Attachment E

Summary of Consultation with Community Housing Providers – December 2023

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Summary of consultation with CHPs identified on Interim Distribution Plan

City officers met with representatives from the three CHPs identified on the Interim Plan to further explore issues raised at the time of its preparation and better inform the detail of the finalised Distribution Plan.

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Ability to operate within the conditions and restrictions of the City of Sydney Affordable Housing Program and any barriers to operations that it may create, especially: • the limits on rental incomes and eligible households • the need to quarantine funds and channel them back into the LGA • on-going caveats on housing to ensure it is used for affordable housing in perpetuity	Has been operating within the requirements of the City's scheme for 30 years and understand the restrictions on its operating processes and limits on surpluses that the Program presents. To date, the need to quarantine funds has not been necessary as City West was exclusively based in the City. As it is now expanding to other areas, it will be establishing formal structures to support this function. City West noted that covenants placed on affordable housing can reduce the leveraging capacity of properties, impacting valuations and reducing the amount of money that lenders are willing to offer when covenants are in place.	The requirements of the City's scheme are consistent with how other affordable housing is managed by Bridge and would not present an issue. Bridge already undertakes quarterly reporting to DCJ and has systems in place to support and monitor funds received from different Programs in separate accounts. The need to quarantine funds from the City's Program would not be problematic.	Confirmed that no elements of the City's scheme would present a barrier for its operations. Managing the separate accounting of projects and funds is common practice for St George. It has systems to monitor and prevent the leakage of funds into other projects. Reporting on separate housing projects is already required by the Registrar of Community Housing. Reporting protocols under the City's scheme could be similar and not represent an additional administrative burden to the CHP. St George also reports to DCJ for the Social and Affordable Housing Fund and can provide examples to demonstrate what type of reporting is available to assist the City.	The City notes that all three CHPs understand the requirements of the City's Program and have indicated their ability to operate within its restrictions – noting the implications this has for reduced operating surpluses and borrowing. All of the providers have the ability to account for and manage funds from the City separately from other projects in their portfolios and to ensure the City's contributions and any residual income is channelled back into affordable housing outcomes in the City. Existing reporting requirements may be sufficient for the City's purposes to track funding flows and housing outcomes rather than creating additional administrative burden for the CHP. The City will work with CHPs to finalise reporting requirements in due course.
Housing delivery • Existing pipeline – opportunities and threats • Housing delivery models	City West has a pipeline of over 400 affordable dwellings in the local area. Additional pipeline capacity could be created at the Waterloo Estate,	Bridge is partnering with LAHC to deliver 339 units at Elizabeth Street, Redfern. Current breakdown of dwellings (based on known funding) is: • 100 units to be sold to market	St George's pipeline includes: • 112 units at Ashmore connector road site • 24 affordable housing units at Waterloo Metro site	City West and St George are operating at a larger scale than Bridge, with City West having the largest presence and committed pipeline in the LGA.

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• Managing dedicated dwellings	should the consortia that City West is part of be successful. City West has the internal resources and capability to deliver its pipeline. However, at current levels of funding (which have dropped significantly due to market conditions) and the recent escalation of construction costs, the delivery of its pipeline is at risk. There are challenges in borrowing sufficient funds to deliver the pipeline with debt sized according to cash flow. Even with its wide asset base, City West is restricted by its limited capacity to service debt, because it must charge a below-market rent based on household income. Based on the FY24-33 10-year budget, and assuming $10m per annum is received from the City, the full pipeline cannot be delivered within the ten-year timeframe due to insufficient funding (equity and debt). The scale of City West's Ashmore Connector project, with development costs of over $200m, depletes City's West's available equity for project delivery, even after accounting for debt.. City West is applying for HAFF funding for one or more of its projects, in an attempt to make up the shortfall, but this isn't guaranteed, and the outcome will not	• 80 key worker units to be sold to super funds (not subject to ministerial guidelines on affordability) • 109 to be handed back to LAHC • 39 units to be affordable housing • 11 units for disability housing DA to be submitted mid-2024. Bridge has aspirations for no market housing on the site – those units being affordable housing instead. Funding is required to make this happen and Bridge will apply for HAFF funding for this. The City's contributions would also enable this and ensure that the units are a genuine affordable product and not just a discounted market rent. Funding to secure this outcome will need to be known before construction commences (expected end 2025). Bridge has capacity to expand as an organisation should funding for increased stock become available. Developing from scratch is expensive and difficult. Getting access to land is hard. To supplement difficulties in development projects, Bridge has also previously bought pre-existing buildings and refurbished/redeveloped, utilising various forms of government grants	• 72 social housing units at Waterloo Metro • 50 units at Barangaroo – to be owned in stratum Waterloo Estate (if successful) With the right funding, St George considers it has capacity to grow stock in the City – which, whilst an expensive and challenging market, is needed. Waterloo Estate could also impact St George's capacity. However, a dedicated unit would be created in time so as not to affect day to day operations. The Development and Construction Team at St George expands and contracts as new projects cycle through – its processes support this type of growth.	All three CHPs have expertise and capacity to deliver affordable housing outcomes in the City, but large projects such as the Elizabeth Street project or redevelopment of the Waterloo Estate require alternative approaches and resources. There is a clear risk to significant City funds already committed by City West in acquiring sites in the LGA, if future funding is shared too thinly in the medium term. St George and Bridge have used more flexible housing delivery models than City West's, whose current strong preference is for acquiring land and developing.

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	be known until later this year. Housing Australia has also indicated it is looking to fund projects that represent value for money. A reduction in funding (developer contributions) would delay projects significantly. As an example, one project in City West's pipeline has a total development cost of $70m (land cost was $16.5m) and in the tendered construction price significantly exceeded what had been budgeted. It takes significant time to accumulate such funds. City West's specialisation is in new-build, medium density developments. Smaller scale projects suffer from inefficiencies in construction, operation and maintenance costs. Developments of less than 100 units are on estimate 20% less economically efficient .	to assist the funding structure. This is cheaper than building new, but has higher maintenance costs. Bridge has upgraded purchased properties to improve amenity, increase ESD outcomes and minimise ongoing maintenance liability.		
Finance and leveraging • Housing delivery costs • How would your organisation make use of City funds of varying amounts? • How much funding would be useful in generating additional housing supply in the City? • What timeframe could the City expect delivery outcomes?	Building costs are around $620K - $650K per unit at present. Site acquisition costs vary. A recent acquisition was around $400K per unit in land costs, with sites purchased in prior years being cheaper. City West's FY24-33 10-year budget, assumes $10m per annum is received from the City. Notwithstanding these contributions, the full pipeline cannot be delivered within the ten-year	Bridge assumes $600K plus per unit for build costs, with land on top. In areas outside of the City, it works on $100K - $250K per lot for land. The Elizabeth Street development is approximately $220m, with no land costs as the cost of land is foundered through the development costs of delivering 109 units back to LAHC. Bridge has had success with layering different subsidies to deliver outcomes – for example Community	Construction costs are roughly $600K per unit. St George highlighted its experience in leveraging debt and has developed a high level of trust with its lenders. It works on 30% equity: 70% leverage, so $3m from the City would generate $10m for St George to spend. It also works to 40 year cash flow models, so needs long-term investors.	Each CHP works to a similar housing delivery cost and seeks funding from a similar variety of sources including grants, housing funds, leasing subsidies and rental from their own properties. St George also has good levels of experience generating funding from investors and superannuation. All agreed that HAFF funding was unlikely to go to City-based projects in the first round of allocation given

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• HAFF funding	timeframe due to insufficient funding (equity and debt Small amounts of additional funding would have limited impact on increasing supply given land and development costs are so high. The reality in the City of Sydney relative to other areas is that there is little residential land available for purchase, so it's a very competitive environment driving high land costs. Projects under an investment value of $100m are evaporating. The number of Tier 2 builders has reduced significantly, particularly in this area, as land costs are so high that lower density builds don't stack up. Land is not used efficiently at smaller scales and this type of project isn't competitive against others wanting to build at high density. Splitting the funds 3 ways will not generate 3 times more housing. This would only occur if each of the CHPs has large amounts of equity and/or very low debt. Due to the restrictions of the program, CHPs will be bound by an income-based rent model which is the equivalent of a 50% discount on market rents (on average) which means debt leveraging ability is low. Receiving greater funds earlier in the timeframe would secure all planned	Housing Innovation Fund money, grants from the City and leasing subsidies from renting out its own properties. Certainty of funding would allow for planning and programming. Bridge has been opportunistic in taking advantage of different funding streams when they become available. As grants become available, opportunities are identified. Bridge also has a pipeline of projects that it could direct funds towards and have an immediate effect, in particular, increasing the amount of affordable housing on the Elizabeth Street development. A small amount of funding wouldn't make a new build project feasible, but could be put towards changing the housing mix in other projects. For example, a small contribution could mean more affordable units in perpetuity instead of market housing in the Elizabeth Street development. Debt serviceability can be limited by income-based rent restrictions and higher interest rates. It will be difficult to secure HAFF funding in the City. Given that the funding source is limited, the Commonwealth may be limited in the amount of developments that can be	As St George's balance sheet is almost fully leveraged, it is now focussed on attracting investors. Any funds received would be considered co-investment funding rather than capital investment – acting as a springboard for projects rather than the sole source of funding. If speed of delivery is important to the City, it can consider spot-purchasing key-turn ready projects, which St George has some experience of. Refurb costs may need to be factored in. Timing for delivery is also dependent on planning pathways.	that the funds would go further in cheaper locations and that the projects in question had a higher likelihood of progressing without the need for HAFF funding. Debt leveraging is utilised by all three CHPs but is limited in utility given the restricted serviceability of debt, driven by the limits on rental revenue associated with genuine affordable housing. With their more nimble and flexible housing delivery models, St George and Bridge would appear to be able to make best use of smaller amounts of contribution funds – by securing a greater proportion of affordable dwellings in existing mixed-income housing projects or securing turn-key properties. In contrast, City West has identified that small amounts of funding will make little difference to its projects, which ideally need more than $10m per annum over 10 years to deliver. Receiving greater funds earlier in that timeframe would recognise the substantial investment already committed to sites in its pipeline and allow for the earlier delivery of a significant number of units in the City. All agreed that speed of delivery is subject to planning.

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	units and allow them to be delivered earlier, subject to planning. It is typically a 4-year process from receiving funds, making a commitment on a site, and securing a DA approval.	funded in high cost locations – although Bridge understands that a spread of new housing across all geographical areas is desired. Bridge believes that the Elizabeth Street site is a unique opportunity to deliver more social and affordable housing in one of these high cost locations at a reasonable cost to government.		
Optimal form of the Distribution Plan	The Distribution Plan first reported to Council (which split the money between two CHPs and allocated a fixed amount to City West each year) had merit, although the amounts should be considered in light of City West's pipeline. Reasonable certainty is needed for City West to deliver its pipeline. Leveraging debt can only go so far. It is unreasonable to withdraw/significantly reduce funding now. Projects have been in the planning stages in some cases for more than 3 years, so the first $50m-$100m ought to go to City West to reflect sunk costs and facilitate delivery of the pipeline.	The City could consider linking funding to their land sales and should be open to spot rezonings. This would provide more land opportunities in the LGA. More collaboration between CHPs is possible to share funds depending on what is in their pipeline. Otherwise, taking turns in funding allocation would work – say $10m - $20m to each CHP in turn. A grant model wouldn't be optimal. Applying for funding is a big administrative burden and does not build in certainty to support planning or enable providers to capitalise on opportunities.	Sharing the contribution funds between three CHPs would be optimal. There is an opportunity for greater co-operation between CHPs.	All three CHPs agreed that there were opportunities to share funding more widely and for greater co-operation between CHPs. This would recognise a CHP's existing pipeline and commitments and its capacity to deliver additional housing outcomes at any particular time. None favoured having to apply for funding and preferred a more consistent funding arrangement to facilitate forward planning. Certainty is important.