

CWH – Housing Manager and Property Developer

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What I want to talk about today is the City West Housing, which in the community housing field is somewhat different in its approach to provision of housing. The difference to most social housing providers in the sector is that in addition to the housing management function, which we undertake along similar lines to Community Housing Providers, is that we also undertake the role of property developer.

Over the past ten years of operation this property development function has enabled CWH to take full responsibility for producing in house most our own rental properties. We have received funding from differing sources, with one of the more interesting aspects being that a significant amount of our funding has been generated by payments to CWH from the private sector.

Embarking on doing one's own in house Property Development is a challenge with reasonably high risk, however, like all things if you approach it correctly a great deal can be achieved with the risks minimised substantially. Additionally being a not for profit organisation, is an ideal vehicle in that there are significant benefits to a not for profit organisation that private developers do not have available to them.

One of the most significant benefits relates to tax, for example GST exemption alone has saved our company many hundreds of thousands of dollars across our development programme.

With these benefits and without the need to build in profit margins, allow for marketing costs and without the need to borrow to date, CWH is in a position to produce significantly more properties than would otherwise have been possible, and at extremely competitive prices.

To give some background on the Company we were established in 1994 by the NSW Government as a private company under Corporations law to operate independently of Govt. on a day to day basis. We have an independent expertise based Board, we operate under a well defined and very explicit charter. We have been well funded and receive income from a number of sources. The one I mentioned earlier being contributions or levies imposed by local govt through planning instruments, on local developers.

Funds from this source are generated through a planning instrument (in U/P case the REP). (These total \$15 M to date in Ultimo/Pymont)
More recently the LEP for Green Square has been implemented and to date \$28 Million has been collected from developers to be used for developing units in that specific area of South Sydney.

How are these funds generated? Well in layman's terms a designated local govt. area is identified for redevelopment or regeneration whereby planning principles are established to maximise the use of an area through the planning instrument such as an LEP. This can include strategically located areas being rezoned to include a variety of uses including differing housing types.

Generally with these changes there are potential significant benefits to prospective investors and in particular developers, with the planning instrument setting out the terms and conditions for these parties to be able to take advantage of these benefits.

Payment of an affordable housing levy to ensure all housing types can be represented in the areas in which we are operating has proven to be an excellent way to generate funds for this purpose.

These developer contributions are collected via the DA process in a similar way to Section 94 payments.

Whilst cash payments are usually the way developers choose to go, I must mention that it is possible under the formula for a developer to provide units in kind. To date, however, not one developer has gone down this path. It is obviously easier for them to build in the cost of the contribution across their whole development, pay the cash equivalent and be done with it.

The designated provider/ recipient of these funds, i.e. CWH in our case, then has a clear mandate to produce appropriate and affordable rental housing.

The most efficient method of using these funds, from CWH's experience is to undertake development of affordable housing accommodation in house, as opposed to purchasing completed units from the private sector.

CWH is responsible for identifying sites, completing feasibilities, obtaining approval from our Board to proceed, and then contracting and managing construction. Completed units are then handed over to our housing management team for allocation of units to people on our waiting list.

Our whole team, development, finance and housing management, is eight people three of which work part time, which because of our structure and independence enables us to operate quite efficiently.

CWH has been able to and continues to be able to undertake the development process for a number of reasons.

1. It has the expertise to confidently undertake this process, which includes.
2. A skills based Board, comprising a number of directors with extensive skill and many years experience in the property/development field.
3. CWH employs a dedicated development manager, again with many years experience in land procurement and property development.
4. Financial capacity to undertake development in house, coupled with a company structure enabling quick decision-making. This is particularly important aspect when competing for the purchase of land head-on with private developers.
5. CWH holds title to all properties. Holding title to our properties certainly assists , it makes the whole process easier having total control.

To date City West Housing Pty Limited has completed 365 units of accommodation across 11 buildings at an average cost of around \$206,000 per dwelling. That is inclusive of land and construction costs. We also have a further 125 units in the pipeline.

If we had been required to purchase this stock at market prices at least 25% less units would have resulted, and more significantly at least 90 fewer families would have been housed to date.

In addition to this by undertaking its own development the Company has control over the design and finish of its properties. This is a particularly important and useful benefit as you can imagine, particularly in relation to ongoing maintenance.

Having control over items such as the number of bedrooms, floor plan and fit out of properties from the outset and particularly with housing management staff input means end up with properties that work well for us and meets the needs of those on our eligibility list.

CWH has also taken the approach of designing and building its properties to at least the standard of other buildings in the area, and in many cases our standards are higher, particularly in relation to innovative design and quality of materials used.

This also has the benefits of fitting in with the surrounding community. This approach also ensures our buildings are not recognisable from other residential developments in the area.

We also take a long-term asset management approach to the design of our buildings, which provides significant benefits to our tenants and our maintenance program, both day-to-day and cyclical.

Our design guidelines, which include firm ESD requirements, are provided to architects and consultants at the outset, and ensure the building meets our minimum standards.

Despite the difficulties some sites meeting our guidelines or requirements has in a number of situations resulted in the innovative design of unique features in certain buildings as was the case in our Wattle Street development where the solar stack ventilation shafts provide passive climate control and ventilation to the apartments even with the windows closed.

Many other items such as extra storage, baths and separate toilets in family units, gas cooking, energy efficient water heating, generous rooftop and other open spaces and collection of rainwater for watering gardens etc are also incorporated into our guidelines to ensure we are acting responsibly and are providing good amenity and a quality living environment for our tenants.

So from our perspective the upside of undertaking in house development are considerable . If you can provide a greater number of well designed, quality properties at less cost by developing them yourself then why wouldn't you?

The company's overall aim is to provide 600 units of accommodation in Ultimo/Pymont and over 300 in Green Square, on a financially self-sufficient basis, over a thirty-year period, and to house a mix of tenants across a range of incomes.

Tenants for our properties, must have a local connection, are housed on a needs basis and are drawn from three income groups, ranging from those on lower incomes through to people on moderate incomes up to a maximum of approximately \$67,000 p.a.

Rents are charged from 25% to 30% of household income. A mix of tenants across the three income groups is maintained in each building and indeed across our whole portfolio to ensure financial targets, such as financial self sufficiency including meeting our maintenance provisions, are met, as well as providing accommodation to a broader socio-economic mix.

CWH has found that a balanced community within each building has housing management and social benefits. Indeed the mix of well designed properties across our area also contributes to a seamless fit within the wider community.

Formation of tenant groups is also encouraged to strengthen the sense of ownership and social connectedness among tenants and as a channel for gaining valuable feedback about service improvement. Annual tenant surveys are also conducted with CWH achieving over 90% approval rating in 2003, which has been consistent with previous years.

So that is a brief overview of CWH and in summary what I would like to emphasise is that development of one's own properties is very beneficial financially as well as very rewarding when you end up being able to house more people, in quality properties, than might otherwise have occurred.

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