

Sale of Surplus Residential Property - Affordable and Diverse Housing

File No: X099483

Summary

The City supports the delivery of affordable housing through the levies it collects, land discounts for community housing providers, its planning power and grants to non-government organisations.

Increasing the supply of affordable rental housing contributes directly to building an adaptable, diverse and equitable city inclusive of all ages, gender and cultural backgrounds. Affordable housing ensures people on lower incomes can afford to live near to where they work and is essential to a functioning city. Diverse housing - including supported accommodation models - is key to breaking the cycle of homelessness. Homelessness cannot be solved without increasing the supply of social and affordable rental housing, and investing in more supported accommodation.

On 18 September 2023, Council resolved to conduct an Expression of Interest for suitably qualified and experienced entities to acquire surplus City owned residential properties at Potts Point, Darlinghurst and Beaconsfield with the potential to be refurbished and yield a minimum 15 bedrooms at a significant discount to market value for affordable and diverse housing in perpetuity, with all sale proceeds to be allocated to the City's Affordable and Diverse Housing Fund for grants to future projects.

The key objectives of the Expression of Interest were to increase the quantum of affordable and diverse rental housing within the City of Sydney Local Government Area encouraging a broad range of community housing providers with a demonstrated commitment to diversity and inclusion together with the resources and experience to deliver and operate in accordance with the applicable regulatory requirements, such as NSW Affordable Housing Guidelines, leveraging opportunities for additional funds from sources external to the City and its programs.

This report provides details of the Expression of Interest process undertaken by the City, including documentation and interviews with selected applicants and evaluation against criteria developed to minimise transaction and delivery risk.

The recommendations will deliver on the City's key objectives through:

- (a) the two Potts Point properties being sold at a significant discount to B Miles Women's Foundation Limited, who deliver care and services to women with complex needs;

- (b) the seven Darlinghurst properties being sold at a significant discount to Common Equity NSW Ltd (CENSW) to partner with All Nations Housing Co-operative to establish the first dedicated housing project to transgender (trans) women; and
- (c) substantially increasing funds in the Affordable and Diverse Housing Fund by allocating 100 per cent of the proceeds from the sale of the above properties together with proceeds from the market sale of the Beaconsfield property.

Recommendation

It is resolved that:

- (A) Council note the outcome of the Expression of Interest for the sale of surplus residential properties for affordable and diverse housing including the process, submissions received and assessment against the objectives and criteria;
- (B) in respect of Units 7 and 8, "Springfield Palms", No. 12 Springfield Avenue, Potts Point (being Lots 7 and 8 in Strata Plan 21921):
 - (i) Council note that one expression of interest was received for this property and that it was in compliance with Council's endorsed criteria;
 - (ii) Council endorse the sale of these properties to B Miles Women's Foundation Incorporated (INC9894299) at a price of \$396,000 excluding GST, with the sale being subject to the placement of a restriction on the title to the land to ensure that the properties are used in perpetuity for affordable housing; and
 - (iii) authority be delegated to the Chief Executive Officer to progress and finalise contract negotiations and enter into all necessary documentation to effect the transaction;
- (C) in respect of 5-17 Norman Street, Darlinghurst (being Lot 1 in Deposited Plan 576799):
 - (i) Council note that three expressions of interest were received for this property with one being subsequently withdrawn;
 - (ii) Council note that none of the expressions of interest received met the full criteria endorsed in the Council resolution of 18 September 2023;
 - (iii) Council endorse the sale of this property to Common Equity NSW Ltd (ACN 140 152 398) at a price of \$2,500,000 excluding GST with the sale being subject to the placement of a restriction on the title to the land to ensure that the property is used in perpetuity for affordable housing; and
 - (iv) authority be delegated to the Chief Executive Officer to progress and finalise contract negotiations and enter into all necessary documentation to effect the transaction;

- (D) in respect of 169 Victoria Street, Beaconsfield (being Lot C in Deposited Plan 310434):
 - (i) Council note that there were no expressions of interest received for this property;
 - (ii) Council endorse the immediate sale of this property in the open market; and
 - (iii) authority be delegated to the Chief Executive Officer to progress and finalise any negotiations and enter into all necessary documentation, including any relevant contract to effect the transaction;
- (E) Council endorse that the proceeds from these transactions are to be allocated to the Affordable and Diverse Housing Fund; and
- (F) Council to be updated on the progress of these transactions through CEO Updates.

Attachments

- Attachment A.** 18 September 2023 Resolution of Council and Report excluding Attachment F (Commercial Considerations - Confidential)
- Attachment B.** Expression of Interest Commercial Considerations (Confidential)

Background

1. Providing affordable and diverse housing is a key focus of Sustainable Sydney 2030-2050 Continuing the Vision. The City's extensive engagement with our community over many years has reinforced the City's leadership role in delivering affordable and diverse housing.
2. Sustainable Sydney 2030-2050 Continuing the Vision adopts the targets set by the City's local housing strategy for at least 156,000 private dwellings and 17,500 non-private dwellings by 2036, with 15 per cent to be social housing and affordable housing.
3. State and Federal Government hold the levers for social and affordable housing, but since 2007, the City has taken every opportunity to tackle affordability.
4. Local government, private developers, community housing providers and other not for profit agencies have a role to play in increasing the supply of affordable housing.
5. The City identified four properties to test for suitability to divest into the affordable and diverse housing market including:
 - (a) Units 7 and 8, "Springfield Palms", No. 12 Springfield Avenue, Potts Point: two strata title one bedroom units within close proximity to transport and services;
 - (b) 5-17 Norman Street, Darlinghurst: a row of seven semi-detached heritage listed terraces on one title with a combined total of 11 bedrooms and in need of refurbishment; and
 - (c) 169 Victoria Street, Beaconsfield: a two-bedroom 1940 free standing brick and tile residence with a land area of 234 m2.
6. On 18 September 2013, Council resolved to conduct an Expression of Interest (EOI) to divest these surplus properties, endorsing the objectives, eligibility and assessment criteria for these residential properties at Potts Point, Darlinghurst and Beaconsfield.
7. Details of the properties including photos and identification plans are included within Attachment A to this report.

Expression of Interest (EOI) Objectives and Eligibility

8. The objectives of the Expression of Interest include:
 - (a) maximising the quantum of affordable and diverse rental housing within the City of Sydney Local Government Area (LGA), both on site and through future grant projects from income received as part of the sales;
 - (b) the leverage of additional funds from sources external to the City and its programs, including private debt finance, charitable donations and grants from State and Federal Government;
 - (c) encouraging a broad range of community housing providers to invest in and operate diverse housing within the City Local Government Area ;
 - (d) ensuring the continued use of funded projects as subsidised housing;
 - (e) ongoing management in accordance with the applicable regulatory requirements;

- (f) achieving timely delivery utilising appropriately experienced and capable principals and contractors; and
 - (g) ensuring sufficient financial capacity of the purchaser to secure the long term provision of affordable housing.
9. Eligible applicants were required to operate within the Local Government Area and be either:
- (a) Not-for-profit organisations;
 - (b) Registered providers of Community Housing; or
 - (c) Organisations that are part of a consortium that includes a Community Housing Provider.
10. For-profit organisations, unincorporated community groups or individuals were not eligible to participate.

Expression of Interest (EOI) Conditions and Assessment

11. The Expression of Interest documentation comprised three parts including Part A Invitation and Conditions, Part B Property and Transaction Details and Part C Returnable Schedules.
12. The properties were offered for sale on the following key terms:
- (a) 'As is' condition – Each property was offered for sale on an 'as is' basis in its current condition and state of repair. Each applicant was provided the opportunity to inspect with their team during the Expression of Interest period.
 - (b) Minimum threshold price – A minimum threshold price was endorsed by Council for each property. Offers below the threshold price would be considered non-conforming. Proceeds from the sale of these properties will go into the City's Affordable and Diverse Housing Fund.
 - (c) Covenant on title – Consistent with all sales of City owned land at a discount from market for affordable housing, a public positive covenant would be registered on title for each property (on terms required by the City) to ensure the continued use of the property as affordable and or diverse housing.
13. Assessment of applications were evaluated on the following:
- (a) Amount, nature of subsidised housing and any other uses being delivered;
 - (b) Experience in the operation and management of the type of housing in compliance with relevant regulations;
 - (c) Relevant capability in property refurbishment / development;
 - (d) Financial capacity;
 - (e) Evidence of diversity, inclusion, and equity;
 - (f) Proportion of the total project cost requested as City funding (including cash, value-in-kind and land); and

- (g) Proportion of total project cost funded by the applicant and other sources.
14. Applicants were advised that each of the mandatory assessment criteria above is critical to this Expression of Interest and that they may not be of equal weight for evaluation and nor listed in order of priority.

Expression of Interest (EOI) Process

15. The Expression of Interest was pre-notified by email to all tier 1, 2 and 3 community housing providers and any party who had expressed interest in the Expression of Interest following the Council resolution on 18 September 2023.
16. A dedicated page on the City's website informed the process for participating in the Expression of Interest with links to Tenderlink, with interested parties required to register as a pre-requisite.
17. On 30 October 2023, the Expression of Interest (EOI), being E-2023-1138 - Acquisition of Surplus City Owned Residential Properties for Affordable and / or Diverse Housing, commenced with all documentation, the Q & A forum and updates available through Tenderlink.
18. On 8 December 2023, the Expression of Interest closed following a six-week period during which:
- (a) two virtual briefings were conducted through the City's Tenderlink portal;
 - (b) the Expression of Interest was advertised in the Sydney Morning Herald;
 - (c) each property was available on three separate occasions for interested parties to inspect with principals and consultants; and
 - (d) reminder notifications were issued to all registered parties.
19. Four expressions of interest were received as follows:
- (a) Potts Point - One applicant;
 - (b) Darlinghurst - Three applicants, with one subsequently withdrawing; and
 - (c) Beaconsfield - Nil.
20. The Evaluation Panel reviewed the applications and together with the Chief Operating Officer conducted interviews with each applicant, and received and reviewed additional information.

Commercial Considerations

21. Details of the evaluation including scoring of the Expression of Interest submissions are detailed within Attachment B - Expression of Interest Commercial Considerations (Confidential).

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

22. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the City to 2050. 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 10 - Housing for all - The proposal meets Objective 10.3: An increased supply of affordable housing supports diverse communities and the economy by delivering housing stock into the inner City directly through the physical asset and indirectly through the City's Affordable and Diverse Housing Fund.

Risks

23. The Expression of Interest process, including supporting documentation confirming objectives and evaluation criteria, has reduced risk by ensuring clarity, enabling effective risk management at the initial transaction stage and in delivery of the affordable housing outcomes.

Social / Cultural / Community

24. The divestment of these properties will contribute to the supply of affordable and / or diverse housing within the City.

Financial Implications

25. Proceeds from the sale of these properties are to be reserved to the Affordable and Diverse Housing Fund. The amounts within this fund are set aside by Council for the purposes of contributing toward the delivery of future affordable and / or diverse housing projects.

Relevant Legislation

26. The properties subject of the report are classified 'operational' under the Local Government Act 1993 (the Act) and as such there is no legislative impediment to Council endorsing the sale.
27. Under section 377 of the Act (which contains the general power of a Council to delegate), a council may, by resolution, delegate certain functions, but not the function to sell or acquire land or other property.
28. Section 55 (3)(d) of the Act provides that council does not have to invite tenders before selling land.
29. Local Government Act 1993 - Sections 10A and 10B provide that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business and if discussion of the information in an open meeting would, on balance be contrary to public interest.

30. Attachment B contains confidential commercial information which, if disclosed, would confer a commercial advantage on a person with whom the City is conducting (or proposes to conduct) business.
31. Discussion of this matter in an open meeting would, on balance, be contrary to the public interest because it would compromise the City's ability to negotiate fairly and commercially achieve the best outcome for ratepayers.

Critical Dates / Time Frames

32. Subject to Council endorsing the recommendations for the properties at Potts Point and Darlinghurst, the process to transact including documentation and negotiations will commence upon publication of the resolution.
33. Subject to Council endorsing the recommendation for the Beaconsfield property, the process to prepare the property for sale into the market will commence upon publication of the resolution.

Options

34. Should Council not proceed with the recommendation to sell the Potts Point and Darlinghurst at a discount to market value, then the City would forego the opportunity to increase the supply of affordable housing supporting specific target markets.
35. In respect of the Beaconsfield property, should Council not endorse the sale at market value, then Council would forego the opportunity to increase the supply of affordable housing through grants from the Affordable and Diverse Housing Fund.

Public Consultation

36. No further public consultation is required to implement the recommendations.

KIM WOODBURY

Chief Operating Officer

Marcia Morley, Senior Manager, Development and Strategy

Nicholas Male-Perkins, Commercial Manager, Development and Strategy