

Affordable Housing at Victoria Harbour

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Victoria Harbour

- Developed by the Lend Lease Corporation
- Retail, commercial and residential centrepiece of the Docklands precinct
- Vibrant and diverse urban form, extending the city to the water
- Rich in art and culture as well as shopping and entertainment
- Inclusive community – one where those on low income can live as well as work

Rationale for affordable housing

- Diverse inner city population
- Attract arts community
- Complement economic development strategy
- Support the sustainability of service industries
- Reduce risk through pre-sales
- Assist particular stages over commitment hurdle

Housing costs

Apartment size	Median price (June 2003)	Median weekly rent	Returns
1BR	\$374,000	\$280	3.9%
2BR	\$600,000	\$345	3.0%
3BR	\$1,200,000	\$520	2.3%

Market realities

- High embedded infrastructure cost
- High construction costs
- Development margins under pressure
- Low rental yields
- Short term stabilisation
- Long term capital growth high
- Once off opportunity to achieve AH
- No requirement to produce AH

The affordable housing concept

- 10 per cent of all residential property
- Significant discount to market subject to supporting other commercial objectives
- Viable and sustainable model – secures AH in the precinct in perpetuity
- Private debt but not private equity
- Partnership approach – public, private and community sectors
- Demonstration project

Components of the model

- Open book transaction
- Development margin based on cost plus
- Density bonus provided to reduce land/infrastructure cost
- Ownership vested in AH trust with ITEC status (secure GST rebate)
- AH trust raises private debt against the net income stream (approx 35% market value)
- Government provide capital subsidy for balance of development cost (approx 35% market value)

Risk management

- Key stakeholders involved in establishment of Trust
- Trustee an approved AHA, registered under State regulatory framework
- Private lender full partner, involved in assessing borrowing capacity and segmenting risk
- 40 year business plan with full life cycle costing
- Market related rent model
- On-site management presence
- Tenants linked to Docklands labour market program

Stakeholders

- Lend Lease Development
- VicUrban
- National Australia Bank
- Melbourne Affordable Housing
- Office of Housing
- Docklands Skilling and Employment

Structure

