

Building Upgrade Finance in SA Information for Building Owners



The Process

The process for accessing Building Upgrade Finance to fund building upgrades is simple. There are five key steps:

- 1** Identify upgrade opportunities for a building, and seek quotes from service providers.
- 2** Discuss Building Upgrade Finance eligibility with a finance provider or local council, and seek a finance quote.
- 3** Confirm finance and council application approval.
- 4** Sign the contract (Building Upgrade Agreement).
- 5** Post contract: funds released, upgrade works undertaken, finance repaid and reporting requirements met.

Note: this document outlines an example process for Building Upgrade Finance. The actual process undertaken may differ between councils and finance providers.

What's Involved for the Building Owner

- 1. Identify upgrade opportunities for a building, and seek quotes from service providers.**

Building Upgrade Finance can be used for a wide range of upgrades to your building (see the [eligibility checklist](#) for examples).

You might also want to consider if tenant contributions towards the works are possible for your upgrade.

Work with service providers to determine the works to upgrade your building. The service provider may provide you with a client proposal or business case, including quotes for the upgrade works. Service providers who are known to have been involved in Building Upgrade Finance can be found on our [Success](#) page.

- 2. Discuss Building Upgrade Finance eligibility with a finance provider or local council, and seek a finance quote.**

Once you've got an initial idea of the upgrade works and costs, it's time to talk to someone about eligibility and finance.

Is Building Upgrade Finance available in your local council area? Check our [SA Locations](#) to see if your local council is participating.

You can also use this [basic checklist](#) to do an initial assessment of eligibility.

At the same time, talk to a finance provider about your options and obtain a finance quote for your upgrade. The finance providers who are known to offer Building Upgrade Finance are listed on the [Providers](#) page on the website.

Building Upgrade Finance in SA Process for Building Owners

3. Confirm finance and council application approval.

Once you have decided on upgrade works and have a finance quote you want to proceed with, you will need to submit an application form.

The application form requires the building owner to confirm eligibility through ownership, details of the building and the upgrade works, and to help meet two key legislative requirements:

- over-leverage test
- mortgagee notification.

A statutory declaration regarding the requirements above is to be provided to council for step 4, prior to contract execution.

The finance provider will likely ask for additional information to inform their credit check and finance approval process.

4. Sign the contract (Building Upgrade Agreement).

Once the finance is approved, the Building Upgrade Agreement contract is drafted by the finance provider or local council, depending on the project.

This contract sets up the finance drawdowns and repayment arrangements, and includes other relevant terms and conditions such as pre-payment and termination arrangements.

For the contract, the building owner is required to:

- provide the statutory declaration and notification to mortgagee form
- provide the upgrade works and budget information
- complete the direct debit authority form
- execute the contract.

You may also have a separate contract with the finance provider, as per usual finance processes.

5. Post contract: funds released, upgrade works undertaken, finance repaid and reporting requirements met.

Once the Building Upgrade Agreement and finance contracts have been executed by all parties, the council declares the finance repayments a Building Upgrade Charge (BUC) and attaches the BUC to the land. The funds are then provided to the building owner and the upgrade works are undertaken.

The building owner is also responsible for:

- paying the quarterly repayment amounts to the council, which then remits the funds received to the finance provider.
- submitting a First Year Performance Report to the council and finance provider within 15 months of the completion of the upgrade works (for environmental upgrades).

Building Upgrade Finance Definitions

BUILDING UPGRADE FINANCE

A private finance product (or loan) available to building owners to undertake environmental or heritage upgrades to their existing non-residential buildings.

BUILDING UPGRADE AGREEMENT

The contract between the building owner, finance provider and local council that facilitates the repayment of the finance and includes relevant terms and conditions, such as pre-payments and termination arrangements.

A [Building Upgrade Agreement contract template](#) has been prepared for transactions in South Australia.

BUILDING UPGRADE CHARGE

In order to facilitate repayments, the local council attaches a charge to the land on which the building is located – known as a Building Upgrade Charge. This charge includes the finance amount (principal) for the upgrade works and any interest or other charges payable to the finance provider under the contract.

The local council collects the charge repayments (in a similar way to rates) and passes them onto the finance provider.

BUILDING OWNER

The owner of the land on which the building is located. If the building is subject to a strata or community scheme, the owner of the building is the community corporation or strata corporation.

If the building is located on Crown Land, consent may be required by the Minister for the *Crown Land Management Act 2009*.

COUNCIL SERVICE PROVIDER

Entities that may be engaged by local councils (*see definition*) to assist with the administration of Building Upgrade Finance. This may include services to confirm eligibility, process forms and establish the repayment process. The council service provider may be the primary contact for Building Upgrade Finance for local councils that use their services. A council service provider will usually charge the building owner a fee for their service, which may be instead of or in addition to a local council's administration fee, depending on the level of involvement by the council.

ELIGIBLE BUILDING

A building predominantly used for non-residential purposes (e.g. commercial, industrial, agricultural) that is at least two years post-construction.

ELIGIBLE UPGRADE WORKS

Environmental or heritage upgrade works, or a combination of both, on the structure or permanent fixtures, fittings or equipment attached to the building.

Environmental upgrades

Works that improve the energy, water or environmental efficiency or sustainability of the building.

Heritage upgrades

Works on a local or state heritage listed building that:

- maintain, repair, upgrade or reinstate heritage significance
- address compliance with the Building Rules or the *Disability Discrimination Act 1992*
- facilitate the ongoing occupation of the building.

LOCAL COUNCIL

A council that has formally agreed to participate in Building Upgrade Finance in their local area. Any council in South Australia is able to go through the process to offer Building Upgrade Finance. A participating council can self-administer Building Upgrade Finance or engage a council service provider (*see definition*) for administrative support.

MORTGAGEE NOTIFICATION

If the building owner has a mortgage/s, they will need to notify any existing mortgage holder of their intention to enter into a Building Upgrade Agreement and provide them with the details of the Building Upgrade Charge.

Once this notification has been made, the building owner will need to provide the local council with a statutory declaration (*see definition*) confirming this.

OVER-LEVERAGE TEST

The Building Upgrade Charge against a property is limited to 80 percent of the capital value of the land on which the building is located prior to the upgrade. However, if there is existing debt on the land such as a mortgage and unpaid rates or taxes, the limit is reduced by that amount.

An over-leverage test will be completed to check that the cost of the proposed upgrade works is within the 80 percent limit of borrowing. A statutory declaration (*see definition*) is required to be provided to local council with the relevant information for this test.

The examples below illustrate the maximum Building Upgrade Charge and indicative upgrade works cost that can be funded when a property has a capital value of \$500,000 with and without debit.

EXAMPLE 1 – NO EXISTING DEBIT ON THE PROPERTY

a.	Capital value of the land the building is situated on	\$500,000
b.	Maximum Building Upgrade Charge value (principal + interest) = 80% of a.	\$400,000

EXAMPLE 2 – THE LIMIT IS REDUCED WHERE THERE IS EXISTING DEBIT ON THE PROPERTY

a.	Capital value of the land the building is situated on	\$500,000
b.	Mortgage on the land	\$100,000
c.	Council rates outstanding	\$1,000
d.	Maximum Building Upgrade Charge value (principal + interest) = 80% of a. – b. – c.	\$319,200

STATUTORY DECLARATION

A building owner is required to provide council with a statutory declaration including the following:

- information on mortgages on the relevant land, including total debt owing
- information on all taxes, rates and charges owing on the relevant land
- a statement confirming mortgagee notification (if applicable).

A standard combined *Statutory Declaration and Notification to Mortgagee form* is available to assist with this process.

TENANT CONTRIBUTIONS

Under Building Upgrade Finance a building owner can seek contributions from a tenant for the costs of upgrade works. These contributions can only be paid after works have been completed.

See [Tenant Contributions](#) on the SA webpage for more information.



Further Information

climatechange@sa.gov.au
buildingupgradefinance.net.au/south-australia

Building Upgrade Finance in SA Process Overview

