

Property Industry Foundation - Affordable Housing Proposal

File No: X020932

Summary

This report outlines a proposal to grant the Property Industry Foundation Pty Limited (PIF) a long term ground lease of a surplus City owned property at 545-549 South Dowling Street, Surry Hills. Under this lease, the Property Industry Foundation Pty Limited will develop a new flagship facility targeting homelessness and increasing the supply of affordable housing within the City's local government area. As a result of this proposal, it is proposed that the City no longer proceed with the sale of 545-549 South Dowling Street, Surry Hills and proceed with the sale of 90 Regent Street, Redfern.

The PIF House Program leverages the skills and influence of property and construction industry leaders to build new facilities through in kind contributions and increase affordable housing stock. A key part of the PIF House Program is the partnership with frontline homeless charities which provide safe, appropriate and affordable accommodation and support services.

The proposed lease to the Property Industry Foundation Pty Limited at 545-549 South Dowling Street, Surry Hills, will be a long term performance based ground lease for 50 years. Subject to PIF obtaining the required development consents, PIF will develop a new facility which would be sub-leased to their selected homeless charity partner.

The City has previously partnered with PIF and the Salvation Army to target youth homelessness. In 2011, the Council endorsed a five-year lease to PIF and a sub-lease to the Salvation Army over the City owned surplus property at 90 Regent Street, Redfern, to deliver transitional accommodation and services through the Salvation Army's Oasis youth program.

In 2017, the Council endorsed the sale of 90 Regent Street, Redfern, noting that as part of the sale all parties would work collectively to identify opportunities for continuation of the Salvation Army service established at 90 Regent Street, Redfern.

PIF and the City have reviewed several opportunities against required locational attributes and agreed a preference for options with long term tenure and potential for increased capacity from the six rooms previously established at 90 Regent Street, Redfern.

PIF and Salvation Army vacated the property on 6 December 2019, relocating the services without interruption to leased residential accommodation.

The property at 545-549 South Dowling Street, Surry Hills, which was identified as a surplus commercial property and which Council has resolved to sell, best matched the objectives. A heads of agreement has now been reached, subject to final approval by the PIF board, in relation to a proposed 50-year lease of the site to PIF for the purposes of facilitating the provision of affordable housing at the site.

The City's collaboration with PIF and its charity partner for 90 Regent Street, Redfern, Salvation Army, has proved to be an effective approach to increasing the supply of available accommodation and a new PIF House on the fringe of the City furthers the efforts by the City and PIF to address youth homelessness.

Recommendation

It is resolved that:

- (A) in respect of 545-549 South Dowling Street, Surry Hills, Council:
 - (i) rescind the resolution of 7 August 2017 endorsing the sale of 545-549 South Dowling Street, Surry Hills; and
 - (ii) approve the granting of a 50-year performance based ground lease to the Property Industry Foundation Pty Limited (PIF) of 545-549 South Dowling Street, Surry Hills, in accordance with the heads of agreement within Confidential Attachment B (subject to the final approval of the Property Industry Foundation Pty Limited board);
- (B) in respect of 90 Regent Street, Redfern, Council:
 - (i) note that the Property Industry Foundation Pty Limited and the Salvation Army have without interruption relocated the service operated at 90 Regent Street, Redfern, to alternate property serving the City's local government area; and
 - (ii) note that as the Property Industry Foundation Pty Limited and the Salvation Army have now relocated the service operated at 90 Regent Street, Redfern, in accordance with the resolution of 7 August 2017, the City will now proceed with the sale of 90 Regent Street, Redfern;
- (C) authority be delegated to the Chief Executive Officer to progress and finalise commercial negotiations, and enter into all necessary documentation to effect the transactions contemplated by (A)(ii) and (B)(ii), including but not limited to granting owner's consent to the lodgement of any development applications required by the Property Industry Foundation Pty Limited to carry out the Property Industry Foundation Pty Limited's proposed development under the transaction contemplated by (A)(ii); and
- (D) Council note it will be updated on the progress of the PIF proposal at 545-549 South Dowling Street, Surry Hills, and the sale of 90 Regent Street, Redfern, through CEO Updates.

Attachments

Attachment A. Identification Plans and Photos

Attachment B. Financial Considerations and Heads of Agreement (Agreement to Lease and Lease (Confidential))

Background

1. The Property Industry Foundation Pty Limited (PIF) is an established charity that, through its flagship program 'PIF House', brings the property and construction industry together to build new housing and, with its service provider partners, manages programs for homeless youth and supports youth homelessness early intervention programs.
2. PIF's five-year strategy is to build 125 bedrooms by the end of 2021. In 2017, PIF built 62 bedrooms, with 32 bedrooms delivered in 2018 and a further 30 in 2019. PIF currently has a further 49 bedrooms in the design and construction phase.
3. PIF's delivery model includes significant in-kind contributions from the property and construction industry, which means the cash component of the build cost is significantly reduced. PIF is the developer, not the operator of these homes.
4. PIF works with a small group of leading homeless charities that deliver the services in the house and report back to PIF twice a year. PIF's partners in the PIF House program include Marist 180, the Salvation Army, Stepping Stone House, Lighthouse Foundation, Melbourne City Mission and Brisbane Youth Services who run youth homelessness services within PIF Houses.
5. The partnership with the frontline charity is key to the success of the PIF House Program as PIF works closely with the charity to track outcomes and to ensure the stock that it creates best suits the needs of the service users.
6. The City has previously collaborated with PIF and one of their charity partners, Salvation Army, to address youth homelessness through transitional accommodation.

'PIF House' Redfern

7. On 16 May 2011, Council resolved to enter into a five-year performance based lease with PIF of the City owned property at 90 Regent Street, Redfern, to establish - 'PIF House' Redfern.
8. The City agreed to undertake base building works of approximately \$250,000 and Council endorsed an annual rent of \$1 per annum.
9. PIF donated in-kind work and cash to the value of \$800,000 to adapt the property into a 6-bedroom house, sub-leasing the property to one of their charity service provider partners, the Salvation Army, to manage the facility through their 'Oasis' program delivering transitional accommodation services.
10. PIF House Redfern provided transitional accommodation for up to 18 months, giving residents the opportunity to stabilise their circumstances before moving to longer term housing. The residents in PIF House Redfern were supported through case management provided by the Salvation Army.
11. On 7 August 2017, Council endorsed the sale of 90 Regent Street, Redfern, noting that:
 - (a) the property was leased to the Salvation Army until 30 June 2017 by way of a sub-lease from PIF; and
 - (b) the City would undertake investigations to identify opportunities for the continuation of the service provided by the Salvation Army.

12. In late 2017, the City commenced working with PIF to explore opportunities for continuation and expansion of the facility and service operated from PIF House, Redfern.
13. In 2018, several sites were tested against PIF's site selection criteria with a preference for those that offered:
 - (a) alignment with PIF's delivery model;
 - (b) opportunity to increase capacity;
 - (c) long term tenure;
 - (d) redevelopment potential aligned to the maximum serviceable capacity; and
 - (e) proximity to multiple transport modes and local amenities within walking distance.
14. In late 2018, PIF elected to undertake further assessment of a City owned property at 545-549 South Dowling Street, Surry Hills. In late 2019, PIF put forward a proposal and commenced negotiating a heads of agreement with the City to secure a long term lease and invest in redeveloping the property into a new facility.
15. On 6 December 2019, PIF and its charity service provider partner, the Salvation Army, relocated the program at 90 Regent Street, Redfern, and service to an alternate location without disruption to the services nor residents.

PIF House South Dowling - Proposal

16. An in principle heads of agreement has been reached for PIF to enter into a 50-year ground lease to develop a proposed flagship property at 545-549 South Dowling Street, Surry Hills, that will reduce youth homelessness and increase the supply of affordable housing in the City of Sydney. The in principle agreement is subject to PIF obtaining its Board of Directors' approval to proceed with the transaction, with its Board of Directors scheduled to next meet on 18 March 2020.
17. Under the proposal, PIF would demolish the existing building and develop a new, purpose-built youth homelessness centre under the long term ground lease.
18. PIF are currently exploring various design options to maximise the developable opportunity.
19. PIF have offered a fixed annual rent to commence when the facility is constructed.
20. PIF will be responsible for the operational and structural maintenance and repair of the new building using its extensive property and construction industry network. PIF will also be responsible for all outgoings in respect of the property.
21. While PIF will be the developer and the lessee, PIF will nominate a charity service provider as the operator to deliver the youth homelessness services. PIF will enter into a sub-lease with that charity service provider aligned with the ground lease term. At this stage, PIF has indicated to the City that the charity service provider will likely be the Salvation Army.

Key Implications

Strategic Alignment - Sustainable Sydney 2030 Vision

22. 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 - A key source of youth homelessness is the lack of affordable housing for low-income workers.

The proposal by PIF at 545-549 South Dowling Street, Moore Park, will increase the supply of affordable housing to reduce youth homelessness, targeting homeless or at risk of homelessness, support for Aboriginal and Torres Strait Islander and targeting low income earners aged between 16- 24 years that engage in sustainable employment, education or training.

- (b) Direction 10 - Implementation through Effective Governance and Partnerships.

The City of Sydney is committed to working in partnership with non-profit philanthropic organisations with the aims of:

- i. preventing people from becoming entrenched in homelessness in the inner-city;
- ii. making sure those that do become homeless are assisted out of homelessness quickly; and
- iii. facilitating rough sleepers out of homelessness.

The continued collaboration between the City and not for profits such as PIF and their service charity partners' like the Salvation Army builds upon the success of the PIF House Redfern project to reduce youth homelessness.

Organisational Impact

23. The management of the agreement to (ground) lease and long term (ground) lease will be integrated with the City's operational management activities and have a minimal organisational impact.

Social / Cultural / Community

24. The expected outcomes from the establishment of this facility would be:

- (a) sustainable accommodation - safe, suitable, stable and affordable;
- (b) stabilised and sustained tenancy preventing homelessness;
- (c) opportunities to engage in education and employment;
- (d) improved safety and wellbeing which includes physical and mental health, improved coping skills, emotional intelligence, resilience, self-awareness, self-reliance and self-efficacy; and
- (e) improved economic situation and social cohesion with participation and connection with community.

Environmental

25. The City's Environmental Management Plan will not be impacted by the ground lease as the lessee will be accountable for all operating costs and statutory charges as applicable.
26. The City will require consideration and adoption of environmental management principles including sustainable approach in design, construction and in the operational management throughout the term of the ground lease.

Budget Implications

27. There are no impacts on the current operating budget for 545-549 South Dowling Street, Surry Hills. Future rental income will be included in the next iteration of the City's Long Term Financial Plan.

Relevant Legislation

28. Attachment B contains information on the financial implications of proceeding with the sale of 545-549 South Dowling Street, Surry Hills, and the Heads of Agreement Agreement to Lease.
29. Attachment B contains confidential commercial information which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom City's is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
30. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise City's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.
31. The land comprising 545-549 South Dowling Street, Surry Hills is classified as operational under the Local Government Act 1993 and as such, there is no legislative impediment to Council resolving to lease this land.

Critical Dates / Time Frames

32. If Council resolved to proceed with the recommendation herein PIF have estimated that the facility would be operational three years from obtaining the required development consents.

Options

33. The City proposed that PIF acquire 545-549 South Dowling Street, Surry Hills, at market value, however PIF do not acquire property for their PIF House program. All the current PIF Houses are owned by third parties.
34. The recommendation herein is the most effective and expeditious approach to support PIF's proposal for the redevelopment of the City's property under a long term ground lease to increase affordable housing to the youth sector.

Public Consultation

35. There is no public consultation required to dispose or lease City owned property.

AMIT CHANAN

Director City Projects and Property

Nicholas Male-Perkins, Commercial Manager