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SHELTER WA

Community Housing Sector Growth Opportunities
Collaboration between Government and
Industry to Drive Supply

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EXECUTIVE SUMMARY

This report seeks to demonstrate the benefits that the Community Housing sector can bring to partnerships with Government to deliver social and affordable housing. The report identifies and assesses potential delivery models which could be used as part of a pipeline of strategic initiatives by the State Government to partner with the Community Housing sector to drive social and affordable housing supply and support sector capability and growth.

Partnership Benefits

The Community Housing sector has demonstrated it can deliver better value for money in increasing the supply of social and affordable housing by working in partnership with government rather than government directly providing housing. This is largely due to the sector's charitable status making it exempt from income tax, GST, land tax and stamp duty, its ability to leverage government funding with funding from other sources, including National Housing Finance and Investment Corporation (NHFIC) and its access to additional Commonwealth funding through tenants being eligible for Commonwealth Rent Assistance (CRA). By government working in partnership with the sector, this will allow government funding to meet a greater proportion of unmet need.

Community Housing Sector in WA

The WA community housing sector is relatively consistent with the national landscape, both in terms of the number of active, registered Community Housing Providers (CHPs), and the volume of housing managed by those CHPs. There are currently 25 registered CHPs, with four Tier 1 registered CHPs with varying levels of presence in WA, six Tier 2s and with the majority of CHPs Tier 3 level.

Whilst some participants in the sector have the capacity and capability to deliver more social and affordable housing, they can be constrained by the Government 'policy blockers' such as Community Housing Agreement (CHA). For instance, CHL have most of the properties they manage on behalf of WA Government on a rolling 12-month leases for the last five years, which means they can't borrow against these assets to build additional supply.

Consultation Themes

The following key themes were noted during consultation with government and CHPs as to the barriers and opportunities from partnering arrangements to drive social and affordable housing supply:

A general lack of understanding of each other's role

There is a general lack of understanding of each other's role in driving Social and Affordable Housing (SAH) by CHPs, State Government agencies, and Local Government organisations. Forums to drive a greater understanding of the respective roles of the key players are important in promoting the growth and development of CHPs. For example, the DevelopmentWA Board has met with at least two CHPs, and representatives from the Shelter WA Board, to better understand their mission and role and ability to partner with government. There is significant variation between agencies and local governments as to their opinion on their role in the delivery of SAH.

Focus on relationship and cooperation

Both Government and CHP stakeholders indicated that they felt there had been increased communications and cooperation between the two over the past few years, but there was still some uncertainty around the role of the Department of Communities (Communities) under machinery of Government changes, and the Government's intentions around programs and projects involving CHPs. The opportunity of improving relationships should be enhanced upon and continuing efforts made by both parties to collaboratively seek to address issues around housing in the State.

Grant programs

Grant programs, such as SHERP, provide an opportunity for Government to drive collaboration through making funding available under clear parameters. Grant programs can have success where grant funding is leveraged by CHPs or co-contributions are made to achieve greater outcomes from funding provided.

This is seen through the recent SHERP New Builds grants, although the Government's decision to also open grants to local government organisations meant housing outcomes were not maximised and reduced capacity in the sector for future growth and maintenance. It is critical that the administrative burden of grants on government and proponents are considered when in development. Rolling grants are also considered appropriate as they enable planning for pipelines of work.

Management transfers provide an important initial step in sector growth

Jurisdictions that have implemented more complex project structures recently, including NSW and Victoria, have been able to do so because of depth in the CHP sector and experience in projects interfacing with Government. This has been developed through programs of management transfers which provide a means of growing organisational size and competency within CHPs and a growing understanding of each other's operating capacity and models.

However, the State should ensure that management transfers are not concentrated with a limited number of CHPs and instead build capacity across the sector. It should also consider the quality of the stock being transferred as this impacts CHPs' viability.

CHP interest levels

CHPs are generally capital constrained organisations, so projects which require a significant equity contribution from a CHP are likely to have limited CHP interest. Given that CHPs are primarily interested in delivering social housing, they are constrained in the amount of debt they can raise due to the low returns on social housing development and the various financial limits placed on them by both State Government and the National Regulatory System for Community Housing.

Models untested and unproven in WA

Whilst complex financing models and partnerships arrangements may have worked in Victoria and NSW to drive SAH, WA is a different market. Whilst Government may want to embrace these models due to the promise of delivering SAH, the market is largely untested and unproven in WA. The Government should not take a 'one size fits all' approach to models across the State due to variation (land values, housing needs, density issues) between regions and communities. The tax environment also differs between states, which can have a significant impact on project feasibility especially for leasehold projects.

Procurement processes

Some CHPs may have limited organisational capacity and capability, meaning that long and extensive procurement processes need to be designed to be clear and limit the requirement for significant expense during the process (for example, design and legal advice), which will incentivise participation from CHPs in a process.

In addition, notable concerns were raised by CHPs as to the cost of participating in a competitive procurement process, with a general view that grant programs provide greater value for money. Examples were also provided of CHPs responding to tender processes that don't proceed.

Challenges for sector in dealing with Government

Both sector and Government representatives identified existing and legacy issues which impact on dealings between Government and CHPs. These include:

- The impact of the existing Community Housing Agreement, particularly the requirement for CHPs to seek permission from Government (which is often not provided in a timely manner) for projects which do not require Government funding or put Government at risk. An example was provided of Government taking in excess of nine months to approve a development that sought no government funding, with the extended approval timeframe adversely impacting project outcomes due to movements in the property market.
- Contractual issues arising from head leases which have limited the ability to gain efficiencies from transfers. Since 2016, CHP's have been operating under a fortnightly periodic lease until Communities reengages with the sector to find a resolution to issues raised with a draft lease at that time, particularly allocation of maintenance risks, and redraft the lease.

- The time taken to assess and respond to proposals, including through formal programs such as SHERP recently.
- Challenges with operational policy settings such as the social housing income eligibility, rent setting and allocation policies. These contribute to a lack of program flexibility which does not enable CHPs to strategically manage assets.

Delivery Models Considered & Assessed

Drawing on precedent projects, as well as other recent development in other Australian jurisdictions, models involving partnerships with CHPs have been identified that could be utilised to increase the stock of social and affordable housing in WA, as well as increase and bolster the capacity and capability of the CHP sector in WA. This included:

- Rental Subsidy
- Provision of Grants
- Provision of Land or Discounted Land
- Ground Lease
- Provision of Planning Concessions
- Investment Fund
- Management Transfers (with or without ownership transfer)
- PPPs/JVs

A high-level assessment against assessment criteria demonstrated merit in progressing the following models for further consideration:

- Provision of Grants
- Ground Lease
- Provision of Land or Discounted Land.

Case Studies

A high-level financial analysis was conducted to demonstrate if there was value in progressing the short-listed models. The analysis demonstrated that under general project parameters, there is opportunity for Government to achieve value, as compared to traditional Government delivery and operation of social housing, where utilising Ground Lease models or targeted grant opportunities.

Recommended Approach

Drawing on the stakeholder consultations, precedent projects, model assessment and financial analysis, the value in pursuing partnership models from both the Government and CHP perspective is evident.

Accordingly, the recommended approach is outlined below.

Recommendation 1: Reinstate Roundtable Discussions

Regular engagement and discourse between CHPs and all levels of Government should continue so that all parties can better understand the constraints, opportunities and value of partnering arrangements to drive social and affordable housing supply. This will build on positive relationship outcomes and understanding developed over recent years. Regular communication by Government with the sector is a key element of continuing to develop this relationship.

Reinstatement of the Housing Advisory Roundtable, understood to have ceased in 2017, should be a priority. This will allow all parts of the social housing sector (Government and the CHPs) to support the delivery of the Social Housing Strategy and more importantly, support people through the social housing continuum.

Recommendation 2: Remove Community Housing Agreement and policy constraints

The requirement under the Community Housing Agreement (CHA) for CHPs to seek permission from Government (which is often not provided in a timely manner) for projects which do not require Government funding or put Government at risk should be reviewed. Government should also review operational policies in partnership with the sector, to enable CHPs to more strategically manage their assets.

Recommendation 3: Resolve Issues with Head Leases

Since 2016, CHPs have been operating under a periodic lease until Communities re-engages with the sector to find a resolution to issues raised with a draft lease at that time, particularly allocation of maintenance risks, and redraft the lease. These contractual issues arising from head leases have limited the sector's ability to gain efficiencies from asset transfers and should be resolved as a matter of priority.

Recommendation 4: Provide grant programs to build sector capacity and drive more supply

Grant programs provide a means of building sector capacity to deliver more housing supply. Grant funding the delivery of social and affordable housing through the CHP sector allows the government to leverage the tax status of the NFP and other funding sources such as the NHIFC scheme. This could be achieved through the establishment of an investment fund from which capital grants can be allocated, and potentially leveraged with NHFIC funding, to deliver social housing.

Government should also consider investment in capacity and capability building across the CHP sector, particularly for small to medium CHPs, such as recently announced in the NT through their *Community Housing Growth Strategy 2022-2032*.

Recommendation 5: Undertake management transfers as part of a broader solution to delivering a more efficient housing system

The transfer of existing social housing stock, particularly asset transfer, should be part of the broader solution to deliver a more efficient housing system. This is because CHPs can manage assets at a lower cost per tenancy than government, partly because government must pay GST on maintenance costs and that tenants in CHP operated dwellings are eligible for CRA which is passed through to CHPs. Survey results also suggest tenant outcomes are higher under CHP management of tenancies.

It is also the simplest most cost-effective way of increasing the capacity of the community housing sector to add more supply to the social and affordable housing system. This is evident from the experience of other jurisdictions, such as NSW, Victoria and more recently Tasmania, where programs of management transfers have been used as a means of growing organisational size and competency within CHPs and have provided CHPs with an asset base to secure finance for investment in more housing.

Transfers should be tailored to the scale of the CHP as a way to manage any risk on the sector of overreaching capacity and capability. Government should also ensure transferred properties are income generating and do not present a maintenance cost liability.

Where freehold transfer is not viable, long term management transfers should be considered. Management rights need to be long enough to support the ongoing presence of the organisation and to facilitate growth of the overall portfolio.

Recommendation 6: Offer government land as a key tool to drive more supply

While Government funding contributions to projects are also welcomed by the CHP sector, offering land is a key tool that Government can use to facilitate provision of additional housing. By offering projects where land is provided, through either lease or sale models, Government removes the constraint of CHPs needing to identify appropriate landholdings, and purchase on the open market, which can be a critical constraint to being able to self-fund and progress projects.

Recommendation 7: Use alternatives to competitive tendering

The competitive procurement process is expensive and lengthy and alternative procurement methods, such as grant programs, are considered to provide greater value for money.

In addition, market led proposals should be considered and based on criteria so that CHPs can be more certain of a positive outcome, without risking intellectual property or commercial arrangements.

1. INTRODUCTION

Paxon has been engaged by Shelter WA to undertake research and stakeholder consultation that explores the collaborative approaches between government and the community housing sector to facilitate social and affordable housing supply in Western Australia (Project).

1.1 Background

Shelter WA is the independent peak body in Western Australia that advocates for social and affordable housing and ending homelessness. Their vision is *“a society where everybody has a safe, secure, healthy, and an affordable place to call home, regardless of their life circumstances”*.

As the peak body in WA, Shelter WA identified a need to understand the key constraints and opportunities from CHPs partnering with government to drive social and affordable housing supply. It subsequently applied and received funding from the National Housing Finance Investment Corporation’s (NHFIC) capacity building grants program to undertake this Project.

1.2 Purpose of the Report

Western Australia has been seen to lag other jurisdictions in adopting more innovative models that maximise the benefits of partnering with the community housing sector. There has been some recent shift with the WA Government currently progressing a Registrations of Interest (ROI) process to identify a suitable CHP to establish a Build-to-Rent housing development – a WA first, this Project seeks to build on this momentum.

In identifying and testing with key stakeholders a range of innovative commercial and financial models, this Project seeks to demonstrate the benefits that the community housing sector can bring to partnerships with government and industry to deliver social and affordable housing.

2. OVERVIEW OF THE COMMUNITY HOUSING SECTOR

2.1 Community Housing Providers

CHPs (or Community Housing Organisations (CHOs)) are not-for-profit organisations and registered charities that own and develop and/or manage housing for eligible tenants of social, affordable housing and supported housing. Their registration as a charity provides various tax concessions, such as not being liable to pay land tax and income tax as well as GST concessions.

The National Regulatory System for Community Housing (NRSCH) registers housing providers in all jurisdictions (except WA and Victoria) based on risk. The NRSCH sets out the performance requirements that registered CHPs must comply with in their provision of social and/or affordable housing. It is noted that registration under this system is optional and the NRSCH does not provide funding. Registration tiers are defined as follows:

- Tier 1: Housing providers with asset procurement and development functions (and the ability to grow social and affordable housing supply through construction, purchase or acquisition) and/or complex tenancy and property management functions that operate at scale
- Tier 2: Housing providers typically involved in moderately complex asset and tenancy management activities
- Tier 3: Housing providers typically involved in small-scale tenancy management activities.

WA and Victoria use the tiered system in their own regulatory schemes.

2.2 Role of CHPs

CHPs have the same broad role of operating their housing, maintaining their housing and tenancy management. The operation involves the physical operation of its properties, so they are available for use by its tenants. CHPs are also playing a greater role in the delivery of social and affordable housing, partly because of various tax concessions and new financing options, including tenants' eligibility to access Commonwealth Rent Assistance.

Table 1 sets out the key activities and risks associated with each of the main activities undertaken by CHPs.

Table 1: Main Activities – Key Activities and Risk

Key Activities	Key Activities	Key Risks
Land Acquisition	<ul style="list-style-type: none"> • Acquiring land for affordable housing 	<ul style="list-style-type: none"> • Timing • Price of land • Land availability
Development Approval	<ul style="list-style-type: none"> • Site design and plan preparation • Consultation • Statutory planning process 	<ul style="list-style-type: none"> • Ability to fund development within a reasonable timeframe to process an ROI • Timing • Stakeholders • Approval process • Changing regulatory requirements
Design and Construct	<ul style="list-style-type: none"> • Tendering and award contracts • Site preparation • Construction of project 	<ul style="list-style-type: none"> • Timing • Cost • Quality of construction • Availability of preferred contractor(s)
Operation	<ul style="list-style-type: none"> • Marketing and allocation of available dwellings • Fault fixing 	<ul style="list-style-type: none"> • Rent fixed to statutory (very low) incomes • Change in applicable Government requirements • Increasingly complex tenant profile and availability of support staff

Key Activities	Key Activities	Key Risks
Management	<ul style="list-style-type: none"> • Tenancy management • Community links and place making 	<ul style="list-style-type: none"> • Rent fixed to statutory incomes • Change in applicable Government requirements
Maintenance	<ul style="list-style-type: none"> • Unplanned/responsive maintenance • Planned maintenance • Lifecycle maintenance • Accumulation of reserves 	<ul style="list-style-type: none"> • Timing • Cost • Design and specification • Asset conditions and monitoring
Sale or Renovation	<ul style="list-style-type: none"> • Active asset management and update needs analysis 	<ul style="list-style-type: none"> • Timing • Cost of renovation/sale price • Effect on tenants

Depending upon capabilities and maintenance requirements, CHPs will undertake the maintenance activities inhouse, outsource these activities or a combination. Typically, CHPs undertake the coordination and management of their maintenance activities in house.

The tenancy management undertaken by a CHP is dependent upon the tenancy type. For example, if the tenancy is affordable housing, the tenancy management will involve tenancy management akin to the private rental market, including pursuant to the *Residential Tenancies Act (1987)*, managing requests/complaints/issues for a tenancy and compliance obligations.

Similarly, for social housing the CHP will manage the property, together with either directing providing, or facilitating access to, tenancy support services (including drug and alcohol counselling, financial support, skills and training, and mental health support services). Additionally, some CHPs own commercial and/or non-residential property, which has tenancy management requirements akin to that of affordable housing.

Some CHPs, typically large Tier 1 organisations, also deliver new property developments for tenancies. This includes the acquisition of suitable land, the design of the property development, obtaining planning approval, managing the building of the property development and financing (including obtaining external funding, such as debt financing from NHFIC). Within the CHPs that deliver property development, there are varying levels of capability, skills and inhouse systems for that delivery. Hence, there is variability in delivery capability both in terms of inhouse ability and nature of property development that can be, and is, delivered.

2.3 Sample of Leading CHPs

Across Australia, the community housing sector has grown rapidly over the past 15 years or so. This expansion has been due to increased capital funding, the transfer of public housing dwellings from the state and territory governments and by leveraging private finance to help fund development activities.

There are several Tier 1 CHPs operating in Australia, including Foundation Housing, City West Housing (CWH), SGCH, Brisbane Housing Company Limited (BHC), Community Housing Limited (CHL) and Housing Choices Australia (HCA). A comparison of these contemporaries, noting that three have current operations in WA, is set out Table 2 with financial information based upon FY2020/21.

Table 2: Leading CHPs

	CWH	SGCH	BHC	HCA	Foundation	CHL
Outline	Established in 1994 by NSW Government to provide affordable housing in Ultimo/Pymont. Now provides housing throughout CoS LGA and recently commenced first project outside that region in Rockdale. It presently provides housing in CoS LGA.	In the mid-1980s, SGCH commenced operations with 25 properties in the suburb of St George, NSW. It is now one of the largest CHPs in Australia and the largest in NSW. It provides housing in the Sydney metropolitan area.	Since its establishment in 2002 by the Queensland Government and the Brisbane City Council (BCC) to originally provide affordable housing in Brisbane CBD, it has become the largest operator of that type of housing in Queensland.	HCA was formed in October 2011 following the consolidation of Melbourne Affordable Housing MAH and Supported Housing Limited SHL, with these origins commencing provision of housing in 1994. It operates in NSW, Victoria, South Australia, Tasmania and Western Australia as a result of a merger in 2020 with Access Housing.	Foundation Housing formed in 2006 following the merger of three smaller housing associations. It operates in WA, with offices in Perth and satellite and regional locations.	CHL was originally established in 1993, with it having merged with several other providers of housing. It operates in NSW, Victoria, Queensland, South Australia, Western Australia and Tasmania. It also operates internationally.
Corporate Structure	Company incorporated by shares.	Company limited by guarantee.	Company incorporated by shares.	Company limited by guarantee.	Company limited by guarantee.	Company limited by guarantee.
Dwellings	894, which are all affordable dwellings.	6,927 including 587 affordable dwellings.	1,847, which are all affordable dwellings.	7,000	2,386	10,892
Number of Tenants	> 1,600	> 11,500	> 4,000	> 8,500	> 3,500	Not publicly available
Total Revenue	\$46.1m	\$109.0m	\$24.0m	\$56.1m	\$20.6m	\$150.4m
Total Cash Costs	\$9.1m	\$72.2m	\$15.9m	\$51.8m	\$18.5m	\$119.7m
Cash and Cash Equivalents	\$212.9m	\$197.5m	\$19.4m	\$37.6m	\$16.1m	\$16.8m
Completed Properties	\$459.0m	\$894.4m	\$132.9m	\$646.0m	\$211.8m	\$709.9m
Total Non-Current Debt	\$0.0m	\$472.2m	\$0.0m	\$70.8m	\$80.8m	\$107.2m

2.4 Partnership Benefits

The community housing sector brings a range of benefits through partnerships with government to the delivery of social and affordable housing.

2.4.1 Better tenant outcomes

The ability of CHPs to deliver best practice outcomes for tenants is a key benefit of government partnering with CHPs to deliver social and affordable housing.

The AIHW National Social Housing Survey found that a higher proportion of community housing tenants in Western Australia were satisfied with the overall services provided by their housing organisation (85%) compared to tenants in public housing (76%). In most cases, the dwelling condition was the most important factor in tenants' dissatisfaction¹.

In addition, CHPs have a strong track record in ensuring that tenant outcomes are at the centre of their business model by:

- Providing flexible housing management and tailoring housing and services to tenants' needs,
- Involving tenants in decisions that affect them- for example, many CHPs have tenant advisory committees and feedback mechanisms to incorporate the tenant voice;
- Establishing strong links with local service providers to sustain tenancies; and
- Integrate housing with the community.

2.4.2 Bespoke services

In addition to the broad tenant outcomes described above provided across the sector, there are a number of CHPs with a specific focus or that provide specific services. These include Aboriginal CHPs, organisations that provide housing to those with disability and organisations offering a Supportive Landlord Model for tenancies facing complex issues. The bespoke service focus allows for tenancy support tailored to that cohort.

2.4.3 Accessing new financing options

CHPs can access different financing options bringing in new investment to the community housing sector. This includes²:

- Increasing Commonwealth Rental Assistance into WA. Unlike public housing tenants, tenants in the private rental market or with community housing providers can access additional support through the Commonwealth Rental Assistance (CRA) program. CRA can constitute approximately 30 per cent of rent revenue for CHPs.
- Accessing new institutional investment via the NHFIC. CHPs can access debt financing through NHFIC to invest into new housing supply. The Affordable Housing Bond Aggregator provides low cost and longer-term loans to registered community housing providers to support the provision of more social and affordable housing.
- Accessing new private finance. CHPs can bring new private finance to partnership arrangements with government to increase the supply of social and affordable dwellings. For example, Community Housing Limited (CHL) has entered a consortium with Tetris Capital who will contribute finance for a new landmark social housing project under the Victorian Government's Big Housing Build program.

2.4.4 Tax benefits

The community housing sector's charitable status makes it exempt from income tax, GST, land tax and stamp duty, and enables the sector to attract philanthropic donations. These tax exemptions can assist in improving project viability and can result in the sector delivering significantly more social and affordable housing than would otherwise be possible.

¹ Australian Institute of Health and Welfare 2019, National Social Housing Survey: Key results 2018, Cat. no: HOU 311, Canberra.

² ShelterWA website: <https://www.shelterwa.org.au/our-work/advocacy/social-housing/community-housing/#toggle-id-3>

By way of example, unlike CHPs, the WA Government must pay GST. Through the recent SHERP process, the Department of Communities awarded around \$39M to the CHP sector for new build delivery. At the same time, it committed \$97M for 250 new builds that would be social housing. Of that \$97M, \$8.8M will be spent on GST payments. If these properties were delivered by CHPs in the same manner as the SHERP grant program, it could have resulted in an additional ~25 properties.

2.4.5 Quality stock

CHPs usually retain most of their new housing stock for the long-term, so that they are focused on designing high-quality homes which:

- Are environmentally sustainable;
- Require less maintenance as a result of innovative design;
- Deliver cost savings to their tenants; and
- Are energy efficient.

2.4.6 Focus on Environmental, Social and Governance (ESG)

Community housing generates added value in driving improved economic and social outcomes. Recognising that a strong ESG proposition can create value, the community housing sector is currently developing a ESG reporting standard, which will help encourage and attract more diverse private sector lending.

Affordable housing is recognised as a universal social good within the United Nation's (UN) Sustainable Development Goals (SDGs). Access to housing leads to physical, mental and social wellbeing, and provides opportunity for people to move out of the cycle of homelessness. This can lead to an overall reduction in government operating costs due to tenants reducing their health, justice and other government service use.

By developing an ESG industry reporting standard, CHPs will be able to clearly articulate their contributions towards the UN SDGs and attract more private capital investment in urgently needed high quality, social and affordable rental provision. At the same time, finance providers and investors are increasingly mandated to direct funds into assets/sectors that offering both a sound commercial return and positive ESG outcomes for communities.

2.4.7 Access to Cross-jurisdictional Expertise to deliver Improved Outcomes

Three of the four Tier 1 providers operate across multiple jurisdictions. This allows CHPs to leverage expertise and experience across jurisdictions allowing for cross pollination of ideas and housing programmes. Due to their multi- jurisdictional operations, these CHPs can draw on a broader talent pool when recruiting staff, especially those staff that are needed to deliver large scale housing projects. They are also more likely to have experienced staff who have worked on large scale projects with the private sector, government, and other not-for-profit organisations. Such projects are outlined in Section 4.

3. OVERVIEW OF WA COMMUNITY HOUSING SECTOR

3.1 Capability of WA Community Housing Sector

Western Australia's community housing sector is made up of 266 organisations, managing 22 per cent of the State's social housing between them, with a value of almost \$2.5 billion.³ This is relatively consistent with the national landscape. This is shown in the table below that provides the number of providers registered with the NRSCH by tier and by jurisdiction. Anecdotally, there are a number of providers of community housing operating in WA who are not registered with NRSCH, including Shires/Councils.

Table 3: Number of Registered Providers by Tier and Jurisdiction, NRSCH

Jurisdiction	Tier 1	Tier 2	Tier 3	Total	Population (Dec 2020)
WA ⁴	4	7	15	26	2,670,241
Vic ⁵	6	3	22	43	6,661,736
NSW	24	17	128	169	8,172,505
NT	-	4	1	5	246,561
ACT	1	3	10	14	431,484
SA	5	9	14	28	1,770,790
Tas	2	1	-	3	541,506
Qld	3	9	73	85	5,194,879
Total	45	53	274	372	

Table 4 shows Community Housing Providers (excluding Indigenous Community Housing) from the Australian Institute of Health and Welfare (AIHW) for FY19. Note that if a provider's number of dwellings is unknown it has been included in the "less than 20" category. The total number of providers is 518, which exceeds the NRSCH number by 39%. This is likely due to unregistered providers in the AIHW list.

³ <https://www.mediastatements.wa.gov.au/Pages/McGowan/2021/10/Increased-support-for-WAs-community-housing-sector.aspx>

⁴ Registered under the WA Housing Community Housing Regulatory Framework, not the NRSCH. However, the Framework is consistent with the NRSCH.

⁵ From the Housing Registrar (Victorian State Agency). Note that these are called 'housing providers'.

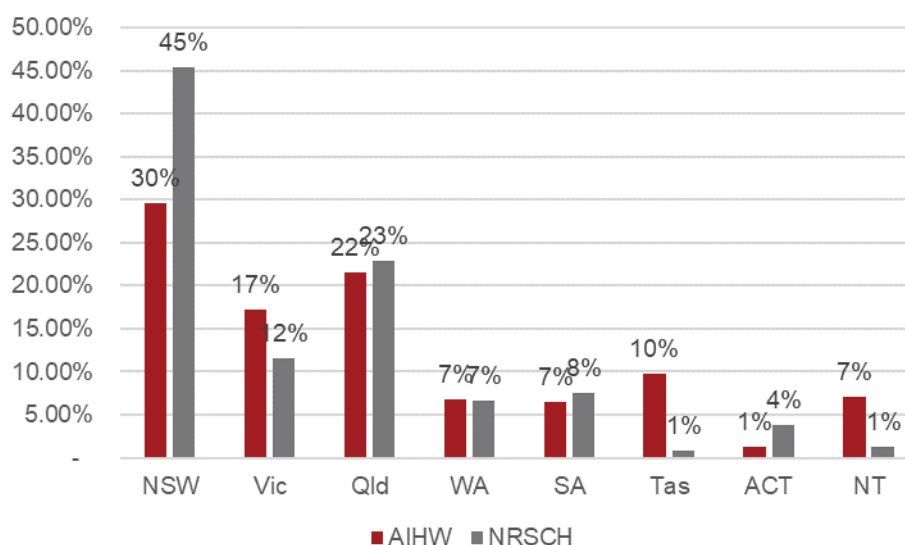
Table 4: Number of Providers by Jurisdiction and Number of Dwellings Managed, AIHW

Number of dwellings	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
managed	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Less than 20	90	50	53	9	11	30	2	30	275
20–49	18	16	23	9	6	13	3	6	94
50–99	11	8	14	6	1	2	0	1	43
100–199	7	5	10	2	4	0	0	0	28
200 or more	27	10	12	9	12	6	2	0	78
Total	153	89	112	35	34	51	7	37	518
NRSCH	169	43	85	25	28	3	14	5	372

Table 4 illustrates that WA has a lower number of providers and dwellings under management compared to the larger jurisdictions.

Figure 1 shows the relative percentages of community housing providers for each jurisdiction from both NRSCH and AIHW data sources.

Figure 1: Percentage of Providers by Jurisdiction



For both AIHW and NRSCH, WA has 7% of community housing providers.

NRSCH began collecting property-based asset information in 2020. As of 2020, 47,145 properties had been identified for 138 providers. Earlier NRSCH data from FY17 shows the number of properties managed by NRSCH registered providers as 67,000. AIHW lists 100,200 community housing dwellings in Australia in 2019. The breakdown of this number by jurisdiction is shown in Table 5.

Table 5: Number of Dwellings by Jurisdiction, AIHW 2019

	NSW	Vic	Qld	WA	SA	Tas	ACT
Number	46,557	15,081	10,941	7,968	11,622	6,698	907

The data above highlights that the CHPs manage around 8,000 of the 43,000 social housing properties in WA, providing a market share of around 19%. In addition, there are four Tier 1 providers in WA, which is relatively consistent with the national trend with around 45 Tier 1 providers in Australia.

4. AUSTRALIAN PRECEDENT MODELS

4.1 Precedent Models

In recent years, a number of Australian jurisdictions have adopted innovative models for the supply of social and affordable housing, including increased engagement between State Governments and the CHP sector, as well as access to NHFIC funding.

The broad categories of models which have been adopted include the following, with specific project examples provided in following sections:

- Transfer Models for redevelopment or leveraging by CHPs
 - Transfer of State social housing assets for redevelopment or leveraging by CHPs (Tasmanian Community Housing Growth Program and NSW Management Transfers).
- Partnership Based Development Models
 - Ground Lease models, potentially with subsidy inclusion (NSW Community Housing Replacement Program);
 - Public-Private Partnership (PPP) models, supported through availability payment (Victorian Public Housing Renewal Program);
 - Property Development Agreement-based models for provision of social and affordable housing in mixed-tenure development (NSW Communities Plus program);
- Fund-Based Development Models
 - Investment Funds identifying suitable CHP-led projects for investment (Victorian Social Housing Growth Fund); and
 - Asset and Services purchasing, through establishment of a fund to purchase outcomes from CHPs over a defined period (NSW Social and Affordable Housing Fund Tranches 1 and 2).

4.1.1 Precedent Transfer Models

Social housing management transfer models have been a primary focus in a number of larger Australian jurisdictions in recent years. The focus on reducing the public sector involvement in the operation of public housing assets provides State Governments with significant cost benefits through the transfer of public housing dwellings to the CHP sector. There is a significant value gain experienced in transferring dwellings to this sector as tenants in CHP operated dwellings become eligible for CRA which is passed through to CHPs, thereby substantially increasing the revenues generated by each dwelling.

4.1.1.1 Management Transfer Program – New South Wales

The NSW Department of Communities and Justice is transferring the tenancy management of 14,000 social housing properties to nine CHPs. This will increase the percentage of social housing properties in NSW managed by CHPs from 19% to 32%. Transfers commenced in 2018 and include contractual requirements for achieving better outcomes for tenants. Transferring properties to CHPs allows the CHPs access to further sources of funding and builds skills in the CHP sector.

A number of the CHPs which received properties under the management transfer program have since sought to access further debt finance through NHFIC, building on the balance sheet and cashflow impact of the transferred properties.

4.1.1.2 Community Housing Growth Program – Tasmania

This program, funded by the Rebuilding Tasmania Infrastructure Investment COVID-19 Response, will transfer the management of 2,000 public housing properties to CHPs under long-term management agreement until 2040. This allows the CHPs to then utilise the transferred properties as leverage to borrow further and deliver additional social housing. The transfer will allow Tasmania's Tier 1 registered CHPs to receive \$300m in Commonwealth Rent Assistance by 2040, up from \$11m p.a. currently. Providers will be required to demonstrate that they can achieve improved outcomes for tenants, value for money and position their social housing portfolios for long-term sustainability to have management transferred to them.

The program also includes \$100M for the construction of up to 1,000 new social housing dwellings by CHPs.

4.1.1.3 Social Housing Growth Fund – Victoria

The \$1 billion Victorian Social Housing Growth Fund (SHGF) was established to support innovative partnerships between the Victorian Government and consortia including the community housing, private, not for profit and local government sectors.

The most comparable mechanism to a management transfer involved the application of seed capital provided by the Victorian Government in the New Rental Developments Program (NRDP). The NRDP involved recurrent funding being provided to CHPs to lease new dwellings from the private sector to increase the volume of social housing rental stock and facilitate investment in new social housing for the rental market.

4.1.1.4 Renewing Our Streets and Suburbs (ROSAS) – South Australia

The ROSAS program was a transfers program initiated by the Government of South Australia and administered by Renewal SA to transfer approximately 4,000 public housing properties and tenancies to CHPs in late-2017, and early-2018.

Dwellings transferred under the ROSAS program focused on those within 10 kilometres of the Adelaide CBD, with CHPs having the option to either manage and operate the dwellings, or undertake renewal works.

4.1.2 Precedent Partnership Based Development Models

A more prevalent approach in Australian jurisdictions has been to undertake a development or urban renewal model to deliver an uplift in social housing rental stock. A number of innovative solutions have been employed to approach forming a partnership between the State Government, CHPs and the private sector to deliver increased social housing outcomes. The sections below provide an overview of precedent delivery models in other Australian jurisdictions.

4.1.2.1 Community Housing Replacement Program – New South Wales

The Community Housing Renewal Program (CHRP) will see the NSW Land and Housing Corporation (LAHC) partner with a selected CHP to deliver new social, affordable and private dwellings on selected LAHC-owned land under a long-term lease. The program offers a number of sites which previously housed social housing deemed no longer fit for purpose. LAHC has demolished the housing and offered vacant sites to the market. A single provider will be awarded the opportunity to provide housing across the sites, following a procurement process currently underway.

The CHRP is supported by NHFIC and Cbus Super (Cbus). NHFIC and Cbus have been working together to offer registered CHPs the option to access low interest, long-term funding to take part in this program. The two organisations signed a joint letter to CHPs outlining a debt package, comprising both senior and subordinated debt, available to participants in the EOI and RFP.

The CHRP pilot program includes six shovel-ready sites in Sydney that will deliver 96 dwellings. A second tranche of sites will be released after the pilot which will include 300 new social, affordable and private dwellings in metropolitan and regional NSW.

4.1.2.2 Public Housing Renewal Program – Victoria

The Victorian PHRP project involves the Victorian Government leasing land in Brighton, Flemington and Prahran to a consortium to build, operate and maintain housing on the sites for 40 years. The project will build 1,110 new homes – 619 new social housing dwellings, 126 affordable homes and 365 market rental homes, including 52 Specialist Disability Accommodation dwellings. At the end of the lease, the land and all 1,110 dwellings will come under the management of Homes Victoria.

The Building Communities consortium - which includes Community Housing Limited, Icon Kajima and Tetris Capital, was named the successful bidder in May 2021. The Victorian Government is providing \$50m of the funding to support one of the projects at Flemington, with the rest of the financing coming from the consortium and its lenders. This financing is repaid through rental income from the housing, and a supplementary availability payment provided by the State Government. Construction is expected to be completed by 2024.

A second stage of this project, under the Ground Lease model, has recently been released to market through an Expression of Interest.

4.1.2.3 Communities Plus – New South Wales

In 2016, the NSW Government released the Future Directions for Social Housing in NSW policy, which sets out its vision for social housing over the next 10 years. It involves a number of programs, including Communities Plus, which seeks to increase social housing in NSW through the redevelopment of Land and Housing Corporation (LAHC) sites into sustainable mixed communities.

The Communities Plus program redevelops former social housing estates through a partnership approach with a development partner. A requirement of the partnership is the provision of a set volume of social and affordable housing, which is managed by a CHP over a set term. The program also includes property developments with pilot programs that link housing assistance to education, training and local employment opportunities.

4.1.2.4 Communities Plus – Ivanhoe

In 2015, the NSW Government announced the Ivanhoe social housing estate, consisting of 259 social housing dwellings on 8.2 hectares, would be transformed into a mixed tenure and integrated neighbourhood.

In August 2017 the Aspire Consortium (consisting of Frasers Property, Citta Property Group and Mission Australia Housing (MHA)), were selected as the successful proponent to redevelop the estate.

Aspire Consortium's proposal involves an integrated community with approximately 3,000 to 3,500 dwellings including over 950 public/social housing dwellings and 128 affordable dwellings, which will be developed over ten to twelve years. The first stage of the development began in early April 2018.

The project also includes the provision of a 120-bed residential aged care facility, 141 purpose built public/social housing dwellings and 132 private independent living dwellings, and a wellbeing centre for the aged.

The renewal of the estate seeks to meet growing demand for high quality education through provision of a private co-educational vertical high school and two 75 place child-care centres. There will also be a range of community facilities, public spaces and a retail centre on the estate.

The model for the renewal utilises cross-subsidisation, with the proceeds from the sale of private housing principally funding the cost of the public/social housing and provision of the community facilities.

4.1.2.5 Communities Plus – Telopea Precinct

This 13ha site is currently being renewed by the Affinity consortium, consisting of Frasers Property and Hume Community Housing. The redevelopment is projected to take place in stages over 15+ years with an estimated completion date of 2036.

The site will be redeveloped to create 4,500 homes, including a target of 1,000 new fit-for-purpose affordable and social housing dwellings. In addition to housing, the site will include new community facilities, better transport links and improved access to amenities and employment. This includes an arrival plaza for the Parramatta Light Rail, shops, cafes, parks, a childcare centre and a 3,000sqm multi-functional community centre.

The development will consist of buildings ranging from apartments up to 20 storeys to townhouses. Prior to project commencement, there were 640 government-owned social housing units on the site.

4.1.3 Precedent Australian Fund-Based Development Models

Australian jurisdictions have also taken the approach of arranging development funds, which involves the allocation of Government capital to a fund dedicated to providing grants to the CHP sector to develop or renew social housing. This approach differs from the partnership model as the State only provides grant funding, rather than partnering with the developer through providing land for the development.

4.1.3.1 Social Housing Growth Fund

The \$1 billion Victorian Social Housing Growth Fund was established to support innovative partnerships between the Victorian Government and consortia including the community housing, private, not for profit and local government sectors.

The fund utilised seed capital from the Victorian Government and is jointly administered by the Treasurer and Minister for Housing. There are two mechanisms to provide housing using the fund:

1. **Build and Operate Program (BOP):** this involves the construction of new social and affordable housing dwellings on land which is not owned by the Victorian Government. Consortia may propose developments for providing social and affordable dwellings, including mixed developments. The Department of Health and Human Services (DHHS) will collaborate with the Department of Treasury and Finance (DTF) to operate regular competitive funding rounds. The program will encourage consortia to develop innovative proposals to increase housing supply.
2. **New Rental Developments Program (NRDP):** this involves recurrent funding to lease new dwellings from the private sector to increase the volume of social housing rental stock and to facilitate investment in new social housing for the rental market.

Commissioning, procurement and performance management of these programs will be undertaken by DHHS and DTF, to ensure alignment with state-wide social housing policy and portfolio objectives. DHHS will develop an annual plan for the fund which establishes key demand drivers and priority areas of need to inform the specification of terms for the competitive funding process. The fund is projected to support up to 2,200 households in the first five years of operation, and 4,200 social housing dwellings built overall.

In addition to the fund, the Victorian Government is providing over \$1.1B in low-interest loans to CHPs through the Building Financial Capacity of Housing Providers initiative.

4.1.3.2 Social and Affordable Housing Fund Tranches 1 and 2

The \$1.1B Social and Affordable Housing Fund (SAHF) will deliver 2,200 social and affordable homes in regional and metropolitan NSW over four years. The fund was set up with seed capital from the NSW Government which is invested by TCorp to provide an income stream for up to 25 years.

SAHF contracts are services agreements for access to good quality accommodation, property and tenancy management, access to support tailored to individual resident's needs, and performance and data reporting. Services are contracted for 25 years per dwelling.

The agreements have introduced several innovations to the delivery of social and affordable housing in NSW including:

- A contract that combines accommodation, asset and tenancy management, tailored support coordination, and performance and data reporting services aimed at empowering people in social and affordable housing to lead more satisfying and connected lives;
- The NSW Government does not take a direct interest in the assets used to deliver accommodation services, with contracted providers responsible for financing and project managing the acquisition of dwellings with payments commencing after dwellings are constructed or secured;
- Flexibility in how dwellings are delivered with providers able to supply dwellings through the development and construction of new dwellings, refurbishment and/or re-purposing existing dwellings, or through lease hold arrangements;
- A 25-year payment stream with abatements linked to satisfactory performance and delivery of services;
- A pathway to align contract payments to results over time.

SAHF 1 completed in early 2017, securing five agreements to provide access to a total of 2,200 additional social and affordable dwellings. SAHF 2 completed in January 2019, securing four agreements to provide access to a total of more than 1,200 additional social and affordable dwellings. All dwellings are expected to be delivered by 2023.

4.2 Models Utilised in WA

The majority of social, or public, housing in WA is delivered and managed by the State Government through the Department of Communities (Communities). This housing is generally delivered through projects where the State utilises its own land and contracts a design and construction contractor or contractors to deliver the housing. Following construction, the State takes all operating responsibilities and risks related to the social housing. Of the 43,198 social dwellings in WA in 2019, approximately 36,000 of these are managed by the Department.

Of the 8,000 or so properties that CHP control, the vast majority of these have come from either asset or management transfers, or leases to the sector. Some housing is delivered through CHPs. Generally, CHPs raise their own funds over time to deliver projects through a combination of debt financing and their own balance sheet capacity. Under both cases, the CHP then assumes all operating responsibilities.

4.2.1 Recent Developments

The WA Government has in more recent time sought to explore more innovative models to facilitate social and affordable housing supply. This shift in approach provides an opportunity for the CHP sector to play a greater role in the supply of social and affordable housing in WA, moving in line with developments in other Australian jurisdictions.

4.2.1.1 Social Housing Economic Recovery Package (SHERP)

On 7 June 2020, the WA Government announced a housing stimulus package with an estimated value of \$444 million to aid the State's COVID-19 economic recovery, including \$319M for SHERP.

Of the \$319M package, the State Government has allocated⁶:

- \$39M in grants to nine organisations for construction of new social housing dwellings – this included both registered community housing providers and local government authorities;
- \$58M in funding through the refurbishment stream of the SHERP Grants Program, to support 47 community housing providers to undertake 805 refurbishment projects of dwellings across WA; and
- \$8.2M to support four remote Aboriginal communities carry out maintenance on 91 houses.

4.2.1.2 Common Ground Projects

The WA Government is currently managing the delivery of two Common Grounds, located in East Perth and Mandurah, to help address the issue of homelessness and social housing needs in WA.

Common Ground is a model of purpose-built permanent, supportive housing for adults who have experienced chronic homelessness or are low income earners. The Common Ground model, which has been successfully adopted in other Australian cities, is based on a 'housing first' approach, where people are placed in housing as a first priority and provided with wrap-around supports.

CHPs have been actively engaged in the built and service design process, with a CHP likely to play a significant role in the delivery of on-site tenancy management and support services.

⁶ <https://www.wa.gov.au/organisation/departments/social-housing-economic-recovery-package>

4.2.1.3 Housing Diversity Pipeline project

In March 2022, the Department of Planning, Lands and Heritage (DPLH), on behalf of WA government agencies, has released a Registration of Interest (ROI) seeking developers, builders, community housing providers who can deliver quality mixed tenure developments incorporating social housing on eleven government land holdings (Housing Diversity Pipeline project).

Through the ROI, the WA Government is seeking proponents to deliver housing developments through traditional and/or emerging models on one or more of the identified government land holdings. This includes long term ground leases, partnership models and design and construct models for either build-to-rent or build-to-sell housing.

4.2.1.4 Build-to-Rent Housing Development

Following the release of the WA Government's pipeline of sites, the Department of Communities is undertaking an Expressions of Interest (EOI) process to identify a suitable community housing provider (CHP) or CHP-led consortium to establish a Build-to-Rent housing development on a government-owned site. The project, located on Lot 501 Smith Street, Highgate – the site of the former public housing apartment complex known as Stirling Towers, will deliver social, affordable and market rental housing. In a WA first, the successful CHP will provide integrated asset and tenancy management services under a Ground Lease for a period of up to 49 years.

4.2.2 Elevate - Affordable Housing Model

Foundation Housing recently purchased 98 brand new, green-star rated dwellings under its Elevate program; an Australian-first funding model to create new affordable housing. The homes were acquired from new property developments across metropolitan Perth in desirable suburbs and close to transport and amenities and rented to income-assessed essential workers. The purchases were funded by leveraging Foundation Housing's balance sheet and a \$45m loan from NHFIC. At settlement, the value of the properties was estimated at \$55 million, resulting in \$10 million in equity when settled.

The rental return on the properties will provide an income, and over time an asset, against which Foundation Housing can use to fund similar new housing projects. By using NHFIC funding, Elevate was also established without any government contribution, creating new housing stock options in WA at no cost to the public.

4.2.3 Policy Changes

In October 2021, Housing Minister John Carey held a community housing sector roundtable to shape the future direction of social housing delivery in WA, as part of the WA Government's commitment to invest \$2.1 billion in social housing over the next four years, including the delivering of around 3300 new social homes.

The roundtable was to be used as an opportunity to shape the ongoing strategic partnership between the State Government and community housing organisations. Policy changes announced within the Department of Communities, as well as priority reforms intended to support a more collaborative partnership between the State Government and community housing sector, include access to increased borrowing capacity. The loan-to-value (LVR) cap for providers operating under a Community Housing Agreement (CHA) with the Department of Communities is increasing from 30 to 50 per cent. The change means community housing providers can borrow substantially more money to purchase, lease or build new social and affordable housing for Western Australians in need.

Comments attributed to Housing Minister John Carey:⁷

"I have been very clear that my aim as the Minister for Housing is to boost our stock of social housing as fast as we can, and the community housing sector is an important part of making that happen.

"Today's roundtable provided a great opportunity to discuss the relationship between the State Government and the community housing sector, and how we can foster a stronger strategic partnership into the future."

⁷ <https://www.mediastatements.wa.gov.au/Pages/McGowan/2021/10/Increased-support-for-WAs-community-housing-sector.aspx>

5. STAKEHOLDER CONSULTATION

5.1 Purpose of Consultation

Paxon conducted interviews with the community housing sector, government and industry on the opportunities and constraints to community housing participation to co-invest with government on new developments.

The purpose of the stakeholder engagement was to:

- Identify opportunities, barriers and policy and resource settings required for community housing involvement in delivery partnerships with government;
- Introduce the potential commercial and financial models being used to facilitate delivery and new social and affordable housing supply;
- Test the findings and overarching parameters;
- Test the level of market interest and risk appetite, and
- Understand the key elements and potential risks to the sector playing a more central role in partnership with government in the delivery of new supply.

The interviews were conducted on a one-on-one basis, through video dial-in or face to face interviews with participants as appropriate.

5.2 Stakeholders

Table 6 provides the list of organisations that were invited to participate in the project.

Table 6: Stakeholders

Organisation
Department of Treasury
Department of Communities
Development WA
Urban Development Institute of Australia
Foundation Housing
CHL
HCWA
Shire of Donnybrook*
Pilbara Development Commission*
Mid West Development Commission*
Shire of West Arthur

** These organisations did not respond to the consultation invitation.*

5.3 Key Themes

The following key themes were noted during the consultation.

A general lack of understanding of each other's role

There is a general lack of understanding of each other's role in driving SAH by CHPs, state government agencies, and local government organisations. Forums to drive a greater understanding of the respective roles of the key players are important in promoting the growth and development of CHPs. For example, the DevelopmentWA Board has met with at least two CHPs to better understand their mission and role and ability to partner with government. There is significant variation between agencies and local governments as to their opinion on their role in the delivery of SAH.

Focus on relationship and cooperation

Both Government and CHP stakeholders indicated that they felt there had been increased communications and cooperation between the two over the past few years, but there was still some uncertainty around the role of Communities under machinery of Government changes, and the Government's intentions around programs and projects involving CHOs. The opportunity of improving relationships should be enhanced upon and continuing efforts made by both parties to collaboratively seek to address issues around housing in the State.

Regular and consistent communication by Government with the sector was raised as a key enabler of greater understanding and cooperation. Communication through forums or a regular email update would be viewed favourably and assist in continuing development of the relationship between Government and the sector. The sector suggested these communications would be a constructive way for Government to communicate lessons learned from programs and projects.

Grant programs

Grant programs provide an opportunity for Government to drive collaboration through making funding available under clear parameters. Grant programs can have success where grant funding is leveraged by CHPs or co-contributions are made to achieve greater outcomes from funding provided. This is seen through the recent SHERP New Builds grants, although the Government's decision to also open grants to local government organisations meant the outcomes were not maximised.

This could be achieved through the establishment of an investment fund from which capital grants can be allocated, and potentially leveraged with NHFIC funding, to deliver social housing.

It is seen as critical that the administrative burden of grants on government and proponents are considered when in development. Rolling grants are also considered appropriate as they enable planning for pipelines of work.

Management transfers provide an important initial step in sector growth

Jurisdictions that have implemented more complex project structures recently, including NSW and Victoria, have been able to do so because of depth in the CHP sector and experience in projects interfacing with Government. This has been developed through programs of management transfers which provide a means of growing organisational size and competency within CHPs and a growing understanding of each other's operating capacity and models. However, the State should ensure that management transfers are not concentrated with larger CHPs and instead build capacity across the sector. It should also consider the quality of the stock being transferred as this impacts CHPs' viability.

CHP interest levels

Most CHPs are capital constrained organisations, so projects which require a significant equity contribution from a CHP are likely to have limited CHP interest. Given that CHPs are primarily interested in delivering social housing, they are constrained in the amount of debt they can raise due to the low returns on social housing development.

Models untested and unproven in WA

Whilst complex financing models and partnerships arrangements may have worked in Victoria and NSW to drive SAH, WA is a very different market. Whilst government may want to embrace these models due to the promise of delivering SAH, the market is largely untested and unproven in WA. The Government should not take a 'one size fits all' approach to models across the State due to variation (land values, housing needs, density issues) between regions and communities. The tax environment also differs between states, which can have a significant impact on project feasibility especially for leasehold projects.

Procurement processes

Some CHPs have limited organisational capacity and capability, meaning that long and extensive procurement processes need to be designed to be clear and limit the requirement for significant expense during the process (for example, design and legal advice), which will incentivise participation from CHPs in a project procurement.

In addition, notable concerns were raised by CHPs as to the cost of participating in a competitive procurement process, with a general view that grant programs provide greater value for money.

Challenges for sector in dealing with Government

Both sector and Government representatives identified existing and legacy issues which impact on dealings between Government and CHPs. These include:

- The impact of the existing Community Housing Agreement, particularly the requirement for CHPs to seek permission from Government (which is often not provided in a timely manner) for projects which do not require Government funding or put Government at risk.
- Contractual issues arising from head leases which have limited the ability to gain efficiencies from transfers. Since 2016, CHP's have been operating under a periodic lease until Communities reengages with the sector to find a resolution to issues raised with a draft lease at that time, particularly allocation of maintenance risks, and redraft the lease.
- The time taken to assess and respond to proposals, including through formal programs such as SHERP recently.

6. COMMERCIAL AND FINANCIAL MODELS

6.1 Model Selection Process

Drawing on stakeholder consultations and precedent projects identified above, as well as other recent developments, a number of collaborative models have been identified which could be utilised to drive social and affordable housing supply in WA.

The key requirements in selecting models to take forward include:

- Feature a partnership between Government and CHPs to leverage and maximise new supply;
- Provide a greater volume of social and affordable housing at a lower overall cost to the State;
- Maximise opportunities for the community housing sector to access finance and service debt;
- Ensure community housing provider viability; and
- Suitable for the WA housing market and demographic environment.

6.2 Selected Models

Based on the key requirements, Table 7 describes the identified models.

Table 7: Selected Models

#	Model	Description
1	Rental Subsidy	Provision of ongoing payments (sometimes called service payments) to allow either an individual or a CHP to access market rental housing at a reduced cost to the individual.
2	Provision of Grants	These are usually one-off payments provided at project commencement to support the project's capital works. In this context they are considered as additional funding to assist a property development by a CHP delivering social and/or affordable housing, potentially in a mixed-tenure development.
3	Provision of Land or Discounted Land	Provision of land or discounted land by Government. Land is generally sold with a caveat requiring the land to be used for the provision of a certain minimum level of social/affordable housing
4	Ground Lease	Offering Government land to CHPs through long term leasehold for social and/or affordable housing provision. Leases are generally provided for peppercorn rental, but may impose handback conditions on any site assets (housing) at the end of the lease.
5	Provision of Planning Concessions	Legislation may permit the State to allow density, height and/or zoning concessions to a CHP (or a consortium led by a CHP) for a development which includes social and affordable housing. This generally allows the CHP to circumvent the relevant local planning scheme and can increase project feasibility.
6	Investment Fund	Establishing funds to support multiple projects, generally smaller developments spread across multiple sites undertaken by multiple CHPs. These funds may be used to contract the provision of housing (and potentially tenant supports) as a service for a fixed period of time, rather than purchasing assets from CHPs to be owned by the State. In other jurisdictions such funds have been established via legislation.

#	Model	Description
7	Management Transfers (with or without ownership transfer)	<p>Management transfers (with or without ownership transfer) with savings through National Housing and Homelessness Scheme put into new stock. Under the transfer the CHP will collect rent from tenants, and will provide some mix of tenancy management, support services and asset management. Management transfers will include some sort of risk transfer to the CHP, for example the asset maintenance risk for the transferred dwellings. Transfers may be ongoing or for a defined period of time, with assets reverting to the State (usually required to be in a specified condition) at the end of the term. Shelter WA have previously commissioned modelling on the potential financial benefit of management transfers, which is provided in Appendix A.</p>
8	PPPs/JVs	<p>The State's role is usually to vend in land, with a developer undertaking development and a CHP operating and managing social housing. However, as the structure is flexible the role and contribution of the State and the CHP can vary project to project. This model varies from the Ground Lease model in that the State Government generally retains a higher level of risk and involvement in the project.</p>

7. MODEL ASSESSMENT

7.1 Criteria

To assess each of the models from a qualitative perspective, evaluation criteria were developed as detailed in the table below.

Table 8: Assessment Criteria

#	Criteria	Description
1	New Housing Volume	Ability of the model to deliver additional social and affordable housing stock.
2	Ability to Leverage Investment	The degree of external investment leveraged to supplement State Government contributions to social housing provision.
3	CHP Acceptance	The extent to which a model is likely to be supported by the CHP sector.
4	Government Appetite	The extent to which a model is likely to be supported by Government and is aligned to relevant policy and strategy.
5	Risk & Complexity	Capacity of the sector to implement and manage, and level of complexity for both Government and the sector to implement.
6	Impact on State Finances	Ability of the model to avoid negative impacts on State finances such as negatively impacting on balance sheet or borrowing capacity of the State.

7.2 Assessment of Models

The tables below present a high-level assessment of each the options against the criteria. This assessment has been informed through the desktop research and stakeholder consultation.

7.2.1 Rental Subsidy

Table 9 provides the high level of assessment of the rental subsidy model.

Table 9: Rental Subsidy

#	Criteria	Assessment	Rationale
1	New Housing Volume	Low	Does not provide permanent increase in social and affordable housing.
2	Ability to Leverage Investment	Medium	Leverages Government rental subsidy to potentially achieve financing from third parties.
3	CHP Acceptance	Medium	Involvement of CHPs is positive, but lack of upfront funding may impact appeal. Provides readily deployable model which is appealing.
4	Government Appetite	Low	Likely to be low given housing outcomes are limited to term of program, although partly dependent on the extent of Government subsidy required.
5	Risk & Complexity	High	Low complexity once application criteria and process are established.
6	Impact on State Finances	Low	Ongoing funding requirement with no corresponding asset achieved.

7.2.2 Provision of Grant

Table 10 provides the high level of assessment of the provision of a grant.

Table 10: Provision of Grant

#	Criteria	Assessment	Rationale
1	New Housing Volume	Medium	New volume can be achieved, and grant contribution allows for mix to be optimised with greater social housing level.
2	Ability to Leverage Investment	Medium	Leverages Government grant contribution to achieve greater financing from third parties including CHPs.
3	CHP Acceptance	High	Involvement of CHPs in structure is positive, and acceptance is strengthened through reduced requirement for CHP equity contribution enabled through grant funding.
4	Government Appetite	Medium	Likely to be reasonable given low level of complexity, although value is dependent on the extent of the grant required.
5	Risk & Complexity	High	Low level of complexity, with precedent examples recently deployed.
6	Impact on State Finances	High	No ongoing impacts on State after grant is funded.

7.2.3 Provision of Land

Table 11 provides the high level of assessment of the provision of land.

Table 11: Provision of Land

#	Criteria	Assessment	Rationale
1	New Housing Volume	High	New volume achieved.
2	Ability to Leverage Investment	High	Leverages Government land contribution to achieve financing from third parties.
3	CHP Acceptance	Medium	Involvement of CHPs in structure is positive, although may be limited through requirement to partner with a commercial developer from commencement of the procurement process.
4	Government Appetite	Medium	Likely to be accepted, although Government land is not returned so value is limited to the ability of CHP to maximise outcomes from development.
5	Risk & Complexity	Medium	Transaction and project documentation is of medium complexity, and ongoing role for Government is limited to monitoring of social housing obligations. Involvement of third-party development parties potentially complicates structure.
6	Impact on State Finances	Medium	Loss of Government asset through land provision, although offset by no ongoing funding requirements for housing.

7.2.4 Ground Lease

Table 12 provides the high level of assessment of the ground lease model.

Table 12: Ground Lease

#	Criteria	Assessment	Rationale
1	New Housing Volume	Medium	New volume achieved, as part of mixed tenure development so full site capacity is not social housing.
2	Ability to Leverage Investment	High	Leverages Government land contribution to achieve all financing from third parties.
3	CHP Acceptance	Medium	Involvement of CHPs in structure is positive, although potentially limits interest through requirement for material equity contribution. Pool of CHPs with capacity and capability in WA may be limited.
4	Government Appetite	High	Likely to be high as it achieves good value for money where CHP equity is able to finance full equity portion, as Government contribution is limited to land provision. Government also retains future optionality regarding land usage.
5	Risk & Complexity	High	Transaction and project documentation is relatively complex and will require ongoing management of ground lease and obligations for provision of social housing over the full term.
6	Impact on State Finances	High	Removes funding/financing requirement from the State, while reversion of the asset to the State on completion has a positive impact on finances.

7.2.5 Covenanted Land

Table 13 provides the high level of assessment of the covenanted land sale model.

Table 13: Covenanted Land Sale

#	Criteria	Assessment	Rationale
1	New Housing Volume	Medium	New volume achieved and likelihood of total yield being maximised through developer involvement.
2	Ability to Leverage Investment	High	Leverages land contribution to achieve financing from third parties.
3	CHP Acceptance	Low	Requires sufficient scale to be appealing to developers and warrant CHP involvement.
4	Government Appetite	Low	Likely to be low given Government land is not returned, and value is limited through ability of developer to maximise outcomes from development.
5	Risk & Complexity	Medium	Transaction and project documentation is of medium complexity, and ongoing role for Government is limited to monitoring of social housing obligations.
6	Impact on State Finances	Medium	Loss of Government asset through land provision, although offset by no ongoing funding requirements.

7.2.6 Investment Fund

Table 14 provides the high level of assessment of the investment fund model.

Table 14: Investment Fund

#	Criteria	Assessment	Rationale
1	New Housing Volume	Medium	Ability to achieve outcome will be dependent on CHPs proactively proposing projects, and the volume inherent in those applications.

#	Criteria	Assessment	Rationale
2	Ability to Leverage Investment	High	CHP to largely finance projects (or use third party financing), with the Government contribution allowing this leverage.
3	CHP Acceptance	High	Strong acceptance from CHPs as provides greatest scope for CHP innovation and optimisation of current CHP assets and landholdings.
4	Government Appetite	Low	Low level of alignment with current Government strategy, and likely to require complex structures to implement and manage which reduces appeal.
5	Risk & Complexity	Low	Complexity in fund establishment and setting investment parameters and funding criteria, for both Government and participating organisations.
6	Impact on State Finances	High	No ongoing impacts on State after fund is seeded.

7.2.7 Management Transfer

Table 15 provides the high level of assessment of the management transfer model. Further detail on the financial benefit of management transfers is provided in Appendix A, which summarises modelling commissioned previously by Shelter WA.

Table 15: Management Transfer

#	Criteria	Assessment	Rationale
1	New Housing Volume	Low	No new stock created, with existing Government-owned housing utilised.
2	Ability to Leverage Investment	Medium	Ability for CHPs to leverage off additional assets, although this outcome is not guaranteed and likely cashflow generated is marginal.
3	CHP Acceptance	High	Provides additional volume for the sector which will be well received based on similar programs.
4	Government Appetite	Medium	No ability to leverage existing State assets, although likely to be accepted by Government as strategy to address WA CHP capacity constraints.
5	Risk & Complexity	High	Low level of complexity as no procurement process necessarily required and assets are immediately ready for transfer.
6	Impact on State Finances	Low	Dependent on nature of transfer, asset is lost from State balance sheet with no compensation. Balanced by potential removal of maintenance liability dependent on structure of transfer.

7.2.8 PPPs/JVs

Table 16 provides the high level of assessment of the PPP/JVs model.

Table 16: PPPs / JVs

#	Criteria	Assessment	Rationale
1	New Housing Volume	High	New volume achieved and ongoing availability payment or other form of Government involvement allows for mix to be optimised with greater social housing level.
2	Ability to Leverage Investment	High	Leverages Government land and financing contribution to achieve all financing from third parties.

#	Criteria	Assessment	Rationale
3	CHP Acceptance	Medium	Involvement of CHPs in structure is positive, although may be limited through requirement to partner with a commercial developer from commencement of the procurement process. Complexity of process may also limit CHP interest.
4	Government Appetite	Low	Unlikely to be accepted by Government due to WA CHP capacity constraints and the complex procurement and transaction process.
5	Risk & Complexity	Low	Transaction and project documentation is relatively complex and will require ongoing management of obligations for provision of social housing over the full term.
6	Impact on State Finances	Low	Ongoing balance sheet impact, while use of an availability payment means recurrent requirement for full term.

7.3 Summary Assessment

In the table below, green rating represents a high level of alignment with the criteria, orange a medium level and red a low alignment.

Table 17: Assessment of Models

#	Model	New Housing Volume	Leverage External Investment	CHP Acceptance	Government Appetite	Risk & Complexity	Impact on State Finances
1	Rental Subsidy	■	■	■	■	■	■
2	Provision of Grants	■	■	■	■	■	■
3	Provision of Land	■	■	■	■	■	■
4	Ground Lease to CHP	■	■	■	■	■	■
5	Covenant Land Sale	■	■	■	■	■	■
6	Investment Fund	■	■	■	■	■	■
7	Management Transfer	■	■	■	■	■	■
8	Public-Private Partnership	■	■	■	■	■	■

7.4 Short-listed Models

Based on the high-level assessment, the following models warrant further consideration as they achieve primarily high and medium alignment to the criteria:

- Provision of Grants;
- Provision of Land;
- Ground Lease to CHP; and
- Management Transfers.

8. FINANCIAL ANALYSIS

High level financial analysis has been conducted to demonstrate the ability to achieve outcomes through each model by applying general assumptions representative of the Perth housing market. The analysis shows the relative ability of each model to achieve outcomes for sites of varying size and market characteristics.

8.1 Sample Project

The financial assessment summarises the cashflow impact of a model on the Government and is measured against the total social housing units that it delivers. Key cashflow items include the upfront capital cost of developing and constructing units and cash flows from operating income and unit sales.

The capital and operating cashflows of each option are derived from assumptions about the affordable housing and residential property sectors, informed by sector research and previous modelling of social and affordable housing developments.

Assumptions were applied to a hypothetical housing development in the Perth metropolitan area, and key modelling assumptions are detailed below in Table 18. CHPs are assumed to source debt funding (except in the case of Government Delivery), which reduces their cost of capital and boosts their internal rate of return, increasing viability.

Model cashflows were based on Build-to-Rent or Build-to-Sell models utilised by the operator. The Ground Lease model would involve a CHP developing and renting out a specified number of social, affordable and marketing housing units over a 40-year ground lease on Government land. The Grant model would require a CHP or Developer to deliver a specified number of social housing units within a market housing development in exchange for a grant funding. In each model, the level of Government subsidy or grant is sized to meet the required rate of return of the CHP or Developer and ensure overall financial viability of the project.

Each model is applied to an assumed development of indicative size of 40 units.

Table 18: Key Modelling Assumptions

Assumption	Value	Source
Median market unit rent	\$500 per week	Assumption based on market rents of new developments across the Perth metropolitan area.
Median market unit price	\$750,000 per unit	Assumption based on market sales of new developments across the Perth metropolitan area.
Land acquisition cost per unit	\$250,000 per unit	Assumed value of land, based on current Perth market.
Construction cost per unit	\$375,000 per unit	Assumed value based on delivery of mix of one and two-bedroom unit stock.
Ground lease length	40 years	Based on precedent projects and accounting considerations.
Debt - Interest rate	4.25%	NHFIC bond rate maturing June 2036 (as of 8 June 2022).

8.2 Project Results

Modelling results are presented in Table 19 and include the internal rate of return (IRR) of each model, the total social units constructed or delivered, and the net cost to the Government in total and per-unit terms. The cost to Government reflects the total monetary value of any contribution required from the Government to implement a model. This includes Government equity invested or a monetary grant to a CHP or Developer.

A Government Delivery model is included for reference, in which it exclusively funds the development of 12 social units. This provides a benchmark cost for alternative delivery models.

Table 19: Modelling Results

Model	Typology	Total Cost to Govt (\$'000)	Project IRR (%)	Social Units Built (# units)	Social Units Gifted (# units)	Cost / Social Unit Delivered (\$'000 / unit)
Government Delivery	100% Social	7,500	0.00%	12	-	625
Ground Lease CHP – Build to Rent	30% Social 70% Affordable	5,743	2.74%	12	-	479
Ground Lease CHP – Build to Rent	30% Social 30% Affordable 40% Market	2,912	4.43%	12	-	243
Developer Grant – Build to Sell	12% Social 88% Market	1,011	6.59%	-	5	202

The model results demonstrate the potential under each of the Ground Lease and Grant models to achieve a reduced total cost to Government of delivering social housing. The actual value-for-money achievable will vary dependent on the demographics and market characteristics for a specific project, however there is sufficient basis from the indicative modelling conducted to indicate that pursuing partnership type models may have financial benefit to Government as well as achieving the qualitative outcomes and sector development benefits previously outlined.

This potential value is driven by:

- Efficiencies in operating costs from CHPs operating a portfolio of properties;
- Savings in construction and operating costs due to CHPs' not-for-profit status and GST exemptions; and
- In the case of the Grant model, ability to optimise sites selected for development rather than being limited to Government land or designated sites.

9. RECOMMENDED APPROACH

Drawing on the stakeholder consultations, precedent projects, model assessment and financial analysis, the value in pursuing partnership models from both the Government and CHP perspective is evident. Accordingly, the recommended approach is outlined below.

Recommendation 1: Reinstate Roundtable Discussions

Regular engagement and discourse between CHPs and all levels of Government should continue so that all parties can better understand the constraints, opportunities and value of partnering arrangements to drive social and affordable housing supply. This will build on positive relationship outcomes and understanding developed over recent years. Regular communication by Government with the sector is a key element of continuing to develop this relationship.

Reinstatement of the Housing Advisory Roundtable, understood to have ceased in 2017, should be a priority. This will allow all parts of the social housing sector (Government and the CHPs) to support the delivery of the Social Housing Strategy and more importantly, support people through the social housing continuum.

Recommendation 2: Remove Community Housing Agreement constraints

The requirement under the Community Housing Agreement (CHA) for CHPs to seek permission from Government (which is often not provided in a timely manner) for projects which do not require Government funding or put Government at risk should be reviewed. Government should also review operational policies in partnership with the sector, to enable CHPs to more strategically manage their assets.

Recommendation 3: Resolve Issues with Head Leases

Since 2016, CHPs have been operating under a periodic lease until Communities re-engages with the sector to find a resolution to issues raised with a draft lease at that time, particularly allocation of maintenance risks, and redraft the lease. These contractual issues arising from head leases have limited the sector's ability to gain efficiencies from asset transfers and should be resolved as a matter of priority.

Recommendation 4: Provide grant programs to build sector capacity and drive more supply

Grant programs provide a means of building sector capacity to deliver more housing supply. Grant funding the delivery of social and affordable housing through the CHP sector allows the government to leverage the tax status of the NFP and other funding sources such as the NHIFC scheme. This could be achieved through the establishment of an investment fund from which capital grants can be allocated, and potentially leveraged with NHFIC funding, to deliver social housing.

Government should also consider investment in capacity and capability building across the CHP sector, particularly for small to medium CHPs, such as recently announced in the NT through their *Community Housing Growth Strategy 2022-2032*.

Recommendation 5: Undertake management transfers as part of a broader solution to delivering a more efficient housing system

The transfer of existing social housing stock, particularly asset transfer, should be part of the broader solution to deliver a more efficient housing system. This is because CHPs can manage assets at a lower cost per tenancy than government, partly because government must pay GST on maintenance costs and that tenants in CHP operated dwellings are eligible for CRA which is passed through to CHPs. Survey results also suggest tenant outcomes are higher under CHP management of tenancies.

It is also the simplest most cost-effective way of increasing the capacity of the community housing sector to add more supply to the social and affordable housing system. This is evident from the experience of other jurisdictions, such as NSW, Victoria and more recently Tasmania, where programs of management transfers have been used as a means of growing organisational size and competency within CHPs and have provided CHPs with an asset base to secure finance for investment in more housing.

Transfers should be tailored to the scale of the CHP as a way to manage any risk on the sector of overreaching capacity and capability. Government should also ensure transferred properties are income generating and do not present a maintenance cost liability.

Where freehold transfer is not viable, long term management transfers should be considered. Management rights need to be long enough to support the ongoing presence of the organisation and to facilitate growth of the overall portfolio.

Recommendation 6: Offer government land as a key tool to drive more supply

While Government funding contributions to projects are also welcomed by the CHP sector, offering land is a key tool that Government can use to facilitate provision of additional housing. By offering projects where land is provided, through either lease or sale models, Government removes the constraint of CHPs needing to identify appropriate landholdings, and purchase on the open market, which can be a critical constraint to being able to self-fund and progress projects.

Recommendation 7: Use alternatives to competitive tendering

The competitive procurement process is expensive and lengthy and alternative procurement methods, such as grant programs, are considered to provide greater value for money.

In addition, market led proposals should be considered and based on criteria so that CHPs can be more certain of a positive outcome, without risking intellectual property or commercial arrangements.

APPENDIX A: MANAGEMENT TRANSFERS FINANCIAL MODELLING

Shelter WA have previously commissioned modelling to understand the potential financial impact of management transfers under a range of scenarios. The assumptions and approach used for this modelling, as well as the results derived, are summarised below.

Assumptions

Modelling assumptions have been based on achieving maximum growth potential. In particular NHFIC debt hurdle assumptions have been made based on maximum borrowing potential. However, it is recognised that, in practice, individual providers would negotiate with NHFIC specific debt hurdles based on specific projects and on provider borrowing policies.

Transferred Dwellings

1. Dwellings transferred for management (title remains with state): 8,000
2. Location of transferred dwellings:
 - 30% in high land value areas
 - 30% in medium land value areas
 - 40% in low land value areas.

Development of New Dwellings

3. Title of growth component of developed dwelling belongs to community housing providers.
4. Development period: 36 months.
5. Density uplift: x 2.5
6. Dwelling types:
 - 30% 1-bedroom units.
 - 30% 2-bedrrom units.
 - 40% 3-bedroom units.
7. Development cost:

Development Cost	High Land Value Area	Medium Land Value Area	Low Land Value Area
Cost - 1-bed	\$350,000	\$350,000	\$350,000
Cost - 2-bed	\$400,000	\$400,000	\$400,000
Cost - 3-bed	\$450,000	\$450,000	\$450,000

8. Market Value

Market Value	High Land Value Area	Medium Land Value Area	Low Land Value Area
Cost - 1-bed	\$500,000	\$380,000	\$360,000
Cost - 2-bed	\$550,000	\$425,000	\$380,000
Cost - 3-bed	\$650,000	\$480,000	\$460,000

9. Market Rents

	High Land Value Area	Medium Land Value Area	Low Land Value Area
Market rent	\$450.00 per week	\$350.00 per week	\$325.00 per week

10. Sales rate (where relevant): 5 sales per month.

Debt & Equity

Source: NHFIC Corporate Finance

11. Security available from providers outside transfer program: \$300 million.

12. Maximum Loan to Value Ratio: 55%.

13. Minimum Interest Cover Ratio: 1.5 times.

14. Refinance period: 10 years.

15. Interest rate (development period): 5.0%

16. Interest rate (operational period): 3.1 %

17. Interest Rate post refinance: 5.0%

18. 50% debt repaid by year 10, full debt repaid by year 20.

19. Equity from providers: \$10 million.

Operational

20. Operational costs and revenues

- For transferred social dwellings:

Transferred Dwellings	Annual	Weekly	Escalation
Average Rent - Social	\$6,779 p.a.	\$130 p.w.	2.50% p.a.
Average CRA	\$3,129 p.a.	\$60 p.w.	2.50% p.a.
Vacancy Rate	2.0%		
Average Rent Per Dwelling	\$9,709 p.a.	\$186 p.w.	2.50% p.a.

Transferred Dwellings	Annual		Escalation
Planned maintenance	\$2,500 p.a.		2.50% p.a.
Responsive Maintenance	\$800p.a.		2.50% p.a.
Council Rates	\$900 p.a.		2.50% p.a.
Utilities	\$500 p.a.		2.50% p.a.
Insurance	\$800 p.a.		2.50% p.a.
Management Fee	\$1,500 p.a.		2.50% p.a.

- For new (developed) social dwellings:

New Dwellings	Annual	Weekly	Escalation
Average Rent - Social	\$6,779 p.a.	\$130 p.w.	2.50% p.a.
Vacancy Rate	2.0%		
Average Rent Per Dwelling	\$6,643 p.a.	\$127 p.w.	2.50% p.a.
Average Commonwealth Rental Assistance per Dwelling	\$3,129 p.a.		2.50% p.a.

New Dwellings	Annual First 10 Years	Annual 10 Years+	Escalation
Planned maintenance	\$500 p.a.	\$2,500 p.a.	2.50% p.a.
Responsive Maintenance	\$800 p.a.		2.50% p.a.
Council Rates	\$900 p.a.		2.50% p.a.
Utilities	\$500 p.a.		2.50% p.a.
Insurance	\$800 p.a.		2.50% p.a.
Management Fee	\$1,500 p.a.		2.50% p.a.

21. Affordable housing rent (where relevant): 74.9% of market rent

Scenario Outcomes

Scenario 1 – all new dwellings are operated as social housing

- State retains title to 8,000 transferred dwellings.
- \$810 million from CRA injected into the portfolio over 20-years.
- 275 dwellings rebuilt.
- Growth of 413 dwellings.
- Overall, 688 new dwellings
- \$340 million available for backlog maintenance and capital upgrades over 20 years.

Scenario 2 – growth component: 50% social, 50% affordable

- State retains title to 8,000 transferred dwellings.
- \$879 million from CRA injected into the portfolio over 20-years.
- 275 dwellings rebuilt.
- Growth of 206 social dwellings
- Growth of 206 affordable dwellings.
- Overall, 688 new dwellings.
- \$357 million available for backlog maintenance and capital upgrades over 20 years.

Scenario 3 – growth component: 25% social, 25% affordable, 50% private sales

- State retains title to 8,000 transferred dwellings.
- \$797 million from CRA injected into the portfolio over 20-years.
- 275 dwellings rebuilt.
- Growth of 103 social dwellings
- Growth of 103 affordable dwellings.
- 206 private sales - this can help to reduce the concentration of social housing.

- Overall, 481 new dwellings.
- \$452 million available for backlog maintenance and capital upgrades over 20 years

Summary

Under all scenarios tested, transferring the management of social housing to community housing providers would deliver significant benefits both to the Western Australian State Governments and to the community. In the case where the management of 8,000 were transferred (with ownership remaining with the State Government), benefits include:

- A significant injection of funding from the Commonwealth Government through Commonwealth Rental Assistance payments. Presently, Western Australia is missing out on this funding. In practice, this means less funding for growth and backlog maintenance. Modelling shows that potential CRA funding ranges between \$797 million and \$879 million, over 20 years.
- Housing stock renewal of 275 dwelling.
- Housing stock growth ranging between 206 and 413 dwellings
- Additional funding for backlog maintenance ranging between \$340 million and \$452 million, over 20 years.

Overall, it is clear that there is a viable business case for the transferring of a proportion of Western Australia's social housing to Community Housing Providers.

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