

Pilbara Association of Non Government Organisations Inc

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Housing affordability – effect on NGO staff, the community and service delivery

The non government, not for profit sector is one of the largest pools of people with incomes above state housing criteria but below affordability to rent or purchase.

These NGOs provide an invaluable service to the community in terms of delivery the majority of social services to the Indigenous and disadvantaged community in Hedland. Yet they are finding it increasingly difficult to operate in an environment with escalating costs and increasing demands for services despite limited core funding from government.

The escalation of rental charges and house prices in Hedland is seriously constraining the ability of NGOs to attract and retain staff, which in turn is impacting on the level and quality of service delivery. It is also having a detrimental impact on many of their Indigenous clients.

Some of the issues faced by NGO staff and clients when considering private rental or purchase

Private rental:

- Current rentals are now averaging over \$700 per week in South Hedland and substantially more in Port Hedland.
- The availability of rental houses is low and many owners prefer their tenants to be mining companies, contractors and other large businesses that are able to pay the higher rent and sign longer leases.
- There have been reports of real estate agents approaching owners and encouraging them to take vacant possession and re-rent at double the current rent.
- Indigenous people have been used to the provision of welfare housing, paying up to \$60 per week from their benefits. Once employed, they are faced with payments of up to \$400 per week for a Homeswest house and \$500-\$1500 per week for private rental. This is a major barrier for many people who have little if any skills in managing their finances and making regular substantive payments from their income.

Purchase:

- Current median house price in South Hedland has exceeded \$500,000.
- The availability of houses for purchasing is relatively small and individual local buyers are competing with the mining companies, large businesses and investors from out of town.
- Young people do not want to take on a \$500,000+ housing debt.
- The principle of purchasing a home is a major shift in the way of thinking for Indigenous people, who have been used to the provision of welfare housing.
- Most NGOs cannot provide any job security, as they are reliant on yearly funding agreements. This affects the ability of the staff to secure a housing loan or to maintain mortgage repayments should they lose their job.

Some of the ways in which NGOs, their staff and clients are affected by the extremely high accommodation costs in Hedland:

- Very few NGOs have their own housing available for staff and the core funding received from government does not provide for the payment of housing allowances to staff.

- Many Indigenous NGO staff are living in Homeswest houses for which they are no longer eligible given their income levels are above the Homeswest eligibility criteria (The minimum salary of most NGOs is \$31,000 and above, meaning the majority of staff earn above the current Homeswest eligibility criteria of \$32,000). Whilst a moratorium of two years has been given on exceeding Homeswest eligibility, the majority of these staff will have no alternative options for accommodation after 2009 given they can not afford to purchase or rent privately unless the costs reduce considerably in the next two years.
- Most NGO staff renting privately have been faced with substantially increasing rent while a number have been given notice of 'vacant possession'.
- Renting privately is not an option for the majority of NGO staff as they would require at least 50% of their gross income to cover the rental costs alone. Similarly, most NGO staff would not qualify for a housing loan given their income levels and the high purchase prices for houses at present.
- A number of staff are living at home with extended family in crowded conditions in small houses. This inconducive environment not only affects health and wellbeing and hence productivity at work, but also raises several serious potential social concerns including child protection issues, domestic/family violence and environmental health issues.
- There are a number of NGO staff who are living in 'alternative accommodation' as it is impossible for them to find a home due to the exorbitant rental and purchase prices. Some of these staff are eligible for priority housing but are still on the waiting list given the shortage of priority housing.
- The lack of affordable housing for prospective staff is making it very difficult for NGOs to recruit outside Hedland, especially for professional/managerial roles. The only people willing to work are those living locally with partners who already either receive a house or a housing allowance (i.e. spouses of those working for the resource industries), yet there is a limited skills base in the town. There has been a marked decrease in the number of applications received for professional level positions in the last couple of years, mainly due to the fact that the salary levels offered are not sufficient to cover the housing and living costs.
- NGOs are experiencing an increased turnover of staff due to the high living costs, in particular housing, coupled with the low salaries as compared to the resource companies.
- A number of full time staff are reducing their hours in order to reduce their salary so that they can remain within the Homeswest eligibility criteria.
- The inability to attract and retain staff often results either in a reduced quality and level of service or a heavily increased workload for existing staff who have to assume extra responsibilities.
- A number of NGOs, which are already overstretched and under-resourced, are seeing a substantial increase in their workload as a result of the effect the housing situation is having on their clients.

Examples from NGOs of the effect the lack of affordable housing is having on the delivery of their services

- One NGO is seeing a substantial increase in their workload as a result of the lack of housing for Indigenous people. This includes an increase in the number of homeless women and children visiting their centre and an increase in the level of counseling for family and domestic violence, partly caused by overcrowding in houses.
- One NGO supports young homeless people by providing them with short term accommodation whilst they access Homeswest priority housing. In the past year, there has been no offer of priority housing from Homeswest for any of their homeless tenants. This NGO also runs a project that teaches young

people how and where to look for low cost/budget housing. However, there is now NO budget accommodation available in Hedland for these youth.

- The lack of affordable accommodation is seriously impeding the delivery of traineeships and apprenticeships for Indigenous people in Hedland, as NGOs can only take on those people that already have a place to stay.

Indigenous training and employment

- The issue of Indigenous training and employment is being addressed at various levels around the Country, and here in Western Australia a specific Premiers Indigenous employment forum has been called on 30th November.
- The State Government is a signatory to the Regional Partnership Agreement where Port Hedland is leading the Nation in delivery of services and outcomes in Indigenous employment through the RPA with an average of 10 Indigenous people into jobs each month.
- The State Government is also a signatory to the Bi-lateral Agreement, an important element of which is the Indigenous Economic Development Framework (IEDF).
- Local Hedland agencies are working hard at placing Indigenous people into relevant training that leads to permanent and sustainable employment.
- A major accommodation issue for Indigenous people in Hedland is the fact that they believe they will lose their home (Homeswest accommodation) if they get a job.
- The two-year moratorium in the Pilbara is seen as not enough time for those in Homeswest properties, while the “threat” of having to vacate the property is a very real scenario, and plays on the minds of those in that position today.
- The cost of purchasing existing housing is out of reach of the majority of those employed; The cost of purchasing land and building a home is well out of reach of just about all but the large employers; The cost of any housing coming out of the “New Living Program” is unknown but believed to be at “market value”, which again would be unaffordable;
- The issue of young people and most Indigenous persons in purchasing their own home is a major shift in financial management and responsibilities, after decades of renting at low rates through the welfare system.

Recommendations

- Create a housing association for NGOs – DHW to provide suitable and sufficient land and Country Housing Authority to provide financial support for the construction of houses.
- Government to allocate a percentage of GROH housing to NGOs.
- DHW to allocate on a peppercorn lease the refurbished units in Brown Place, South Hedland to the NGOs.
- Urgent need to seriously review the Homeswest eligibility scale in the Pilbara with a proposed increase of at least 25% on the existing eligibility income level.
- Security of tenure needs to be obtained for those tenants currently in Homeswest housing and outside the eligibility limit.
- A local organisation be capacity-built to manage non-government housing separate from GROH.

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The Hon Kevin Rudd MP
Prime Minister
Parliament House
CANBERRA ACT 2600

C O P Y

20 March 2008

Dear Prime Minister

The Pilbara Association of Non Government Organisations (PANGO) was set up some 3 years ago as an executive peak body in an effort to assist local Pilbara NGOs in a broad range of services to help reduce costs and become more efficient and effective in service delivery to the communities that we serve.

PANGO's key focus areas include;

- Cost saving initiatives and strategies
- Capacity building support
- Networking
- Marketing and promotion
- Research and advocacy
- Consultancy

The PANGO provides these services directly and/or via member associations to assist in providing the direct relief of poverty, sickness, suffering, distress, misfortune, disability, destitution and/or helplessness within our community.

There are currently twenty seven Pilbara groups affiliated with PANGO, and almost all those receive funding from State and or Federal Government agencies to deliver a wide range of community services including health, child care, aged care, youth, education, homeless, housing, training and employment. The services estimate that more than 90 percent of their clientele across the Pilbara are Indigenous.

While the majority of NGO services employ a very high level of local Indigenous people, the total employee number within the NGO workforce affiliated with PANGO is calculated to be in the vicinity of 400, with some 80 percent employed on a full-time basis. Membership across the Pilbara is increasing constantly.

The mining resources boom in our region has been ongoing for some four years and has unfortunately left the humble not-for-profit community service delivery agency well behind, with inflated wages in the mining and construction sector outstripping any salaries paid by the local NGO.

The average annual salary including district allowance within the membership NGOs is approximately \$37,000 (excluding CEOs salaries) while the average household income in the Pilbara is said to be well over \$100,000. State housing eligibility cuts out at around \$32,000 for a single person.

COPY

Housing affordability and stress has reached levels where people are literally forced from their rental homes and the region as the Pilbara Development Commission study showed the December 2007 quarter of average rental properties listed at just under \$1,200 per week in Port Hedland, \$1,500 in Karratha and \$722 in South Hedland.

Even at \$500 per week for a very low standard 2-bedroom unit in South Hedland, this would equate to well over 65% of the average NGO workers' wage.

The average price of a 3-bedroom house in Port Hedland and Karratha in the same period was quoted at around \$800,000 while in South Hedland the average was a little under \$500,000 making purchasing a home out of the question for local NGO workers.

A final quick analysis of prices in the Pilbara sees the State newspaper, sold in Perth for \$1.10, fetching \$2.05 in the Pilbara (higher in other more remote areas), while fuel is closing in on the \$2 per litre mark with unleaded at \$1.67 and Diesel on \$1.73 at the time of writing in South Hedland.

Federal Government funding has in the past attracted National CPI on an annual basis, while we are led to believe that your government has since announced CPI increases will in the future be at a State level. As you are aware, Western Australia's CPI has been higher than the National CPI for many years, with the gap widening in the past few years.

This anomaly in CPI has meant that Australian Government funded NGO's are actually getting much less dollars each year in real terms, and over the past decade this has placed the sustainability of some not-for-profit organisations on shaky ground.

Added to the difference between National and Western Australian State CPI is the Regional Pilbara CPI which is estimated to be a lot higher than State CPI, with current prices considered to be some 20% higher than Perth metropolitan area.

The Pilbara NGO and other sectors are also acutely aware that the Australian Bureau of Statistics, through the Census process each five years, produces figures that the Australian Government uses frequently to assess funding.

PANGO and others in the Pilbara region would seriously doubt the accuracy of these figures produced by the ABS, as we are very much aware (through first-hand knowledge) that the process of the Census in a remote regional area such as ours does NOT accurately record the population of our towns and communities; does NOT accurately record the numbers living in a property or the income of households; and DOES rely on the household in many instances to complete the Census forms and DOES rely on that household to mail the forms back to the ABS.

The plight of the NGOs in the Pilbara region of Western Australia at this present moment in time is becoming so critical that some services are not being delivered; some services are struggling to deliver a quality service; and some services are virtually on the brink of actually closing down due to lack of staff.

C O P Y

The affordability of just living in the Pilbara region of WA for NGO workers is such that it is threatening the industry itself, which may lead to the discontinuing of some human services in Health, Education, Child Care, Aged Care, Youth, training and employment, Sobering Up, Night Patrol, Homelessness and Hostel accommodation.

The NGO sector services a large section of mainly the Indigenous community, with base-line data from 2005 showing a 40% unemployment rate in the Hedland area within that community, while the homeless support, aged care, youth, health and other services cater for large numbers each day.

PANGO and its membership is therefore requesting that both the Australian and Western Australian Government place a high priority on the Pilbara NGO industry, which supports the community living in the richest mining-resource region in the Nation, and which is threatened by its own wealth, much of which goes to both Perth and Canberra.

Some of the priority areas needing to be addressed immediately to ensure NGO sustainability would be the availability of housing through the Government Regional Officers Housing group (GROH) while moving towards an alternative community housing project.

PANGO would also request an immediate review of all funded agencies to ensure those human services required under agreements or contracts have the relevant resources to ensure services are delivered effectively and efficiently to the community as well as within contractual guidelines.

PANGO appreciate that the public service sector in the Pilbara region is at this time requesting increases in both pay and conditions, however as the non-government organisations considers they are the actual service delivery vehicles directly to the people, and should be treated on an equitable basis.

It would be appreciated if some positive movement by Government could be made on this important issue in the immediate future to ensure that human services to the people who need it most in the Pilbara region are not impacted on adversely.

Yours sincerely

Bob Neville
Chairman

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Cc Hon Alan Carpenter Premier of Western Australia
Directors of all Australian and Western Australian Government Agencies

Department of Industry and Resources

Feasibility Study for Affordable Rental Property in the Town of Port Hedland

Final

March 2008

STAMFORDS

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Executive Summary

Stamfords Advisors Consultants ("Stamfords") has been engaged by the Department of Industry and Resources ("the Department") to undertake a feasibility study for affordable rental property in the town of Port Hedland ("the Project").

The need for the study has been driven by the perceived acute shortage of affordable rental property in the region and the State's desire to address the area of concern.

Market Assessment

Stamfords has conducted an assessment of the housing market in Port Hedland and determined a severe need for affordable rental housing for those who are unable to obtain housing in either the private or public markets.

The severe need has been driven by the ability for industry to pay beyond underlying market rates for accommodation for their transient workforce.

The market assessment has observed that households affected include:

- Singles in employment with low to moderate incomes;
- Singles with dependants; and
- Families with low to moderate incomes.

The current supply of public housing is both insufficient and often excludes those in need due eligibility criteria being applied that are inappropriate for the Port Hedland market.

Models for Meeting the Need

An assessment of the current market has been made with the aim of deriving an appropriate affordable rental housing model.

An analysis has also been conducted of the numerous models that could be implemented to assist in meeting the rental demand problems. Twenty one models were considered that were capable of being grouped into three groups, with those groups being:

- Affordable Housing Vehicles;
- Financial Assistance; and
- Legislative Assistance.

The various models have been assessed against specified criteria, including:

- Criteria 1: Best Meets the Needs of the Target Group
- Criteria 2: Able to be Controlled and Targeted
- Criteria 3: Provides Best Opportunity for Tenant to Transition Out of Affordable Housing
- Criteria 4: Capital and Recurrent Cost Requirements
- Criteria 5: Ability to be Implemented

Following the assessment of the various models, the development of a Not for Profit Housing Company model was selected as the appropriate model to assist in meeting the needs of the region.

Preferred Model: Not for Profit Housing Company

The proposed Not for Profit Housing Company will act for the following purpose:

"The Port Hedland NPHC aims to provide appropriate, secure and affordable rental housing in the Town of Port Hedland to people in need."

The Not for Profit Company model is based on the following framework:

- A non-for-profit company being established;
- The company applying to be a deductible gift recipient according to the *Income Tax Assessment Act 1997*, thus allowing it to receive donations from industry in the region;
- The company being exempt from Income Tax and GST, thus allowing any GST payments to be made in construction contracts to be refunded;
- The ability to borrow funds; and
- The ability to involve community ownership and interaction.

The company's shareholders would be relevant State and Local Government Representative Organisations, with shareholders appointing a board. It is proposed that a local community housing provider be engaged to provide the day-to-day management of the company.

The rent policy framework will involve setting rents at a percentage of incomes and at below market rates to ensure the properties remain affordable.

As an entity separate from Government, tenants would be eligible to receive Commonwealth Rental Assistance and thus provide a supplement to their existing income. This has an important impact on the economics of the model.

Financial Feasibility

The financial feasibility has been determined by deriving the cash flow forecasts for the model. As expected, alone the project does not demonstrate the characteristics of an enterprise suitable of a stand-alone commercial return. However, the funding model proposed involves a combination of funding sources.

A sample model has been prepared for 48 units of accommodation with the ability to house families of 3-5 persons.

The model is regarded as feasible in the long-term, with following funding characteristics the sample model size:

- Grant of land assets from the State free of charge to be handed back to the State at the completion of the project. A lease may be utilised as the appropriate mechanism. Stakeholders in the region have identified various land holdings in which such could occur.;
- The receipt of tax deductible donations from the private sector for \$2 million; and
- A loan from the State or other authority on the terms described above for \$5 million to be repaid over 20 year. As the State would be granting free land to the model, the model has the capacity to service interest on commercial terms. The terms of the facility will be:
 - Interest rate of 9% per annum;
 - Principal and interest repayments beginning in year 6;
 - Interest capitalised until the repayments begin;
 - Term of 20 years; and
 - Security Provided – First ranking mortgage security over real property assets of NPHC.

The above funding structure is able to be implemented and all loan funds repaid over the life of the project.

Implementation

Upon the decision to proceed with the model, the following steps would need to be taken to implement the approach:

1. Consult with DHW and other agencies regarding land availability;
2. Consult with DHW and other agencies regarding loan funding;
3. Form working group, appointing a Project Manager to establish the NPHC;
4. Seek seed funding for establishment from relevant Agency;
5. Engage State Solicitors Office to advise on structure and taxation matters;
and
6. Develop business plan for implementation.

1

Scope and Methodology

Stamfords Advisors Consultants (“Stamfords”) has been engaged by the Department of Industry and Resources (“the Department”) to undertake a feasibility study for affordable rental property in the town of Port Hedland (“the Project”).

The Project is in respect of substantial escalation in the cost of accommodation in Port Hedland in recent years, primarily in accordance with increased construction initiatives in the mining sector. The Project is aimed at addressing increasing accommodation costs and subsequent adverse housing affordability outcomes in the private rental market.

The analysis contained in this report focuses on the development of a list of models and a recommends a preferred model to provide an innovative housing solution.

Stamfords adopted the following approach in undertaking the Project:

1.1 Stage 1: Project Engagement

Stamfords met with relevant Department personnel in order to confirm the methodology for the Project, the process for review, the relevant timelines and obtain relevant information and documentation.

1.2 Stage 2: Review of Previous Arrangements

Previous affordable housing and other relevant arrangements in Port Hedland and current initiatives regarding land release were reviewed.

1.3 Stage 3: Research of Port Hedland Demographic

Research was conducted into housing affordability and current demographics in the town of Port Hedland in order to identify the need for affordable private rental accommodation.

1.4 Stage 4: Stakeholder Consultation

Stamfords consulted with relevant Department personnel and Port Hedland community, Government and non-Government organisation members. This process was undertaken both in Port Hedland and in Perth.

1.5 Stage 5: Determination of Levels of Affordability

In accordance with the research and consultation undertaken, Stamfords identified the levels of affordability with regard to private rental property needs in Port Hedland.

1.6 Stage 6: Develop Long List of Affordable Housing Models

Identify possible affordable housing models for the provision of private rental property in Port Hedland.

1.7 Stage 7: Develop Short List of Affordable Housing Models

Analysis of long listed models in accordance with identified criteria for affordable housing in Port Hedland, resulted in the short listing of appropriate models.

1.8 Stage 8: Analyse Short List and Identify Preferred Affordable Housing Model

Short listed models were assessed to identify the preferred affordable housing model to be adopted.

1.9 Stage 9: Reporting

Stamfords provided a Report containing the results of the analysis and the recommended model for affordable private rental housing in Port Hedland.

2

Affordable Rental Property Need

2.1 What is Affordable Housing?

Whether or not housing is considered to be affordable is a function of the ongoing costs of housing in relation to a household's income. The concept of housing affordability is relevant both to rental households and those purchasing or owning their own home.

Where the cost of housing for a household is beyond its means, the household may be considered to be in "housing stress". Two frequently-used benchmarks deem housing stress to exist:

- in a rental household spending more than 25% of their before-tax income on housing; and
- in a household purchasing their own home and spending more than 30% of their before-tax income on housing.

These benchmarks apply only to lower-income households (such as those in the bottom 40% of incomes), since higher income households are more likely to have the capacity to spend a higher proportion of their income on housing without causing financial hardship.

Other, more complex measures of housing stress also exist, including consideration of household size, dwelling size, the appropriateness of housing and the location.

This section examines levels of affordability of housing in Port Hedland, particularly rental housing. The analysis considers both the demand for, and supply of, affordable rental housing, as well as the resulting intersection of demand and supply that provides an indication of affordability.

2.2 Affordable Rental Property Demand

Stamfords has reviewed Port Hedland demographic data¹ in order to assess the demand characteristics in relation to affordable rental properties.

The following characteristics relate to affordable rental property demand in Port Hedland and are discussed in detail in the following sections:

- Number of households by household income;
- Number of households by family size; and
- Number of households by tenure type.

2.2.1 Household Income

The following table shows the number of Port Hedland households in various bands of weekly income. The table also compares the proportional distribution of Port Hedland households across these income bands with the similar distribution of Western Australian households by income.

Weekly Income	Port Hedland Households	Port Hedland Households (%)
Negative/Nil income	24	1%
\$1-\$149	16	1%
\$150-\$249	72	2%
\$250-\$349	69	2%
\$350-\$499	49	2%
\$500-\$649	92	3%
\$650-\$799	99	3%
\$800-\$999	131	4%
\$1,000-\$1,199	234	8%
\$1,200-\$1,399	89	3%
\$1,400-\$1,699	270	9%
\$1,700-\$1,999	327	11%
\$2,000-\$2,499	326	11%

¹ Australian Bureau of Statistics, 2006 Census

\$2,500 - \$2,999	459	15%
\$3,000 or more	393	13%
Partial income stated(c)	333	11%
All incomes not stated(d)	105	3%
Total	3,088	100%

As shown above, higher weekly incomes have been achieved by greater proportions of the population in Port Hedland than on average in Western Australia. This reflects the significant construction relating to mining occurring in the Pilbara, which has driven rental prices to current highs.

Based on analysis of the above data, the bottom 40% of households (by income) have an average weekly income of \$1,500 or less. Hence, rental accommodation exceeding \$375 per week (25% of \$1,500) can be seen to be unaffordable for 40% of Port Hedland households. Further discussion regarding affordability is provided in the following subsections.

2.2.2 Family Size

The following table shows the number and proportion of Port Hedland households by family composition.

Family Composition	Households	Households (%)
Couple family with no children	797	26%
Couple family with children	1,123	36%
One parent family	294	10%
Other family	30	1%
Total family households	2,244	73%
Lone person households	729	24%
Group households	118	4%
Total households	3,088	100%

As shown above, 73% of households are families, a total of 2,244 households. The remainder are lone person or group (non-family) households.

Couples with children comprise the largest proportion of family households (36% of total households), followed by couples with children (26% of total households).

Family size and composition is a relevant characteristic of demand as it impacts upon the size (and, by extension, the cost) of housing required. From the above data, it can be estimated that at least half of Port Hedland households (couples with children, one parent families, and group households) require housing of at least two to three bedrooms in size.

2.2.3 Tenure Type

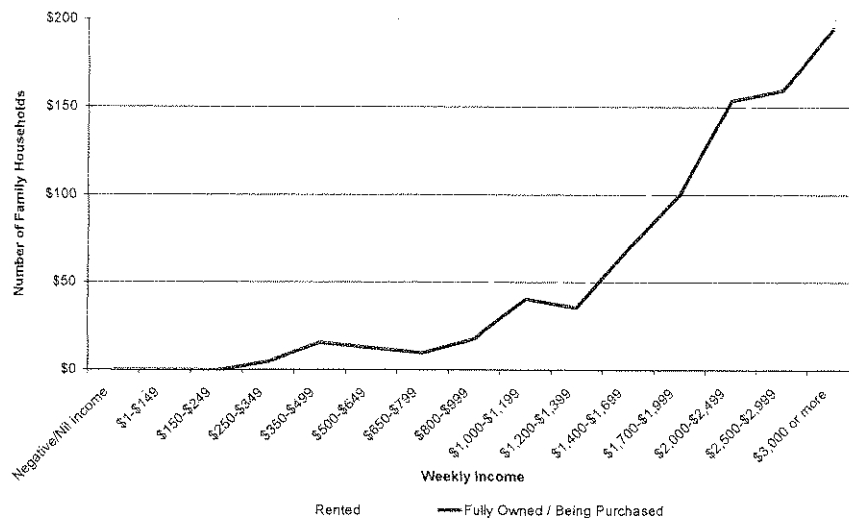
The following table shows the number and proportion of Port Hedland households by tenure type in various bands of weekly income.

Tenure Type	Households	Households (%)	Proportion Rented or Owned (%) ²
Properties owned			
Fully Owned	287	9%	10%
Being Purchased	920	30%	31%
Total Owned	1,207	39%	41%
Properties rented			
Rent - State housing authority	466	15%	16%
Rent - Housing cooperative/ community/church group	53	2%	2%
Real estate agent	383	12%	13%
Person not in same household	146	5%	5%
Other landlord type	649	21%	22%
Landlord type not stated	42	1%	1%
Total Rent	1,739	56%	59%
Other tenure type	26	1%	
Not stated	116	4%	
Total	3,088	100%	100%

² Excluding 'Other tenure type' and 'Not rented'.

As shown above, a majority of Port Hedland residents (59%) live in rental properties. Of those, 18% rent in public or community housing. The remaining rental households rent in the private housing market and are subject to market rental prices. It is this grouping of private rental households (approximately 40% of total households) that are most likely to be in housing stress and adversely affected by the decrease in housing affordability.

The following compares the income profile of Port Hedland family households that are renting with those that own (or are purchasing) their own home.



As shown above, the income distribution of family households in rented housing is lower than that for family households that own (or are purchasing) their own home. The median weekly income of family households in rented housing is within the \$1,700 to \$1,999 band, compared with the median weekly income of home ownership households of \$2,000 to \$2,499.

Hence, rental accommodation exceeding between \$425 to \$500 per week (25% of \$1,700 to \$1,999) can be seen to be unaffordable for the median Port Hedland family household that is currently renting.

2.3 Affordable Rental Property Supply

Stamfords has conducted a review of demographic data, land supply in the region (in particular, rental availability), and the future 'pipeline' for affordable rental property supply.

The following supply characteristics have been utilised to assess the ability of current services to supply affordable rental properties in Port Hedland:

- Number of houses by size; and
- Number of houses by cost.

2.3.1 Housing Size

The table below displays the number of Port Hedland households by size, as indicated by the number of bedrooms.

Number of Bedrooms	Households	Households (%)
None (includes bedsitters)	87	3%
1 bedroom	366	12%
2 bedrooms	1,530	49%
3 bedrooms	922	30%
4 or more bedrooms	132	4%
Number of bedrooms not stated	55	2%
Total	3,092	100%

As shown above, the majority of households in Port Hedland (79%) are two and three bedroom households. A total of 15% households have less than 2 bedrooms, while 4% have four bedrooms or more.

The following table compares the distribution of these households, for each category of housing size, with the number of persons usually resident. Using assumptions of standard occupancy, this provides an indication of possible (light shading) and likely (dark shading) overcrowding.

Number of Bedrooms	Number of Persons Usually Resident						Total Households
	1	2	3	4	5	6	
None ³	54	26	4	3	0	0	87
1 bedroom	195	125	25	12	4	5	366
2 bedrooms	324	496	300	259	100	51	1,530
3 bedrooms	93	254	168	200	108	99	922
4 or more bedrooms	38	39	16	18	13	8	132
Not stated	26	17	6	3	0	3	55
Total	730	957	519	495	225	166	3,092

Based on the above data, it is estimated that almost a quarter of Port Hedland households (696 households, or 23%) may be living in housing of an insufficient size for the number of occupants. Hence, the current supply of larger housing may be insufficient for the demand profile of the current Port Hedland population.

2.3.2 Rental Cost

The following table shows the weekly rental profile of Port Hedland households by various landlord types.

³ Includes bedsitters.

Weekly Rent	Landlord Type						Total	Total (%)
	Real Estate Agent	State Housing	Person Not in Same Household	Housing Coop	Other	Not Stated		
\$0-\$49	15	14	11	14	85	26	165	9%
\$50-\$99	4	222	3	31	217	3	480	28%
\$100-\$139	5	111	13	7	183	0	319	18%
\$140-\$179	9	51	3	0	47	3	113	6%
\$180-\$224	41	26	19	0	28	0	114	7%
\$225-\$274	25	7	23	0	9	3	67	4%
\$275-\$349	92	0	25	0	15	3	135	8%
\$350-\$449	87	0	11	0	6	0	104	6%
\$450-\$549	31	0	10	0	10	0	51	3%
\$550 and over	50	12	13	0	17	0	92	5%
Rent not stated	24	26	14	0	32	4	100	6%
Total	383	469	145	52	649	42	1,740	100%

As shown above, the rental profile for total rental households is relatively low, with a median weekly rent in the \$100 to \$139 band. However, the rental profile differs greatly depending on the landlord type. The median weekly rent for private rentals (real estate agent) is approximately \$350 per week, compared with a median weekly rent for public housing of less than \$100 per week.

Public and community (housing cooperative) housing comprises approximately 30% of total housing. For the remaining housing that is not State or community owned/managed, households are subject to less affordable rent and susceptible to market fluctuations.

2.4 Summary of Housing Affordability

The above analysis has considered various aspects of affordable housing demand and supply in Port Hedland. The following table provides a summary of the assessed level of affordability and an estimate of the number of rental households in housing stress (dark shading).

Gross Weekly Household Income	Rent										Households in Stress	Households in Stress (%)
	\$0-\$49	\$50-\$99	\$100-\$139	\$140-\$179	\$180-\$224	\$225-\$274	\$275-\$349	\$350-\$449	\$450-\$549	\$550+		
\$1-\$149	0	5	0	0	3	0	0	0	0	0	8	100%
\$150-\$249	0	7	0	0	3	0	0	0	3	0	13	100%
\$250-\$349	0	16	0	4	0	0	5	0	0	0	9	36%
\$350-\$499	4	15	4	0	4	0	0	0	0	4	8	26%
\$500-\$649	0	23	13	0	0	0	0	0	0	0	0	0%
\$650-\$799	0	8	3	8	0	0	3	0	0	0	3	14%
\$800-\$999	6	18	6	0	7	0	0	0	0	0	0	0%
\$1,000-\$1,199	5	13	9	5	9	9	8	0	5	3	16	23%
\$1,200-\$1,399	10	10	8	3	0	0	5	9	0	0	9	20%
\$1,400-\$1,699	11	20	17	9	8	5	7	7	5	4	9	9%
\$1,700-\$1,999	12	26	27	12	13	8	8	9	4	0	4	3%
\$2,000-\$2,499	15	32	32	10	11	5	16	19	6	4	0	0%
\$2,500-\$2,999	16	44	37	10	4	3	18	17	8	13	0	0%
\$3,000 or more	17	32	36	9	4	3	18	11	10	24	0	0%
Total⁴	96	269	192	70	66	33	88	72	41	52	79	8%

As the above table indicates, a significant proportion of lower income rental households in Port Hedland are experiencing housing stress. All such households with gross weekly household income of less than \$250 appear to be in housing stress, with 36% of households in the \$250 to \$329 weekly income band and 26% of households in the \$350 to \$499 weekly income band experiencing similar stress.

Housing stress is not confined to low-income households. Such stress is also shown in 23% of rental households with weekly income of between \$1,000 and \$1,199, and 20% of households with weekly income of between \$1,200 and \$1,399.

⁴ Excluding households with negative/nil income, or where income not fully stated.

2.5 Summary of Need

As shown in the above subsections, demand for rental properties in Port Hedland outweighs current supply, which has resulted in significant increases in rental prices and subsequently increased housing stress.

Key current arrangements for housing releases in Port Hedland include the following:

- HomesWest (public housing); and
- New Living program.

HomesWest is the public housing supply managed by the Department of Housing and Works. HomesWest caters to the unemployed and those unable to be employed. HomesWest currently has a waiting list of approximately 480 households.

The New Living Program is a program encompassing land release of Department of Housing and Works land, refurbishment of public housing stock (for land release) and the transfer of stock to private contractors. Land release is to be priced at market rates and caters to those seeking home ownership needs.

Public housing provides supply to the highest need households, and the New Living program releases supplies the demand from families and individuals that can afford current market prices.

Subsequently, the demand from households with low to medium incomes, which are ineligible for public housing but are unable to afford increasing market prices, is not addressed by existing land release initiatives. This demand corresponds to the private rental market in Port Hedland. Accordingly, no supply solution currently exists for the private rental market.

Through consultation with stakeholders and research shown in the previous subsections it is understood that this target market predominantly comprises:

- singles and small families;
- persons about to enter the workforce, in employment based training or employed in industries other than mining; and
- households ineligible for public housing and with gross household income below \$1,400 per week.

3

Market Mechanics

The increase in rental prices in the real estate market in Port Hedland is primarily related to increased demand for housing by mining companies to support increasing construction.

Various impacts on the Port Hedland housing market and Port Hedland residents, including those meeting the target need identified for the Project, have been identified including:

- * artificial rental demand resulting from shared employee housing;
- * increased construction costs relative to total land value; and
- * adverse impacts of rental housing stress on secondary industries in Port Hedland.

3.1 Shared Employee Housing

Mining companies operating in Port Hedland have utilised shared housing for 'fly in-fly out' employees. This is in order to increase the cost efficiency in providing employee housing. As such, companies are prepared to support higher rental market prices.

Prices are artificially inflated by placing numerous people, each earning a medium or high level of income, into a house that otherwise would be occupied by a family with one or two incomes. Therefore, families, who are permanent residents of Port Hedland, are further priced out of the market by mining company's method of housing 'fly in-fly out' employees.

3.2 Construction Costs

The extent of current construction undertaken by mining companies in Port Hedland has resulted in high demand for construction services operating in the region. Accordingly, the cost of construction for residential properties has substantially increased in recent years.

Consultations with stakeholders indicated that the construction costs associated with a property were significantly greater than the value of the underlying land in determining residential property prices.

3.3 Secondary Industries in Port Hedland

Increased private rental prices have resulted in increased housing stress for a significant proportion of low to middle income households in Port Hedland. As such, Port Hedland residents employed in industries other than mining have faced increased costs of living.

Consultations with stakeholders indicated that secondary industries in Port Hedland, such as the hospitality industry have been unable to retain staff and that such industries had regressed in recent years.

4

Stakeholder Consultation

4.1 Stakeholder List

Stamfords met with relevant stakeholders to discuss approaches for affordable housing in Port Hedland. The following stakeholders were included in this process:

- Chris Adams (Chief Executive Officer, Town of Port Hedland);
- Paul Armstrong (Commonwealth Bank);
- Kimberley Bailey (Executive Officer, Port Hedland Chamber of Commerce);
- Andre Bush (Chief Executive Officer, Port Hedland Port Authority);
- Ken Carter (Regional Manager Pilbara, Department of Housing and Works);
- Peter Donovan (Project Manager, Resources Sector, Aboriginal Economic Development, Department of Industry and Resources);
- Allyson Grant (Manager Corporate Services, Pilbara Development Council);
- Mark Hewitt (Pilbara Regional Manager, Department of Indigenous Affairs);
- Patrick Lowe (Indigenous employment, Department of Industry and Resources);
- Susan Murphy (Regional Coordinator Pilbara, Aboriginal Justice Agreement, Department of the Attorney General);
- Bob Neville (Manager, Bloodwood Tree Association); and
- Helen Slater (Indigenous Career Development Consultant, Department of Education and Training).

As a part of consultations, a Steering Committee for the Project was assembled by the Department and was consulted as a group. The Steering Group comprised Peter Donovan, Bob Neville, Mark Hewitt, Helen Slater and Susan Murphy.

4.2 Areas Consulted

Stamfords received input from stakeholders on the following items:

- * Land sales by State;
- * Current land release conditions;
- * Density and zoning considerations;
- * Likely parties for the development and/or management phases;
- * Confirmation of the target market and need; and
- * Input to eligibility criteria.

4.3 Summary of Views

The views expressed by stakeholders regarding to the areas listed above are summarised below.

4.3.1 Land Sale by State

All stakeholders confirmed that lack of land release was the major impediment to affordable housing solutions in Port Hedland.

Chris Adams (Town of Port Hedland) indicated that currently, the Town of Port Hedland is undertaking to address native title, environmental and rezoning processes to enable land releases. He confirmed that current land release initiatives include the New Living program in South Hedland, for home ownership, development in Pretty Pool, which will be at top market prices, and a development in Moore Street.

4.3.2 Current Land Release Conditions

Chris Adams and the Steering Committee indicated that currently approximately 695 lots are to be released by the Department of Housing and Works on the market for home ownership in South Hedland. The Steering Committee suggested that approximately 10% or 100 lots would be appropriate to meet land release requirements.

Chris Adams suggested that the New Living program was well into the later stages of planning processes and is therefore unlikely to consider allocating a high proportion of land to a new affordable rental housing program.

In addition, he raised concern regarding potential public resistance to increased housing supply initiatives at the expense of decreased property value across Port and South Hedland.

4.3.3 Density and Zoning Considerations

The Steering Committee indicated a preference for low density housing to meet the needs of young persons beginning in employment or undertaking apprenticeships. Further, it was recommended not to concentrate youth housing in any particular area. The Committee was of the view that tenants should be integrated into the community and this would be impeded by geographically concentrating the new affordable housing.

Chris Adams suggested that medium density would be appropriate for an affordable rental housing initiative. He also indicated that land releases should be scattered across the community to appropriately integrate tenants and that, in respect of similar community needs, medium density housing should be considered in strategic areas.

4.3.4 Likely parties for the development and/or management phases

The Steering Committee viewed local non-government organisations as the preferred manager and suggested local housing group, Pilbara Matamier.

The Committee suggested that the Department of Housing and Works be the preferred developer/owner and local organisations to constitute the manager.

Bob Neville indicated that Pilbara Matamier currently manage approximately 150 homes. Pilbara Matamier service indigenous tenants and is the only non-for profit housing authority in Hedland.

4.3.5 Target Market and Need

The Steering Committee confirmed the target need, primarily as the following:

- two and three bedroom sized dwellings;
- young families and singles entering the workforce;
- young singles finishing apprenticeships; and
- secondary industry employees (non-mining industry employees).

The Steering Committee confirmed that the target market would meet the gap in current housing releases and the market, between home ownership and the lowest income bracket of the population. That is, households where income levels exceed HomesWest's eligibility criteria however are unable to afford home ownership at market prices.

It suggested that such a target group would include many young indigenous persons entering into employment. It indicated that approximately 40% of the indigenous population was currently unemployed.

Ken Carter (Department of Housing and Works) indicated that 480 applicants were currently on the waiting list for HomesWest housing in Heland. The Department of Housing and Works manages 1,600 houses in the Pilbara region. These dwellings are meeting the highest need cases in the community, comprising unemployed individuals and those not capable of employment.

He confirmed that land releases as a part of the New Living program were allocated to home ownership and at market prices. He indicated that as a part of Land Corp releases, a proportion of housing is usually designated for public housing (HomesWest).

Andre Bush (Port Hedland Ports Authority) suggested that construction in Port Hedland was likely to continue to increase for approximately five years, which would continue the current trends in housing affordability. In addition to increasing demand for housing from mining companies, constraints on local construction companies would be likely to continue, resulting in upward rental price pressures.

4.3.6 Eligibility Criteria

The Steering Committee confirmed income levels as criteria for eligibility to access rental housing in the Project. Other factors were discussed as possible eligibility criteria, including:

- * family structure; and
- * employment status.

Continual eligibility assessments to occur at regular intervals were suggested. In addition, the possibility of implementing a fixed term to tenancy arrangements was considered.

5

Analysis of Appropriate Models

Stamfords has undertaken a benchmarking study to identify contemporary best practice models of affordable housing and other initiatives in Australia and overseas.

A long list of affordable housing models have been identified and have been assessed in the context of the rental property shortage for low and middle income households in Port Hedland. An analysis of models considered appropriate for Port Hedland is set out below.

5.1 Model Categories

Stamfords has defined and categorised a long list of affordable housing models.

Affordable housing objectives are able to be met via a variety of different approaches. The identified models researched and evaluated by Stamford's have been categorised according to the following four broad approaches to affordable housing:

5.1.1 Category 1: Affordable Housing Vehicle

These models are centred on the creation of an entity to construct, own and/or operate affordable housing for the letting of properties to the target market.

5.1.2 Category 2: Direct Financial Assistance

Direct financial assistance to reduce the cost of housing to rental tenants.

5.1.3 Category 3: Legislative Assistance

These involve conducting and modifying various regulatory and/or planning policies/decisions to promote affordable housing objectives.

The models selected for further analysis and assessment may include hybrid options that combine benefits from two or more models.

For example, in the development of affordable rental accommodation (via a housing rental vehicle), the following mechanisms may be added from other models:

- a proportion of the housing stock in the development could be sold as affordable housing in order to recoup development costs;
- the sale of this housing stock could include a caveat restricting the future sale price of the property to facilitate ongoing affordability; and/or
- an affordable home finance model could also be promoted to assist borrowers in purchasing the housing stock as household income increases.

5.2 Criteria for Analysis

An analysis of the long list of affordable housing models has been conducted in accordance with the criteria described below. Models have been assessed in terms of these criteria to determine their appropriateness in the context of renting in Port Hedland.

5.2.1 Criteria 1: Best Meets the Needs of the Target Group

The needs of the target group include:

- two to three bedroom sized dwellings;
- households meeting an income threshold (low to middle income earners);
- young individuals seeking employment for the first time; and
- individual and family households with persons employed in secondary industries.

5.2.2 Criteria 2: Able to be Controlled and Targeted

An appropriate model is required to be maintained into the future and to be controlled to ensure it meets needs as other circumstances may evolve in relation to the Port Hedland community and private rental market.

5.2.3 Criteria 3: Provides Best Opportunity for Tenant to Transition Out of Affordable Housing

The model provides a form of assistance, including education, for tenants to improve their financial position and decrease their need for affordable housing.

5.2.4 Criteria 4: Capital and Recurrent Cost Requirements

This refers to the efficiency of models in terms of both recurrent and capital cost requirements to the State.

5.2.5 Criteria 5: Ability to be Implemented

This refers to the practicality in implementing models in Port Hedland. The model is required to be compatible and able to succeed within current market dynamics.

Each model has been awarded a score from 1 to 5 indicating the assessment of the model in relation to each criteria, with a higher score reflecting a more favourable assessment.

5.3 Long List of Models

The long list of affordable housing models and a brief description of each model is shown below.

Model 1 – Public Private Partnership

Model 1

Name:	Public Private Partnership
Category:	Affordable Housing Vehicle
Description:	<p>Partnership with private consortium for development of housing that includes affordable dwellings for rental.</p> <p>The project would be funded by the private consortium, and may require a government contribution to provide the consortium with an adequate risk adjusted return.</p> <p>If built on public land, the development may eventually transfer back to government ownership.</p> <p>Rental tenants may be eligible for Commonwealth Rent Assistance.</p>
Developer:	Private consortium.
Owner:	Private consortium.
Operator:	The affordable rental housing in the development could be operated via a head lease arrangement with a relevant agency, community housing organisation or a private sector operator.
Target:	Low income households
Capital Funding:	Private consortium. May require government contribution.
Recurrent Funding:	Sourced from rental payments. Likely to require government contribution to assist cash flow profile.

Model 2 – Community Housing Partnership (Equity Share)

Model 2	
Name:	Community Housing Partnership (Equity Share)
Category:	Affordable Housing Vehicle
Description:	<p>Joint venture partnership between a government and community partner to provide affordable housing. Both partners purchase equity in affordable housing assets, which are managed by the community partner or a third party.</p> <p>At the termination of the agreement, each partner may purchase the equity portion owned by the other partner.</p>
Developer:	Not applicable – this model does not require development of housing stock.
Owner:	Government partner and community partner.
Operator:	Community partner or third party.
Target:	Low income households.
Capital Funding:	Government and community housing provider.
Recurrent Funding:	Government and community housing provider.

Model 3 - Community Housing Partnership (Community Ownership)

Model 3

Name:	Community Housing Partnership (Community Ownership)
Category:	Affordable Housing Vehicle
Description:	Partnership between government and a community housing organisation, which the government partner provides funding to the community organisation to construct affordable rental housing on land owned by community organisation. The funding provided is secured by a mortgage debenture amortised over the useful life of improvements.
Developer:	Private contractor.
Owner:	Community organisation.
Operator:	Community organisation.
Target:	Low income rental
Capital Funding:	Government
Recurrent Funding:	Government and community housing provider.

Model 4 - Not-for-Profit Housing Company

Model 4

Name:	Not-for-Profit Housing Company
Category:	Affordable Housing Vehicle
Description:	<p>Not-for-profit housing company established with external third party debt or government funding to purchase affordable housing assets. These assets would be rented to tenants directly or via a head lease with a community housing organisation.</p> <p>If built on public land, assets may eventually transfer back to government ownership.</p> <p>Since the company would be a private housing provider, tenants may be eligible for Commonwealth Rent Assistance. Ongoing funding would be provided by the company, government grants, private donations and borrowings.</p> <p>If structured appropriately, the vehicle may receive GST benefits enabling less equity to be contributed.</p>
Developer:	Private contractor (in the case of new developments).
Owner:	Not-for-profit housing company.
Operator:	Not-for-profit housing company or community housing provider.
Target:	Low income rental
Capital Funding:	Housing company or Government.
Recurrent Funding:	Self funding.

Model 5 - Affordable Housing Trust (Listed or Unlisted)

Model 5

Name:	Affordable Housing Trust (Listed or Unlisted)
Category:	Affordable Housing Vehicle
Description:	<p>Affordable housing trust (listed or unlisted) established, attracting private investment in affordable housing assets. Properties purchased by the trust would be rented as affordable housing, either directly to tenants or via a head lease arrangement with a community housing organisation. In order to attract private investment, a rate of return would be set that would involve capital appreciation of the trust's assets to be distributed.</p> <p>May have taxation benefits for investors:</p> <p>GST exemptions, sponsorships, institutional investment, government grants, rent assistance etc</p>
Developer:	Private contractor (in the case of new developments).
Owner:	Affordable housing trust.
Operator:	Affordable housing trust or community housing organisation.
Target:	Low income rental
Capital Funding:	Private contractor with significant Government subsidy.
Recurrent Funding:	Private contractor with significant Government subsidy.

Model 6 - Construction of New Affordable Housing Stock

Model 6

Name:	Construction of New Affordable Housing Stock
Category:	Affordable Housing Vehicle
Description:	<p>Involves increasing the variety of affordable housing by constructing new, smaller and more affordable dwellings.</p> <p>The model may form part of a larger development (PPP), with a proportion of dwellings allocated for affordable home ownership or rental housing. In such instances, funding would generally be provided by a private consortium. As private rental housing, tenants may be eligible for Commonwealth Rent Assistance, and homebuyers would have access to various forms of affordable housing finance.</p>
Developer:	Member of private consortium (PPP).
Owner:	Private consortium.
Operator:	Private consortium, community housing organisation, or other third party.
Target:	Medium income households.
Capital Funding:	Private consortium/Government
Recurrent Funding:	Government contribution required.

Model 7 - Government Housing Stock Transfers

Model 7	
Name:	Government Housing Stock Transfers
Category:	Affordable Housing Vehicle
Description:	<p>The model involves the transfer of existing government housing stock to the private sector, with requirements for a component of affordable (rental) housing.</p> <p>If built on public land, the properties may eventually transfer back to government ownership.</p>
Developer:	Not applicable – this model does not require development of housing stock.
Owner:	Private consortium/not-for-profit company/community housing organisation.
Operator:	Private consortium/not-for-profit company/community housing organisation.
Target:	Low income households
Capital Funding:	Transfer from State.
Recurrent Funding:	Nil – as capital already funded.

Model 8 - Multi-Agency Collaboration

Model 8	
Name:	Multi-Agency Collaboration
Category:	Affordable Housing Vehicle
Description:	<p>Collaboration between Local Government and relevant State Government agency(ies) to provide affordable housing for specific needs groups (e.g. elderly persons, disabled persons).</p> <p>The model may form part of a larger development (PPP), with a proportion of dwellings allocated for affordable housing. In such instances, funding would generally be provided by a private consortium and other government sources apportioned for special interest groups.</p>
Developer:	Private contractor (in the case of a new development).
Owner:	State or Local Government agency, or private consortium (PPP).
Operator:	State or Local Government agency, community housing organisation, or private consortium (PPP).
Target:	Low income households
Capital Funding:	Government/Private consortium
Recurrent Funding:	Multi agency support funding from State.

Model 9 – Cooperative Ownership Model

Model 9

Name:	Cooperative Ownership Model
Category:	Affordable Housing Vehicle
Description:	<p>Ownership of property shared by residents. Each member of issued with partly paid-up shares, used to acquire and develop property. Calls on shares used to repay bank loans. Shares can be sold to new residents.</p> <p>Economies of scale can provide cost benefits. Can be sponsored by State/Local Governments. Governments could provide loan facilities.</p>
Developer:	Housing cooperative.
Owner:	Housing cooperative.
Operator:	Housing cooperative.
Target:	Low income buyers.
Capital Funding:	Members and banks.
Recurrent Funding:	Housing cooperative and Government subsidies

Model 10 – Community Land Trust

Model 10

Name:	Community Land Trust
Category:	Affordable Housing Vehicle
Description:	<p>Non-profit organisations that are controlled, under a charter, to provide housing availability to the local community.</p> <p>Ownership of land remains within the community and long term leases are provided to residents.</p> <p>Governance of the trust is determined by communal or collective ownership arrangements, with residents and community members receiving voting rights.</p>
Developer:	Community Land Trust
Owner:	Community Land Trust
Operator:	Community Land Trust
Target:	Low income households
Capital Funding:	Community Land Trust
Recurrent Funding:	Members and Trust

Model 11 – Bond Model

Model 11

Name:	Bond Model
Category:	Affordable Housing vehicle
Description:	<p>State government sells long term bonds to private investors (institutional investors) at market price. The capital raised is used to acquire property for affordable housing.</p> <p>The gap in operating costs, between interest returns on loans and rent received, is met by government subsidies. Dwellings may be progressively sold off to repay debt.</p>
Developer:	Government
Owner:	Government
Operator:	State housing authority
Target:	Low income households
Capital Funding:	Debt
Recurrent Funding:	Rent, government subsidy

Model 12 - Individual Rental Assistance

Model 12

Name:	Individual Rental Assistance
Category:	Financial Assistance
Description:	<p>Provision of financial assistance to individual rental tenants to cover the gap between market rent and the individual tenant's affordability, and cover the upfront bond cost.</p> <p>The model would be funded via Government grants. This individual financial assistance would supplement Commonwealth Rent Assistance received by the tenant.</p>
Developer:	Not applicable – this model does not require development of housing stock.
Owner:	Private investor.
Operator:	State/Local Government.
Target:	Low income households
Capital Funding:	
Recurrent Funding:	Government

Model 13 – Tax Credits Model

Model 13

Name:	Tax credits model
Category:	Finance Assistance
Description:	<p>This model includes the following tax incentives:</p> <ul style="list-style-type: none">▪ land tax rebates for affordable housing providers▪ income tax – investors receive below threshold level tax credit, i.e. reduction to total annual tax liability. Change requires cooperation of commonwealth and state governments▪ capital gains tax – annual threshold not payable▪ local government rating concessions▪ property tax exemptions
Developer:	Private
Owner:	Private
Operator:	Private
Target:	Low income households
Capital Funding:	Government – through taxation assistance.
Recurrent Funding:	Government – through taxation assistance.

Model 14 – Construction Loan Funds

Model 14

Name:	Construction Loan Funds
Category:	Finance Assistance
Description:	<p>Incentive for development of affordable housing by providing construction finance for developers at below market interest rates.</p> <p>Can be for particular types of housing projects or for developments assigning a portion for affordable housing.</p> <p>Can be financed by Government agency and co-lender – with blended agency (floating rate below lenders rate) and lender rate.</p> <p>Alternatively, grant for construction of low income housing.</p> <p>Could incentivise a network of lenders to finance for low income housing construction.</p>
Developer:	Private consortium
Owner:	Private consortium
Operator:	Private consortium
Target:	Low income households
Capital Funding:	Private consortium
Recurrent Funding:	Private renters

Model 15 – Housing Voucher Program

Model 15

Name:	Housing Voucher Program
Category:	Finance Assistance
Description:	<p>Housing vouchers are a form of government assistance, giving recipients the freedom to provide voucher payments to landlords in any kind or location of property that they choose, in order to best meet peoples' needs. The advantage of this type of rental assistance is the choice of type and location of property.</p> <p>Can be tied to a formula reflecting costs and rents.</p> <p>Requires outreach program to landlords to ensure vouchers are accepted.</p> <p>In US, recipient contributes 30% of income to rent, and voucher makes the difference.</p>
Developer:	Private
Owner:	Private
Operator:	Private
Target:	Low income households
Capital Funding:	Private
Recommended for Short List:	Government

Model 16 - Regulatory Protection of Existing Affordable Housing

Model 16

Name:	Regulatory Protection of Existing Affordable Housing
Category:	Legislative Assistance
Description:	<p>Develop of policy by Local Government to require Council approval where owner/developer of affordable housing wishes to alter, add to, subdivide, or demolish the dwelling(s).</p> <p>Council would be required to consider certain matters, including: the effect on rental stock in the area, the impact on current residents, and the future needs of the community.</p>
Developer:	Not applicable – this model does not require development of housing stock.
Owner:	Owner of (eligible) affordable housing.
Operator:	Local Government.
Target:	Low income households
Capital Funding:	Private
Recurrent Funding:	Not applicable.

Model 17 - Rate Concessions

Model 17

Name:	Rate Concessions
Category:	Legislative Assistance
Description:	<p>Provision of part or whole concessions on Council rates for persons in eligible affordable housing, reducing the financial burden of living in the area.</p> <p>This model would result in a reduction in income from rates to Local Government.</p>
Developer:	Not applicable – this model does not require development of housing stock.
Owner:	Owner of (eligible) affordable housing.
Operator:	Local Government.
Target:	Low income rental
Capital Funding:	Private
Recurrent Funding:	Government

Model 18 – Inclusionary Zoning

Model 18

Name:	Inclusionary Zoning
Category:	Legislative Assistance
Description:	<p>Local Government requires (or requests) a certain percentage of affordable housing to be assigned in developments, in exchange for inclusionary zoning ordinances.</p> <p>A dedicated portion of the market value of the development, created by rezoning, is directed toward affordable housing.</p> <p>As land value increases the value of rezoning incentives increases.</p> <p>Inclusionary zoning ordinances could be mandatory or incentive based and are usually determined in accordance with specific local area requirements.</p>
Developer:	Private contractor
Owner:	Private contractor
Operator:	Private contractor. Could also have arrangement for affordable housing land portion of property with community housing organisation.
Target:	Low income households
Capital Funding:	Private contractor
Recurrent Funding:	Private.

Model 19 – Density Bonuses

Model 19

Name:	Density Bonuses
Category:	Legislative Assistance
Description:	<p>Council gives permission to build additional housing above the allowed density provided this additional housing stock is for affordable housing</p> <p>Concessions offered may include floor space bonuses, building height allowance and reductions in car parking provisions, minimum lot open space/landscaping requirements.</p>
Developer:	Private contractor
Owner:	Private contractor
Operator:	Private contractor. Could also have arrangement for affordable housing land portion of property with community housing organisation.
Target:	Low income households
Capital Funding:	Private contractor
Recurrent Funding:	Private contractor

Model 20 – Other Planning Reforms/Concessions

Model 20

Name:	Other Planning Reforms/Concessions
Category:	Legislative Assistance
Description:	<p>Various reforms/concessions granted on provision of a proportion of affordable housing. Such reforms may include:</p> <ul style="list-style-type: none"> ▪ developers are required to contribute funds to an affordable housing trust on the basis that the development will displace affordable housing from the market; ▪ relaxation of other planning restrictions (such as the current restrictions on residency in 'granny flats'); ▪ Impact Levies, where commercial developers are required to contribute to affordable housing supply costs on the basis that employment growth in the area contributes to increased housing prices; ▪ Benefited area rating schemes, where a rate levy is charged to property owners in areas subject to public infrastructure expenditure such as urban renewal etc; ▪ Accelerated approvals, where affordable housing development is prioritised by local authorities in terms of development and other applications. <p>Planning reforms/concessions could be undertaken as part of a PPP, and could be provided on a case-by-case basis.</p>
Developer:	Private developer.
Owner:	Developer/owner of (eligible) affordable housing.
Operator:	Local Government.
Target:	Low income households
Capital Funding:	Private contractor

Model 21 – Statutory Covenants

Model 21

Name:	Statutory Covenants
Category:	Legislative Assistance
Description:	Negotiated covenants to preserve existing affordable housing use. Negotiated covenants are registered on title to land and cannot be removed unilaterally by property owners. May be used in conjunction with increased development/supply initiatives to ensure long term affordability.
Developer:	Private
Owner:	Private
Operator:	Private
Target:	Low income households/Existing affordable housing areas
Capital Funding:	Not applicable.
Recurrent Funding:	Not applicable.

6

Model Evaluation

The long list of models and their score for each of the five assessment criteria are shown in the table below.

A score of 1 indicates the most unfavourable outcome against the criteria, whereas a score of 5 represents the most favourable outcome against the criteria.

Affordable Housing Model	Criteria				
	1 Meets Target Group	2 Controlled/ Targeted	3 Transition Out	4 Cost	5 Ability to Implement
Affordable Housing Vehicles					
Public Private Partnership	1	2	1	5	2
Community Housing Partnership (Equity Share)	5	4	4	2	4
Community Housing Partnership (Community Ownership)	5	5	4	2	4
Non-for Profit Housing Company	5	5	4	3	5
Affordable Housing Trust	2	3	4	4	1
Construction of New Affordable Housing Stock	4	2	4	1	3
Government Housing Stock Transfers	4	5	4	4	4
Multi Agency Collaboration	2	4	2	3	2
Cooperative Ownership Model	1	5	4	2	1
Community Land Trust	4	4	4	2	3
Bond Model	1	2	2	4	1

Affordable Housing Model	Criteria				
	1 Meets Target Group	2 Controlled/ Targeted	3 Transition Out	4 Cost	5 Ability to Implement
Financial Assistance					
Individual Rental Assistance	4	3	1	2	1
Tax Credits Model	1	2	1	4	1
Construction Loans Fund	1	2	1	2	1
Housing Voucher Program	4	3	1	2	1
Legislative Assistance					
Regulatory Protection for Existing Affordable Housing	1	2	1	3	2
Rate Concessions	1	2	1	3	2
Inclusionary Zoning	1	2	1	3	2
Density Bonuses	1	2	1	3	2
Planning Reforms/Concessions	1	2	1	3	2
Statutory Covenants	1	2	1	3	2

7

Shortlist of Models

The above analysis identified a short-list of models from the scoring attributed.

The top 10 models identified with a score compared to a maximum 25, are:

1. Non-for Profit Housing Company - 22
2. Government Housing Stock Transfers - 21
3. Community Housing Partnership (Community Ownership) - 20
4. Community Housing Partnership (Equity Share) - 19
5. Community Land Trust - 17
6. Affordable Housing Trust - 14
7. Construction of New Affordable Housing Stock - 14
8. Multi Agency Collaboration - 13
9. Mixed Income Models - 13
10. Cooperative Ownership Model - 13

From the above, the following models have been short listed in accordance with the criteria identified in the previous section:

- Community Housing Partnership;
- Non-for Profit Housing Company;
- Government Housing Stock Transfer; and
- Community Land Trust.

Whilst other models may be of interest, the majority that have not been shortlisted are either not implementable on a small geographic basis, or do not achieve the target rental need.

7.1 Selection of Preferred Model

Whilst the four models above best meet the target need required, the Not for Profit Housing Company model has been selected as the preferred model for implementation. Notwithstanding this, the four models are similar in certain aspects and elements of each have been included in the preferred model operating structure.

The major reasons behind this decision are:

- No Government Housing Stock exists to be transferred and thus makes the associated models difficult to implement. It is noted that the transfer of Government owned land, either permanently or for the life of the project, may be incorporated into the final model.
- No available land is currently held by any community housing group, and thus the Community Housing Partnership model nor the Community Land Trust model are possible.

8

Structure and Implementation of Preferred Model

8.1 Overview of Model

A Not for Profit Housing Company ("NPHC") is proposed to operate to deliver affordable housing in the near and inner Port Hedland region.

The NPHC would be incorporated as a public company limited by shares under the Corporations Act and be independent from Government.

The main advantage of this model is that tenants have access to Commonwealth Rent Assistance.

In addition, the NPHC would apply to be an Income Tax Exempt Charity (ITEC), and thus be exempt from goods and services tax (GST) and other taxes including income tax.

As a charity, the NPHC would be required to have charitable mission.

Such could resemble a statement such as:

"The Port Hedland NPHC aims to provide appropriate, secure and affordable rental housing in the Town of Port Hedland to people in need."

Such models have been developed in Australia and overseas examples to add to the provision of affordable rental housing that meet social policy objectives.

8.2 Parties and Structure

The Not for Profit Housing Company Model operates as an interface between numerous parties.

The parties involved include:

- Tenants;
- Community Housing Operators - Managers on behalf of the Company;
- Commonwealth Government - Provides of Commonwealth Rental Assistance and Tax Deductibility;
- Private Industry and Donors - Providers of tax deductible donations; and
- State Government - Potential grantors of land assets.

8.3 Tenants

The NPHC will provide appropriate, secure and affordable rental housing in the Town of Port Hedland to people in need.

Consistent with the aim of ensuring affordability for low income households, rents would be set at below market rates.

As a consequence of the rent setting policy, rental accommodation is expected to be appropriate for:

- Lower income households without children; and
- Households with children where the household income is above that provided solely through income support payments.

The need for the NPHC is driven the issues surrounding the lack of availability of public housing to provide a suitable outcome or to assist in a timely manner.

In addition, the public housing eligibility criteria do not incorporate the nuances of the Port Hedland rental market and excludes the key market in need.

At first instance, it is proposed that to be eligible for NPHC accommodation, applicant households must:

- Be in inadequate, unaffordable or insecure accommodation;
- Demonstrate a need to be housed in the area;
- Lack means of meeting their housing need;
- Be unable to find appropriate, affordable and secure housing in the private rented market; and either
 - Come within the definition of a low income household identified at the time of launch; or
 - Have special needs which disadvantage them in the house market.

8.4 Housing Stock

The housing stock required has been identified via the market assessment, as well as consultation with relevant stakeholders.

This has identified that the NPHC will include stand alone housing units and some group housing units (triplex sites). The overarching framework involves a diversity across the region and a non-concentration.

It is proposed that stand alone housing unit be able to accommodate 5 persons, and small group housing sites, 3-4 persons.

8.5 Rent and Rent Setting

The rent setting strategy would seek to meet the needs of the target market.

The general aim may be stated as the provision of good quality housing at rents at a discount to the market which are affordable to households on low incomes such that, in general, households do not have to pay more than 30% of their income in rent.

In order to achieve the charitable status, rent should be at less than 75% of the market rent. This is not seen as a material hurdle in the current Port Hedland market.

8.6 Tenancy Management

It is proposed that the NPHC would engage a local community housing provider to provide tenancy management services. This is seen as a critical element in the model as such organisation as experienced in dealing with the specificities of housing management in the region.

8.7 Referral Procedures and Practices

It is proposed that the model operate via referral arrangements from relevant partners and stakeholders.

The NPHC will retain ultimate control over access into its housing, in order to manage tenant mix and business viability.

8.8 Exit Points

Households that exceed upper income thresholds will be encouraged to seek housing elsewhere, to free up recourse for higher need applicants. Such an approach ensures an effective use of subsidy.

8.9 Governance

It is proposed that the NPHC be incorporated as a not-for-profit legal entity in the form of a public company limited by shares under the *Corporations Act*.

The NPHC will apply to be a deductible gift recipient according to the *Income Tax Assessment Act 1997* (so that donations (of \$2 or more) are tax deductible to the donor) and a charitable institution and endorsed as an income-tax-exempt charity in terms of the *Income Tax Assessment Act 1997*.

As a company, the NPHC will have to issue shares.

Ordinarily, such entities have two classes of shares:

- Ordinary Shares; and
- Community Shares.

Similarly, there will be two classes of Shareholders:

- Ordinary Shareholders; and
- Community Shareholders.

8.9.1 Ordinary Shareholders

The ordinary shareholders establish the organisation.

These are likely to be:

- State Government Housing Agency;
- A Development Commission; and/or
- The Town of Port Hedland.

8.9.2 Community Shareholders

Community Shareholders are appointed by the Ordinary Shareholders. They should be organisations and not individuals.

An organisation's suitability to be a Community Shareholder and the process for nomination and appointment as a Community Shareholder is specified in the Company's Shareholders Agreement.

8.9.3 Directors

Each initial Ordinary Shareholder would be entitled to appoint one Director to the Board of Directors for each Ordinary Share held. The Ordinary Shareholders may nominate one of the directors appointed by them as a Chair, or nominate an additional director as an Independent Chair.

The Board has appointed a Chief Executive to oversee the operations of the Company.

8.9.4 Code of Conduct

The Company will adapt a code of conduct for all those involved in the Company at both Board and staff levels.

8.9.5 Accountability

The Board will produce an annual report, which will include the following information:

- A summary of the annual accounts;
- A performance report highlighting both property development (e.g. units commenced and completes) and tenancy management (e.g. vacants, arrears);
- A lettings report showing who received allocations from the Company;
- A report on the condition of the stock, investment undertaken and planned Staff numbers and cost; and
- Directors' attendance and remuneration.

8.9.6 Governance Structure

The following governance arrangements would exist to ensure the framework intended was implemented:

- Company Constitution and Shareholder's Agreement
- The inclusion of Community Preference Shareholders in the governance model.
- Board of Directors structure whereby the Chair and three Directors are nominated by the shareholders.

8.10 Financial Structure

The NPHC is intended as an alternative model of providing social/affordable housing that reduces the demand for funding from government as compared with provisions of conventional social housing.

Such approaches have been established in a variety of countries around the world. For example, the housing association sector in the United Kingdom comprised of not-for-profit social landlords now provides accommodation to nearly four million people in over one and a half million homes.

There are significant resources that can be utilised in the model. These are described below.

8.10.1 Rent Assistance

The Commonwealth Government provides rental assistance to eligible people who rent their homes in the private sector (and from a number of community organisations). The structure of payments under the Rent Assistance scheme results in varying levels of assistance being available to different household types. Whilst Rent Assistance is not available to tenants in Public Housing, it is available to tenants of the NPHC.

8.10.2 Tax Efficiency

The NPHC structure is designed in such a way as to take advantage of legitimate methods of minimising liability for tax. The relevant provisions are:

- GST: Accommodation will be priced in such a way as to maximise the ability to claim input tax credits for GST cost included in construction and other contracts.
- Stamp duty and rates: There is scope for stamp duty exemptions where there is a public benevolent purpose. Local governments have considerable scope for influencing housing provision on a smaller scale via property tax or rating concessions.
- Fringe benefits tax (FBT): As a charitable institution, concessions are available in relation to FBT liability on benefits provided to employees in a similar way to public hospitals.
- Income Tax and Capital Gains Tax: Not for profit entities are exempt from income tax and capital gains tax in a similar manner to government entities not subject to the National Tax Equivalent Regime.

9

Financial Forecasts and Viability

9.1 Aim of Financial Modelling

The aim of the financial modelling undertaken is to provide:

- An assessment of an overall viability of the preferred model; and
- Determine the viability of the funding scenarios and the sources of funding for the project.

9.2 Target Need Modelled

In order to determine the viability for the target need, the modelling was conducted on the basis of three household types.

These types were selected to mirror the need identified in the earlier market analysis and consultation phases. The three household types are summarised below:

Household Type	Proportion of Total Sample	Adults	Dependants				Household Income from Salaries
			<13 yrs	13-15 yrs	16-17 yrs	Total	
Type A: Couple with Sole Income and Dependants	30%	2	1	1	1	3	\$30,000
Type B: Sole Parent with No Income and Dependants	30%	1	2	2	0	4	\$0
Type C: Single with No Dependants	40%	1	0	0	0	0	\$45,000

As the above demonstrates, it has been assumed that 30% of the households in the model are Type A, 30% Type B and 40% Type C.

9.3 Rental Assumptions

In order to determine the ability of the above three household types to pay rent in a rental model, each households' net income was determined.

This was determined on the basis of the following factors:

- Salaries and wages earned; and
- Based on family composition, eligibility for income and rental assistance.

9.3.1 Financial Assistance Mechanisms

The following financial assistance mechanisms have been utilised for the various household types, where applicable. It is assumed that other relevant eligibility criteria have been met.

- Family Tax Benefit A - annual tax benefit to help families with the cost of raising children.
- Family Tax Benefit B - provide extra assistance to families with one main income, including sole parents, where the youngest dependent child is under 16. It also provides extra assistance to families who have a child under the age of five.
- Parenting Payment - a parenting assistance payment to singles that have at least one child aged under 8 who is wholly or substantially in their care.
- Newstart Allowance - to assist those entering the workforce who are currently unemployed;
- Rent Assistance - to assist those the private rental market who receive more than the base Family Tax Benefit.

The following table displays the assumptions utilised regarding the eligibility of the three household types to the various financial assistance mechanisms.

Household Type	Type A: Couple with Sole Income and Dependants	Type B: Sole Parent with No Income and Dependants	Type C: Single with No Dependants
Family Tax Benefit A	Yes	Yes	No
Family Tax Benefit B	No	Yes	No
Parenting Payment	No	Yes	No
Newstart Allowance	No	No	No
Rent Assistance	Yes	Yes	Yes

9.4 Financial Assistance Rates

The following financial assistance rates have been adopted in the financial modelling from consultation with the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA).

9.4.1 Income Based Assistance

Income Based Assistance	
Family Tax Benefit A	
<i>For Each Child</i>	<i>Per Annum</i>
Under 13 years	\$4,460
13-15 years	\$5,595
16 - 17 years	\$1,891
18 - 24 years	\$2,310
Family Tax Benefit B	
<i>Age of Youngest Child</i>	<i>Per Annum</i>
Under 5 years	\$3,259
5 - 15 years	\$2,270
Parenting Payment	
<i>Status</i>	<i>Per Annum</i>
Partnered	\$10,083
Single	\$13,980
Newstart Allowance	
<i>Status</i>	<i>Per Annum</i>
Single, no children	\$11,175
Single, with children	\$12,087
Partnered	\$20,166

9.4.2 Rent Assistance

Situation	Maximum Payment Per Fortnight	Maximum Payment Per Annum
No Dependants		
Single, no dependent children	\$105	\$2,740
Single, sharer, no dependent children	\$70	\$1,827
Couple, no dependent children	\$99	\$2,584
Dependants		
Single, 1 or 2 children	\$124	\$3,218
Single, 3 or more children	\$140	\$3,640
Couple, 1 or 2 children	\$124	\$3,218
Couple, 3 or more children	\$140	\$3,640

9.5 Household Income

On the basis of the above assumptions, and the financial assistance mechanisms, the household income for each of the three household types has been determined. This is displayed in the table below:

Household Type	Type A: Couple with Sole Income and Dependants	Type B: Sole Parent with No Income and Dependants	Type C: Single with No Dependants
Salaries	\$30,000	\$0	\$45,000
Income Taxation	\$3,600	\$0	\$8,100
Net Salaries	\$26,400	\$0	\$36,900
Family Tax Benefit A	\$11,946	\$20,112	\$0
Family Tax Benefit B	\$0	\$10,070	\$0
Parenting Payment	\$0	\$13,980	\$0
Newstart Allowance	\$0	\$0	\$0
Rent Assistance	\$3,640	\$3,640	\$2,740
Total Household Net Income	\$41,987	\$47,802	\$39,641

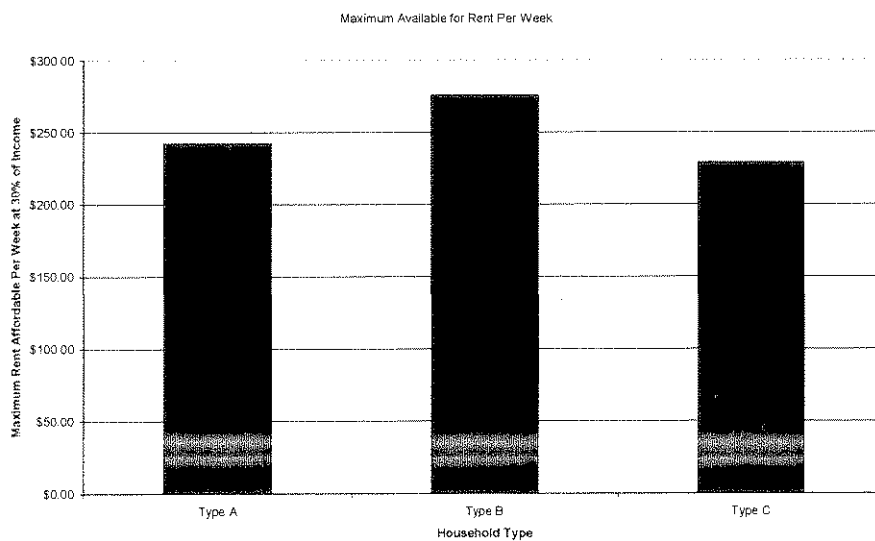
9.6 Maximum Rent Affordable

In order to determine the maximum rent affordable by the household types, a series of scenarios have been adopted, around the accepted 'housing stress' metric.

The following table displays, the maximum rent that could be afforded by the three households at various levels of their income being dedicated to rent.

Rent %	Type A: Couple with Sole Income and Dependants	Type B: Sole Parent with No Income and Dependants	Type C: Single with No Dependants
Maximum Available for Rent Per Annum			
25%	\$10,496.65	\$11,950.51	\$9,910.18
30%	\$12,595.98	\$14,340.62	\$11,892.21
35%	\$14,695.31	\$16,730.72	\$13,874.25
Maximum Available for Rent Per Week			
25%	\$201.86	\$229.82	\$190.58
30%	\$242.23	\$275.78	\$228.70
35%	\$282.60	\$321.74	\$266.81

At the 30%, the rent per week affordable is depicted in the chart below.



9.7 Development Scenario

In order to develop the model, a stand alone development scenario sample has been utilised to conduct the analysis. The modelling has assumed that the development includes the following:

Assumption	Scenario	Output
Number of Units of Housing		30
Proportion Grouped	30%	9
Proportion Stand Alone	70%	21
Number of Units in Grouped Housing	3	9 x 3
Total Number of Housing Units		48

9.8 Key Assumptions

In developing the financial forecasts for the model, a number of assumptions have been utilised.

The key assumptions are detailed below.

9.8.1 Land Costs

The land costs below have been identified with consultation with organisations such as the Department of Housing and Works.

Item	Assumption	Note
Grouped Housing Site	\$230,000	
Density for Grouped	3	
Grouped - Per Unit	\$76,667	
Stand Alone Housing Site	\$100,000	
Stamp Duty - Grouped	\$0	<i>State grant of land.</i>
Stamp Duty - Stand Alone	\$0	<i>State grant of land</i>

9.8.2 Construction Costs

The construction costs below have been identified with consultation with construction organisations in the region and the Department of Housing and Works.

Item	Assumption	Note
Grouped	\$600,000	<i>Inclusive of GST</i>
Grouped - Per Unit	\$200,000	<i>Inclusive of GST</i>
Stand Alone	\$275,000	<i>Inclusive of GST</i>
Timeframe for Construction of Development Scenario	2 years	
Phase 1 – Percentage of Development Scenario	40%	
Phase 2 – Percentage of Development Scenario	30%	
Phase 3 – Percentage of Development Scenario	30%	

9.8.3 Operating Costs

Item	Assumption	Note
Responsive Maintenance	\$400	<i>Per dwelling per annum</i>
Insurance	0.25%	<i>% of Value of Property</i>
Rates	0.50%	<i>% of Value of Property</i>
Property Management	8%	<i>% of Gross Rent</i>
Administration	\$50,000	<i>Per annum</i>
Sinking Fund	\$1,000	<i>Per dwelling per annum</i>
Working Capital Reserve	\$100,000	<i>Upfront</i>

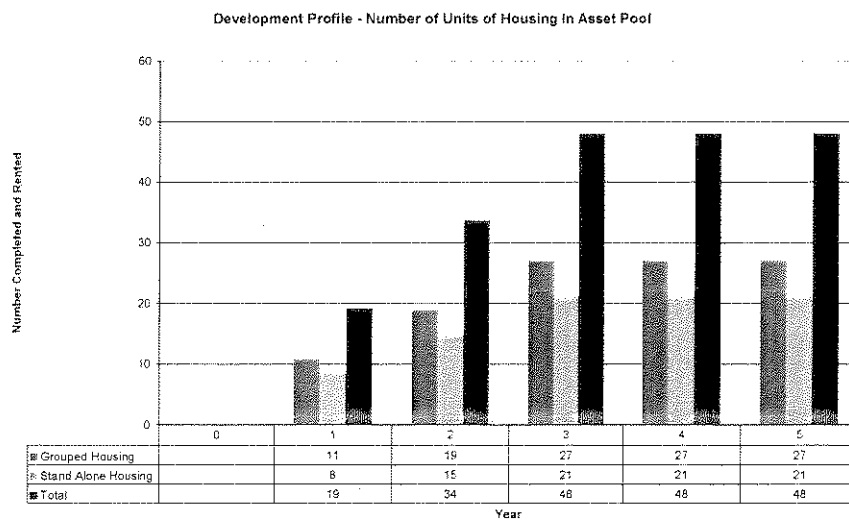
9.8.4 Other

Item	Assumption	Note
Project Management	3%	Per value of construction
GST Rate	10%	
Stamp Duty	0%	
Debt Finance Costs	9%	Per annum
Debt Term	30	Years
Interest Free Rate	0%	Per annum
Escalation Rates		
Capital	6%	Per annum
Recurrent	4%	Per annum

9.9 Development Profile

In the sample model, it has been assumed that the 48 units of housing are developed over three years in three phases as stated in the above assumptions.

The resultant asset pool and properties available for rent over the three years are depicted in the chart below.



9.10 Capital Requirement

On the basis of the above assumptions and development profile, the capital requirement was determined to develop the housing assets.

The profile for the first three years is stated in the table below and demonstrates an estimated requirement of approximately \$12.0 million.

Year	Total	0	1	2	3
Land Costs - Phase 1	\$1,668,000	\$1,668,000	\$0	\$0	\$0
Land Costs - Phase 2	\$1,326,060	\$0	\$1,326,060	\$0	\$0
Land Costs - Phase 3	\$1,405,624	\$0	\$0	\$1,405,624	\$0
Stamp Duty	\$0	\$0	\$0	\$0	\$0
Total Land Acquisition Costs	\$4,399,684	\$1,668,000	\$1,326,060	\$1,405,624	\$0
Construction Costs - Phase 1	\$4,738,200	\$0	\$4,738,200	\$0	\$0
Construction Costs - Phase 2	\$3,766,869	\$0	\$0	\$3,766,869	\$0
Construction Costs - Phase 3	\$3,992,881	\$0	\$0	\$0	\$3,992,881
Total Construction Costs	\$12,497,950	\$0	\$4,738,200	\$3,766,869	\$3,992,881
Total Development Costs	\$16,897,634	\$1,668,000	\$6,064,260	\$5,172,493	\$3,992,881

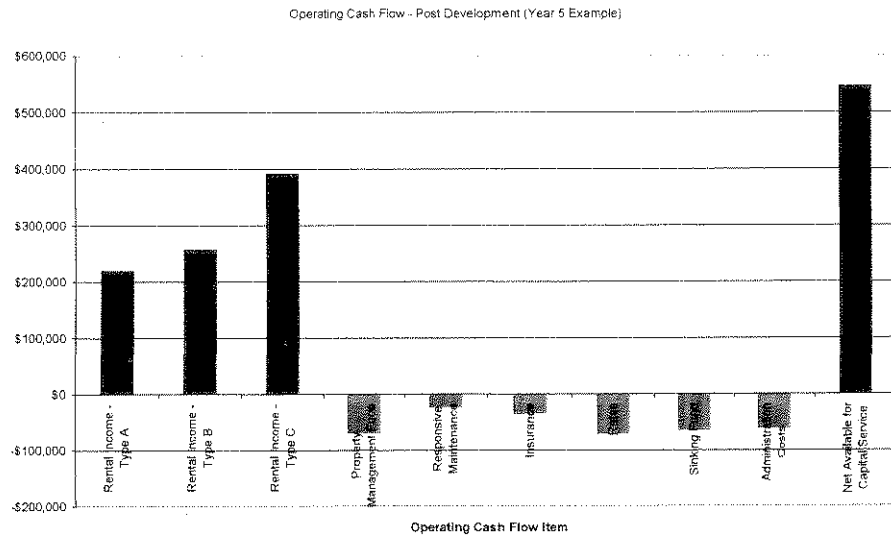
9.11 Operating Period

Financial forecasts for the Operating Period have been prepared for 20 years. These cash flow forecasts utilise the various revenue and cost assumptions outlined above.

The table below summarises the total over the 20 year period. The full 20 year cash flow forecasts are contained in the Appendices.

Cash Flow	Total
Cash Inflow	
Household Type A	\$5,445,222
Household Type B	\$6,352,759
Household Type C	\$9,680,395
Total Rental Income	\$21,478,375
GST Refund	\$1,136,177
Total Cash Inflow	\$22,614,553
Cash Outflow	
Project Management Fees	\$506,929
Property Management Fees	\$1,718,270
Responsive Maintenance	\$576,398
Insurance	\$998,751
Rates	\$1,997,503
Sinking Fund	\$1,824,943
Administration Costs	\$1,548,460
Working Capital Reserve	\$100,000
Total Cash Outflow	\$9,271,254
Net Income Available For Capital and/or Debt Service	\$13,343,298

In order to demonstrate the composition of the operating surplus, the following chart has been developed as a means of identifying revenue and cost composition.



The financial model displays \$13.3 million for debt and/or capital service. This provides a small surplus to the total capital requirements of \$12.0 million. The lack of a larger surplus assists in identifying that commercial funding models may not be viable as the model is not able to adequately provide returns.

9.12 Financial Viability

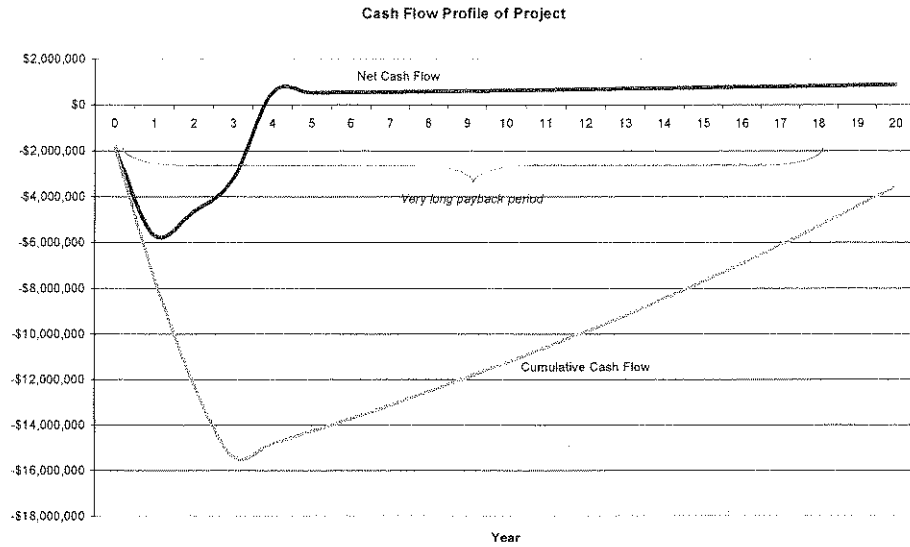
The financial viability of the model can be summarised by assessing the financial return metrics. These assist in identifying the appropriate financing and funding sources.

Over the 20 year life of the project, the following financial return metrics are identified.

Item	Total over Project Life
Capital Cash Flow	
Land Acquisition	-\$4,399,684
Construction	-\$12,497,950
Total Capital Cash Flow	-\$16,897,634
Operating Cash Flow	
Rental Income	
Total Rental Income	\$21,478,375
GST Refund	\$1,136,177
Total Income	\$22,614,553
Expenses	
Project Management Fees	\$506,929
Property Management Fees	\$1,718,270
Responsive Maintenance	\$576,398
Insurance	\$998,751
Rates	\$1,997,503
Sinking Fund	\$1,824,943
Administration Costs	\$1,548,460
Working Capital Reserve	\$100,000
Total Expenses	\$9,271,254
Total Operating Cash Flow	\$13,343,298
Net Cash Flow	-\$3,554,335
Maximum Cash Flow Requirement	-\$15,370,594
Net Present Value - NPV Discount Rate = 8%	-\$8,215,007
Internal Rate of Return - IRR	-2.3%

The above table demonstrates that the project has a negligible return and thus further demonstrates perceived inability to fund a commercial rate of return.

The chart below displays the cash flow profile and the associated payback period. The cumulative cash flow has a largely negative period.



9.13 Terminal Value and/or Residual Value

The above analysis has been conducted with the inclusion of a residual value. The residual value is the value of the residual assets of the project following the completion of the project life. In this instance, the project life is 20 years and the associated project assets are the housing stock owned by the company. As is commonly understood, this is a rather important component in real estate projects.

The financial analysis metrics have been recalculated to determine the impact of realising the value of the 48 housing units after 20 years.

At the end of the project, it is assumed that the housing units are sold for their value at that point in time. The value has been estimated on a conservative basis by assuming that the total value of capital spent equates to the value of the housing stock and such grows by 6% per annum over the 20 year period. This equates to an end value of \$45.0 million.

If this amount was realised, the cash flow and financial metrics would be amended in the following manner.

Item	No Residual Value Included	Residual Value Included
Capital Cash Flow		
Land Acquisition	-\$4,399,684	-\$4,399,684
Construction	-\$12,497,950	-\$12,497,950
Residual Value		\$45,501,488
Total Capital Cash Flow	-\$16,897,634	\$28,603,855
Operating Cash Flow		
Operating Cash In Flow	\$22,614,553	\$22,614,553
Operating Cash Outflow	\$9,271,254	-\$9,271,254
Total Operating Cash Flow	\$13,343,298	\$13,343,298
Net Cash Flow	-\$3,554,335	\$41,947,153
Maximum Cash Flow Requirement	-\$15,370,594	-\$15,370,594
Net Present Value - NPV		
Discount Rate = 8%	-\$8,215,007	\$824,125
Discount Rate = 10%	-\$8,494,034	-\$2,345,392
Discount Rate = 12%	-\$8,614,815	-\$4,403,215
Internal Rate of Return - IRR	-2.3%	8.4%

The above analysis demonstrates that an enhanced return profile is available if a residual value assumption has been utilised. Notwithstanding the above, the total return profile is not overwhelming in its direction towards a funding model. The IRR to the project of 8.4% does provide for a level of return commensurate with residential property investment. However, the ability to utilise institutional funds at such levels is negligible, as the cash flow profile limits the cash return for a long period of time.

9.14 Funding Scenarios

Given the above cash flow profile of the project, the funding scenarios in order to finance the project have been developed.

In consultation with stakeholders, and utilising Stamfords understanding of financial markets, it was determined that a commercial model would not be appropriate as a funding mechanism. This is driven by the cash flow and return model generated. Ordinarily, if the housing stock could be developed and sold in shorter periods, such as 3 - 5 year profiles, the cash flow profile, through the realisation of property sales and capital gain would be achievable. However, the sale of properties in the short term is contradictory to the purposes of the model being developed.

Therefore a number of models were considered and identified to assist in funding the not for profit housing company. These are:

- State grant land to the vehicle for development;
- NFPHC obtains tax deductible donations from private sector, including industry prevalent in the region;
- NFPHC obtain loan funds from the State for the development of the project on concessional terms; and
- NFPHC obtains grants from the Community Housing Program.

Each of these options have been modelled to assess their ability and resultant cash flow profile.

9.15 Cash Flow Funding Requirement

As determined above, the project requires approximately \$15.5 million in capital to fund the development of 48 units of housing. This capital requirement can be funded in the manner described.

The effect of each of these scenarios has been determined.

9.15.1 Option 1: State Provides Land Free for Use

Under this model, the State would make land available for the use of the project.

This would remove the land acquisition costs. The resultant cash profile adjustments are stated below.

Item	Original Model	Option 1: State Provides Land Free of Charge
Total Capital Cash Flow	-\$16,897,634	-\$12,497,950
Total Operating Cash Flow	\$13,343,298	\$13,343,298
Net Cash Flow	-\$3,554,335	\$845,348
Maximum Cash Flow Requirement	-\$15,370,594	-\$10,970,910
Internal Rate of Return - IRR	-2.3%	0.7%

This option does enhance the viability of the model, but still requires further cash investment of \$10.9 million.

9.15.2 Option 2: Tax Deductible Donations

Under this model, as a not for profit, any donations obtained would be tax deductible to the provider. This model could theoretically provide the \$10.8 million required and fund the project. However, this model poses a major risk, in that the model relies heavily on the provision of such donations, and if these were not available, the model would not succeed.

However, this may provide a viable option as an adjunct to another model. This would be marketed to industry. The marketing of the donations to industry would include:

- Tax deductibility of donation;
- Additional supply in the local market would assist in reducing the overall private rental cost, and therefore reducing industry's housing cost; and
- Enhanced housing for singles would assist in the recruitment of trades and apprentices and other non-core service personnel.

9.15.3 Option 3: Loan Funds on Concessional Terms

This option involves the State, or other Government authority providing a concessional or interest free loan to the project.

The proposed terms of the facility would be:

- Interest Rate - 0%
- Term - 20 years post completion of construction
- Amount - \$11.9 million
- Repayments - Credit Foncier facility - Principal and Interest (0%) from the completion of construction. Repayments of approximately \$600,000 per annum from year 3.
- Security Provided - First ranking mortgage security over real property assets of NFPHC.

This model provides a neutral cash flow profile, whilst making tangible and sizeable repayments of the loan facility to the State. In addition, from the State's perspective, security of appropriate value is also being provided.

Item	Original Model	Option 3: Loan Funds on Concessional Terms
Total Capital Cash Flow	-\$16,897,634	-\$16,897,634
Total Operating Cash Flow	\$13,343,298	\$13,343,298
Financing Cash Flow		
Funds Drawn Down	\$0	\$16,897,634
Funds Repaid	\$0	-\$16,897,634
Net Cash Flow	-\$3,554,335	\$0
Maximum Cash Flow Requirement	-\$15,370,594	\$0
Internal Rate of Return - IRR	-2.3%	Not applicable – as no equity investment

As the above table identifies, this model provides the funding requirement and at the completion of the project, allows for the return of capital to the State. The NFPHC would then have the ability to utilise its residual value contained in its assets to provide for further development of additional housing units. This equity utilisation provides for the longevity of the vehicle without the need to seek further support.

9.15.4 Option 4: Obtain Grants from the Community Housing Program

This option involves applying for a grant from the Department of Housing and Works' Community Housing Program. This report would assist in providing the base for the funding proposal.

The characteristics of the funding program have been assessed against those with the proposed project and are well aligned.

Utilisation of this as a funding model provides two major risks:

- That the amount of funding requested is not provided in its entirety, thus leaving a funding gap; and
- That due to the uniqueness of the Port Hedland market, the eligibility of the target market is beyond the eligibility criteria for DHW public housing tenants. The Community Housing Program carries this as a criteria and thus may make the eligibility inconsistent. This is due to the need in the Port Hedland region being evidenced for those unable to be met by public housing and also unable to enter the private rental market.

9.16 Preferred Funding Option

Stamfords has conducted a summary of the above models and believes that a hybrid funding model incorporating multiple elements provides an appropriate funding structure.

The proposed hybrid model is proposed to include:

- Grant of land assets from the State;
- The receipt of tax deductible donations from the private sector for \$2 million; and
- A loan from the State or other authority on the terms described above for \$5 million to be repaid over 20 year. As the State would be granting free land to the model, the model has the capacity to service interest on commercial terms. The terms of the facility will be:
 - Interest rate of 9% per annum;
 - Principal and interest repayments beginning in year 6;
 - Interest capitalised until the repayments begin;
 - Term of 20 years; and
 - Security Provided - First ranking mortgage security over real property assets of NFPHC.

The six year repayment free period will allow the net rental income to accumulate to a satisfactory level.

The above scenario has been modelled to determine its viability. The analysis demonstrates that the model is viable and able to support the required program, and meet its financing service obligations.

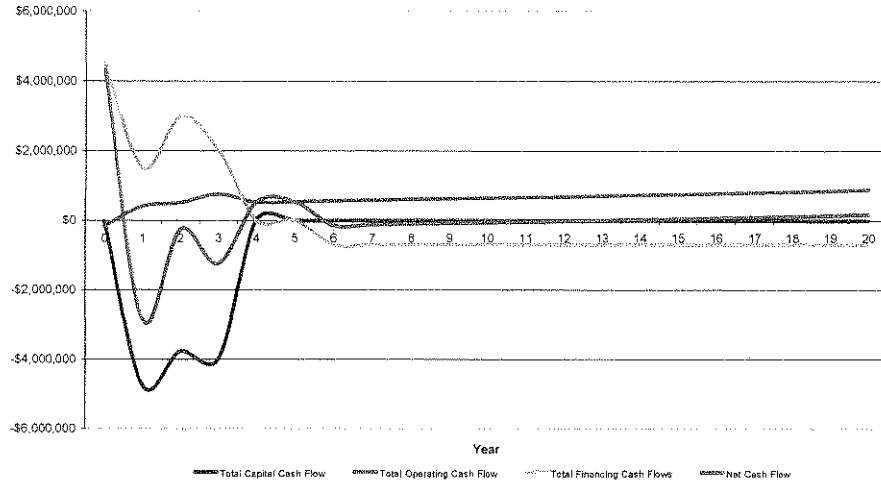
The terminal value of the residual housing assets have not been included as a return in the model. This is an explicit assumption and represents a conservative approach that may be required with the State's land grant. That is, the State may require the project operate on a Build Own Operate Transfer ("BOOT") - type basis, with the land returning to the State at the end of the project.

The modelling assumptions utilised can be varied to accommodate the various sensitivities. That is, should the donations amount not be achieved, then the loan funds could be enhanced.

Item	Original Model	Preferred Funding Option
Capital Cash Flow		
Land Acquisition	-\$4,399,684	\$0
Construction	-\$12,497,950	-\$12,497,950
Total Capital Cash Flow	-\$16,897,634	-\$12,497,950
Operating Cash Flow		
Operating Cash In Flow	\$22,614,553	\$22,614,553
Operating Cash Outflow	-\$9,271,254	-\$9,271,254
Total Operating Cash Flow	\$13,343,298	\$13,343,298
Financing Cash Flow		
Donations	\$0	\$4,000,000
Funds Drawn Down	\$0	\$7,000,000
P&I During Operations	\$0	-\$10,560,512
Total Financing Cash Flows	\$0	\$439,488
Net Cash Flow	-\$3,554,335	\$1,284,836
Funds Required to be Viable	-\$15,370,594	Nil

The chart below displays the interaction between the various fund sources and uses and demonstrates the viability of the project, including the repayment of the loan funds provided.

Cash Flow Composition of Preferred Model



Appendix A: Financial Modelling



Karratha real estate agent Dave Hipworth at a new subdivision in the town.

Boom creates housing shortage

ATNSLIE CHANDLER

Pilbara property prices are being pushed sky high, with real estate in demand due to an influx of residents.

Hundreds of people are flocking to the Pilbara for jobs, with several new industrial projects and the expansion of existing industry providing opportunities.

Real estate agent Dave Hipworth said a 30-year-old three-bedroom, one-bathroom house in Karratha would have fetched \$180,000 last year. They were now selling for \$300,000.

For the past four years there had been about 120 properties on the market at any time. Now anything which came on to the market sold quickly.

Rents in some parts of Karratha had soared to more than \$650 a week, making it difficult for people to survive unless they had a living allowance as part of their job package.

Mr Hipworth has written to the State Government asking for more land to be released to help ease the situation.

He said he hoped the lack of houses would not deter people from moving to the area. There were plenty of sites in local caravan parks, which provided affordable alternative accommodation.

Roebourne Shire chief executive Allan Moles said rents were going "through the roof", making it difficult to attract skilled employees to work for the local government. About 25 per cent of jobs at the shire were vacant.

Tourist accommodation was also at a premium, with mine and industrial workers living in hotels and backpacker hostels, leaving little room for tourists.

Mr Moles said some industrial projects developed quickly while

others took years so it was hard for State and local governments to predict when and how much housing would be needed.

Port Hedland real estate agent Jan Ford said there had not been any land released in Port or South Hedland for years, which meant the houses were expensive and old. Many homes in Port Hedland did not have deep sewerage but people were still paying up to \$400,000 for a three-bedroom house.

Three-bedroom homes in South Hedland were \$200-\$250,000.

An average three-bedroom rental property in Port Hedland cost \$350 a week.

Ms Ford said the shutdown of the BHP Billiton HBI plant and subsequent departure of its employees meant growth in the housing market had eased but there had been a significant price rise prior to the closure.

Small business owners, tradespeople and other professionals had been forced to pass on the high cost of housing to customers, driving up the cost of essential goods and services.

Shire of East Pilbara chief executive Allen Cooper said new industry in the region meant the shire and its centre, Newman, had gone from having plenty of accommodation to a housing shortage in a short period. One of the town's caravan parks had been practically turned into a miner's camp.

WA Housing and Works Minister Francis Logan has called on the Federal Government to boost rent assistance for people in the Pilbara, saying communities relied on people working in small business but they could not afford to live in the region.

Rents in Karratha had reached \$800 a week but the Commonwealth Rent Assistance Scheme offered a maximum of \$50 in assistance.

Schools get \$6m boost

Education in the Pilbara is set to receive a \$6 million boost in an effort to attract and keep skilled workers in the region.

Students and teachers in Port Hedland and Newman will receive new education and training opportunities under the BHP Billiton Iron Ore and State Government project.

BHP Iron Ore president Ian Ashby said attracting skilled staff was

difficult if a high standard of education for their children was not guaranteed.

The funding would give students new opportunities and encourage them to stay at school.

Video-conferencing will allow students to study previously unavailable subjects and an after-hours tutoring service and local scholarships will be made available.

Teachers will be given access to

professional development and academic extension programs will be introduced.

Education Minister Ljiljana Ravlich said the project would give high school students in Newman and Port Hedland the same opportunities as those attending metropolitan schools. The agreement would help attract and keep teachers and provide students with access to tertiary education.



Celebrating the launch of the Education Partnership: Newman Senior High School students Jasmine Shepherd and Mitchell Czepulkowski, and standing, from left, BHP Billiton Iron Ore president and chief operating officer Ian Ashby, Education and Training Minister Ljiljana Ravlich, Newman principal Dick Hunter and Iron Ore vice-president mining James Shaw.



Pilbara Development Commission chief executive Robyn Crane.

Rugged and beautiful, the Pilbara is the powerhouse of WA, supplying two of the State's biggest earning exports — iron ore and liquefied natural gas.

The region covers almost 508,000sq km, stretching from offshore Indian Ocean islands in the west to the Northern Territory border in the east.

Its estimated 40,000 residents are largely concentrated in the coastal

Resource-rich Pilbara powers on

Industry is booming in the Pilbara and the population is set to follow suit

regional centres of Port Hedland, South Hedland and Karratha.

But the population looks set to increase region-wide, with billions of dollars worth of industrial projects around the region creating new job opportunities.

Pilbara Development Commission chief executive Robyn Crane said there had always been pockets of development around the region but this time the whole Pilbara was booming.

"There is a general air of confidence in the region," she said.

A drawback to the surge of industrial activity was the high demand for housing, pushing house prices and rents sky high.

Ms Crane said a number of committees comprising State Government, industry and local government officials were trying to fix the situation, which had resulted in some people not being able to afford to live in the region.

"There really is an air of co-operation in wanting to resolve the issue," she said.

Land releases in Karratha and Port

Hedland would also ease the pressure on housing supplies.

Tourism in the region, home to the spectacular Karijini National Park, ranges, gorges and thousands of pieces of Aboriginal rock art, had also suffered because of the accommodation shortage, with mining companies housing their workforces in hotels, motels, caravan parks and backpacker hostels around the Pilbara.

It was hoped that new accommodation to be built at Karijini by the Gumala Aboriginal Corporation and a tourist development at Tom Price would alleviate the problem and aid the region's ability to house big tour groups.

Ms Crane hoped the additional child-care places, extra educational opportunities, aesthetic upgrades, increased amenities and improved support for families being developed by the PDC and other Pilbara authorities would help draw people to the region and keep them there.

"It's a myth that people don't want to live in the Pilbara," she said.

"People do want to live here — it's a beautiful way of life."