

ITEM 14. PROPERTY MATTER – PROPOSED CONDITIONAL SALE OF LAND AT 11 GIBBONS STREET REDFERN FOR AFFORDABLE AND SOCIAL HOUSING

FILE NO: S094159

SUMMARY

The City has been investigating and implementing opportunities for promoting the development of affordable housing. Initiatives implemented include: planning agreements, development agreements, rezoning, affordable housing levy programs, development on its own surplus land, establishing the Affordable and Diverse Housing Fund and making direct financial contributions.

As a result, the existing stock as at November 2017 and the committed pipeline of diverse housing comprises: affordable housing - 1,411, social housing - 9,864, boarding houses - 3,684 and student accommodation - 12,574.

Current operations at the City's Marian Street Depot, at 11 Gibbons Street, Redfern will be relocated to a new southern depot in Alexandria.

On 25 July 2016, Council approved a conditional sale of the Marian Street Depot to FutureLiving Community Housing Limited for the delivery of long term affordable and social rental housing. The sale was conditional on, among other things, the NSW Government giving final approval and financial support to the proposed Affordable and Social Housing on the site under Phase 1 of the Social and Affordable Housing Fund. The bid was unsuccessful and the sale to FutureLiving Community Housing Limited has therefore lapsed.

The City has recently been approached by St George Community Housing to purchase the lands under similar terms to the City's previous sale offer to provide between 130 and 150 social and affordable housing dwellings on the site. St George Community Housing has advised that they have a current funding commitment to deliver social housing before December 2020.

The City has also received three recent requests from organisations for the City to contribute subsidised land as part of their proposed bids for the NSW Government Social and Affordable Housing Fund - Phase 2 due to be called in February 2018. As the City found out in Phase 1 of the Social and Affordable Housing Fund, there is no guarantee that a particular bidder will be selected for funding.

It is recommended that Council approve a conditional sale of the Marian Street Depot (at 11 Gibbons Street, Redfern) to St George Community Housing for the provision of social and affordable housing at a proposed price of \$12.35 million plus \$95,000 per each dwelling over 130 dwellings, being a subsidy of between \$11.25 million and \$13.15 million when compared to the market value of the land.

RECOMMENDATION

It is resolved that:

- (A) Council approve the sale and transfer of 11 Gibbons Street, Redfern for delivery of long term affordable and social rental housing to St George Community Housing, subject to satisfaction of the following conditions:
- (i) a minimum of 130 affordable and social housing dwellings will be built on the site;
 - (ii) a covenant is placed on the land title to restrict uses to affordable and social housing in perpetuity;
 - (iii) a proposed sale price of \$12.35 million plus \$95,000 per each dwelling over 130 dwellings; and
 - (iv) a contract of sale and associated deed is entered into before 28 February 2018;
- (B) Council note the proposed subsidy for affordable and social housing as part of this sale will be between \$11.25 million and \$13.15 million, depending on yield;
- (C) authority be delegated to the Chief Executive Officer to undertake any further negotiations, and finalise and execute the required contract documents in accordance with the conditions contained within the subject report; and
- (D) Council note that, should St George Community Housing not be able to enter into a contract of sale and associated deed before 28 February 2018, the City will consider requests from other community housing providers to participate in the Social and Affordable Housing Fund - Phase 2 Expressions of Interest.

ATTACHMENTS

Attachment A: Identification Plan

Attachment B: Formal Offer from St George Community Housing and City's Assessment (Confidential)

(As Attachment B is confidential, it will be circulated separately from the Business Paper and to Councillors and relevant senior staff only.)

BACKGROUND

1. Sustainable Sydney 2030 is the plan for the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress. Direction 8 – Housing for a Diverse Population has a target of 7.5% of total dwelling stock to be affordable (rental) housing. This target cannot be delivered by the City alone and requires contributions from the NSW Government, Community Housing Providers and the private sector.
2. The City has been investigating and implementing opportunities for promoting the development of affordable housing. Initiatives implemented include: planning agreements, development agreements, rezoning, affordable housing levy programs, development on its own surplus land, establishing the Affordable and Diverse Housing Fund and making direct financial contributions.
3. As a result, the Council will have directly, or indirectly, contributed to affordable housing projects which include: Bay Street, Glebe, Cowper Street, Glebe, Common Ground, Camperdown, Barangaroo South, former South Sydney Hospital site, Harold Park, the Salvation Army, Surry Hills, Hammond Care, Darlinghurst, St George Community Housing, Chippendale and the Green Square to Ashmore Connector residual lands, both on the City's own surplus land. These projects account for some 1031 dwellings. The other project under investigation is the Marian Street Depot.
4. Marian Street Depot is located at the intersection of Gibbons and Marian Streets, Redfern. The City is constructing a new Southern Depot in Alexandria which will be completed shortly. Current operations at the City's Marian Street Depot will be relocated to the new depot.
5. On 16 May 2011, Council endorsed the in-principle disposal of 11 Gibbons Street, Redfern for the provision of affordable housing once it had determined a date for relocating the City's depot operations from the site. Approximately 130 to 150 dwellings could be built on the site, subject to development approval.
6. On 25 July 2016, Council approved a conditional sale of the Marian Street Depot, 11 Gibbons Street, Redfern to FutureLiving Community Housing Limited for the delivery of long term affordable and social rental housing. The sale was conditional on, among other things, the NSW Government giving final approval and financial support to the proposed Affordable and Social Housing on the site under Phase 1 of the Social and Affordable Housing Fund. The bid was unsuccessful and the sale to FutureLiving Community Housing Limited has therefore lapsed.

New Proposal to Purchase to Property for Social and Affordable Housing.

7. The City has recently been approached by St George Community Housing to purchase the lands under similar terms to the City's previous conditional sale offer to provide between 130 and 150 social and affordable housing dwellings on the site.
8. The offer from St George Community Housing includes the following:
 - (a) build and operate a minimum of 130 affordable and social housing dwellings on the site;
 - (b) of these, approximately 40 to 60 dwellings will be for social housing, generally targeting people who are at risk of homelessness;

- (c) a covenant to be placed on the land title prior to settlement to restrict uses to affordable and social housing. This covenant will be in perpetuity.
 - (d) a proposed sale price of \$12.35 million plus \$95,000 per each dwelling over 130 dwellings; and
 - (e) an exclusive due diligence period up until mid-February 2018 for St George Community Housing to undertake further geotechnical and planning investigations, achieve financial closure for the project and for negotiation of full terms and contract execution.
9. St George Community Housing has advised that they have a current funding commitment to deliver social housing before December 2020, and hence would need to progress the delivery of the project as soon as possible.

Three New Proposals to Participate in Social and Affordable Housing Fund – Phase 2

10. The NSW Government launched the Social and Affordable Housing Fund Phase 1 with an Industry Briefing in December 2015. The Fund seeks proposals from entities and groups of entities interested in contributing to the delivery of access to additional social and affordable homes in metropolitan and regional NSW, together with integrated support services.
11. Social and Affordable Housing Fund projects will be supported by the investment proceeds of a dedicated fund (Social and Affordable Housing Fund NSW) established by Treasury NSW. The Government has contributed \$1.1 billion in seed capital to Social and Affordable Housing Fund NSW.
12. Social and Affordable Housing Fund NSW will establish service agreements of up to 25 years that comprise access to accommodation, along with tenancy and asset management, coordinating access to social support programs and services and data collection.
13. The Fund is being implemented by a dedicated project team established within the Department of Family and Community Services (FACS) with staff from FACS and Treasury NSW.
14. Over the past month, the City has received three requests from organisations for the City to participate in their proposed bid for the NSW Government Social and Affordable Housing Fund - Phase 2 due to be called in February or March 2018. These organisations include two community housing providers and one for-profit developer. The City is being asked to contribute subsidised land at 11 Gibbons Street, Redfern as part of their bid.
15. Social and Affordable Housing Fund - Phase 2 has a two stage process:
- (a) Expression of Interest (EOI); and
 - (b) A Request for Proposal.

16. The invitation for Expressions of Interest will seek submissions from consortia, including registered community housing providers, financiers, developers and other non-government organisations, to contribute access to additional social and affordable housing and provide future tenants with the support services required to meet their needs.
17. The success of a particular bid for NSW Government funding would be dependent on the benefits and financial feasibility of the portfolio of projects and sites nominated by that consortia, not just the merits of the City's site at 11 Gibbons Street, Redfern. There is no guarantee that a particular bidder will be selected for funding.

Recommendation

18. The affordable housing supply market is not mature. When the City went to the community housing provider sector (comprising some 30 eligible entities) to sell the 76 unit affordable housing site at Harold Park, only two offers were received, with a large disparity between them.
19. In the past six months the City invited all Tier 1 and Tier 2 community housing providers to participate in the sale of a 100 unit social and affordable housing site at Green Square. After seven initial registrations of interest, only two formal offers were received, again with a large disparity between the offers.
20. The operational costs of running a social housing service for people at risk of homelessness are significant and can generally only be funded with external financial assistance.
21. Any sale of the land for affordable housing would realise substantially less than market value for the land.
22. Given the above, it is recommended that Council approve a conditional sale of the Marian Street Depot (at 11 Gibbons Street, Redfern) to St George Community Housing for the provision of social and affordable housing at a proposed price of \$12.35 million plus \$95,000 per each dwelling over 130 dwellings, being a subsidy of between \$11.25 million and \$13.15 million when compared to the market value of the land.
23. Should St George Community Housing not be able to enter into a contract of sale and associated deed before 28 February 2018, the City will consider requests from other community housing providers to participate in the Social and Affordable Housing Fund - Phase 2 Expressions of Interest.

KEY IMPLICATIONS

Strategic Alignment - Sustainable Sydney 2030 Vision

24. Sustainable Sydney 2030 is a vision for the sustainable development of the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress. This report is aligned with the following strategic directions and objectives:
 - (a) Direction 8 - Housing for a Diverse Population – the proposed sale and transfer of the City's property for development and management of social and affordable housing in perpetuity will contribute to increasing the stock of rental housing.

BUDGET IMPLICATIONS

25. The sale of this property is already provided for within the City's long term financial plan, and all sale proceeds will be required within general revenue to contribute to the funding of the City's \$1.7B Capital Works Program.
26. The City's financial records will recognise the discount on disposal from full market value, to reflect the City's contribution to social and affordable housing.

RELEVANT LEGISLATION

27. Local Government Act 1993 (NSW).
28. Attachment B contains confidential commercial information which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom the City is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
29. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

CRITICAL DATES / TIME FRAMES

30. St George Community Housing approached the City to purchase the property at 11 Gibbons Street to provide between 130 and 150 social and affordable housing dwellings in November 2017. A formal proposal was submitted to the City on 4 December 2017.
31. St George Community Housing has advised they have a current funding commitment to deliver social housing before December 2020, and hence need to progress the delivery of the project as soon as possible.
32. The NSW Government intends to call for Expressions of Interest (EOI) for the Social and Affordable Housing Fund - Phase 2 in February 2018. By requiring St George Community Housing to enter into a contract of sale and associated deed before 28 February 2018, the City will still have the opportunity to negotiate with other Community Housing Providers and participate in the Social and Affordable Housing Fund - Phase 2 Expressions of Interest should this condition not be met.

KIM WOODBURY

Chief Operating Officer

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