

The background of the slide is a photograph of a modern residential development. A row of multi-story townhouses or small apartment buildings with varied facades in shades of red, beige, and dark grey is visible. The buildings are situated behind a body of water, likely a pond or a small lake, which reflects the structures. In the foreground, there are tall grasses and a fallen log, suggesting a natural or landscaped environment. The sky is clear and blue.

Using the Private Sector to Finance Social Housing



Using the Private Sector to Finance Social Housing : The Example of City Edge

An Inner Urban Social Housing Redevelopment Project

National Housing Conference November 2003

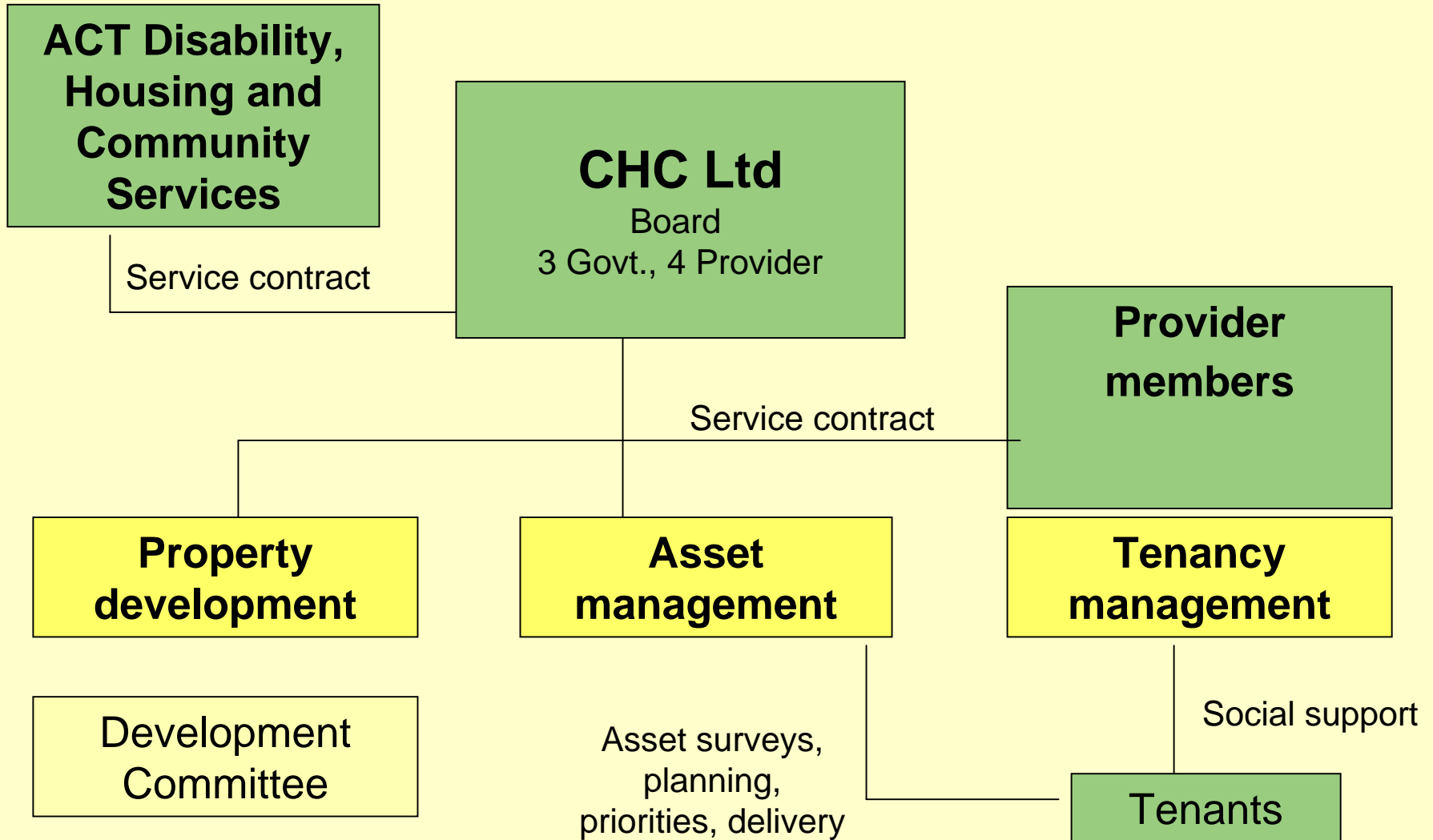
Ken Horsham

Chairman - Community Housing Canberra Ltd

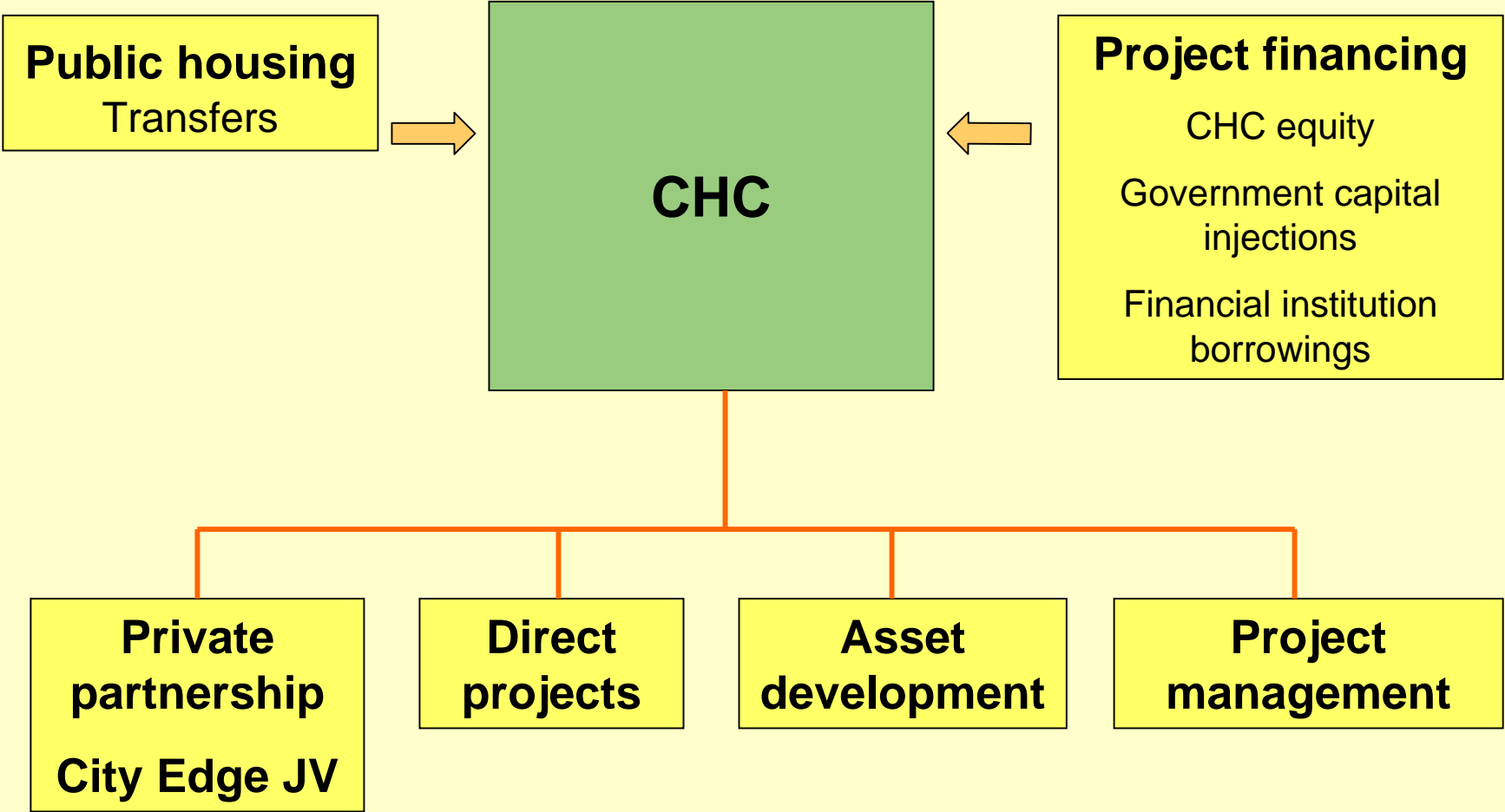
CHC

- CHC established 1998
- Board of Directors
 - Actively involved with extensive land development, housing market & social housing skills
- Limited equity and assets
 - High standards of corporate governance
 - A risk averse culture
 - A commercial ethos – building the balance sheet
- City Edge - a national demonstration project
 - Integrated redevelopment of public housing complex

CHC Governance



Housing Delivery Methods



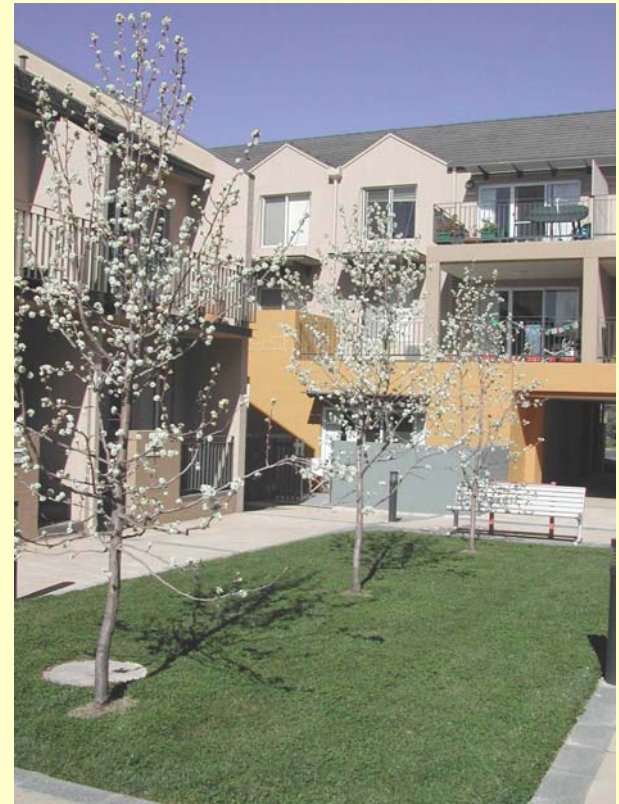
McPherson Court to City Edge



- 1960's public housing bedsitter complex
- End of economic life
- 45% rejection rate
- 63% tenant turnover
- Social breakdown
- Aggregation of social disadvantage

City Edge

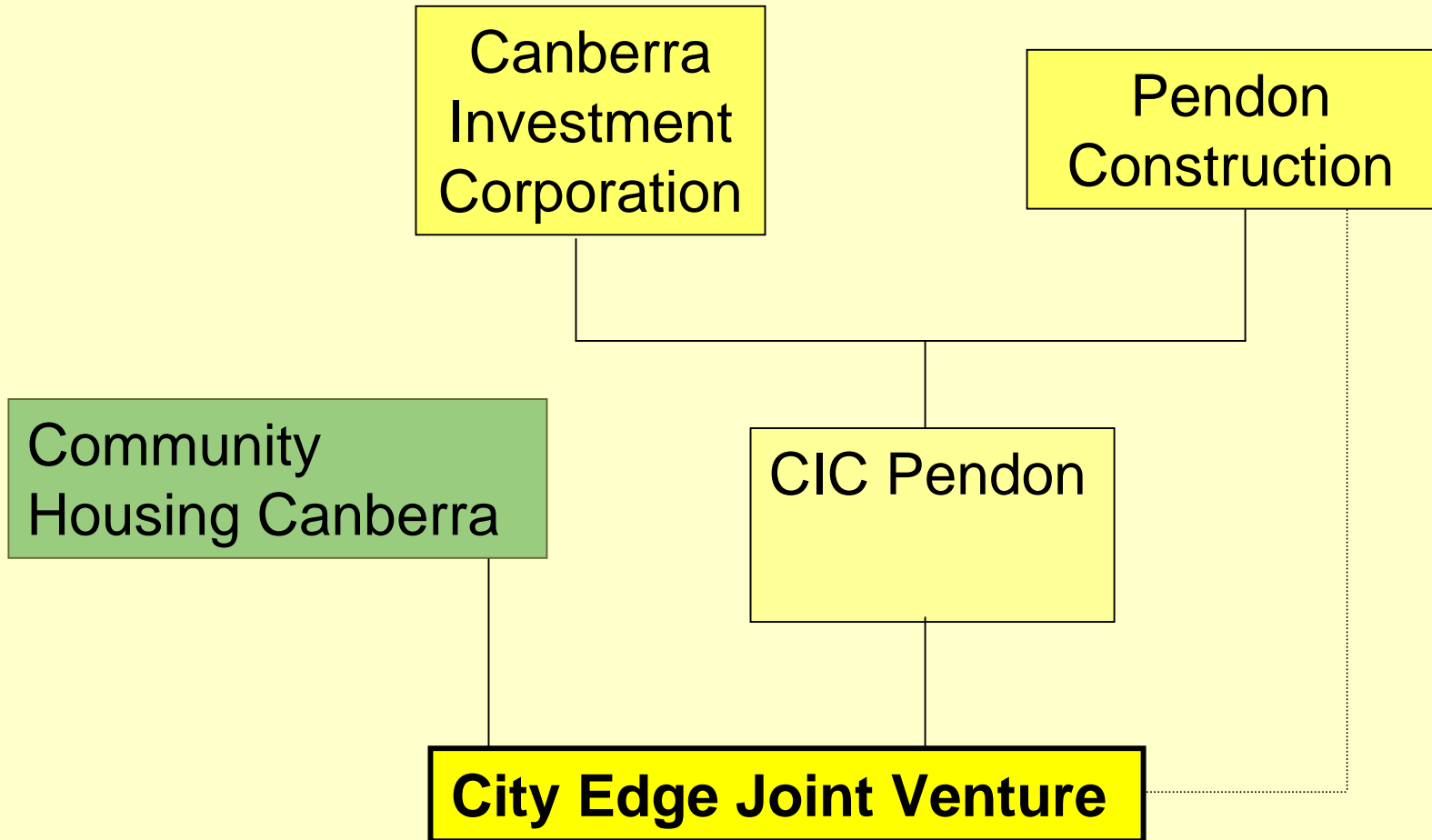
- Feasibility study
- Expression of interest
 - Clarity of outcomes
 - Short listing for design competition
 - Two potential partners
- Design development
- Value management review
- Joint Venture Agreement
- Project management



Housing Outcome

- An integrated public / private / community development venture
- 15 community housing dwellings
(2 accessible)
- 15 public housing units
(2 accessible)
- 93 town houses, terraces and apartments
(Owner occupied and private rental market)
- Office accommodation

The Joint Venture Model



The Success Factors

- Relationship between partners – an alliance
 - Commitment to project outcomes
- Taxation status & transaction charges
- The decision process
 - Skills
 - Timeliness
 - Project management and dispute resolution

Risk Management

- Planning outcomes to add value
 - Diversified housing product
 - Quality of design
- Land acquisition, payment and sale
- Financing
- Staging – construction and release
- Pre-commitment to sales
- Project management

GST Issues

- Preserving charitable status
- GST detailed technical advice essential
 - Detailed Tax Audit post project completion
- Total project generated \$1.2m GST credits
 - CHC claims \$0.31m GST credits
- ATO rental cap of 75% market rent
 - CHC tenants pay 25% of income, plus Commonwealth Rent Assistance up to max 75% cap set by ATO

Financial Outcomes

- **Social housing value** (March 2002) **\$6.30m**
- Community Housing \$3.3m
- Public Housing \$3.0m
- **Less value of McPherson Court** **(\$2.56m)**
- **Increase in social housing** **\$3.74m**

- **Current asset value** **\$8m+**
 - CHC community housing \$4m+

Urban Outcomes

- High quality sustainable design demonstration
 - Improved public realm
 - Shopping centre – improved car parking
- Social integration
- WSUD - Wetlands demonstration project



CHC Outcomes

- Expanding affordable housing supply
 - Establishing the balance sheet
 - Leverage for the next project
- Developing skills
- Increasing independence
 - Reducing reliance on government
- Demonstrating innovation



Leveraging off City Edge

- 28 apartment project



- **Development committee established**
 - Private sector participants oversight feasibility studies, project planning, marketing and delivery
- **High degree of project control**
 - Project feasibility, concepts, development application
 - Purchased site, cost plan for tenders and contract
 - Guaranteed maximum price and savings shared

- Risk management
 - Sales pre-commitment threshold
 - Sale & retention to service debt
 - Both modelled but not needed
- Project finance
 - Cash managing – land and professional fees
 - Borrowings (\$2.5m) secured by City Edge assets
 - Equity investment (\$0.4m)
 - Development margin 18% - 20%

- Future growth
 - Reapplying the proceeds of each project
 - Progressively reducing reliance on government
 - Seeking ownership - degree of Government control
 - Targeting & modelling the limits of growth
 - Land acquisition commencing for next project

