

Our Ref: 2014/10891

Mr Lyndon Rowe  
Chief Executive Officer  
Economic Regulation Authority  
PO Box 8469  
Perth WA 6849

Dear Mr Rowe

I am writing in relation to the recently released *Inquiry into Microeconomic Reform in Western Australia: Draft Report*.

While I welcome the report and its consideration of the causes of housing affordability problems - and agree that there has to be a stronger focus on optimising market efficiency and supply side responses - I have two significant concerns as it relates to the positioning of the Housing Authority (the Authority) and the nature of its commercial activities.

My first concern relates to process. The issues identified in the draft report were not raised in our meeting of 24 September 2013, or subsequently at the officer level between our agencies. Nor were they included in the earlier discussion paper. As such the Authority had no opportunity to work with the ERA to review, and therefore correct, errors in the report prior to its public release.

As a result, the analysis about the mandate and role of the Authority and Keystart is narrow and in places erroneous, due in part to this limited engagement by the ERA and a subsequent reliance on selective quotations from a Parliamentary Annual report hearing, rather than primary information sources such as the *Housing Act 1980* and agency Annual Reports.

My second and related concern is about content that is selective and simply wrong in places. In this regard there are three primary areas that I would propose require wholesale change in the final report.

### **The Mandate and Role of the Housing Authority**

The first is a basic misunderstanding about the role and mandate of the agency. The report refers to the Authority as the Department of Housing and positions it as a traditional Department engaged in risky commercial activity. However it is a statutory authority with commercial powers, operating in accordance with its enabling legislation<sup>1</sup>.

The Authority was created under the *Housing Act 1980*. Its mandate, functions, powers and approval requirements stem primarily from this enabling legislation. In accord with its Act, the Authority is a market-oriented entity with a mandate to 'trade' in land and property. As such it is more akin to other Statutory Authorities with commercial powers rather than traditional Departments of State.

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<sup>1</sup> The nomenclature of 'Department' is basically a hangover of the merger, and subsequent de-merger of the Authority with the Department of Works. The Authority is the legal entity with the housing functions.

In the draft report, the Authority is the only agency profiled under the heading “Account for Risk in Government Commercial Activity”, where the analysis is focussed narrowly on some of its specific roles and projects. The discussion overlooks the range of, and aggregate impact of, the supply and demand side functions performed through the Authority (e.g. land development, housing procurement, project partnering, Keystart mortgages and shared equity products, public housing management) and their contribution to government social and economic policy outcomes.

Based on this selective information and analysis, the report concludes on p.13 of the Overview document that *“the development activities of the Department of Housing are largely commercial in nature and it is unclear whether or not they are addressing the policy objectives of government”*.

Acknowledging the achievements of the Affordable Housing Strategy would go some way to elucidating precisely how the Authority addresses the policy objectives of government with respect to affordable housing. The Strategy is complementary to the Act – it sets a course of action, but it is not the justification for developments by the Authority as asserted on page 82 of the report. The Strategy requires the Authority to lead the way in overcoming the chronic demand for public housing by addressing market failure in the supply of affordable housing. Since 2010, this approach has already seen the Authority create more than 14,200 affordable homes, help thousands of individuals and families to obtain housing to rent or purchase, and significantly support the housing industry to create new supply during a difficult economic period. Information about these activities can be found in a number of public documents, including the Housing Authority Annual Reports.

### **The Purpose and Performance of the Authority’s One on Aberdeen Project**

The second key issue relates to an incorrect and misleading analysis of the One on Aberdeen apartment development. The draft report singles out this project and is the only commercial activity discussed in the chapter, *Commercial Activities of Government*. Based on its own analysis about the affordability of the project, the ERA concludes that *“the development at OoA was not designed to address the lack of affordable housing and was more likely to be commercial in nature”* (p.85).

The table prepared by the ERA based on its own assumptions about the affordable housing outcomes of the development is wrong - as is the conclusion that the fundamental purpose of the development was commercial, and not to address the lack of affordable housing.

The facts are that:

- the development was conceived and approved by government to deliver affordable housing through a commercial transaction;
  - a private sector partner was engaged to design, develop and finance the project after a thorough public tender process;
  - the structured transaction framework explicitly accounted for risk and returns and obtained the necessary approvals required under the Act;
  - the development contains public (social) housing, discounted rental housing and shared equity home purchases<sup>2</sup> – not just full sales to the market as modelled in the ERA table.
- As a result, almost 50% of the development is affordable to people on low to moderate incomes.

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<sup>2</sup> The ERA analysis claims the cheapest purchase would be \$315k – when in fact shared equity purchasers were able to secure a home from \$233k for a studio, \$257k for 1 bedroom apartment and \$277k for 2 bed apartment because of 30% retained equity by the Authority (meaning that they only had to purchase 70% of the market value)

Properly understood and profiled, it is my view that the One on Aberdeen project would exemplify some of the principles contained in your report regarding innovation in financing and engagement with the private sector.

### **Abolition of Keystart Home Loans**

The third area relates to the recommendation to abolish Keystart based on what is a superficial evaluation of Keystart's role, and its market position relative to mainstream lenders and target clients. I am aware that the Keystart Chairman has submitted a separate response to the draft report and I do not intend to deal with Keystart in any detail here. However, I would like to point to a number of factual errors in the report.

On page 314 the ERA estimates that 69% of households residing in the Greater Perth area would be eligible for a Keystart home loan. This is a gross overestimate and likely does not take into account other eligibility requirements, including the fact that many of these households already own a property or have an existing mortgage and are therefore ineligible for a Keystart loan. As such the argument that *"eligibility requirements that are so broad are an indication that the activities of Keystart go beyond the Department of Housing's policy objective's into commercial activities"* is ill considered.


Additionally, the report suggests that Keystart is eroding Government supply side policy (p.318). There is no acknowledgement that Keystart works alongside other policy initiatives, for example, the recent changes to First Home Owner Grants to incentivise new construction and the Authority's role in creating supply for people on low incomes to buy. It also fails to acknowledge that two thirds of current Keystart mortgages are over newly constructed homes.

Finally, while I can appreciate the timing constraints which can arise in inquiries of this nature, the matters outlined above could have been avoided if the Authority or Keystart were more thoroughly consulted. The errors published in the draft report have led to conclusions about the Authority that are potentially damaging to the agency's reputation and public confidence in its oversight by executive government.

I trust that my comments along with the attached submission will result in a wholesale review and major revision of the report prior to its final publication.

Housing Authority officers remain available to meet with the ERA and discuss in more detail our comments. In this regard, please contact Tania Loosley-Smith, Deputy Director General, Strategy and Policy Division on 9222-4720.

I would also be happy to meet with you directly.

Yours sincerely  


GRAHAME SEARLE  
 DIRECTOR GENERAL

15 May 2014  
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# Response to the Economic Regulation Authority's *Inquiry into Microeconomic Reform in Western Australia: Draft Report*

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May 2014



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## 1. EXECUTIVE SUMMARY

This document should be read in conjunction with the letter from the Director-General of the Department of Housing (Housing Authority) to the Chief Executive Officer of the Economic Regulation Authority (ERA) dated 16 May 2014, which collectively form the Authority's submission.

There are **three key issues** with the Draft Report that require wholesale change in the final report:

- The inappropriate positioning of the Housing Authority as a traditional government department engaged in risky commercial activity without a proper mandate and controls, rather than as a statutory authority with commercial powers operating under the *Housing Act 1980*.
- Inaccurate modelling of the *One on Aberdeen* apartment development, which concludes the project did not deliver affordable housing for people on low to moderate incomes and was undertaken only to achieve commercial, rather than government policy outcomes.
- An inaccurate and superficial evaluation of Keystart, its position in the housing market and the pivotal role it plays in the State Government's *Affordable Housing Strategy* (the Strategy).

The Housing Authority has **two broad areas of concern** with the economic and strategic policy analysis undertaken by the ERA when assessing the role of the Housing Authority in implementing the Government's social and affordable housing objectives. The first area of concern goes to the lack of proper consultation by the ERA in preparing its recommendations and the second goes to the accuracy of the ERA analysis.

In respect of the first concern, the arguments the ERA makes about the Authority are ill-formed because there was no systematic engagement with either the Housing Authority or Keystart. The matters identified in the Draft Report were not raised during the issues and discussion paper consultation stages, nor was there any substantive engagement with the Housing Authority that would have provided the ERA with the necessary information and data upon which to base its analysis.

In respect of the second concern, the ERA quotes selectively from comments made to a Parliamentary committee to question "*whether developments are undertaken to deliver social policy objectives or are of a commercial nature sufficient enough to fund other departmental activities*". Such reliance on selective comments, rather than primary sources such as the *Housing Act 1980* and Housing Authority Annual Reports, illustrates a misunderstanding of the Housing Authority's statutory functions and powers, and the financial and accountability framework that governs the Authority.

From this misunderstanding flows the erroneous positioning of the agency as a traditional Department of State engaged in unnecessary and high risk commercial activity (as opposed to a statutory authority operating in accordance with its enabling legislation), which is potentially damaging to the reputation of the Housing Authority and public confidence in the by government.

The analysis of the housing sector and government policy framework is inconsistent with the rigour applied to other sectors covered in the Draft Report, such as energy services, taxis, and retail trading. The analysis of these sectors focuses on the economic merits of a change in government policy and alternative approaches to achieve government objectives.

In contrast, the Draft Report focusses narrowly on some of the Housing Authority's specific roles and projects and does not adequately examine the current and possible alternative approaches to the delivery of the Government's social and affordable housing objectives.

As a consequence the conclusions and recommendation made in the Draft Report do not facilitate fair and reasonable consideration by the Government and the public.



Taken as a whole, the manner in which the ERA has represented both Keystart's and the Housing Authority's activities is concerning and the Authority requests that the ERA revises the draft report as follows:

1. Substantially revise the discussion of the Housing Authority to accurately reflect its statutory, financial and accountability framework and breadth of activities in support of the *Housing Act 1980* and the Government's Affordable Housing Strategy.
2. Correct the inaccurate analysis and conclusions about the *One on Aberdeen* development and reposition it as an example of a successful and innovative partnership with the private sector that has delivered strong social and economic outcomes.
3. Correct the inaccurate and incomplete analysis of Keystart.

## 2. Mandate and Role of the Housing Authority

The report refers to the Authority as the Department of Housing and positions it as a traditional Department engaged in risky commercial activity. However it is a statutory authority with commercial powers, operating in accordance with its enabling legislation<sup>1</sup>.

The Authority was created under the *Housing Act 1980*. Its mandate, functions, powers and approval requirements stem primarily from this enabling legislation. In accord with its Act, the Authority is a market-oriented entity with a mandate to 'trade' in land and property. As such it is more akin to other Statutory Authorities with commercial powers rather than traditional Departments of State.

In the draft report, the Authority is the only agency profiled under the heading "Account for Risk in Government Commercial Activity", where the analysis is focussed narrowly on some of its specific roles and projects. The discussion overlooks the range of, and aggregate impact of, the supply and demand side functions performed through the Authority (e.g. land development, housing procurement, project partnering, shared equity products, public housing management) and their contribution to government social and economic policy outcomes.

Based on this selective information and analysis, the report concludes on p.13 of the Overview document that "*the development activities of the Department of Housing are largely commercial in nature and it is unclear whether or not they are addressing the policy objectives of government*".

Acknowledging the achievements of the Affordable Housing Strategy would go some way to elucidating precisely how the Authority addresses the policy objectives of government with respect to affordable housing. The Strategy is complementary to the Act – it sets a course of action, but it is not the justification for developments by the Authority as asserted on page 82 of the report. The Strategy requires the Authority to lead the way in overcoming the chronic demand for public housing by addressing market failure in the supply of affordable housing. Since 2010, this approach has already seen the Authority create more than 14,200 affordable homes, help thousands of individuals and families to obtain housing to rent or purchase, and significantly support the housing industry to create new supply during a difficult economic period. Information about these activities can be found in a number of public documents, including the Housing Authority Annual Reports.

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### 3. Risks to the State of Commercial Activities

The Draft Report states the \$2 billion set aside for housing developments over four years is a sizeable proportion of the State's overall asset investment program (AIP) and as such is likely to impact on the availability of capital for other purposes.

However, the Housing Authority receives relatively little funding from direct Government appropriation and as such is unlikely to significantly *"impact on the availability of capital for other purposes"* as suggested in the Draft Report. The Housing Authority's activities are predominantly funded through internal working capital revenue (i.e. from land and property sales), and rental income.

The Housing Authority's budget is also supplemented by Commonwealth contributions which flow through the State's Consolidated Fund and by some specific purpose State funding identified in the State Budget. This reliance on working capital to fund business activities has been reflected in the State Budget Papers with effect from May 2014. Both the *Affordable Housing including SharedStart Program* and the *Public Stock Redevelopment Program* are not now accounted for as part of the AIP.

These two programs build inventories for sale and as such have been reclassified as operating expenditure and have been removed from the AIP. These changes have been made to reflect Accounting Standards AASB 102 (34) and Government Financial Statistics Standard EFT2221 (Australian Bureau of Statistics). In essence, the bulk of this expenditure is for new housing construction, funded by the Housing Authority's working capital, and recouped through a sales program - so therefore is netted off.

Whilst the Housing Authority's land development programs are also correctly described as Inventory for Sale the current accounting treatment provides for these activities to still be included as part of the AIP.

### 4. Analysis of the *One on Aberdeen* development

Given the breadth of commercial activities undertaken by a range of public sector entities, the Authority is concerned that the *One on Aberdeen* project is the only government commercial activity discussed in the section of the Report headed *Commercial Activities of Government*.

Equally concerning is the narrow analysis of the *One on Aberdeen* project that may leave readers with the impression that the project was undertaken for purely commercial reasons, exposed the Government to undue financial risk and may not have been the best use of a Government asset.

The Draft Report states that projects such as *One on Aberdeen* that are subject to commercial confidentiality make it *"difficult to ascertain whether good process is followed"*. Had the ERA consulted with the Authority on this matter, it would have had access to information that would have drawn a fundamentally different conclusion.

The *One on Aberdeen* development is a successful and innovative partnership with the private sector, conceived and approved by Government, to deliver affordable housing as part of a commercial transaction. It has delivered strong social and economic outcomes – many of which are consistent with the Draft Report's support for Public Private Partnership models and innovative financing arrangements for better managing public asset investment.

The ERA's own information and modelling in Box 8 on page 83 and Box 9 on page 85 is incomplete and misleading, despite relevant information being on the public record and readily available to the ERA.





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The actual facts are that, of the 161 apartments constructed in the *One on Aberdeen* development, 66 went to addressing government social and affordable housing objectives.

- Seventeen of these units were secured for social housing. No household pays more than 25% of their gross assessable income in rent. The average weekly rent paid by public housing tenants in WA is \$114.
- Seventeen were sold under the National Rental Affordability Scheme where investors receive government incentives for agreeing to rent properties at 20% or more below market rents for people on low-moderate incomes.
- Eighteen were allocated for sale under a shared equity arrangement where low-moderate income purchasers pay 70% of the market value and the Authority retains 30% equity.
- Fourteen were reserved for essential workers where deposit support was provided to buyers who met specific criteria related to employment, income and savings.

Of the remaining 95 units, 14 were sold at prices that are considered affordable to people on a moderate income (\$82,271 pa). Table 1 below shows the distribution of units by category.

Table 1: Allocation of Units to Affordable Outcomes

Program	Units Allocated	Percentage
Social Housing	17	10.56
NRAS	17	10.56
Shared Equity (70/30)	18	11.18
Essential Worker	14	8.69
<b>Sub Total</b>	<b>66</b>	<b>40.99</b>
Private sale (affordable)	<b>14</b>	<b>8.70</b>
Private sale (other)	81	50.31
<b>Total affordable outcomes</b>	<b>80</b>	<b>49.69</b>
Total	161	100.00

The ERA analysis incorrectly states that the cheapest purchases would only be affordable to those on moderate incomes or more, and as such most of the units would be unaffordable to the Housing Authority's target group. The effective purchase prices for low to moderate income buyers were \$233,000 for a studio apartment, \$257,000 for a one bedroom apartment and \$277,000 for a two bedroom apartment. The lower outlay is due to Housing Authority's 30% shared equity in the units.

A recent review of the Housing Authority's broader shared equity scheme conducted by the Australian Housing and Urban Research Institute in conjunction with Pricewaterhouse Coopers found that a range of positive social and economic outcomes were generated as a direct result of the scheme and stated that *"this form of housing assistance makes a sustained, substantial difference to the financial wellbeing of lower-income households and delivers a positive rate of return for government."*



## 5. Recommended Abolition of Keystart

The Authority is concerned that the recommendation to abolish Keystart is based on a superficial evaluation of Keystart's role, its market position relative to mainstream lenders, target clients and essential role in delivering the State Government's *Affordable Housing Strategy*. The Authority is aware that the Keystart Chairman has submitted a detailed response to the draft report and therefore is not duplicating this submission here. However, there are a number of factual errors in the report that we draw to your attention.

On page 314 the ERA estimates that 69% of households residing in the Greater Perth area would be eligible for a Keystart home loan. This is a gross overestimate<sup>2</sup> and likely does not take into account other eligibility requirements, including the fact that many of these households already own a property or have an existing mortgage and are therefore ineligible for a Keystart loan. As such the argument that *"eligibility requirements that are so broad are an indication that the activities of Keystart go beyond the Department of Housing's policy objective's into commercial activities"* is ill considered.

Additionally, the report suggests that Keystart is eroding Government supply side policy (p.318). There is no acknowledgement that Keystart works alongside other policy initiatives, for example, the recent changes to First Home Owner Grants to incentivise new construction and the Authority's role in creating supply for people on low incomes to buy. It also fails to acknowledge that two thirds of current Keystart mortgages are over newly constructed homes

The Housing Authority is particularly concerned the ERA did not contact either the Keystart Board or Management to discuss Keystart's operations.

As a consequence the Draft Report's assertions regarding Keystart's unidentifiable market failure, risk to Government revenues and the implications of not charging Lenders' Mortgage Insurance, have been made without full knowledge and context of Keystart's operations.

## 6. OTHER COMMENTS

Some recommendations in the report have the potential to improve affordable housing supply, including:

- the further exploration of issues surrounding land tax, stamp duty, and payroll tax;
- the reduction in unnecessary or overly burdensome regulation; and
- a full review of development contributions and their impact on housing affordability.

### 6.1. Infrastructure and Regulation

The Housing Authority welcomes a renewed focus on the removal of unnecessarily burdensome regulations relevant to the housing industry - in particular those that impact on the provision of multi-unit dwellings in priority urban infill areas along public transit corridors and adjacent to major activity centres.

The Draft Report argues that changes to planning and building regulations and policies could have the same impact on the supply of affordable housing as the Government's current response, which includes the direct provision of social and affordable housing. This Authority believes this is not an 'either or' argument – intervention is needed to address both the causes and consequences of a lack of affordable housing.



Reducing the cost of development may increase overall housing supply by enabling projects to proceed that would otherwise be unprofitable. However, there is no guarantee that these projects would be affordable to people on low to moderate incomes, and the housing made available to people in need.

The Housing Authority's contention is that, given the existence of other more significant market distorting factors (such as State and Commonwealth taxation and land availability), the market is unlikely to provide sufficient affordable housing even in a less burdensome regulatory environment. The market in and of itself will not provide sufficient social and affordable housing nor make it available to those who need it most. This market dynamic supports a role for Government and/or not-for-profit sector participation both as developer and a provider of social and affordable housing.

## **6.2. Financing of Social and Urban Community Infrastructure**

The cost of developing land is now more than the cost of a home, with a land to house ratio of 53%, and has risen rapidly in the last 10 years. A primary reason is the requirement for developers to contribute to community infrastructure and facilities, as well as direct servicing costs for the development.

Currently, developers are required to pay for direct servicing costs, which are estimated at 40%<sup>3</sup> of the cost of a development, and increasingly to contribute significantly to broader community infrastructure and facilities. These costs are passed onto buyers and according to the Housing Industry Association have been a major contributor to exponential price rises in the past decade<sup>4</sup>.

There is a need to re-examine both who pays and when.

The Housing Authority would welcome a broad and thorough review of the cost-benefits of the current financing model for the provision of social and urban community infrastructure including developer contributions, with a view to identifying a more transparent and equitable regime. This should include an assessment of the impact on housing affordability of requiring land and housing purchasers to pay for new community infrastructure, as distinct from other options such as cost being spread across the broader ratepayer or tax base.

## **6.3. Efficiency of government service provision**

With regard to the section on the efficiency of government service provision, care should be taken in relying solely on the Productivity Commission's annual Report on Government Services (ROGS) to make comparisons due to large variations in data quality, definitions, collection methods and housing policies. The Productivity Commission itself notes in qualifying its ROGS' findings, data may not be comparable across jurisdictions and over time, and therefore comparisons could be misleading.

For example, in the case of recurrent social housing costs, no consideration is made for the additional cost of regional and remote housing. States with small or no remote areas bring the national average down as shown by the figure of \$14,314 for the Northern Territory compared to \$6,087 for Victoria. This is particularly an issue in Western Australia.

More broadly and indicated elsewhere in this submission, the Housing Authority is taking a proactive role in optimising the use of government assets and service provision to deliver economic and social outcomes. By way of example, the Housing Authority has recently:

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<sup>3</sup> Urban Development Industry Association.

<sup>4</sup> HIA commissioned study (2013) claims that 41% of the cost of a new home is local, State and Federal taxes, levies and service costs.



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- Invested heavily in the development of the community housing (not-for-profit) sector because it enjoys a number of advantages over government, including tax and charitable status benefits and the ability to source philanthropic funds and private finance. Over \$400m worth of housing assets have been transferred from government to larger community housing providers, with nearly 75% of newly built social housing going into the community rather than government sector. Larger not-for-profit providers are beginning to leverage their expanded balance sheets to create more social and affordable housing supply.
- Made land available, through structured transactions with the private sector, to facilitate private debt and equity to fund new developments with a high proportion of affordable housing, rather than relying on the public purse alone. For example, two apartment projects in the CBD have facilitated over \$75m in private capital, the supply of 247 new apartments, and a social policy outcome of more than a third of the units being specifically for people on low to moderate incomes.
- Used an open 'Expression of Interest' (EOI) process to source development proposals from the private sector that in many ways mirrors the logic about 'unsolicited proposals' in the Draft Report. This process has worked with the market and private developers to:
  - i. add new entry level supply into the housing market at around \$175k below the median house price
  - ii. make homes available to low income purchasers through a shared equity initiative meaning they can purchase at around \$290k - \$230k below the median house price
  - iii. create over \$65m equity for government, at no direct cost to government.

As mentioned earlier in this submission, the use of the EOI process to create shared equity opportunities was recently reviewed by AHURI and Pricewaterhouse Coopers who concluded -

*"The significance of the positive rate of return for government from this form of housing assistance should not pass without comment. The typical expectation of housing assistance is that it is a form of subsidy to households that generates significant costs to government. This form of housing assistance makes a sustained, substantial difference to the financial well-being of lower-income households and delivers a positive rate of return for government."*

The Authority is also working closely with the Department of Treasury to identify opportunities to realise value from the Government's significant housing assets – including through possible sales.



## APPENDIX ONE

### ADDITIONAL BACKGROUND INFORMATION

The Housing Authority is a statutory authority with an explicit mandate to engage in commercial activity in the Western Australian housing market. The Authority seeks to advance the Government's social and affordable housing policy agenda through the range of activities it undertakes in accordance with the Act.

The Housing Authority's strategic direction and accountability framework is set by the *Housing Act 1980* and complemented by the State Government's Affordable Housing Strategy.

#### 1. Legislative Framework

Affordable housing has been a focus of the State Government for more than 100 years. The first housing act, the *Workers' Homes Board Act 1912* was passed by Parliament in January 1912, which established the Workers' Home Board, the Housing Authority's original predecessor.

##### Housing Act 1980

The objects of this Act are —

- the improvement of existing housing conditions;
- the provision of housing and land for housing;
- the letting and leasing of houses, the provision of services relating to the letting and leasing of houses and the entry into arrangements for the provision of such services;
- the provision of assistance to enable persons to obtain accommodation or improve the standard of their accommodation;
- the encouragement of and participation in the development and redevelopment of land for housing and related purposes;
- the carrying into effect of agreements and arrangements entered into with the Commonwealth with respect to housing.

#### 2. Policy Framework

The *Affordable Housing Strategy 2010-2020: Opening Doors to Affordable Housing* was endorsed by Cabinet and launched by the Minister for Housing in May 2011.

The strategy is the first of its kind in Australia and has a whole of government approach to increasing the supply of affordable housing.

In regards to the Authority, the Strategy is complementary to the Act – it sets a course of action, but it is not the justification for developments by the Authority as asserted on page 82 of the report. The Strategy requires the Authority to lead the way in overcoming the chronic demand for public housing by addressing market failure in the supply of affordable housing. Since 2010, this approach has seen the Authority create more than 14,200 affordable homes, help thousands of individuals and families to obtain housing to rent or purchase, and significantly support the housing industry to create new supply during a difficult economic period. Information about these activities can be found in a number of public documents, including the Housing Authority Annual Reports.

The Strategy has particular focus on providing a range of housing opportunities along the housing continuum to address the decline in affordable housing entry points, boost the supply and diversity of housing options, and strengthen the social housing system. In doing so it reshapes the Government's role in housing away from an over concentration on public rentals as the main solution, to working more broadly with partners and markets to increase the range of housing options available.



### 3. Keystart

Keystart was established in 1989 and has operated across several housing market cycles with no negative impact on State finances.

Keystart provides low deposit home loans and supports the Housing Authority's *SharedStart* home equity scheme. Keystart pays dividends to the Housing Authority that are used to support its social and affordable housing programs.

Keystart is a core component of the Government's contemporary approach to affordable housing and an integral part of the State Affordable Housing Strategy.

#### Products

Keystart provides two key product types for low to moderate income buyers who have been unable to meet the lending requirements of other housing finance market participants. The first is a low deposit loan which assists home buyers into affordable housing sooner by reducing the saving time required by the market to qualify for a home loan. The second is a shared equity loan (where the Housing Authority co-owns the additional equity) which supports home buyers who do not have the income levels determined by the market as necessary to maintain a home loan.

The *SharedStart* home loan product is offered to first and subsequent homebuyers and includes newly-built homes and off-the-plan properties in a variety of areas around Western Australia.

Specialised shared equity loans are available to Aboriginal people, disabled people, sole parents and Housing Authority tenants.