

# Frequently asked questions

## Ground Lease Model

Preferred Bidder announcement phase



## Snapshot - Ground Lease Model

Housing delivered	Housing types delivered	Housing delivered on	Land sold to private developers	Investment	Jobs created	Project timeline	Project owner
A minimum of <b>1100</b> new homes	Social, affordable, specialist disability and private rental	<b>Vacant Homes Victoria land</b> in Brighton, Flemington, and Prahran	<b>No</b>	<b>\$515 million</b> in capital investment	<b>4635</b> new jobs	Construction to commence late- <b>2021</b> and be completed <b>early 2024</b>	<b>Homes Victoria</b> (in partnership with consortium)

## What is a ground lease approach to housing?

Ground leasing refers to a residential development where the land and units are built on public land in partnership with a consortium. The consortium finance, design, construct, manage and maintain the new housing for a fixed amount of time. The assets revert to public ownership at the end of this fixed period. The homes are returned in the same condition they were in at the start of the contract term.

## Homes Victoria's approach to ground leasing

In a first of its kind for Victoria, housing at Brighton, Flemington and Prahran will be delivered through a ground lease model.

Through a partnerships approach, public land will be leased from Homes Victoria to a consortium who will build, manage and maintain the sites for 40 years, before handing the land, and all dwellings, back into public ownership. When the homes are handed back, they must be in the same condition they were in at the start of the 40-year term.

This allows Homes Victoria to retain ownership of valuable public land and work in partnership with the community housing sector, builders, and developers to leverage their expertise in delivering modern, sustainable housing at an affordable price.

This ensures the most efficient use of taxpayer money and opens the social housing sector to greater investment opportunities.

## Why are we taking this approach?

This Ground Lease Model aims to grow social housing, tackle the growing problem of housing affordability and address the lack of secure, longer-term rentals in well-located areas.

By partnering with a consortium, Homes Victoria can access State and Federal funding options not accessible via other housing delivery approaches. Without this approach these types of developments would not be possible at this scale.

Additionally, by partnering with the community housing sector social housing tenants are provided a more complete range of tenancy services. A Registered Housing Agency will manage the social housing tenancies delivering a broader range of support services than they are used to.

Finally, Victorians for generations to come benefit as at the end of the ground lease term, as all dwellings and land are returned to Homes Victoria.

## What are the benefits to Victoria's social housing tenants?

The sites will deliver social, affordable, specialist disability and private rental homes that are welcoming and secure - and which meet modern design and accessibility standards.

The three sites will also deliver spaces to support a diverse and inclusive communities at each of the sites. This includes community rooms, artists' studios, social enterprise tenancies, active open spaces and community gardens and pocket parks.

## Will previously relocated tenants have priority access to the new housing once complete?

Tenants previously relocated will be given the option to return once the development is complete. Many have been in alternative accommodation since site preparation works started. Homes Victoria will work each tenant to understand their individual circumstances and requirements and ensure an outcome that best suits their needs.

## Where are the houses being delivered?

Three sites are being redeveloped on vacant Homes Victoria land in:

- New Street, Brighton
- Holland Court, Flemington
- Bangs Street, Prahran.

## When are the houses being delivered?

Each site requires planning approvals before construction can commence. The planning application process, including consultation with stakeholders has commenced and approvals are anticipated in late-2021 prior to construction starting.

## What is the breakdown of the housing types being delivered?

This extremely important project will see 1,110 modern and sustainable social, affordable, and private rental homes built on land that is currently vacant.

- 619 new social housing dwellings
- 126 new affordable dwellings
- 365 private (rental) dwellings
  - 52 specialist disability dwellings\*

\*Out of the 365 private rental homes, 52 will be specialist disability dwellings

This land previously had 445 social housing dwellings on it that were outdated and had reached the end of their useful life.

## Who will be financing, designing, constructing, and managing the new housing?

A not for profit consortium overseen by Homes Victoria will design, construct, finance, maintain and manage all dwellings and tenancies at each site in agreement with Homes Victoria's project requirements and specifications.

The consortium is made up of:

- Community Housing Victoria Limited (a Registered Housing Agency) as the equity provider and operator
- National Housing Finance and Investment Corporation (NHFIC) as the debt provider
- Tetris Capital as bid lead and financial advisor
- Icon Kajima as the builder
- Citta Property Group as development and property advisor.

## What is the cost to the government?

The contract with the preferred consortium is still being negotiated and any costs remain commercial in confidence until the contract is signed. We are confident the cost to the government will be well within our estimate for the project.

## Will public land be sold to the consortium?

No, Homes Victoria will be able to renew and grow housing stock as the land and assets revert to public ownership and the end of the 40 years.

There will be some private rental homes on the sites, but these will be managed by the consortium. Rental income from these properties will offset the cost of building social housing.

## Is Homes Victoria leasing to the private sector?

No. We are not leasing to the private sector, rather Homes Victoria is leasing to a Special Purpose Vehicle (SPV - also known as the Project Company) which is a not for profit organisation and registered housing provider.

## How long will the housing be managed by the consortium?

Homes Victoria will retain ownership of the land and lease it to the consortium, to build, operate and maintain the housing for 40 years. At the end of the ground lease, the land and all homes will return to public ownership and management. The homes will be returned in the same condition they were in at the start of the 40-year term.

## Why is Homes Victoria partnering with the community housing sector?

Community housing providers offer, and deliver, a broad range of tenancy management and support services. They also provide specialist services to support vulnerable residents, connecting them with the appropriate support services to help improve their life circumstances.

Community housing providers have unique skills in tenancy management of low income and vulnerable residents, as well as high level property management, maintenance and property modification expertise. Community housing providers are highly regulated, not-for-profit organisations that specialise in housing the diverse range of tenants that require both public and affordable homes.

# What are the definitions of social, public, community and affordable housing?

## Social housing

Social housing is an umbrella term that includes both public housing and community housing. It generally indicates housing that involves some degree of subsidy.

## Public housing

Public housing is housing owned and managed by the Director of Housing. Homes Victoria provides public housing to eligible Victorians including people who are unemployed, on low incomes, live with a disability or a mental illness, and / or who are at risk of homelessness.

## Community housing

Community housing is housing owned or managed by community housing providers. The community housing sector comprises of a variety of specialist providers of differing size and specialisation, that either own properties, or manage properties on behalf of others. Like the public housing sector, they primarily provide homes to people living on moderate to low incomes, who live with a disability or illness, who are older, or are fleeing family violence. Community housing tenants generally qualify for the Victorian Housing Register. Rents are calculated on a set figure of at between 25-30 per cent of income depending on circumstances and income levels, in accordance with the policies of the community housing sector.

## Affordable housing

Affordable housing is housing that is appropriate for the needs of a range of very low to moderate income households ('eligible households'), and priced (whether purchased or rented) so that these households are able to meet their other essential basic living costs (broadly defined as 30 per cent of income to housing cost). As the cost of housing and housing rental has risen, it has become a critical issue to ensure that costs of living can be managed, particularly for people on low incomes.

For this contract, affordable housing will be appropriate for the needs of people with very low to moderate incomes with rent capped at 75% of market rent.

# What will the tenancy balance be at each site?

The Brighton and Prahran sites will achieve a 51:49 split of social to private housing including specialist disability housing. The Flemington site will achieve a 66:34 split of social to private housing including specialist disability housing.

# What is the difference between a Build-to-Rent and Ground Lease approach?

Under a Ground Lease Model all land and buildings (whether they be social, affordable or private) remain under the ownership of Homes Victoria. The ultimate landlord is the Director of Housing operating as Homes Victoria with the consortium acting as property managers and delivering the service to our tenants.

At the end of the long-lease term all of the build-to-rent assets, including the private component, will return to ownership of Homes Victoria, significantly boosting the State's housing portfolio.

In a Build to Rent Approach the land is typically not owned by the State, rather it is owned by a private entity that builds dwellings and rents them out to tenants. The land and buildings can be sold to other investors to make the required development returns but without disrupting any existing tenancies.

Through this approach Homes Victoria will have greater certainty and control over cost and the quality of homes delivered and the assets continue to belong to the people of Victoria.

## Will tenants and the surrounding communities continued to be engaged during the design and planning phase?

Homes Victoria in partnership with the consortium will continue to engage with the community. As we start to plan for what the future developments might look like, we will involve the community. Community feedback is extremely important to ensure a diverse range of local perspectives is considered in our decisions.