zero in on once affordable communities, by purchasing and holding properties under that value, ostensibly for speculative gains.

A distinction can be made with Victoria, which recently reduced its Land Tax threshold to just $50,000. The results are worthy of further investigation.

The most recent figures from the National Accounts show that land prices increased by the third largest on record, at $765bn (FY 23-24).[43] QLD took $200bn of those gains, NSW $165bn and Victoria just $40bn. Victoria's reduction in the land tax threshold is likely to have played a significant role in this price saving. When assuming a typical sales turnover, homebuyers there may have saved $10bn in purchasing costs (2024).

Homebuyers understand that rising interest rates make it more expensive to buy a home. The same principle should be made for investors: if effective land taxes increase, investors must reduce their bidding to account for the higher holding costs. This helps level the playing field between investors and their competitors - homebuyers.

Young people and those locked out of housing must spend time to understand these factors. A CLT mimics these outcomes without the need for politically challenging macro reforms.

It is baffling that so many want to be wealthy, but so few want to understand the rules of economic engagement.

The Property Game

Big developers have a significant advantage in information asymmetry. Algorithms that monitor and leverage cultural and social indicators like the evolution of graffiti, hip bars, squats and bike shops can now be added to the more typical data obtained via days on market, auction clearance rates and credit availability.

Suburban targets are then identified for investors (or more likely a buyer's agent) to research. AI has only magnified this capacity.

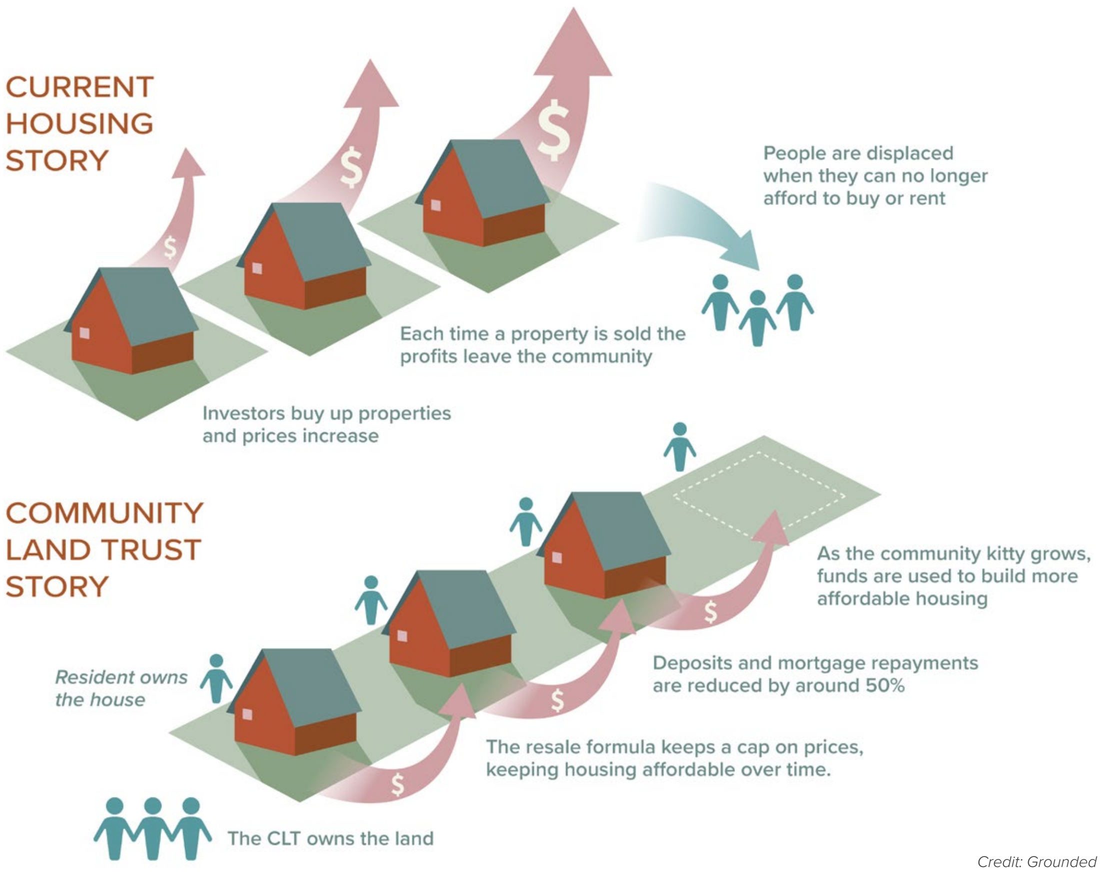
Once a decision is made—likely informed by government infrastructure plans and demographic growth trends—savvy investors then buy and wait, typically holding properties for 7-10 years before making a sale.

This approach accelerates the rate of gentrification.

It's time we changed that.

To stabilise the housing system, we must respect and give agency to communities so they can grow and thrive. This is possible through the security of tenure that a CLT can offer.

The combination of the gradually increasing ground lease and the resale formula curbs the pool of potential buyers. With the CLT's affordability lock in place, the appeal of bidding prices upwards based on 'expected future capital gains' disappears, making the model unattractive to speculators.



Credit: Grounded

Credit: Grounded

Additional safeguards against speculative intent include the expectation to live in a CLT home for more than six months a year and to actively participate in on-site community life.

By isolating the costly aspect - the land - from inflationary pressures, the ground lease increases are more tightly aligned to wage growth. This is partly to do with the type of CLT model chosen, and partly tied to the fact that:

... the Trust acts to shield the land from speculative profit seekers through the affordability lock.

As a result, CLT residents are protected from gentrification, ensuring long-term affordability for the community.

Government Intervention

Comparing the ROI of current housing policies to CLT ROI

Preferred government remedies have consistently failed to address long term affordability issues. Government intervention in the market with demand side subsidies such as the First Home Buyers Grant (FHBG) and Stamp Duty Discounts (SDD) effectively function as a seller's subsidy rather than delivering genuine affordability benefits.

The use of SDD pricing thresholds has shifted buyers from central locations to suburban fringes, thereby exacerbating market fragmentation and enabling developers to capitalise on inflated prices. Over time, SDD pricing thresholds often increase via an obscure table in the depths of state budgetary papers.

Grounded's 2024 Victorian Budget submission wrote:

> It is almost an article of faith in property circles that the FHBG and SDD are making a difference for first home buyers. The Victorian SDD program began in 2011 with a budget of $180m. SDDs blew out to cost $884m in 21-22, before falling back to a forecast $595m in 23-24.[44]

However the 2023-24 budget papers reveal SDD costs amounted to $785m, with a further $3.8 billion over the forward estimates to 2028.

We urgently need a better outcome from SDD and FHBG funding. The proof of concept is undermined by the average size of FHB mortgages (Figure 6). Victoria's SDD was introduced in 2011 by the Napthine government. At the time a FHB's average loan size was $287,000. In July 2017 the SDD concession was changed to allow a full exemption for those homes under $600,000.[45] Just 3 years later, this threshold had to be increased to $750,000 (2019-20).

> **Government has in effect sacrificed stamp duty revenue for the benefit of banks and developers. The benefits last about as long as the media soundbite, with buyers competing against each other with the extra buying power, bidding away any affordability gains. As with the FHBG, any additional purchasing power sees 'land prices take the gains'.[46]**

Since the introduction of the SDD, Victoria's average FHB loan size has increased from $287,000 to $520,000.

Homebuyers were better off without the SDD. In recent years the SDD has spread to become the most dominant form of housing subsidy across NSW, QLD, WA, SA and Tasmania.[47] We cannot allow it to become the subsidy of choice for developers, now that the FHBG has been widely discredited.

Figure 6 : First Home Buyer Loan size

Credit: ABS 5601, 5609

These incentives create a pricing floor that underpins the growth in land prices. It is here where a process of staged releasing of lots supports higher pricing growth.[48] Developers strategically adjust supply rates according to the buoyancy of the market, using algorithms to perfect the required profitability outcome. The current regulatory framework fails to monitor these practices adequately, fermenting an anti-planning atmosphere.

Planning delays are in the weeks and months whilst land banking delays are in the years and decades.

In this era of big data, auction clearance rates, days on market and credit availability are just some of the many data points used to inform the staged releasing of land. When utilised across the industry, similar algorithmic data points ensure 'competing' developers do not underprice each other.

In the meantime, the ineffectiveness of the Australian Competition and Consumer Commission (ACCC), the National Housing Supply and Affordability Council and dozens of state and federal agencies is demonstrated by their preference to look the other way rather than monitor "drip fed supply".[49] This has enabled the property lobby to incessantly argue for increased land rezoning. However, after nearly 20 years of this approach, the evidence demonstrates that all we have to show for acres and acres of concrete are dramatic price rises.

In the nine master planned communities controlling 110,000 housing opportunities studied in the *Staged Releases report*, not one sustained a 12 month period where thousands of lots in rezoned supply pushed prices down.[50] Instead prices increased by 5.5% per annum in real terms over the 20 years studied. The primary outcome of such rezonings is increased market power for developers.

For this reason we use the term 'market housing' in name only.

AHURI notes that the government's use of demand side incentives is used most aggressively during market downturns, i.e. 2008, 2020-2021.

> "We find that states' expenditures on stamp-duty concessions have been rising over the past decade, to a total of $11.1 billion for the decade ($2021), overtaking total expenditures on the First Home Owners Grant (FHOG) ($7.2 billion, including the territories, in 2021). NSW and Victoria, in particular, have since 2017 shifted the delivery of FHB assistance decisively towards stamp-duty concessions. Thus, total expenditures on stamp-duty concessions, FHOG and HomeBuilder (new build) over the decade to 2021, therefore, stand at over $20.5 billion (2021).
>
> "Even if HomeBuilder is discounted from the analysis, Australian governments devoted almost $3 billion to FHB grants and stamp-duty concessions in 2020—well over double the $1.2 billion being expended as such only four years earlier".[51]

This unsustainable escalation necessitates a fundamental reallocation of public funds.

A typical First Home Buyer Grant (FHBG) costs the NSW government $10,000. Importantly, the grant is limited to only newly supplied housing. The initial buyer will likely stay in the home for a decade, whereupon they will aim to make enough capital gain to upgrade to a larger home for their growing family. At that point, to maintain accessibility, a second FHBG of around $15,000 will be needed for another buyer to purchase a new home. After another decade, a likely $20,000 FHBG grant will be required for a third home buyer. Over 30 years, $45,000 in grants is required for three buyers, and is ultimately inflationary

Is this the best form of government intervention in the market?

Echoing concerns about the inefficiency of government market interventions, the *Written Off* report reveals that a decade of Negative Gearing and CGT concessions could have funded 549,301 social homes.[52]

CLT Comparison

If we look just at a First Home Buyers Grant, comparing like for like under a CLT, a potential $10K home buyers grant would support the purchase of one new home. After an estimated 12 years, the CLT home is resold, with an affordability lock attached. This ensures the grant does not contribute to inflationary measures - both within the CLT *and* its neighbouring suburb.

The next potential new CLT resident would not need a $10,000 grant as the house price growth is capped to income growth.

As CLT project borrowings are amortised by year five, reinvested profits can seed fund further affordable supply. This cyclical reinvestment creates a self-sustaining model that delivers both financial and social returns.

Finance and philanthropy could be harnessed to further expand affordable housing.

The contributions CLT residents make in paying it forward via the affordability lock offer the potential for a new CLT to be funded each and every decade. What does it look like comparing CLTs to current government interventions over 30 years?

Table 8

SUPPLY (Dwellings)	DECADE 1	DECADE 2	DECADE 3	TOTAL
Open market	21	21	21	63
CLT	21	21	21	63

The ROI for government could be significant when comparing the repeated need for FHBG or SDDs under current practices.

Table 9

$,000	COST DECADE 1	COST DECADE 2	COST DECADE 3	TOTAL
Open market	210	315	420	945
CLT	210	0	0	210

The return on investment for CLTs is 4.5 (i.e. 945/210) when comparing supply outcomes per government investment. This does not include the inflationary effect of government subsidies on prices in the neighboring community.[53]

What is clear is that government intervention in the housing market has delivered marginal short term wins at the cost of long term housing stability. It is high time these wasteful expenditures were removed from the market.

A CLT based funding model not only delivers more homes at lower cost, but also enables both subsidy retention and scalability. These are outcomes the philanthropic sector has been looking for.[54]

The impact of CLT's expands beyond financial benefits.

Building a strong and connected community reduces social isolation and enhances mental well-being, thereby reducing overall public health pressures and concerns. Likewise, the lower financial housing burden leads to reduced internal family conflict, domestic violence and emergency shelter needs.

Research by the UK's Capital Economics found

> "Over thirty years, each pound of public support delivers 3.1 pounds of benefit when health and benefit savings, wellbeing and income distribution benefits are are allowed for."[55]

Canadian researchers found:

> "SEH (Shared equity housing) could serve two to five times as many households for the same amount of [grant] money as a comparable grant program...over a thirty to fifty-year period."[56]

Investing Government Subsidies More Effectively

The Victorian government 'floated a balloon' on the possible removal of the FHBG, which cost $123m (23-24). The balloon included a preference to channel that money to shared equity projects instead.[57] In welcome news, it appears the Victorian FHBG will end this financial year.[58]

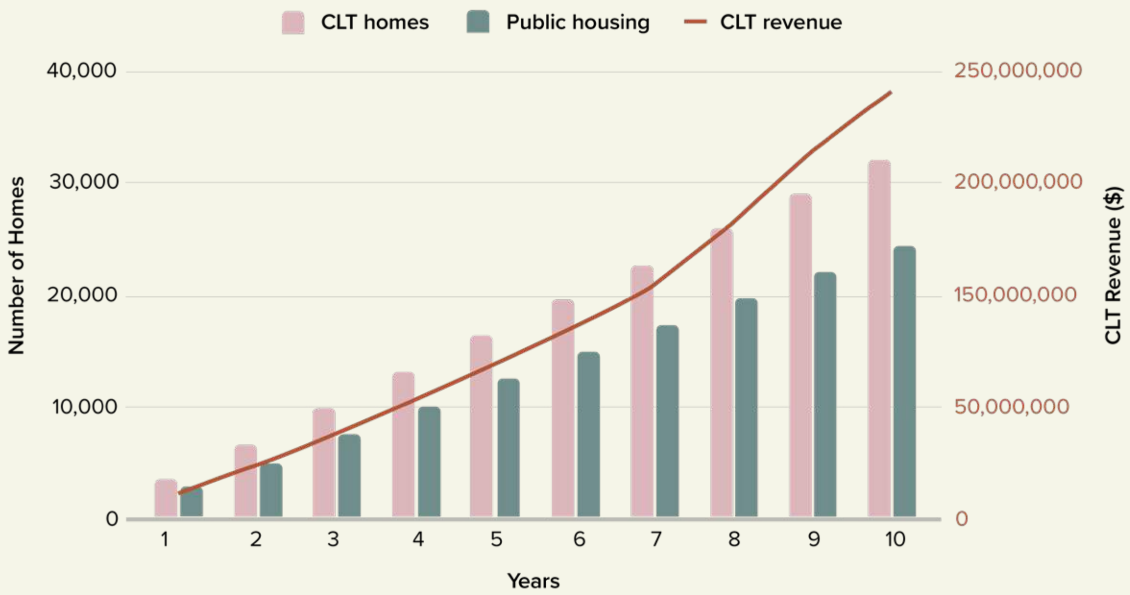
By investing in CLTs, more homes could be built as residents actively care for and invest in their properties, fostering a positive social environment. Consequently, these qualities may attract additional philanthropic support, further boosting government investment in such housing initiatives.

The government must fundamentally rethink its approach to affordable housing. Traditional demand-side incentives and programs like the Federal Home Guarantee scheme have only acted to 'keep the music playing'. Such shared equity programs must have an affordability lock on the selling price. However, they lack the social contract that is inherent in the CLT model.

Whilst some might argue that capping the price is unfair when imposed by government, a CLT's community driven approach justifies this by ensuring that prices align with wage growth, enabling friends and neighbors to afford homes. Exiting residents will see lower capital gains, but this reflects a commitment to passing on the benefits to the next generation of residents needing security of tenure.

The recently announced $1bn Victorian Regional Affordable Housing Fund will produce 1,300 social and affordable homes - at a per unit cost of $729,000. When combined with the SDD ($851m),[59] the combined $1.85bn represents an opportunity to compare subsidy effectiveness.If the same investments were redirected to both public housing

Figure 7 : Comparing Investment in CLTs to Public Housing



and CLTs over ten years, approximately 31,995 CLT homes could be produced, compared to 24,391 public homes.[60] This signifies a 23.8% supply boost.

With annual Ground Lease fees generating $185m and the Stewardship fee delivering $54.2m in year 10,[61] the Trust could fund 241 homes that year. As Figure 7 shows, the self funding nature of CLTs ensures perpetual growth of affordable supply. Over time ground lease fees increase in line with wage growth, with the share in capital gains (via the Stewardship fee) assisting further expansion.

This comparison highlights the potential of CLTs to maximise housing production and generate sustainable community benefits through innovative land lease models.

Shifting investment from ineffective demand-side incentives to CLTs is not just a good idea, it is an urgent, necessary pivot to a housing strategy that works.

Critics might claim that redirecting funds to CLTs demands high upfront investments or that capping prices is inherently unfair. However, data shows that traditional demand-side incentives have not curbed FHB borrowing costs (see Figure 6).

Figure 7 demonstrates that CLTs not only build more homes but also generate sustainable returns for reinvestment.

The affordability challenge is if construction and land purchase costs outrun the growth in land revenue under the leasehold system. With wage growth finally bumping up to 3.5% for the year[62] alongside the fall in construction cost pressure to 2.9%,[63] this can currently be managed.

The Role of Superannuation

Some superannuation funds might view this as a potential model to fund — but only if they perceive CLTs as a low risk component of their investment portfolio. The systemic, universal ownership risk they face due to Australian land prices increasing 123% in the last decade[64] must be recognised as a danger to the trillions they manage.

Consequently, government must encourage diversification within investment portfolios to downsize risk and enable deleveraging.

Government regulations surrounding superannuation's Performance Review Test[65] need to accept that an ever growing taxpayer funded superannuation industry faces universal ownership risks. If the only housing market segment they can invest in is for middle to upper income renters, then little will change.

Once confidence is established, superannuation investment offers substantial growth potential for the CLT model to help those who cannot keep up with an escalating market. This includes what we call the missing moderates who are missing middle income earners for whom the housing market has failed. This is typified by a deposit gap that jumped viciously during the pandemic.

Leveraging What Equity?

The challenge of financing CLTs - given the separation of land from the house - can be mitigated. The USA now has over 50 years of CLT history, where the benefits of lower total housing costs have reduced banking exposure in two ways.

Firstly during the Global Financial Crisis, US CLTs were found to have an 82% lower risk of foreclosure over the open market.[66] Secondly, because the loan-to-value on these loans 'is sometimes lower than 80%, many transactions will not require mortgage insurance.'[67]

For these reasons, Fannie Mae, who provides affordable mortgage financing for homeowners, homebuyers, and renters across the USA, supports most CLT loans without the need for Lenders Mortgage Insurance.

Fannie Mae is now working to build confidence in the finance sector by mobilising towards standardisation of "a model deed restriction and a certification system for shared equity programs." Their *Duty to Serve Underserved Markets* report goes on to discuss the creation of model documents and practices that "will promote alignment with industry best practices and enable lenders to scale their participation more easily across multiple programs."[68]

> "Fannie Mae will leverage its experience with the model community land trust ground lease to evaluate and inform the possible implementation and utilisation of the model deed restriction documents in the Fannie Mae Selling Guide."

The Economic Dividend of CLTs

By retaining a larger portion of housing payments within the community, CLTs generate significant economic dividends that fuel local growth and reduce external dependency.

If we were to compare the economic impact of a market development to a CLT development of 20 homes, the community wide savings are significant.

If 20 market homes valued at $550,000 each were bought at an interest rate of 6%, then each home will cost $1,187,111 over 30 years. That infers a financial flow of $23,742,220 leaving the community as it repays mortgage lenders.

In contrast, constructing 20 CLT homes at $250,000 each, plus a ground lease starting at $4,500 annually (on a $300,000 site valuation) delivers compelling outcomes. This would only cost $725,083 over 30 years. With interest only charged on the house, merely $5,791,920 leaves the community via mortgage payments.

It's important to note that this analysis does not account for potential savings or additional funding from recycling ground leases, which could further reduce costs and support the funding of more affordable homes.

When including indexed ground lease fees over time, the economic loss to the community of a 20 home market development over a CLT is $9.24m over 30 years. That works out to $462,197 per home, or $15,407 per home, per year.

Table 10 :

Type	Land Cost	House Cost	Monthly Interest	Annual Morgage	Ground Lease	Interest Charged /30 years	Total Loan Repayments	Total Cost
Market	300,000	250,000	3.298	39,576	-	637,111	1,187,111	1,187,111
CLT	300,000	250,000	1,499	17,988	4,500	289,596	539,640	725,083

Each community would have a stronger economic base if they could keep more of their valuable land and housing payment streams within the community. Small businesses would enjoy a further $308,131 in annual local spending power if the CLT model was adopted. It is worth noting, this is only for 20 homes. The community dividend would be closer to $1.5m per 100 homes for each and every year.

Table 11 :

Type	Per Household/ annual	Per 20 homes/ annual	Per Household/ 30 years	Per 20 homes/ 30 Years
Market Economic Loss/ Time	15,407	308,131	462,210	9,243,930

At present, in Castlemaine, a for profit developer is currently selling homes at a median of $780,000.[69] If we were to compare this price point, a 20 dwelling CLT would enable $623,000 per year in extra spending power for the local community.

> **Our challenge is to convince finance that this steady source of income, alongside the lower overall systemic risk, is worthy of supporting. In time, we expect to be able to leverage future revenue streams to support further CLT projects.**

Recommendations

The following recommendations are based on Grounded submissions made to State and Federal governments. Adopting these strategies can unlock multi-generational benefits by reinforcing affordability at every stage—from project inception to eventual resale—ensuring public and private investments achieve lasting impact. These recommendations aim to facilitate both a fairer housing market and the development of Community Land Trusts in Australia:

Federal

1. Housing Australia to become lender of last resort for CLT project borrowings and residential mortgages.
2. Ineffective housing subsidies to be channelled away from short term assistance, ie. Help to Buy, and towards long term viability.
3. The Federal government to encourage private land sales to CLTs with a tax incentive. Discounted land sales to Community Land Trusts would be capital gains exempt. Land donations could see a tax credit transferred to another property. Existing incentives for private land sales/donations to environmental land trusts set a precedent.[70]
4. Incentives for Federal and State governments to give for purpose housing providers first option to buy public land (deterring privatisation of scarce public sites).
5. The National Housing Supply and Affordability Council to provide detailed analysis of drip feeding practices amongst master planned communities.
6. Legislation to limit mortgages to 30 years in length. This will help avert multi-generational mortgages, an issue that forward thinkers must consider on current trajectories.
7. If the FHBG is permitted, that it be excluded as an income source for borrowers.

State

1. A statutory definition of CLTs enacted by government.
2. A prescribed lease prioritised and approved.[71]
3. That an adaptation of the Retirement Villages Act be produced with respect to nonprofit Community Land Trusts. Particular emphasis is to be placed on the separation of land from improvements.
4. Removal of SDDs and FHBGs in favour of funding for purpose housing models (CLTs, co-ops and shared equity schemes with an affordability lock in place). This could be facilitated by a Community Housing Fund run by the Department of Treasury.
5. Planning amendments to allow for Community Led Exception sites. These are sites that may fall outside residential zoning, but due to the public

interest dividend, could be rezoned to assist if under the stewardship of a CLT.

6. Rural Exception Sites - similar to the above, Rural farming sites are brought into the residential scheme for dedicated CLTs with an affordability lock in place. Helps break the reliance on land monopolists surrounding towns.
7. That mandatory inclusion for affordable housing be included in englobo rezonings, at 25% of supply.
8. Government shared equity policies to include an affordability lock so that public subsidy is not lost upon sale.
9. Regional affordability policies such as the Key Worker Affordable Housing Fund (Vic) must have an affordability metric tied to any subsidy, with a minimum holding period of 15 years. Like any shared equity program, there should be a best practice that any public incentive is maintained for a minimum of three owners.
10. Build to Rent tax incentives must be for a minimum of 20 years.
    - A minimum occupancy rate of 98% should be maintained to ensure rental supply is not massaged to deliver scarcity rents.
11. Any development with perpetual affordability locked in should be prioritised via the Planning Act and brought to the front of any planning queue.
12. An AirBnB cap n trade levy be implemented, with revenues going to support for purpose housing via a Community Housing Fund.

Local Government

1. Undertake local audits of public land holdings to identify sites that could be leased or allocated to CLT developments, providing structured affordability measures in line with municipal need.
2. Investigate financial and administrative frameworks for leasing public land to CLTs at concessional rates. CLTs commit to delivering perpetually affordable housing, balancing municipal revenue with strong community outcomes.
3. Amend existing land disposal policies to prioritise for-purpose developers—particularly CLTs—that guarantee 60 - 100% affordable units, well above the 10% standard often achieved through inclusionary zoning. Embedding clear affordability targets in policy documents ensures that local land assets serve long-term public interests.
4. Adopt priority processing for development applications tied to CLTs that meet or exceed local affordability thresholds. By reducing delays, councils can incentivise for-purpose developments and demonstrate their commitment to housing solutions.

Conclusion

The Community Land Trust movement is a pathway society and government ought to embrace. The resilience discussed will provide respite from the pressures property financialisation is imposing on society. With it will come a subtle change in the way some view property.

Reallocating funds from demand-side incentives to CLTs offers a strategic, long-term solution that not only improves outcomes but also strengthens community resilience and economic stability.

Across varied metropolitan and regional contexts, CLTs can align with existing plans for sustainable growth, ensuring that those contributions—both financial and social—remain grounded in the communities they serve. The ‘we not me’ philosophy deeply embedded in the CLT model appeals to the morals we have been brought up with, of giving more than taking, of helping those in need, of a fair go for all.

Why CLTs Deliver Unmatched Value

Long-Term Affordability

CLTs, as nonprofit organisations, acquire and manage land so that housing remains permanently affordable. By separating land ownership from housing, CLTs reduce housing occupancy costs by 39%, ensuring affordability not only for the current generation but for decades to come.

Financial Stability

With a ground lease model that locks in low land rents, CLTs shield new developments from escalating property values. For example, in year 12, a new property buyer in a CLT would require a deposit of just $60,000 whilst a market participant would need $263,500. Over that time, the deposit requirement increased by $160,000 for the market participant, versus just $16,000 for the CLT.

Community Empowerment

CLTs can support local economic development. The community dividend of prioritising CLTs over market developments could see $308,000 injected into local small businesses annually for every 20 CLT homes. This is a powerful incentive that will drive growth, independence and a more sustainable future.

With the polycrisis facing young people, we need to provide hope for future generations. Continuing to rely on trickle down housing supply like we have for the last 20 years is no longer appropriate. Land prices have exceeded incomes for too long.

Young people could work hard for five years, perhaps living at home to save $44,000 for the CLT deposit. A further decade of CLT living would see them enjoying the community connection, building equity and paying it forward by providing the seed funding for a new CLT. An added bonus is saving 39% on market based costs, over 12 years.

Those starting over in their 50s will be more likely to have access to such a deposit, but will struggle with a $130,000 deposit for a market purchase. Security of tenure, new social circles and the passing on of wisdom will be high priorities for this demographic.

Government could also benefit from land incentives that help communities look after themselves. Public subsidies costing $2.1bn each year[72] could be used far more effectively. Instead of increasing land prices for both the first home buyer and surrounding purchasers, redirecting this funding towards CLTs is a far wiser use of scarce public funds. We find this delivers a 450% higher ROI.

Home buyers can no longer afford housing policies that favour sellers at such an immense cost to society. We must look at land as a monopoly asset whose economic dividends must be shared more fairly. Over time, CLTs will demonstrate a microcosm of the wider social benefits such an approach encourages.

Footnotes

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For all Appendices please visit:
https://grounded.org.au/grounded-in-affordability

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