



**DISCUSSION
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Private sector involvement in social and affordable housing

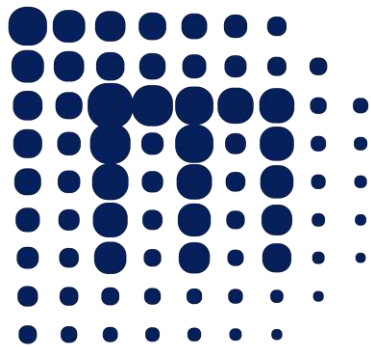
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Melbourne Supporters

Private sector involvement in social and affordable housing

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Private sector involved in delivering a range of housing products supported by combination of government subsidy & policy

Table 8: Government policies and subsidies to leverage private investment in social and affordable housing

Government policies and subsidies	Private for-profit sector role	Specialist and crisis housing	Social housing	Affordable rental housing	Below market rate housing	Affordable purchase
Impact Bonds	Investor					
SDA subsidy	Investor Developer					
Tax subsidy	Investor Developer					
Bonds and loans	Investor					
Rental assistance	Financier Landlord					
Home purchase grants / shared equity	Financier Developer					
Planning policies	Developer					
Government land	Developer					

Source: Authors.

What we heard about Build to Rent in Australia

- There was growing interest in the potential for build to rent developments, but seen as nascent field with small number of projects overall in Australia to date
- ‘Unlimited’ appetite for affordable rental housing, based on strong demand and relatively lower risk profile to private rental, and ESG outcomes
- Participants generally agreed that build to rent projects cannot provide affordable housing without additional subsidy – no ‘silver bullet’
- Some land tax concessions are coming into play in some jurisdictions, but not sufficient to subsidise affordable housing
- Examples of innovative investment models mainly focused on key worker affordable rental housing, rents set ‘below market rate’
- Build to rent to buy model targeted at moderate income households has also been successful, albeit on limited number of projects
- Private not for profit community housing sector has been delivering build to rent housing for 30 years, supported by tax concessions, rental subsidies and low cost debt

US BTR Multi Family Housing sector

- Low-risk stable returns have led to established asset class, over past ten years:
 - Investment doubled to over \$487 billion in 2021
 - Increased to 42% of total property investment
 - Supported by government backed loans
- Avg. 300,000 new homes per year, 500,000 new homes per year in past two years, 35% of all new housing
- Approximately a quarter targeted to low and moderate income households supported by Low Income Housing Tax Credits
 - Average 70,000 new homes per year
 - Over 3.5 million homes since 1987
 - 15 to 55 year affordability term, typically 30 years
 - Income restricted, rent restricted, housing standards

Number of Completed Market Rate Units and New Units at LIHTC Properties

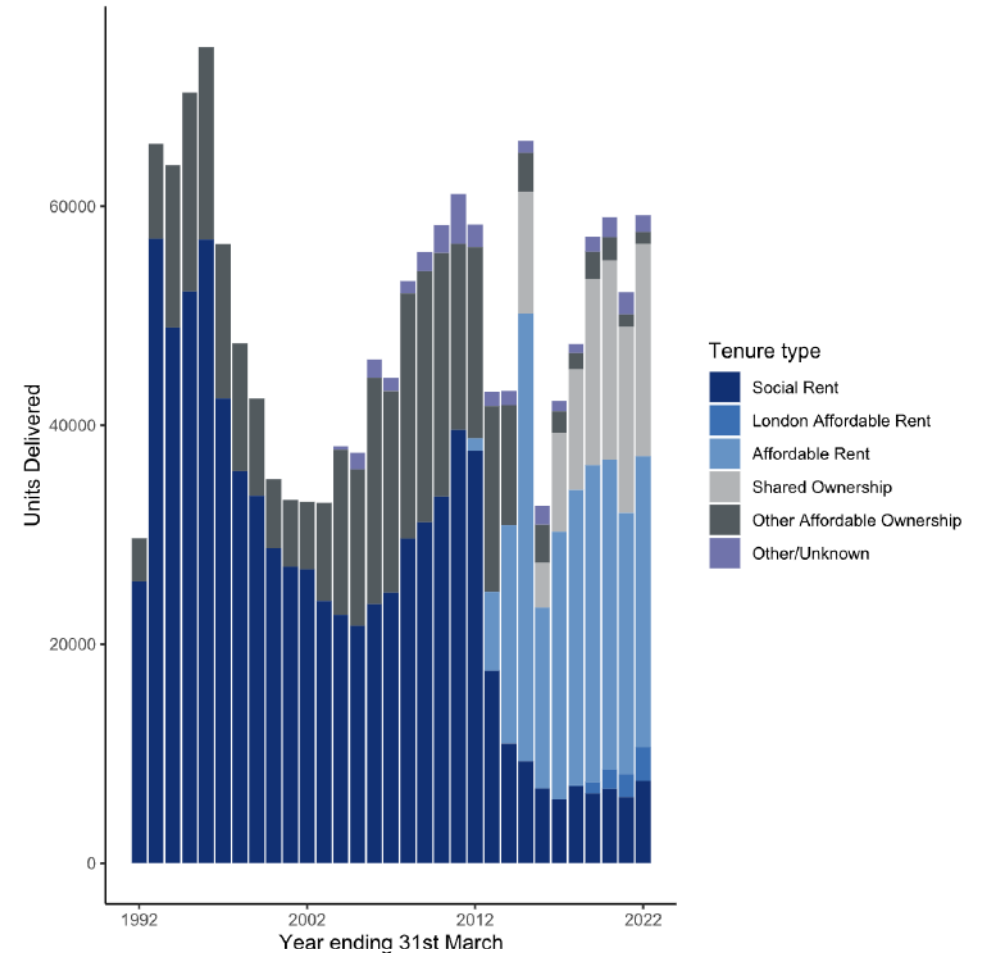


Source: Dodge Data & Analytics Supply Track, HUD LIHTC Database

UK BTR private rental sector

- Target of 300,000 new homes per year, mostly delivered by the private sector
- Tax concessions and debt guarantees for all private BTR developments
- Mandatory inclusionary zoning requiring affordable housing contributions in private residential developments
- City of London accelerated planning assessment for BTR with affordable
- By end of 2021: 70,785 BTR units built, 42,119 in construction and 99,273 in planning
- Around 30,000 affordable rent/London affordable rent units completed in 2022

Chart 1: Affordable housing completions by tenure, England, 1991-92 to 2021-22



Key ingredients for social and affordable BTR

- Cross subsidy through mixed tenure projects
- Scale and certainty of 'gap' subsidy, particularly to support housing for low income households
- Right return relative to risk profile and social benefits
- Tax concessions e.g. GST, withholding tax, land tax
- Access to land either outright or through ground lease
- Planning controls and incentives e.g. inclusionary zoning, density bonus, planning concessions
- Partnering between for-profit sector and CHOs: regulated sector, reduced risk of rental arrears, vacancies and maintenance, GST and land tax exemptions
- Strong policy setting, effective regulation and efficient procurement processes

Planning frameworks for affordable BTR

- Inclusionary planning requirements
- Planning concessions / flexibility & or incentives
- Special BTR provisions
- Process: certainty, timeliness

Inclusionary planning requirements

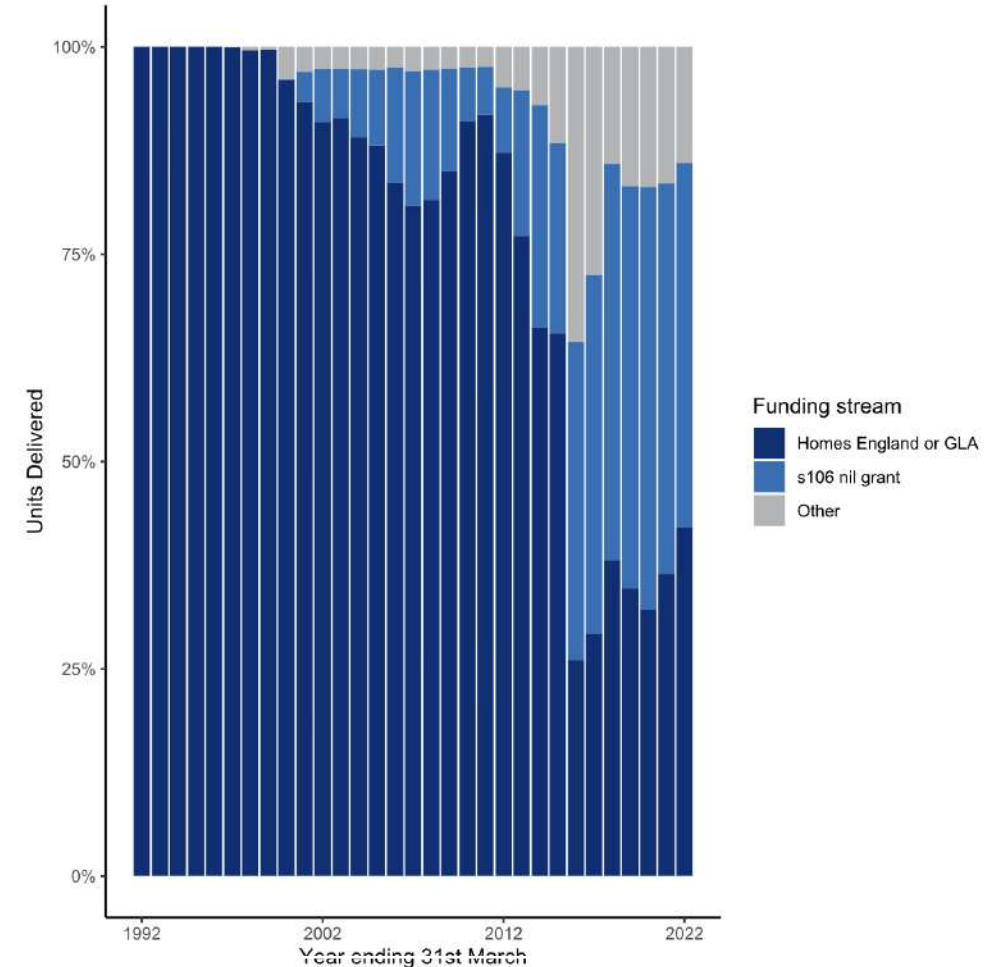
- Requirement that % of development include affordable housing

Lowers land costs & or delivers sites / enables partnerships

- *Examples: South Australia, England*

(44% / 27,000 units overall & 13,000/31,140 affordable/intermediate rental = inclusionary 'nil grant' affordable)

Chart 3: Affordable housing completions by funding, England, 1991-92 to 2021-22



Inclusionary planning requirements

“I think it’s just got to be mandatory and it’s just got to happen”.

- *Development panel participant*

“I personally am very enticed by the idea of mandatory inclusionary zoning.... We have mandatory contributions for libraries and maybe healthcare clinics and indeed car parking. Why can’t we have a mandatory contribution for affordable and social housing?”.

- *Development panel participant*

Planning concessions / flexibility / incentives

NSW Affordable rental housing SEPP

- Density bonus for projects including at least 20% affordable rental housing ~ 3,000 units 2009-2021 (20% discount rent; 10 years [now 15])
- Planning concessions for 'boarding houses' / 'cohousing' ~2,750 boarding house rooms



BTR planning provisions

- Permits BTR 50 units + anywhere permitting RFBs + commercial & mixed use zones
- Can't refuse grounds (height, FSR, parking)
- Flexible design criteria
(Subsequent subdivision = apartment design guide)
- 15 years; 60% of CIV = BTR



State Environmental Planning Policy Amendment (Build-to-rent Housing) 2021

under the

Environmental Planning and Assessment Act 1979

Her Excellency the Governor, with the advice of the Executive Council, has made the following State environmental planning policy under the *Environmental Planning and Assessment Act 1979*.

ROB STOKES, MP
Minister for Planning and Public Spaces

Risks and unintended consequences of BTR

- 'leaking' of public assets and subsidies
- poorly built and/or maintained projects
- focus on moderate income households, not low and very low income
- community opposition
- tenant disruption
- the diversion of resources and opportunities from the community housing sector, and
- reputational, operational and financial risks to government.
- Mitigation of these risks requires carefully designed programs, strong due diligence and effective regulation and oversight by government



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The right solutions include those which are sustainable and scalable



The best solutions for the assured delivery of social and affordable housing into the future are those which are both replicable and scalable

- Housing affordability is a global issue as well as a local issue And not a new one albeit now at crisis levels in Australia!
- Housing supply and housing affordability are intrinsically linked BUT history tells us more supply of itself won't solve affordability, especially in established suburbs (i.e. not in the 'growth areas') with accessibility to employment opportunities and lifestyle amenity
- History also tells us affordable housing in the right locations is a productivity driver for the whole economy
- The right social and affordable housing solutions must:
 - Involve industrial scale solutions
 - Avoid the distraction of small scale and non-replicable 'solutions'
 - Ensure the investment is capable of attracting large scale institutional capable to ensure sustainability
 - Use Government funding as an enabler of investment and not as the primary source of capital funding
- There are lots of levers and we will need to use lots of them to navigate our way clear of the current housing crisis..... And we need to get on with it!



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Impact Housing

June 2023

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Who is Local?

An Australian business which acquires, develops and operates build-to-rent properties on behalf of institutional investors.

- Founded by Dan McLennan and Matt Berg (Co-CEO's) alongside Macquarie Asset Management
- Quality projects of scale situated in great neighbourhoods
- Purposeful enterprise focused on creating sustainable communities
- ~ 900 apartments under construction with substantial active pipeline across Australia's Eastern Seaboard



Impact Housing Model

Mixed tenure model whereby between 10-30% of Local's housing is made available at below market rates comprising affordable housing, social housing and Specialist Disability Accommodation.

Affordable Housing

- Housing for people on low-moderate incomes priced at lower of:
 - 30% income; and
 - 75% of market rent
- Focused on key workers serving the communities in which our projects are located
- Managed by Local or a Community Housing Provider (subject to planning requirements)

Special Disability Accommodation

- Housing targeted at younger people in or at risk of entry into residential aged care
- Dwellings for ~14 residents plus onsite 24/7 support
- Market based model regulated by the NDIS and included in projects with appropriate demand
- Managed by registered NDIS housing provider

Social Housing

- Housing for women over 55 in or at risk of homelessness managed by a Community Housing Provider
- Incorporated in projects where Specialist Disability Accommodation has been included

Key features of the Local approach

- Not reliant on CHP charitable tax concessions
- Simple investment model with asset liquidity
- Well located quality product with strong amenity offering
- Superior investment returns to 100% social and affordable housing
- Scalable model viable in a broad range of locations
- Social inclusion benefits of mixed tenure housing





LOCAL: Thank you

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Ground Lease Model

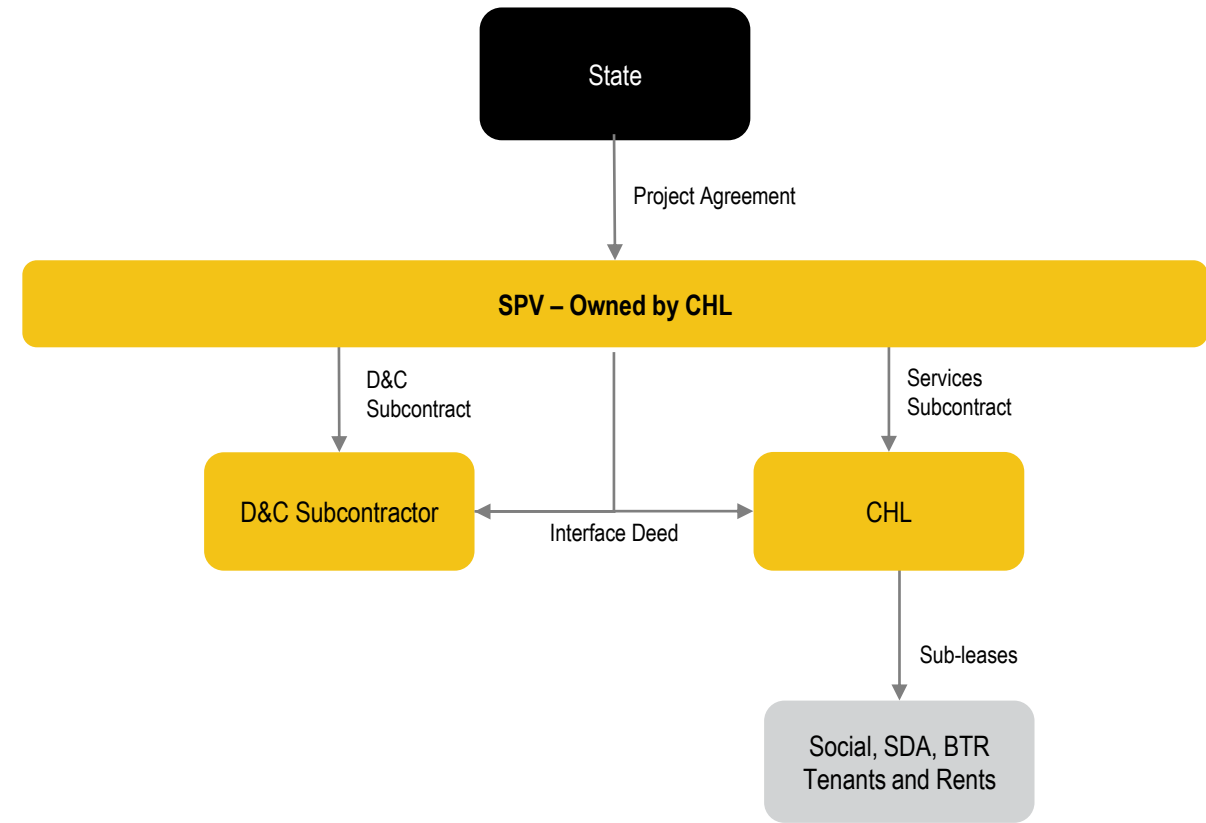
Our Vision : A world without housing poverty

Ground Lease Model



Basic legal structure

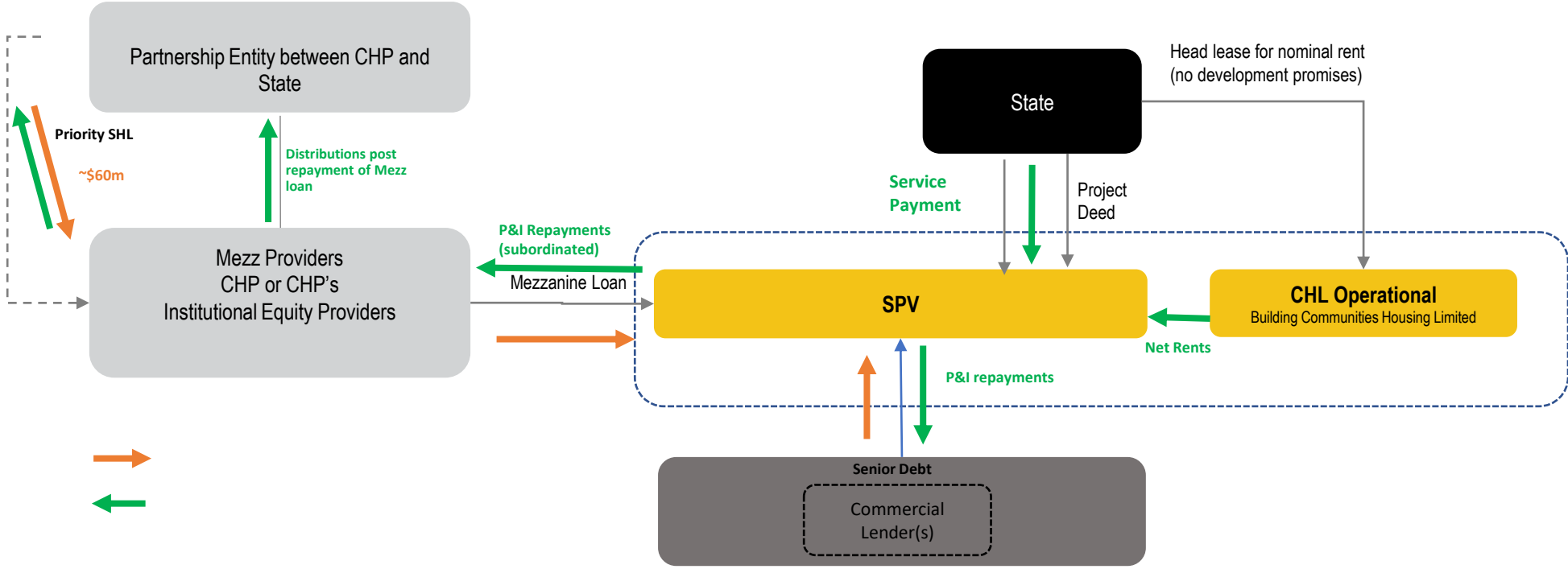
- State signs project agreement with a new Special Purpose Vehicle (SPV) owned by CHL. Project agreements cover development, operational and commercial obligations.
- SPV signs development agreement with selected developer. All project agreement obligations related to development are passed onto the developer.
- SPV signs service agreement with CHL passing on all operational obligations under the project agreement.
- CHL utilises its existing infrastructure to manage all operational and community engagement services.



Ground Lease Model



Commercial and capital structure





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GROUP OF COMPANIES

www.chl.org.au





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