

Applying Local Government Land for Affordable Housing

Kate Breen

Affordable Development Outcomes





**AFFORDABLE
DEVELOPMENT
OUTCOMES**

Applying Local Government Land for Affordable Housing

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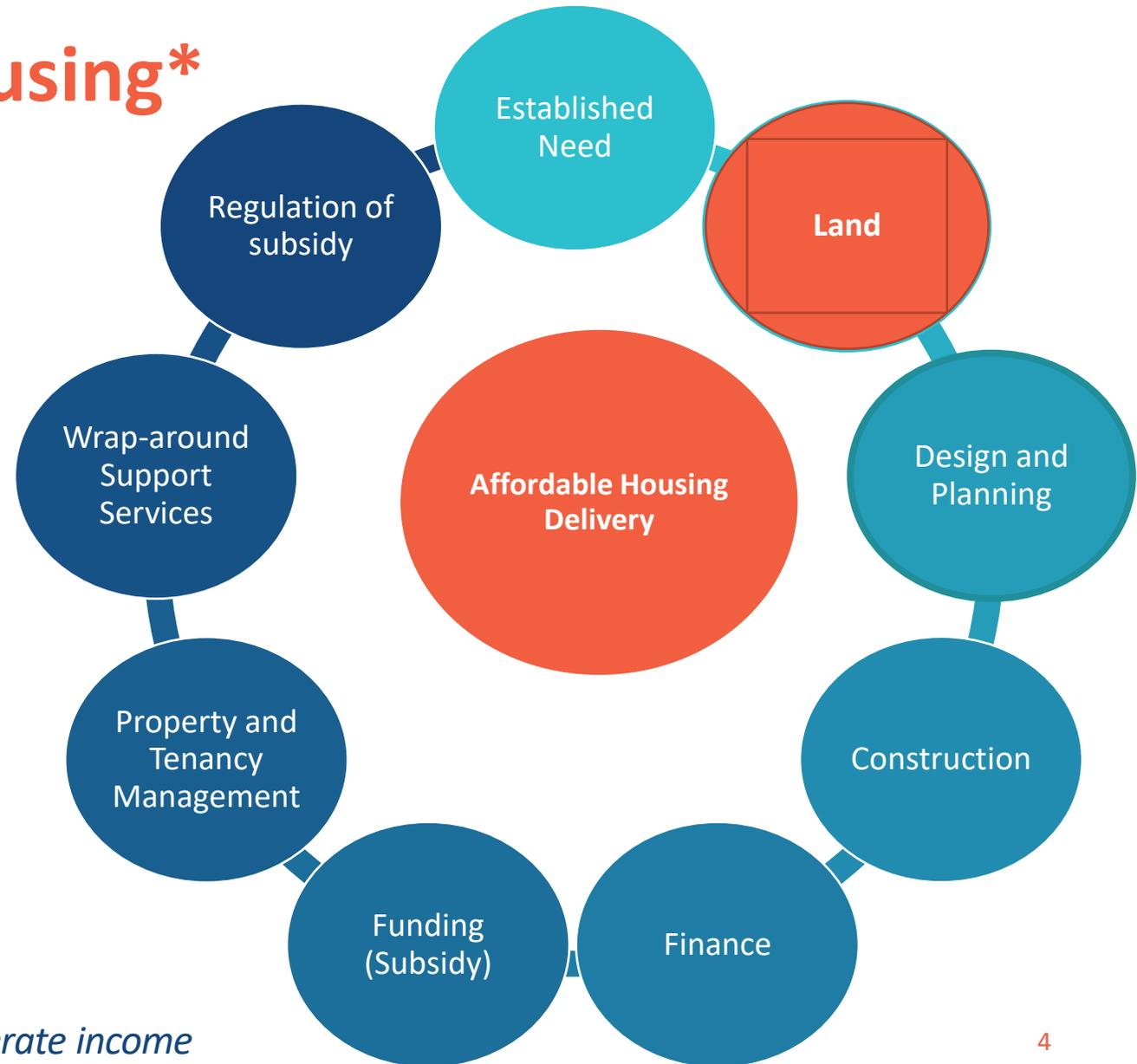
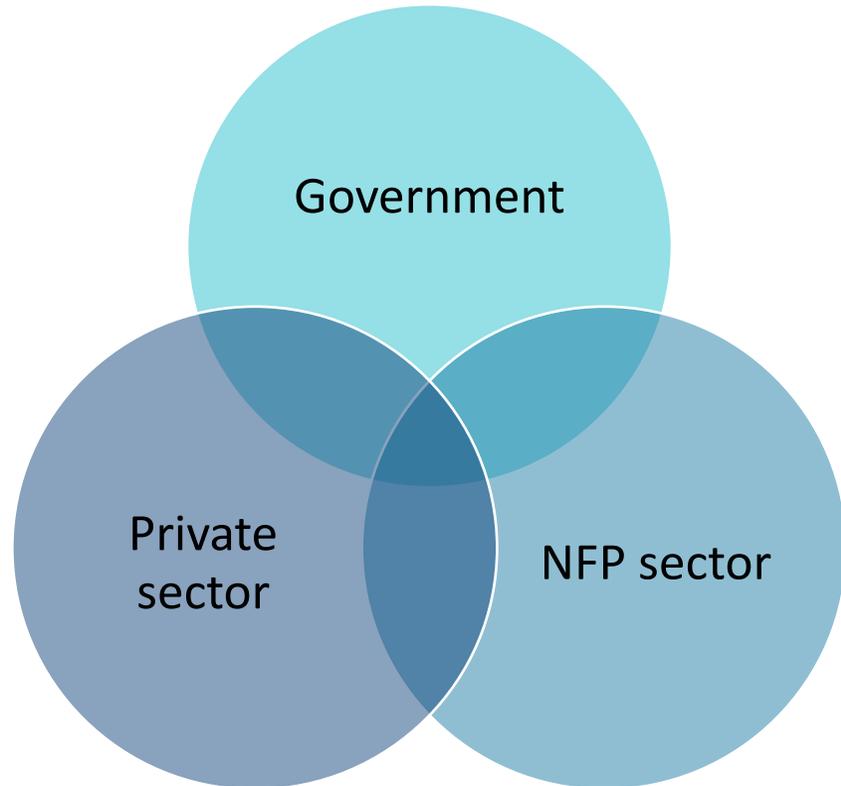
Introduction

- Overview
- Acknowledgements



Marlborough Street carpark redevelopment,
City of Port Phillip land gifted to and developed by Port Phillip Housing Trust, managed by HousingFirst, with State Government funding

Delivering Affordable Housing*



**Housing that is appropriate for very low to moderate income households. Includes Social Housing.*

Context

- **Local Government:**
 - Community drivers, social planners, land-use planner/planning authority, land/asset owner.
 - See need 'on the ground'; limited capacity to directly invest and respond. Not primary role to invest, develop or manage housing.
- **Community Housing Organisations:**
 - Purpose, skills, experience, access to finance and funding, connections to support services required to develop and manage Affordable Housing.
 - Limited sources of well-located, affordably priced land, constrained and competitive funding environment.



Opportunity

Utilise **local government land** to address community needs

Draw on **community housing** purpose, experience & capacity

Attract **government, private sector & social investment**

- **Realise Affordable Housing:**
 - *Localised housing response*
 - *Partnership & co-investment*
 - *Social return on investment*
 - *Resident benefits*

Packenham Women's Housing Project
Cardinia Council land sold to and developed by
Women's Property Initiatives, with philanthropic funds



Shared Objectives

- Address demand with new, quality Affordable Housing supply.
- Support very low - low income / vulnerable households.
- Viability and sustainability – development, operations, community.
- Secure investment in public purpose.
- Appropriate risk.



Bellfield Social Housing Project

Banyule Council land to be leased to and developed by Launch Housing, with State Government funding

Objectives that Require Balancing

- **Local Governments:**
 - Retain title.
 - Realise a financial return if land is to be divested.
 - Ensure social outcomes are retained in the local municipality.
- **Community Housing Organisations:**
 - Attract financing and funding to deliver projects – security for loans, value for government investment, alignment to funding opportunities.
 - Meet regulatory requirements, prudential management of investment, ensure project and organisational sustainability.



KEY QUESTIONS

- How could the land be provided? (delivery model)
- How could the value of the council contribution be secured over time?

Parties need to consider:

- Social objectives and outcomes
 - Financial objectives
 - Legal requirements
 - Feasibility
- Funding sources and terms
 - Ownership / control
- Responsibilities and Risks
 - Regulation
- Community views



Delivery Options

Gift

Discounted Sale

Lease

Joint Venture or
Partnership



Gift of Land

- Transfer of title or title to property above the ground floor (gifting 'Air Rights')
- Optimal model for housing agencies – no cost, provides title, security, long-term control
- Key challenge – land not in Council control – 'privatisation', risk site is sold in future



Drill Hall redevelopment

City of Melbourne land gifted to Housing Choices Australia. Historical building repaired and ground floor leased back to council for community use (peppercorn rent). State and Federal Government funding.

Sale of Land at a Discount

- Sale to CHO or developer at discount with Affordable Housing requirement
- Key challenges:
 - Requires transfer of title and loss of Council ownership and control.
 - Requires determination of discount and an organisation having funds to purchase.
 - More complex tender process.
 - Financial return and number of Affordable Housing outcomes are subject to discount and structure.
 - Less attractive or feasible option for housing agencies.
 - Sale to developer may face greater community resistance.



Bruce Street carpark redevelopment

City of Whitehorse land sold at discount to MAB Corporation for development in partnership with HousingFirst



Lease

- Council retains title and leases land for an agreed period at a discount
- At the end of the term, land and potentially the assets revert to council control or assets must be removed unless a new lease or a sale agreement is reached.
- Challenges:
 - Housing Agency can not use land as security for borrowing
 - Other opportunities where housing agency own land are a more attractive investment
 - What happens at end of the term – responsibility for tenants relocation, risks



Joint Venture or Partnership

- Partnering approach to structuring and delivering the development - sharing risk and reward.
- More complex than other models – consider for large scale development opportunities with other community services
- Opportunities – City Deals or other funding arrangements linked to infrastructure
- Still requires determination of how resulting Affordable Housing will be provided – gifted, leased, etc



Securing Value of Land Contribution

- **Key consideration** - is the council seeking to protect and retain:
 - The **specific parcel of land** in an Affordable Housing purpose ‘in perpetuity’ regardless of dwelling lifecycle?
 - The **value of the council contribution?** i.e., value of gifted land or a discount to land; or
 - The **Affordable Housing outcome**, i.e., number of dwellings in the municipality?



Valuing the Contribution

- Land may have other non-monetary value to Council. May be strong views on retaining land in public ownership
- Land is only one part of the development equation – other inputs are required:
 - Government grants
 - Debt financing
 - Application of charitable taxation benefit
- Housing Agency attraction and management of these inputs is critical to project success – how land is provided impacts on feasibility, debt and subsidy requirements and attraction



Valuing Land

Balancing potential for a financial return with realisation of **public value**:

Intergenerational Value

- *How land use decisions made today benefit current and future generations*

Social Value

- *Equity of access to health, housing, education and recreational space, improved amenity and social inclusion*

Economic Value

- *Access to employment, and benefits for business and industry*

Environmental Value

- *Resource use, sustainably, reduction of contamination, improved ecosystems, biodiversity, climate change*

Victorian Government Land Use Policy and Guidelines (2017) definition of 'public value'



Mechanisms for Securing Contributions

Housing Agency
Ownership

Special Purpose Vehicle,
e.g. Trust

Legal Agreement

Mortgage Instrument



Resource Coming Soon!



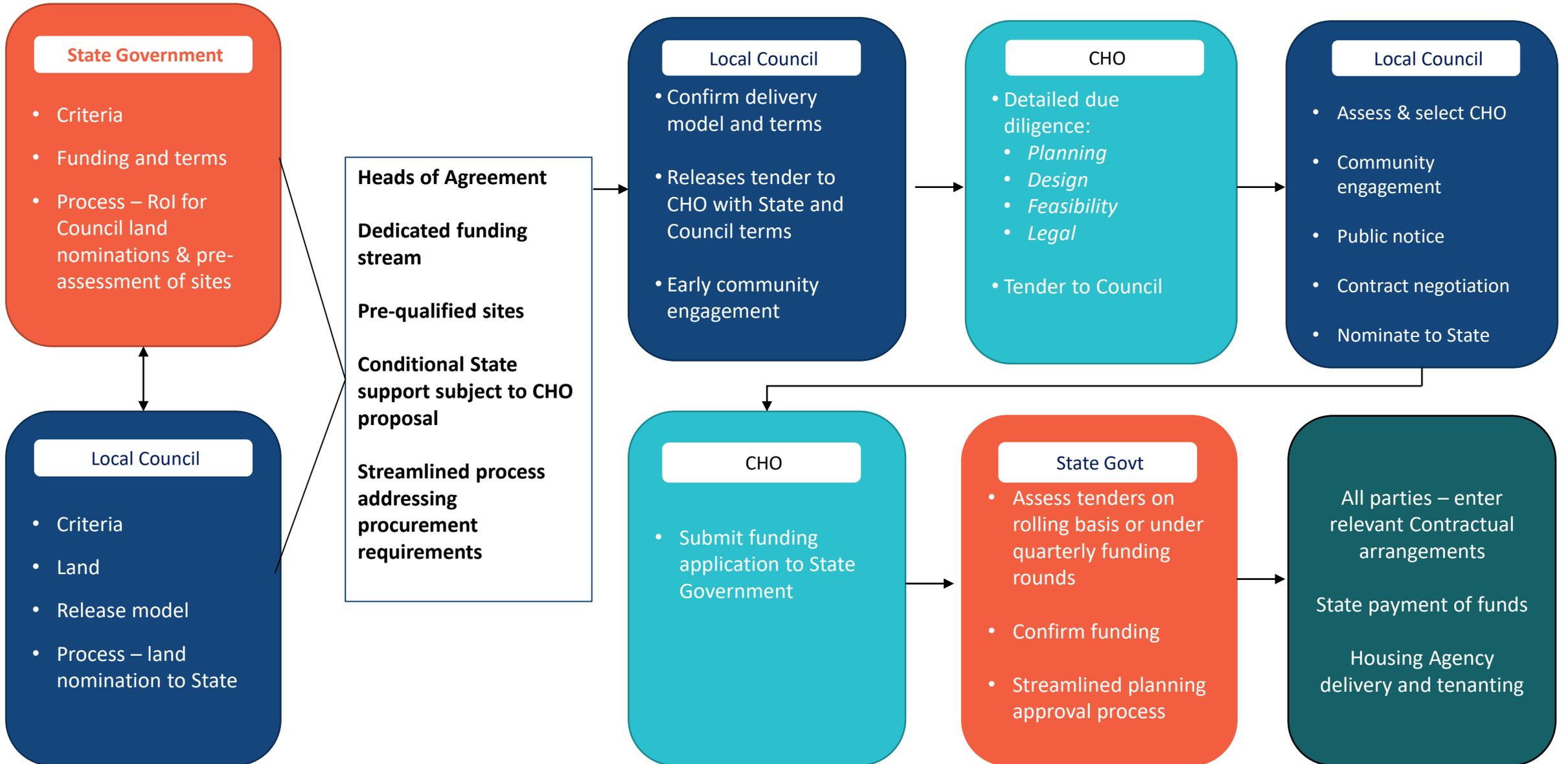
- Resource Guide co-sponsored by CHIA-VIC and Municipal Association of Victoria with funding from Homes Victoria
- Developed by Affordable Development Outcomes and Moores Legal with cross-sector steering group input
- Aim to assist Local Governments and Housing Agencies to assess options, standardise approaches, reduce costs and progress delivery

Register for release information at:

<https://chiavic.com.au/>



Putting the Pieces Together



Summary

- Fantastic opportunities to bring together:
 - Local government objectives and land availability
 - Purpose and capacity of community housing agencies
 - Government and other forms of investment
- Range of critical considerations and processes. Requires process, resourcing and strong government leadership and partnerships with CHOs
- How the land is provided and subsequently the value of the contribution secured will be critical to project success.





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