



Housing SA

Affordable Housing Rental Projects Call for Proposals

The Affordable Housing Innovations Program is an initiative of the State Government to facilitate the delivery of innovative, affordable housing solutions for low to moderate income South Australians, by working with the private sector, government agencies and community partners. The objectives of the program are to:

- develop investment strategies, in collaboration with government, private, local government and community partners, to maximise value for money and to address the strategic housing priorities of South Australia
- implement innovative housing solutions not previously undertaken by Government, which may have valuable demonstration/ expansion potential
- contribute to a diverse portfolio of responses across a number of target groups, tenures, and locations
- provide a greater diversity of housing options that match the changing community profile
- promote planning initiatives to facilitate improved affordable and high needs housing supply.

1. Participation in Affordable Rental Housing projects

A Call for Proposals is now sought from potential non-government and private partners who are interested in providing affordable rental housing to individuals and to families with low to moderate incomes through projects that are funded in part by:

- philanthropic contributions
- equity contributions by the project partner
- raising debt finance (secured against the project or other partner properties) to deliver the project. No government guarantees will be available to support debt raising.

All proposals must demonstrate that projects are financially sustainable, that is the project's eligibility criteria and the rents applied will need to meet both affordability and target group objectives. The proposals must also ensure that rent revenue can meet all costs of the project once it is developed. Costs include debt servicing, tenancy management and maintenance (capital and responsive).

While it is expected that State Government capital grant funding will be required to enable desired affordability benchmarks to be met, the availability of funding and/or property assets will be important factors in the initial selection of projects for further consideration.

It is not intended to provide recurrent subsidies or funding for these projects and it is expected that State Government financial assistance will be limited to capital grant funding which may include provision of property assets.

2. Aims of the Call for Proposals

The Call for Proposals is designed to solicit new affordable rental housing proposals that offer effective and innovative partnering opportunities for the State Government in improving affordable housing supply for lower income South Australians who face difficulties in finding housing in the private market. The process aims to consider the range, scale and nature of potential projects and housing outcomes.

Any project proposal that is pursued will be subject to assessment processes in accordance with the Government's requirements for undertaking projects that involve private sector/non-government participation in the provision of public services. These requirements are detailed in the document [Partnerships SA](#) published by the Department of Treasury and Finance. However full competitive 'tendering' of the supply arrangements is likely to be limited in recognition of the community benefit of developing new and innovative projects which address a range of housing needs within the community.

While participation in the Call for Proposals process is strongly encouraged, there can be no guarantee that any expression of interest will result in the proponent being invited to develop a project proposal for possible implementation.

3. Affordable housing

Affordable rental housing encompasses a range of rental products that:

- **are targeted to a mix of low and moderate income households**

In SA a low income household is a household with a gross annual median income between \$39,395 (metropolitan areas) and \$33,420 (rest of the State). A moderate income household is a household with a gross annual median income between \$59,093 (metropolitan areas) and \$50,130 (rest of the State).

- **are provided at affordable rates**

The most widely used measure of affordability is that households pay up to 30% of their income in rent (plus Commonwealth Rental Assistance if eligible).

- **are appropriate to the needs of consumers, well located, of good quality and consistent with local amenities and character**

- **incorporate a social mix, and represent a range of incomes, abilities and needs**

4. Target groups of affordable housing

The AHIP is seeking to develop projects which will contribute to a diverse portfolio of responses across a number of target groups and locations – with a particular focus on areas with a demonstrated undersupply of lower priced rental housing.

Potential target groups include:

- low and moderate income households who have needs in addition to affordability which makes access to and sustainability in the private market difficult. These include people with a disability (mental or physical), the frail, and people escaping domestic violence
- people who may experience discrimination in the private market, for example young singles and indigenous people
- low income (one or two parent) families with children.

5. New Commonwealth Housing Policy Initiatives – National Rental Affordability Scheme (NRAS)

The Federal Government has announced its intention to establish a National Rental Affordability Scheme that will help create 50,000 new affordable rental properties across Australia. NRAS will cost an estimated \$603 million over its first five years and will use tax incentives and financial support to provide rental housing to low and middle income families at 20 per cent below market rents. Within five years, NRAS aims to reduce the amount of rent 50,000 households pay by 20 per cent – helping them meet rising cost of living pressures and save to buy their own home.

Under NRAS institutional investors will be offered annual tax incentives and financial support every year for a period of ten years. The two key elements of the scheme are:

- An annual \$6000 Commonwealth tax incentive to investors who construct new affordable rental accommodation.
- At least \$2000 per year in direct or in kind financial support from State Governments for investors who access the tax incentives.

NRAS will bring the public, private and community sectors together to tackle Australia's affordable housing problems by:

- Governments providing tax incentives to investors prepared to invest in this asset class;
- Institutional investors providing the finance for construction of affordable rental accommodation projects; and
- The community sector managing properties and tenancies on behalf of investors.

Although the NRAS program is still under development, proponents should consider the capacity of their organisation to participate in this initiative.

6. Objectives of an affordable rental housing project

The provision of affordable rental housing through private/non-government housing providers can be more cost effective than conventional fully grant funded supply arrangements through the State's housing agencies. The objective of this call for expressions of interest is to identify potential partners that are able to contribute to the development of projects which:

- demonstrate cost effective, replicable models for developing affordable rental housing
- are financially sustainable over the long term, and ensure an ongoing supply of affordable housing
- maximise housing outcomes from available Government resources (grants and assets).

Cost effectiveness of private and non-government rental housing will be assisted where tenants are able to access Commonwealth Rental Assistance to help make their rent affordable.

It is expected that the targeted level of affordability will often require additional State sourced funding and/or philanthropic financial support from outside the State Government.

An objective of funding affordable rental housing projects is to increase the number of outcomes over those which could be achieved when projects are fully funded by State housing agencies.

7. Support for affordable rental housing projects

Through this Call for Proposals, the Affordable Housing Initiative Program (AHIP) will provide funds as conditional grants totalling up to \$10m to assist in meeting the cost of affordable rental housing projects to be undertaken by private, not-for-profit and local government organisations. The closing date for submissions is 31 March 2008.

Funding and resources through the AHIP may include:

- capital funding through the Affordable Housing Innovations Fund which may be used to purchase existing properties, buy land or fund development – or which may be in the form of land or existing dwellings
- opportunities to partner with State housing agencies in development projects
- assistance with development and acquisition processes including the design of sustainable management arrangements, feasibility analysis, development project management, developing risk management strategies and modelling of various debt and housing management strategies.

In determining priorities for funding the AHIP will consider:

- a project's capacity to make a significant contribution to the supply of affordable housing
- location, quality and appropriateness of housing and urban design
- target group and relative housing need
- value for money on a whole-of-life basis
- the extent of private debt finance and private capital achievable
- the State capital subsidy required per unit of housing.

8. Legal arrangements

Any capital funding supplied through the State Government will be required to be committed to the ongoing supply of affordable rental housing.

Partnering organisations will have 3 options in relation to legal arrangements setting out the mutually agreed conditions upon which the government grant is provided.

- a Facilitation Agreement supported by a caveat over the project properties
- a perpetual Management Agreement supported by a statutory covenant over the project properties
- a time bound (40 year) Management Agreement supported by a statutory covenant over the project properties

The third option of a 40 year term will only be available to partnering organisations bringing equity contributions of more than 50% of the total project value and with at least ten years experience in managing significant numbers of affordable housing.

Organisations interested in submitting an expression of interest will need to consider their capacity to engage in the negotiation and documentation of the legal arrangements that will be necessary to implement the type of long-term relationships envisaged.

9. Evaluation of proposals

Each affordable rental housing project will grow out of the participation and partnering of private, not-for-profit and local government organisations with one or more State Government agency or agencies.

Responses to this call for expressions of interest will be classified into three categories:

- proposals that offer an opportunity for immediate project development on financial terms that are attractive to the State Government given the costs of normal rental housing supply arrangements
- proposals that offer longer term opportunities for the development of specific and attractive projects
- proposals the AHIP is not interested in pursuing further.

Proposals which are selected for further development will require that organisations participate with the Affordable Housing Innovations Unit (AHIU) in an open and consultative process to develop a proposal which will be assessed on specified criteria.

All proposals received will be acknowledged.

10. Requirements of the Call for Proposals (refer attached Grant Application Form)

10.1 Contact information

- Name of organisation
- Australian Business Number (ABN)
- Address: Street and postal
- Name of Chief Executive Officer and the principal contact person for this project including their position title, telephone number, facsimile number, main email address
- Details of the partner organisation if the project is to be carried out with another organisation.

10.2 Organisational capacity and experience

10.2.1 Property related experience:

Details of expertise and experience in:

- property acquisition and development
- property management
- working with Government including appropriate references/referees;
- managing a number of properties (list number, type of housing, target groups, funding program or source of funding).

10.2.2 Governance arrangements

- description of organisation's management and corporate governance
- arrangements
- details of any accreditation under the South Australian Co-operative Community Housing Act
- details of any code of conduct governing the organisation's operations.

10.2.3 Financial capacity

- details of financial capacity (financial statements and other information), including financial references/referees
- details of capacity to contribute equity to a project (cash and/or property assets)
- details of proposal to raise any debt financing required to fund project capital requirements.

10.2.4 Human resources

Full details of the personnel (including their experience) who would participate in the proposed consultative process, and who are likely to be involved in the development and management of an affordable housing project.

10.3 Affordable rental housing philosophy

Details of the organisation's affordable rental housing philosophy and in particular current/preferred approach to:

- setting affordable rents
- proposed tenant selection processes
- property management and achieving successful housing outcomes for tenants
- managing and maintaining tenant access to CRA
- monitoring operational performance including suggested performance benchmarks to assist long term government supervision of operational performance and subsidy provision
- appeals processes by tenants.

10.4 Need for the project

Brief description of the project, including:

- how many households will be assisted
- whether it is targeted to a specific needs group
- the need for this project in the location and how that need has been identified.

10.5 Project resources and feasibility

- details of land or properties identified for the project, including details of location, current ownership and suitability for affordable housing for the target group
- estimated costs of the project, details of the financial contribution the organisation proposes to make (debt/equity) and the capital grant funding desired
- demonstration of the financial sustainability (estimated rent structure, rent revenue and operating costs)
- identification of project risks and how they will be shared and managed
- access to non-housing support services required by the tenants to be targeted
- status of the project proposals (extent to which implementation may have begun).

11. Timeline for the Call for Proposals

The closing date for submissions will be 31 March 2008.

Details of this Call for Proposals will be communicated through a variety of media, including local newspapers and the website (see below). Should proponents want further information regarding the process, please contact:

Peter Stojanovich (Manager, Operations)
Phone No. 8124 4077 or email Peter.Stojanovich@dfc.sa.gov.au

Expressions of interest can be lodged by posting to:

Affordable Housing Innovations Unit
Department for Families and Communities
GPO Box 292,
Adelaide 5001
Or via email to: ahiu@dfc.sa.gov.au

2008 Affordable Housing Projects Grant Application

PART 1 INTRODUCTION

Please complete as much of the application as you are able. We understand that some proposals will not be at a stage that allows all details to be documented. As each proposal is assessed we will contact you if we require additional information. A Projects Officer from AHIU can work through this application form with you if required.

For advice and assistance contact Affordable Housing Innovations Unit on 8124 4073.

1. Project Name.....

2. Partnering organization/Applicant:

Name:

ABN:.....

3. Target group(s) proposed to be housed. (eg aged, low income households, people with disabilities etc)

4. Nature of partner organization (Registered CHO, Aged Care provider, NGO, other (please specify):

5. Brief summary of the Proposal:

6. Current Project Status (tick those that apply):

- preliminary
- Concept and research stage
- Land acquired
- Planning approval received
- Construction ready
- Construction commenced

7. Contact Person and Address:

Phone #

Email Address:

8. Amount of AHIF Grant Requested:

\$.....

9. Budget overview of proposal:

Projected Total Project Cost:	\$.....	100%
AHIF Grant requested:	\$.....% total
Partner contributions:	Cash \$	
	Land value	\$.....
	Borrowings	\$.....
	Other (please specify) \$.....	

10. SIGNATURE OF APPLICANT.

Signature:

Date:

Print Name:

Title:

PART II: NEEDS ANALYSIS: tell us about your target group and factors specific to your proposal (location, nature of demand etc). Include supporting market research if appropriate.

PART III: BUSINESS CAPACITY AND GOVERNANCE Please provide us with some details about your organization and how it is managed. Include any experience you have in property development or property management and provide appropriate references/referees. We are interested in your organization's policies and in your approach to affordable housing operations.

PART IV: INNOVATION We are particularly interested in innovative housing solutions not previously undertaken by Government and which may have valuable demonstration/expansion potential. Innovations in building design, in management, in financing are all considered. New government/organization partnerships are also considered to represent innovation. Please provide us with details of the innovation that your proposal offers.

PART V: FINANCIAL FEASIBILITY It is important that housing outcomes are directed to low and moderate income households and that the rents are affordable. Rent revenue must meet all ongoing costs of the project once it is developed. Please include your cash flow forecast for the proposal. Your Audited Financial Report will also assist us to assess your financial capacity.

PART VI: RISK ASSESSMENT Do you have a risk management plan? What are some of the project, financial, political and other risks that could occur and how do you intend to reduce their impact or likelihood? Please provide your risk assessment and risk management plan.

PART VII: ALIGNMENT WITH GOVERNMENT STRATEGIC PRIORITIES

Please indicate how your proposal aligns with the SA Strategic Plan and the SA Housing Plan and in particular how it may contribute to greater diversity of accessible housing options that match our changing community profile.

PART VIII: CHECKLIST

To help us to assess your application for funds, we would be grateful if you could include some or all of the following documents as attachments to your application:

- Detailed project description
- Copies of Title, valuations, planning approval notices.
- Financial projections for the project
- Your latest Financial Statements
- Business Plan
- Risk Management Plan
- Any policies that demonstrate your approach to affordable housing
- Relevant Market Research
- References

Please return your application to:

Affordable Housing Innovations Unit
Department Families and Communities
GPO Box 292
Adelaide SA 5001

Or via email to: ahiu@dfc.sa.gov.au