

FEDERAL HOMEBUILDER PACKAGE QUESTIONS & SCENARIOS

DEFINITIONS

1. How will you define ‘construction commencement’? There needs to be greater clarity as the 3-month timeframe is very tight.

- If a project has previously completed ‘early works’, but the main building contract to construct the actual dwellings has not been awarded or commenced, would it still be eligible?
- Can the civil works to create the lot constitute commencement?
- Is initial site investigation (surveyors, soil tests etc) the start of works or physical work on site (ie scrape of site)?

No specific information has been received regarding the ‘construction commencement’ definition but a response to flexibility in the 3 month time frame has been received and is as follows:

Construction pursuant to the contract must commence within three months of the contract date. States may exercise discretion where commencement is delayed beyond three months from the contract date due to unforeseen factors outside the control of the parties to the contract (eg delays in building approvals).

2. Which licence classes will be accepted as ‘builder registration’?

Renovations or building work must be undertaken by a registered or licenced building service ‘contractor’ (depending on the state or territory you live in) and named as a builder on the building licence or permit.

3. What is ‘contract’, ‘contract signing’, ‘first progress payment’?

Sales contract and new builds where building commences after 3 months.

HomeBuilder is being implemented in partnership with States and Territories. For new builds, grants will be paid in line with the timing of payments for first homeowner grants or at the discretion of your State and Territory if there is no first home owner grant schemes in place. For substantial renovations, grants will be paid once at least \$150,000 of the contract price has been paid in respect of the renovation.

4. Does “all dwelling types” include ‘granny flats’, manufactured homes or retirement village units etc?

Granny flats

Standalone granny flats are not eligible for HomeBuilder.

Examples of works that would not qualify include: standalone granny flats, swimming pools, tennis courts, and structures that are not connected to the property (ie outdoor spas and saunas, sheds or standalone garages).

Pre-fabricated homes

Construction must be undertaken by a registered or licensed building service ‘contractor’ who is named as a builder on the building licence or permit. Provided the construction is undertaken by a licensed builder and meets all other eligibility requirements, it will be eligible for HomeBuilder

Land lease community or retirement village

Eligible owner-occupier(s) must be listed on the property's certificate of title. The owner-occupier must also be a natural person (not a company or trust) and meet the other eligibility criteria of the program.

5. Will states adopt their own definitions? There is a lot of variation in building definitions and regulation across the states.

The National guidelines have been developed by Federal and State Governments and establish the baseline for bilateral agreements that allow States to align eligibility requirements with systems/processes of their respective residential programs.

ARMS LENGTH

6. How far does "special relationship" extend? Does it extend to business relationships? Can there be a relationship between a Pty/Ltd Director and the client?

It is expected that, in negotiating the contract, the parties must deal with each other at arm's length. This means the contract must be made by two parties acting freely and independently of each other, and without offering favour for some special relationship, such as being a relative. The terms of the contract should be commercially reasonable and the contract price should not be inflated compared to the fair market price.

7. Are builders excluded from renovating their own properties?

A licensed or registered builder cannot undertake building or substantial renovation work on their own property. An owner-builder is intended to mean a person who is the registered or licensed builder and who takes legal responsibility for domestic building work carried out on their own land/property. Further detail will be made available through the relevant State or Territory administrative authority.

8. In relation to family is this limited to close relatives like siblings/parents/children or does it extend to cousins/aunts/uncles etc? Is this a part of the determination of arm's length or a strict application?

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TIMING

9. Does the 3-month timeframe start from the date the buyer enters into a contract, subject to finance, or from the date that the contract is unconditional? Many buyers (especially first home buyers) can take 6 - 8 weeks to obtain finance, before the contract is unconditional, at which point the buyer pays the deposit and the builder starts site preparation and obtains approvals.

Construction pursuant to the contract must commence within three months of the contract date. States may exercise discretion where commencement is delayed beyond three months from the contract date due to unforeseen factors outside the control of the parties to the contract (eg delays in building approvals).

- 10. Is there any flexibility with the 3 months if an expected approval is not forthcoming (land sealing, building approval, finance etc)? If commencement is delayed by circumstances beyond a builder's control (wet weather, Christmas shutdown etc)?**

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OFF THE PLAN / HOUSE & LAND

- 11. Can the communication be very clear on how 'house and land' packages and 'off-the plan' developments will work under the grant? Currently all the information relates to "build contracts" and not "sales contract". Here the contract will be signed with the developer and not the builder.**

- If a developer were to contract a builder to construct a new house to then on sell as a new house and land package, would the new buyer of this package be able to claim the \$25,000 grant from the government? The new buyer would be the first occupant of the new build as the home would be a spec. This is how the FHOG works.
- Does 'commence construction within 3 months of the contract date' apply in the case of sales contracts? Can it be replaced with 'commence construction after the 4 June'?
- Does the sale contract need to be in place prior to construction commencing? Or can 'within 3 months' be taken to mean either before or after the contract signing?
- Will current house and land packages be eligible if the lot is currently being created but the home construction is to be started within 3 months?

Off-the-plan apartments or town houses are eligible for HomeBuilder. If you sign the contract to buy the off-the-plan dwelling on or after 4 June 2020 and on or before 31 December 2020 and construction commences on or after 4 June 2020 and no later than three months after the contract is signed then the property purchase may be eligible for HomeBuilder. However, if you sign the contract to buy the dwelling after 4 June 2020, and construction on the home commenced before 4 June 2020, then the home does not qualify for HomeBuilder.

HomeBuilder will be available for building contracts signed between 4 June 2020 and 31 December 2020, this includes sales contracts for new builds where building commences after 4 June 2020.

What if I want to buy a recently built home that has never been lived in before? (eg spec build) HomeBuilder is intended to support activity and provide a pipeline of work for the residential construction sector in the second half of 2020. An existing home that has already been completed, or started construction before 4 June, does not qualify for HomeBuilder. Further, where construction commences on or after 4 June 2020 and no later than three months after the contract is signed and provided the contract is signed between 4 June and 31 December 2020, then the property purchase may be eligible for HomeBuilder.

VALUATIONS & THRESHOLDS

- 12. How is land value being assessed? Is it based on the most current DNRM Land Valuation or the value of land at the time of purchase?**

The evidence to demonstrate the value of your property is a matter for determination by each State and Territory. States and Territories may consider evidence such as a recent contract of sale for the property, a rates notice that identifies the Capital Improved Value, or a bank or independent valuation. Further information will be available through your State or Territory.

13. Can the income tests be calculated as a couple where only one is a permanent resident / citizen?

The Scheme is only open to Australian citizens. Eligible owner-occupier(s) must be listed on the property's certificate of title, and they must meet the eligibility criteria of the program. Permanent residents are not eligible for the Scheme.

14. How should variations to the contract price be handled?

(Response in Q&A below but doesn't deal with question regarding price gauging)

What happens if there is a change in circumstance and I'm no longer eligible? If your circumstances change after you have applied for HomeBuilder but have not yet received the payment, and no longer meet the eligibility criteria, you will need to notify your State or Territory immediately.

15. Can you include something that is "not connected" to the house within a larger contract? Eg a house with a pool or shed?

Examples of works that would not qualify include: standalone granny flats, swimming pools, tennis courts, and structures that are not connected to the property (i.e. outdoor spas and saunas, sheds or standalone garages).

16. Is the government open to considering a reduction in the construction value threshold?

No definitive answer but unlikely.

APPLICATION PROCESS

17. We assume that the grant application process will follow the FHOG process. Can you highlight any areas where it will differ?

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18. Can an application be made through the lending institution similar to the First Home Owner's Grant?

Information on how to apply will be made available when the National Partnership Agreement is finalised. It is expected that, where possible, States and Territories will align the HomeBuilder application processes with existing processes for first home owner grants (or similar). Applicants will be able to apply in relation to eligible contracts that are entered into from 4 June 2020 up to 31 December 2020.

HomeBuilder grants will be paid by the relevant State or Territory authority provided the applicant meets the eligibility criteria.

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19. Is a building approval needed as part of the application process?

Information on how to apply will be made available when the National Partnership Agreement is finalised. It is expected that, where possible, States and Territories will align the HomeBuilder application processes with existing processes for first homeowner grants (or similar). Applicants will be able to apply in relation to eligible contracts that are entered into from 4 June 2020 up to 31 December 2020. When will the application process be finalised and operational?

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HomeBuilder grants will be paid by the relevant State or Territory authority provided the applicant meets the eligibility criteria.

COMPLIANCE & REPORTING

20. How will OSR monitor compliance?

21. How will accessibility and liveability requirements be assessed?

22. Can we get a report halfway (August) and at the end (January) as to how many grants have been issued and the regions where they were issued?

No feedback has been received at this stage.