



**DISCUSSION
SERIES**



Private sector involvement in social and affordable housing

Sydney Partner





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Private sector involvement in social and affordable housing

Speakers:

- Richard Benedict, University of Sydney
- Carrie Hamilton, Industry Specialist



Authored by

Richard Benedict, The University of Sydney
Nicole Gurrán, The University of Sydney
Catherine Gilbert, The University of Sydney
Carrie Hamilton, Industry specialist
Steven Rowley, Curtin University
Sha Liu, The University of Sydney

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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.

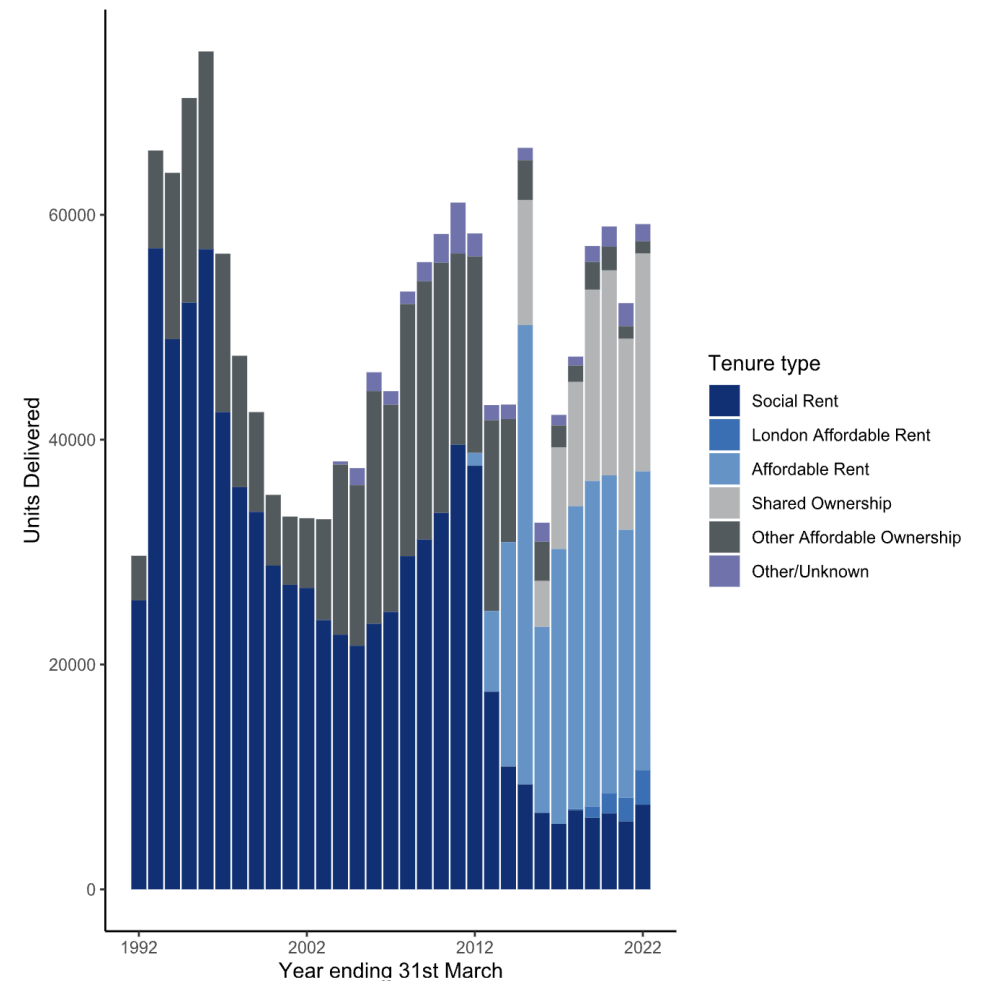
What we heard about cross sector partnerships for successful social and affordable housing

- Strong appetite for social and affordable partnerships, reflecting increasing focus by board and shareholders on social and environmental outcomes
- ‘Unlimited’ appetite for affordable rental housing, based on strong demand and relatively lower risk profile to private rental
- Participants emphasised that the private sector cannot provide social housing to low income households without additional subsidy – no ‘silver bullet’
- Access to government land, either outright or through a long term lease, and/or planning concessions are beneficial to reduce project costs
- Developers see public housing estate renewal as an attractive model of mixed tenure projects, but procurement and planning processes are long and complex
- Examples of innovative investment models mainly focused on key worker affordable rental housing, rents set ‘below market rate’
- Community housing sector seen as an essential partner, but will need to scale up to deliver increased supply, which requires reliable gap subsidy from government

UK Build to Rent affordable housing

- 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

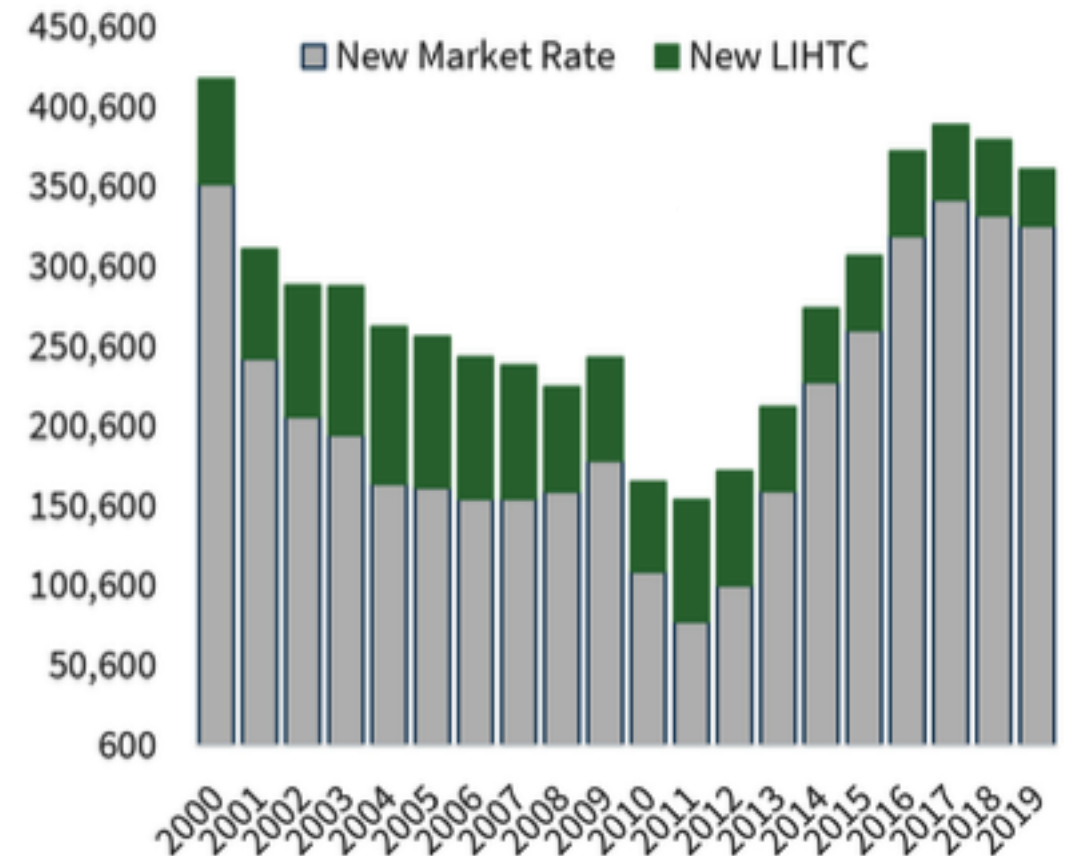
Chart 1: Affordable housing completions by tenure, England, 1991-92 to 2021-22



US Multi Family Housing sector and LIHTC

- 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

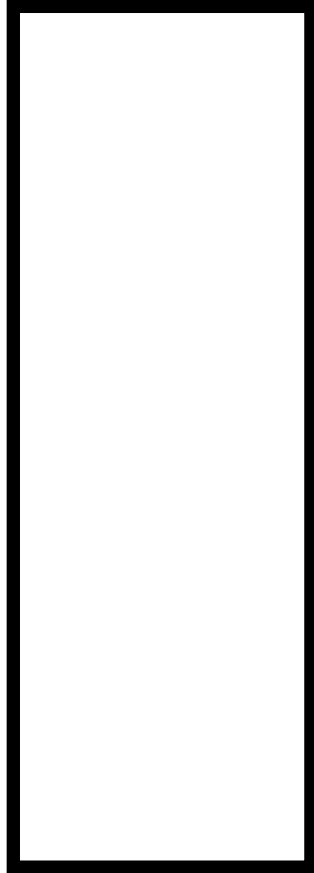
Key ingredients to cross sector partnerships for social and affordable housing

- 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

Linking Research to Real Homes

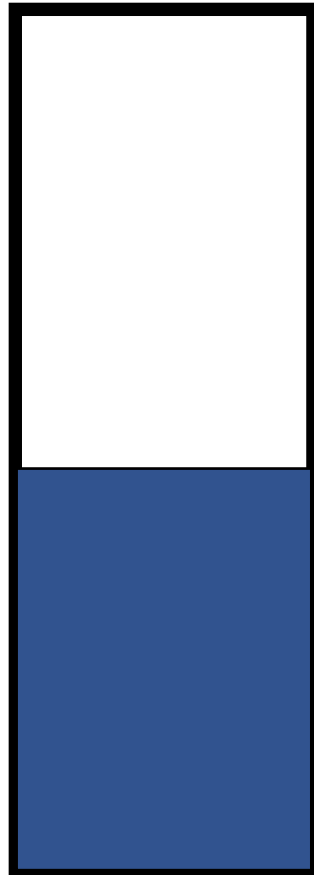
1. Affordable rental housing development only occurs when it is **financially feasible**.
2. Private investment capital can only be unlocked if a sizeable development **pipeline** of affordable rental housing is built.
3. An on-going government **gap subsidy program**, sitting alongside other funding layers, is necessary to achieve financial feasibility for a pipeline of affordable rental housing.
4. A fair risk/return balance is necessary to **normalise** affordable housing investment.
“Impact” is not enough.
5. **Ring-fencing** project finance and operational cash flows without CHO regulatory duplication is important to further de-risk investment.
6. **Hybridity**: a stable subsidy program does not mean one-size-fits-all: every funding stack will be different reflecting project partnerships and cohorts....

Linking Research to Real Homes: the Stack



Project Cost

Linking Research to Real Homes: the Stack

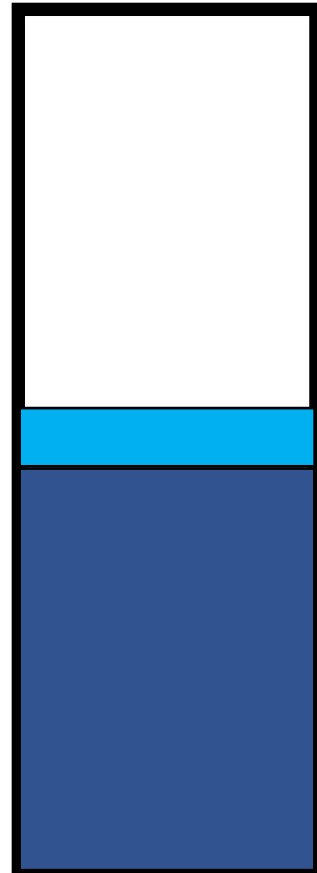


Project Cost

NHFIC Senior Debt

Supported by net rents + CRA
Lower rate, longer term, but onerous security.
Super funds currently invest in pooled funds of this debt.

Linking Research to Real Homes: the Stack



Project Cost

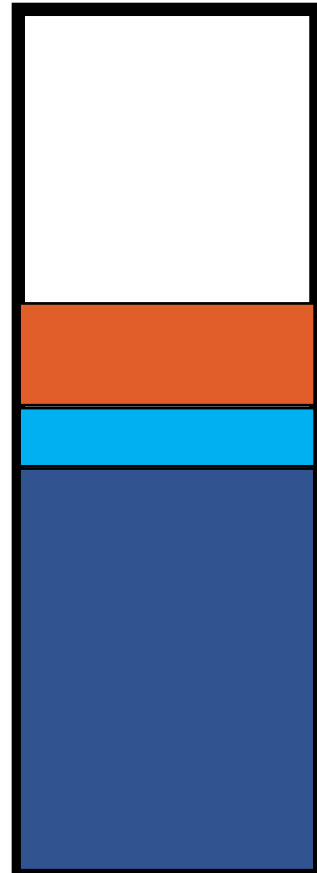
Cross-subsidy

From market rate component:
Either NHFIC debt “leveraged” by market rentals or equity
if dwellings are *sold* to off-set affordable dwellings

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Project Cost

Land Concession

Cross-subsidy

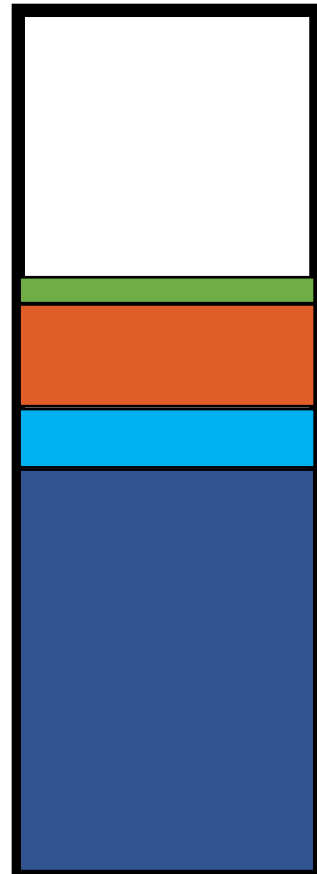
NHFIC Senior Debt

May be available for affordable component

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Project Cost

CHO GST exemption

Land Concession

Cross-subsidy

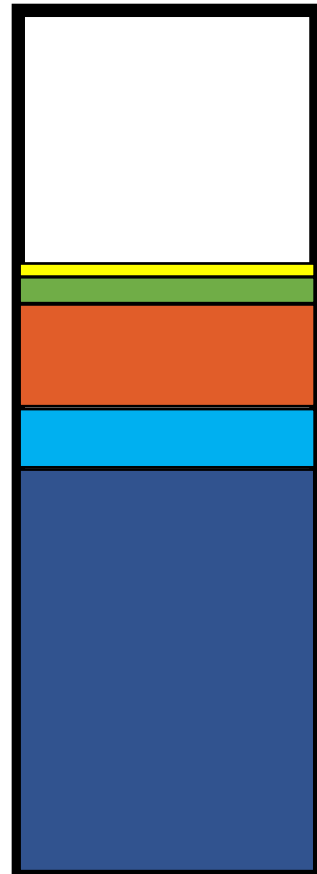
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Project Cost

Local Contribution? Philanthropic?
CHO GST exemption

Land Concession

Cross-subsidy

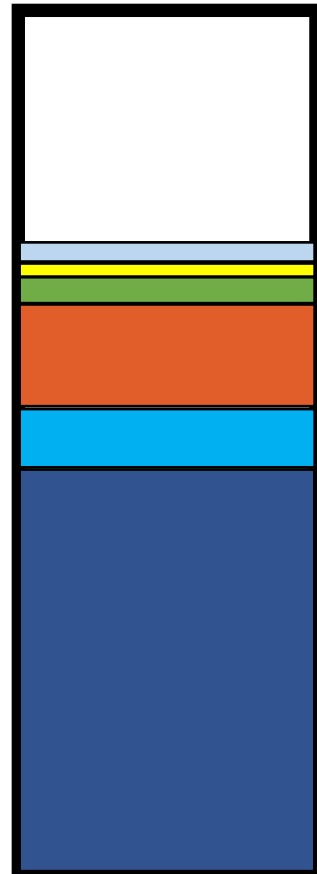
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Project Cost

CHO equity contribution

A non-profit's 'developer margin'

Local Contribution? Philanthropic?

CHO GST exemption

Land Concession

May be available for affordable component

Cross-subsidy

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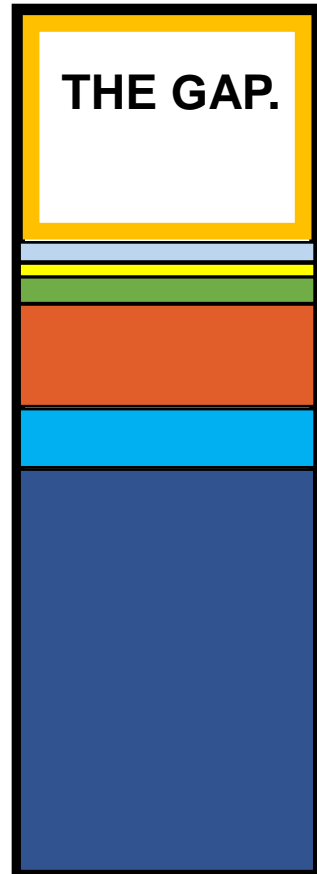
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Linking Research to Real Homes: the Stack



Project Cost

HAFF? State program?

Either up-front or recurrent. If recurrent, THIS is where super funds invest subordinate debt.

CHO equity contribution

A non-profit's 'developer margin'

Local Contribution? Philanthropic?

CHO GST exemption

Land Concession

May be available for affordable component

Cross-subsidy

From market rate component:
Either NHFIC debt "leveraged" by market rentals or equity if dwellings are *sold* to off-set affordable dwellings

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Risks and unintended consequences

- ‘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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Case Study 1 – SGCH Keys Westmead, NSW



- SGCH Partnership
- November 2021, financed the acquisition of 85 apartments in Westmead, Sydney NSW
 - 4 studios – Rent @\$263 p/w
 - 41 x 1 bed – Rent @\$323 p/w
 - 40 x 2 bed – Rent @\$405 p/w
- Westmead Health Precinct: 4 hospitals, 2 medical university campuses, 2 research institutes and NSW's largest pathology service
- The assets are part of the 5 building, 555 apartment Highline Westmead development, representing approximately 15% of the total development



Case Study 2 – SGCH Keys Parramatta, NSW



- SGCH Partnership
- November 2022 financed the acquisition of 76 apartments in Parramatta, Sydney NSW
 - 46 2Br apartments, 24 1Br apartments and 6 studios, all available for immediate occupancy
- Located in Paramatta - regarded as the main business district of Greater Western Sydney
- NSW Police Headquarters and access to Health Precint
- Discount to market rent to key workers in the health, emergency services, education and related sectors. Provides discounts to tenants of approx. **\$5,000 to \$9,000 p.a.** per apartment





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CREATING A HEALTHY HOUSING MODEL





SUSTAINABLE LIVING

PEMULWUY – REDFERN

26 2-3 BEDROOM APARTMENTS

36 2,3,4 BEDROOM TOWNHOUSES

HEALTH AND FITNESS CENTRE

ARTS AND CULTURAL CENTRE

COMMERCIAL AND RETAIL

60 PLACE CHILDCARE CENTER





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15KM TO SYDNEY CBD

2113 MIDTOWN MACPARK

EPPING RD



HERRING RD

SHORT WALK TO
MACQUARIE CENTRE -
500M

METRO STATIONS &
MAC QUARIE CENTRE

Map is an artist impression and indicative for illustrative purposes.



- Joint venture with NSW Land and Housing Corporation (LAHC)
- 3,300 dwellings including 950 Social & 130 Affordable
- Public Primary School for 750 students
- Community Centre, Retail, Pool & Gym
- 3,385m2 Village Green
- Project life cycle of 10 – 15 years

Site Status



- 765 Apartments under Construction
- First Settlements to occur in Q4 2023



- Bridge, Roads & services complete Q3 2023
- 259 Social Dwellings complete Q1 2024
- 130 Affordable Apartments complete Q1 2024





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