From: "Jones, Hayley" <Hayley.Jones@act.gov.au>
Sent: 10/11/2023 12:56 PM
To: "Goth, Kathy" <Kathy.Goth@act.gov.au>; "Hamraev, Ahror" <Ahror.Hamraev@act.gov.au>; "Hillcrest, Jessica" <Jessica.Hillcrest@act.gov.au>; "Osborne, Chris" <Chris.Osborne@act.gov.au>
Subject: IN-CONFIDENCE - RFP update and agenda - for todays meeting
Attachments: 231031 - RFP 2023-24 BtR Affordable Rental - Attachment D - CDF letter of Support for Financing - MCCG.pdf

IN-CONFIDENCE

Hi all

Sending through this email as a record of decisions in the first RFP meeting, and to guide discussion at this afternoon's meeting

Initial compliance

All applications to proceed to Threshold criteria - noting that we are still waiting on advice from a company search check to confirm the 3 proposals are submitted by eligible entities, Out of Scope

Out of Scope

Out of Scope

MCCG:

Deferred release (s 38(6))

Out of Scope

Threshold

MCCG appears to have met the requirements of RS2 as a feasible development from a planning perspective (subject to advice from Leasing), as well as from a financial perspective. I have requested advice from Leasing and the Territory Plan advisors re planning feasibility. Deferred release (s 38(6))

Deferred release (s 38(6))

Out of Scope

Out of Scope

All 3 appear to meet RS3 – residential construction experience – but we can discuss how well today.

Hopefully we will be in a position to finalise the threshold criteria today Out of Scope
Out of Scope Out of Scope
Out of Scope

Thanks
Hayley

Hayley Jones
Affordable Housing Policy Coordination | Director
Chief Minister, Treasury and Economic Development Directorate | ACT Government
Ph: 6207 4247| hayley.jones@act.gov.au

Request for Proposal – Evaluation Report
22 November 2023

Affordable rental as part of an existing or planned Build-to-Rent development

Contents

Purpose

This report provides advice on the evaluation of responses to proposals submitted to the first round of the ACT Government's Request for Proposal process for affordable rental as part of an existing or planned Build-to-Rent development, which opened on 26 September 2023 and closed on 31 October 2023.

A separate evaluation will be conducted, and a report prepared for the proposals submitted to the second round, which is anticipated to close in March 2024.

If endorsed, the recommendations in this report will be used to inform the 2023-2024 budget review proposal *Outcomes of Build-to-Rent Request for Proposal process (proposal name)*, for the Minister's consideration to put forward for 2023-24 budget review.

Overview

The Request for Proposal (RFP) process invited Proposals from Eligible Persons for the use of Land (to be identified by Proponents in their response to the RFP) in a manner consistent with the Build-to-Rent concept to deliver Affordable Rental Dwellings for a period of at least 15 years, in accordance with the requirements set out in the RFP (inclusive of regular reporting to Government). The initiative was targeted to shovel ready initiatives that could be constructed by 2025-26.

The RFP stated the Territory would consider Financial Assistance for Proposals where there is a site attached and with a minimum affordable rental component of 10 Affordable Rental Dwellings and 15 per cent of Development Dwellings for each Reporting Date. Proposals that have less than 10 Affordable Rental Dwellings would still be considered if the proposal was considered to offer exceptional value to the Territory.

The Territory would also only consider assistance for the affordable rental component, not for the delivery of the development. The RFP encouraged proponents to obtain financing approval where required to fund the delivery of the development.

A Proponent could request different forms and amounts of Financial Assistance in their Proposal. While the Territory will seek to consider the form of the assistance requested, the Territory may deem it is more suitable to offer a different form of Financial Assistance of equal value.

The Territory may consider offering Financial Assistance to support any number of Proposals, with decisions to be finalised by Government through the 2023-24 Budget review process. Proponents were advised of the potential that no Proposal would be assessed as suitable to be considered by Government and the potential that the Government does not agree to offer Financial Assistance for any Proposal considered for 2023-24 Budget review.

If Government agrees to the provision of Financial Assistance for one or more Proposals, the Territory will aim to finalise negotiations and enter into an Agreement with any Successful Proponent in 2024.

Policy alignment

The ACT Government is seeking to increase the supply of rental Dwellings, including Affordable Rental Dwellings, in the Territory. The 10th Parliamentary and Governing Agreement included a commitment to increase affordable rental supply by 600 Dwellings by 2025-26.

In line with the Affordable Rental Prospectus and the $60 million Affordable Housing Project Fund, the Government is seeking to grow community housing and affordable rental stock in the ACT.

The RFP aligns with the ACT Wellbeing Domains of Housing and Home and Living Standards, facilitating affordable housing that is secure and suitable.

Project timeline – Round 1

Milestone	Date (anticipated)
RFP opens	26 September 2023
Round 1 RFP closes	31 October 2023
Evaluation Report endorsed	November 2023
2023-24 budget review confirms if any Successful Proponents	Early 2024
Notify Successful Proponents and commence negotiations	
Notify unsuccessful Proponents	
Conclude negotiations with Successful Proponent and enter into Agreement	

Evaluation Team

The Evaluation Team Members and Delegate are as follows:

Position	Name	Title	Department
Chairperson and Member	Kathy Goth	EBM, Affordable Housing Policy Coordination	Treasury
Member	Chris Osborne	Senior Director, Infrastructure Finance and Reform	Treasury
Member	Jessica Hillcrest	Program Manager, Housing Choice	SLA
Member and mailbox administrator	Hayley Jones	Director, Affordable Housing Policy Coordination	Treasury
Member and mailbox administrator	Ahror Hamraev	Assistant Director, Affordable Housing Policy Coordination	Treasury
Delegate	Stuart Hocking	Under-Treasurer	Treasury

The mailbox administrators released the proposals to the remaining Members after they signed the Confidentiality and Conflict of Interest Undertaking and Disclosure form.

The Evaluation Report and Proposals were released to the Delegate after the Delegate signed the Confidentiality and Conflict of Interest Undertaking and Disclosure form.

The endorsed Advisors were as follows:

Position	Name	Title	Department
Advisor	Sally Gibson	Human Services Registrar	CSD
Advisor	Janine Ridsdale	Territory Plan Services	EPSDD

Advisor	Aaron Oshyer	Leasing Services	EPSDD
Advisor	Kim Salisbury	ACT Revenue Office	Treasury

The Advisors were required to sign the Confidentiality and Conflict of Interest Undertaking and Disclosure form.

The Affordable Housing Policy Coordination team, Treasury, signed Confidentiality and Conflict of Interest Undertaking and Disclosure forms to support administration of the mailbox, where required. Standard words are being utilised, where possible.

Position	Name	Title	Department
Administration support	Antonia Harmer	Director, Affordable Housing Policy Coordination	Treasury
Administration support	Peter Rowed	Affordable Housing Policy Coordination	Treasury

The Members, Advisors and Administration Support officers (Administrators) listed above declared any conflict of interest in relation to the Project or the Proponents in line with the Deed of Confidentiality to either the EBM Affordable Housing Policy Coordination (Kathy Goth) or EGM Affordable Housing Policy Coordination (Mitch Pirie). There was no requirement to restrict participation on the panel for any of the Panel members.

All documents and proceedings have been treated as confidential.

The ACT Government Solicitor's Office (ACTGS) acted as the legal advisers for the Project.

Evaluation

To date this round of the Request for Proposal process has received three proposals, as outlined below in Table 1.

Additional proposals are anticipated as part of the next round which is due to close in March 2024.

Table 1: List of proposals – Round 1

No.	Proponent	Entity Name
1	Marymead CatholicCare Canberra & Goulburn (MCCG)	Marymead CatholicCare Canberra & Goulburn
2	Out of Scope	
3		

The Members prepared the Evaluation Plan at Attachment A of this Report. The Evaluation Plan sought to reflect the Request for Proposal documentation.

Section 7 of the RFP provides that the Territory may, at its absolute discretion, in respect of a Proposal that is non-compliant or deemed non-compliant, ignore the non-compliance in the Proposal and assess the Proposal further, including whether ignoring any such non-compliance would unfairly disadvantage other Proponents that complied.

Stage 1 – Proposal Compliance Checks

In accordance with Section 7 of the RFP, the Members initially determined whether the Proposals received were Compliant Proposals.

A Compliant Proposal is one that:

a. is submitted by an Eligible Person(s) or a consortium of Eligible Persons;
    i. The RFP defines an Eligible Person as a person or entity that is:
        i. a natural person or a company; and
        ii. legally competent to enter into an Agreement and satisfy all conditions and obligations set out therein.
    ii. Company Checks were performed by the ACT Government Solicitor's Office (ACTGS), in order to determine whether those Proponents are Eligible Persons.
b. comprises the completed (and, where applicable, signed):
    i. Returnable Schedules 1-7;
    ii. Returnable Schedule 8 (if required);
    iii. Returnable Schedule 9 (if required); and
    iv. Returnable Schedule 10, including all documents and information required in the Returnable Schedules; and
c. otherwise conforms with the requirements of the RFP.

Where a Proposal sought to include an attachment without a reference to a Returnable Schedule it is non-compliant, unless it is one of the four types of exempt documents outlined in the RFP.

Where a Proposal exceeds an established page limit (inclusive of attachments) or includes a non-compliant attachment, the non-compliant pages were removed by the Administrator before being provided to the Members, as part of the Stage 1 compliance checks.

Outcomes of Stage 1 – Proposal Compliance Checks

As part of Stage 1 there were no significant compliance issues identified for three Proposals (as outlined in Table 2). The three proposals were considered compliant to page limits and the requirement to reference non-exempt attachments.

Table 2: Outcomes of Stage 1 compliance check

Proposal	Proponent	Outcome
1	MCCG	The Proponent was identified as an Eligible Person. Sch 2.2(a)(xi) and Members recommended the Proposal be evaluated under Stage 2.
Out of Scope		

Stage 2: Threshold criteria

Based on the outcomes of Stage 1 Sch 2.2(a)(xi) t were recommended to progress to Stage 2: Threshold criteria evaluation.

This included consideration of two criteria:

- Land and capacity to deliver the Affordable Rental Dwellings (Returnable Schedule 2), where Proponents were required to:
  - Include the Minimum Number of Affordable Rental Dwellings for 15 years (or if less than 10 dwellings, offer exceptional value to the Territory);
  - Satisfy the Territory that the proposed development is feasible, including information on planning feasibility as well as financial feasibility; and
  - To demonstrate financial feasibility the RFP requested a letter from financier or accountant.
- Residential development experience (Returnable Schedule 3).

Outcomes of Stage 2 – Threshold criteria

Members assessed that Sch 2.2(a)(xi) met the requirements to demonstrate or provide satisfaction of the land and capacity to deliver the Affordable Rental Dwellings (as per Table 3).

Sch 2.2(a)(xi) were not considered to have met the requirements for land and capacity to deliver the Affordable Rental Dwellings (as per Table 4).

Table 3: Proposals where Threshold Criteria was considered to be met

Proposal	Proponent	Threshold assessment
1	MCCG	**Number and percentage of dwellings as affordable rental:** 54 dwellings (100 per cent of development dwellings) **Site feasibility:** Members considered that the proposal demonstrates satisfaction of site feasibility, subject to approval of a Development Application. While not possible under the Territory Plan when the proposal was submitted, the proposal will become feasible upon commencement of the new Territory Plan in November 2023. **Financial capacity:** Deferred release (s 38(6)) demonstrated financial capacity. **Residential experience:** The Proponent demonstrated sufficient experience in residential development. Members considered that while the Proponent did not have large scale residential development experience their previous examples demonstrated that they could successfully procure and manage construction contractors.

Table 4: Proposals where Threshold Criteria on Financial Feasibility was not met

Proposal	Proponent	Threshold assessment
Out of Scope		

Out of Scope

Stage 3: Weighted criteria

Based on the outcomes of Stage 2, Members evaluated the one proposal that was recommended to progress to Stage 3: Weighted criteria evaluation.

Outcomes of Financial Response

The Request for Proposal outlined that:

- The Territory will only consider assistance for the affordable rental component and is not seeking to provide funding for the delivery of the development.
- Any proposals that include a form of assistance other than ongoing grant assistance will be carefully costed to ensure the level of assistance requested is only supporting the affordable rental component.

The process also stated that financial assistance will only be considered to support the affordable rental component of a planned or existing Build-to-Rent development.

Members evaluated that the Proposal sought funding that facilitates the affordable rental component of a planned or existing Build-to-Rent development (as per Table 5). This Proposal was recommended to continue evaluation under Stage Three for the remaining weighted criteria.

Table 5: Proposals where the Financial Response was considered in scope for the RFP

Proposal	Proponent	Assessment of Financial Response
1	MCCG	Financial Response: Deferred release (s 38(6)) Deferred release (s 38(6)) The NPV of the availability payment Grant over 15 years (using a discount rate to 2023-24 dollars) is estimated to be Sch 2.2(a)(xi) Deferred release (s 38(6)) This is a NPV of Sch 2.2(a)(xi) plus opportunity cost per affordable rental dwelling. Members considered that such financial assistance is within the scope of the RFP. As a comparison, the successful 2022-23 RFP initiatives had a range of NPV estimates with the highest NPV equal to Sch 2.2(a)(xi) Deferred release (s 38(6)) per affordable rental dwelling. Sch 2.2(a)(xi) This score may need to be revised in the proposed Corrigendum, subject to the remaining [redacted] proposals meeting threshold criteria with a lower estimated NPV.

Outcomes of remaining weighted criteria

Based on the outcomes of the evaluation of Financial Response, Members evaluated Proposal 1 for the remaining weighted and additional criteria.

Upfront Assistance and assurance the Proponent will deliver the affordable rental for 15 years

The Proponent did not provide a response to Returnable Schedule 8.

As per the Evaluation Plan, Members sought to use information provided in other Returnable Schedules to gain assurance that the Proponent will deliver the affordable rental for 15 years.

- Deferred release (s 38(6)) [redacted]
- In addition, the Proponent is a registered Community Housing provider, and therefore provides long-term subsidised housing programs as part of their core business.

Members recommended that Proposal 1 continue to be assessed under the remaining weighted criteria.

Timing of Development

Deferred release (s 38(6)) [redacted]

The RFP noted that Proposals with an earlier affordable rental commencement date will score higher. Proposals that could have a DA progressed in 2024-25 or affordable rental commenced by end of 2025-26 will score higher than Proposals that cannot achieve these timeframes.

The Evaluation Plan established a scoring mechanism that would give greatest scoring to initiatives that have an existing development that would allow for affordable rental to commence quickly, followed by a progressed DA with commencement by the end of 2025-26.

Based on the above - Proposal 1 scored Sch 2.2(a)(xi) [redacted]

Affordable rental experience

Proposal 1 provided examples that demonstrated a range of experience in delivering affordable rental and social housing tenancies.

Sch 2.2(a)(xi) [redacted]

Proposal 1 scored [redacted] Proponent demonstrates very good experience in delivering affordable rental accommodation.

Intended Processes to Administer Affordable Rental Criteria

Proposal 1 provided sufficient information in response to each question of this criteria.

This criteria was made up of five sections, where the average score would form the score for the criteria.

1. Items 1 to 3: Sch 2.2(a)(xi)
    a. The Evaluation Plan highlighted that CHP leaseholders (or where a CHP is for all intents and purposes the same entity as the leaseholder) would receive the highest score of 10.
2. Item 4: Sch 2.2(a)(xi)
    a. The Proponent demonstrated sufficient planning for how the confirmation of tenant eligibility would occur, including consideration for client record management, and meeting ongoing eligibility requirements for existing tenants.
3. Item 5: Sch 2.2(a)(xi)
    a. The Proponent demonstrated sufficient planning for how eligible tenants will be selected. Deferred release (s 38(6))
    b. Sch 2.2(a)(xi)
4. Item 6: Sch 2.2(a)(xi)
    a. The Proponent includes information on how they will support tenants to access facilities.
    b. As there are only affordable rental dwellings in the development, there is limited risk that the affordable rental tenants won't be able to access available facilities.
5. Item 7: Sch 2.2(a)(xi)
    a. The Proponent included excellent and established operational systems and protocols.

Proposal 1 scored Sch 2.2(a)(xi)

Final score for weighted criteria

Proposal 1 scored Sch 2.2(a)(xi) across the weighted criteria. This score may need to be revised in a Corrigendum if the score for Financial Response is reduced through comparison to Proposal 2 or 3. However even if reduced, the proposal is still anticipated to score around Sch 2.2(a)(xi)

Risk analysis

Members did not identify any issue with the location or any co-located services for Proposal 1. While the Government is negotiating a number of affordable rental initiatives in the Woden area, this additional initiative is not considered a risk because affordable rental tenants are not considered to be a cohort with high or intensive needs.

Sch 1.2

Sch 1.2

Members also identified that the initiative may be subject to planning setbacks and community feedback processes. This could include negative feedback from the Curtin community and broader community. This risk is not deemed to be greater than would occur for other sites in Canberra.

Recommendations

Members recommend that Proposal 1 is put forward for consideration for the 2023-24 budget review. The business case should note that the negotiation will seek to include the mitigation as listed in the Risk Analysis section of this Evaluation Report.

Out of Scope

Attachment B and Attachment C include the emails that were provided to these proponents to request this additional information.

Members agreed to develop a Corrigendum to this Evaluation Report to record the evaluation of the updated information received.

Member Endorsement

Members

Sch 2.2(a)(ii) [redacted]

Chris Osborne — 22/11/2023
Senior Director — Date
Infrastructure Finance and Refor[redacted]

Jessica Hillcrest — 22/11/2023
Program Manager — Date
Housing Choice

Ahror Hamraev — 22/11/2023
Assistant Director — Date
Affordable Housing Policy Coordi[redacted]

Hayley Jones — 22/11/2023
Director — Date
Affordable Housing Policy Coordi[redacted]

Chairperson

Kathy Goth — 22/11/2023
Executive Branch Manager — Date
Affordable Housing Policy Coordi[redacted]

Delegate Endorseme[redacted]

Stuart Hocking — 22/11/2023
Under-Treasurer — Signature — Date

From: "Jones, Hayley" <Hayley.Jones@act.gov.au>
Sent: 02/11/2023 4:33 PM
To: "Hillcrest, Jessica" <Jessica.Hillcrest@act.gov.au>; "Osborne, Chris" <Chris.Osborne@act.gov.au>; "Goth, Kathy" <Kathy.Goth@act.gov.au>; "Hamraev, Ahror" <Ahror.Hamraev@act.gov.au>
Subject: IN CONFIDENCE - Proposal 1 - MCCG
Attachments: 1.zip

IN-CONFIDENCE

Hi all

Thanks for providing your signed forms.

Please see Proposal 1.

I have completed the initial compliance check Sch 1.2 [redacted]

The outcomes of the initial check for each proposal has been input into the Attachment A evaluation checklist template.

I also completed a high level check of the threshold criteria (RS2 and RS3) and financial response (RS4) – and put some initial thoughts into the template as well.

As the Attachment A – evaluation checklist template will be regularly reviewed – I will add it as an editable document in TRIM (rather than providing by email).

Hayley Jones
Affordable Housing Policy Coordination | Director
Chief Minister, Treasury and Economic Development Directorate | ACT Government
Ph: 6207 4247| hayley.jones@act.gov.au

Proposed developments – Territory Plan advice

Parcel identifier	Proposed Development	Zone	Territory Plan advice

Out of Scope

Out of Scope			
Block 7 Section 61 in Curtin	Site may require a lease variation in order to progress a development Deferred release (s [redacted], however that the proposal should otherwise be feasible once the new Territory Plan commences with changes for CZ church land	Community Facility Zone (CFZ)	In the CFZ zone, community housing is only permitted where associated with a place of worship or supportive housing. The proposed development would need to meet the definition of community housing in the interim Territory Plan: “community housing means the use of land for affordable residential rental which is managed by a community housing provider.” See note below re leasing advice.
Out of Scope			

Notes:

1. For leasing advice, please contact the DA leasing team on ACTPLADALeasing@act.gov.au

2. Build to rent (BTR) development is an example use under the multi-unit housing definition in the interim Territory Plan. BTR is assessed under the provisions that apply to multi unit housing, including for solar access. BTR cannot be commercial accommodation as BTR is for longer term rental while commercial accommodation (such as serviced apartments) is for short term accommodation.

3. Information about the development assessment process under the interim Territory Plan is available at: https://www.planning.act.gov.au/planning-our-city/planning-system/resources

4. The interim Territory Plan is expected to come into effect on 27 November 2023.

SELECT A DLM

ACT Government
Chief Minister, Treasury and Economic Development

CMTEDD INTERNAL MINUTE

Date:	23/02/2024	**TRIM No: CMTEDD2024/5570**
To:	Under Treasurer	
From	Director, Affordable Housing Policy Coordination	
Subject:	2023-24 Request for Proposal update and letters of intent for MCCG and Out of scope	
Critical Date:	04/03/2024	
Critical Reason:	MCCG and Out of scope have requested a letter of intent to support them to progress the developments	

Through / Approval

Approver	Date	Comments
DUT	04/03/2024	

Recommendations

1. That you:
   - Note the update and timeframe for finalising Deed of Grant agreements;
   - Agree to provide letters of intent to Marymead CatholicCare Canberra & Goulburn and to the Out of Scope / [redacted], [redacted] to support the two consortiums to continue to progress their developments;
   - Agree a copy of the letters will be provided to the Chief Minister's Office for information prior to being sent to the consortiums by Affordable Housing Policy Coordination; and
   - Sign the letters of intent at Attachment 1 and A Sch 2.2(a)(ii)

Stuart Hocking 4/3/2024

AGREED/NOT AGREED/NOTED/PLEASE AMEND/PLEASE DISCUSS

Background

2. Funding for two projects endorsed through first round of the 2023-24 Request for Proposal (RFP) process was agreed as part of the 2023-24 Budget Review (CMTEDD E14) (see evaluation report at Attachment A and corrigendum to evaluation report at Attachment B).

3. Marymead CatholicCare Canberra & Goulburn (MCCG) Deferred release (s

Out of scope

Out of Scope

Issues

Out of Scope

Out of Scope

9. Both proponents requested a letter of intent to support engagement with financiers and progress the development prior to finalisation of the Deed of Grant. To support this work, the letter of intent should include a summary of proposed financial assistance (as agreed under CMTEDD E14).

10. The MCCG letter of intent at <u>Attachment 1</u> includes details of the proposed annual grant assistance for 15 years (as agreed under CMTEDD E14). It also notes

the letter of support provided by the lessee, Catholic Archdiocese of Canberra and Goulburn, as evidence of agreement to use the site (Block 7, Section 61 in Curtin) for the proposed development. The proposed schedule and timing of grants at Attachment 1A will also be provided to the consortium.

Out of Scope

Consultation

13. Treasury has consulted MCCG and out of scope on the letters.

Work Health and Safety

14. N/A

Financial

15. There is no new financial impact. The assistance outlined in the letters aligns with the funding agreed as part of the 2023-24 Budget review initiative CMTEDD E14.

Risks/ Sensitivities

16. The letter provides a summary of the progress of the negotiations to date. The content of the letter reflects the 2023-24 budget review funding that has been agreed.

Media

17. Once negotiations progress, a media announcement will be coordinated with CMTEDD Media and the Treasurer's office.

Hayley Jones (electronically signed)

Action Officer: Hayley Jones
Phone: x74247

Attachments

Attachment	Title
Attachment 1	Letter of intent to MCCG

Attachment 1A	Attachment A - Schedule of Grant Assistance – Letter of Intent to MCCG
Attachment 2	Out of Scope
Attachment A	Evaluation report, RFP second round
Attachment B	Corrigendum to Evaluation report, RFP second round

OFFICIAL

MINISTERIAL BRIEF

ACT Government

Chief Minister, Treasury and Economic Development Directorate

To:	Minister for Housing and Suburban Development	**Tracking No.: CMTEDD2023/5223**
	Treasurer	
Date:	30/11/2023	
From:	Executive Branch Manager, Affordable Housing Policy Coordination	
Subject:	Outcomes of Build-to-Rent Request for Proposals process 2023-24 – November 2023	
Critical Date:	04/12/2023	
Critical Reason:	To put forward the business case for the 2023-24 Budget review	

- UT 01/12/23
- EGM EFG 01/12/23

Recommendations

That you:

1. **Agree** to bring forward the Business Case at Attachment 1 for consideration in the 2023-24 Budget review, recommending Treasury commence negotiations to enter into a suitable agreement for grant assistance defered [redacted]

2. **Agree** to the proposed solution at Attachment 1 to consider funding agreement for the two remaining proposals (subject to evaluation outcome) as part of the process to settle the 2023-24 Budget review.

Agreed / Not Agreed / Please Discuss

Yvette Berry MLA 13.12.23

Agreed / Not Agreed / Please Discuss

Andrew Barr MLA 4/12/23

Minister's Office Feedback

Background

1. The Treasurer agreed that any proposals received in the 2023-24 Request for Proposal process that are recommended for Grant assistance from the $60 million Affordable Housing Project Fund would seek to be considered on a case by case basis through ERC (CMTEDD2023/3058).

2. The Deputy Chief Minister was provided a copy of the brief to the Treasurer in August 2023 (CMTEDD2023/5523) on the Request for Proposal (RFP) process for this initiative, and the RFP opened on 26 September 2023. It was agreed that if any proposals received by end of October were recommended for provisional agreement - a business case would be put forward for consideration in the context of 2023-24 budget review.

3. Due to the existing $60 million Affordable Housing Project Fund (the Fund), the proposed business case is budget neutral.

Issues

4. The panel was established with members from Treasury, EPSDD and the Suburban Land Agency to assess the three applications submitted by the end of October 2023. The panel assessed one proposal as suitable.

5. In line with the evaluation recommendations, the attached business case proposes Treasury commence negotiations to enter into a suitable grant assistance agreement with one Proponent.

   a. The initiative is expected to provide Deferred release (s 38(6))

6. Out of scope

7.

Financial Implications

8. The proposed business case is budget neutral due to the Fund.

9. If the business case is agreed, an estimated $44 million will have been provisionally committed under the Fund (subject to finalisation of the funding agreements).

10. The annual financial assistance per affordable rental dwelling over the life of the program is in line with other affordable rental initiatives that have been approved or provisionally approved.

Consultation

<u>Internal</u>

11. Danyal Butt, Finance and Budget, Treasury, CMTEDD

Cross Directorate

12. Sally Gibson, Human Services Registrar, CSD
13. Aaron Oshyer, Leasing, EPSDD
14. Janine Ridsdale, Territory Plan, EPSDD

External

15. Nil

Work Health and Safety

16. N/A

Benefits/Sensitivities

17. It is possible that the Government will not be able to negotiate a suitable agreement. The funding is requested as provisional funding, and any announcement should be treated as commercial-in-confidence until there is an agreement in place.
18. There is potential the proposed Build-to-Rent affordable rental development will attract negative local community feedback. However, the location of the proposed development is not considered to be a greater risk than other sites.

Communications, media and engagement implications

19. Nil at this stage.

Signatory Name:	Kathy Goth	Phone:	50772
Action Officer:	Hayley Jones	Phone:	74247

Attachments

Attachment	Title
Attachment 1	Business Case
Attachment A	Wellbeing Impact Assessment

2023-24 Budget – Business Case

Proposal Name: *Outcome of Build-to-Rent Request for Proposals process 2023-24 – Round One*

Basis of authority for consideration in 2023-24 Budget: Approved title for consideration is "Outcome of Build-to-Rent Request for Proposals process 2023-24– Round One".

Brief Description: The proposal seeks agreement for Treasury to commence negotiation to enter into a grant assistance agreement to deliver Build-to-Rent affordable rental for the initiative in Curtin. out of scope
out of scope

Lead Minister: Berry

Portfolio: Housing and Suburban Development

Supporting Minister(s) and related portfolio/s: Barr, Treasurer

Lead Agency: Chief Minister, Treasury and Economic Development Directorate

Supporting Agencies: Nil

Wellbeing domain 1: Housing and Home

Wellbeing domain 2: Living Standards

Wellbeing Framework priority target group(s): (Multiple categories can be ticked)

☐ Older Canberrans	☐ Women and/or gender diverse people	☐ LGBTIQA+	☐ Carers
☐ Culturally and linguistically diverse people	☐ Children and young people	☐ Aboriginal and Torres Strait Islander Peoples	☐ People with disability

Priority alignment: (Multiple categories can be ticked)

☐ PAGA Appendix 1 or 2 item	☐ Other Election commitment	☐ *National Agreement on Closing the Gap*	☐ *ACT Aboriginal and Torres Strait Islander Agreement 2019-2028*
✓ Housing	☐ Mental health	☐ Early years	☐ Women and/or the *ACT Women's Plan 2016-2026*

Electorate: Murrumbidgee

Funding category: Expansion

Existing program(s): N/A

Year to cease funding or ongoing: 2040-41 in relation to the Grant component.

Link to Budget consultation: N/A

Contact officer: Hayley Jones x74247.

Business Case Authorisations

Lead Minister

Ministerial Endorsement	Signature and date or evidence of endorsement
Lead Minister: Berry **Portfolio:** Housing and Suburban Development	

Supporting Minister*

Ministerial Endorsement	Signature and date or evidence of endorsement
Supporting Minister: Barr **Portfolio:** Treasurer	4.12.23

ICT reviews

Responsible area	Name, position, signature and date or evidence of endorsement
1. Business system owner	
2. Digital, Data and Technological Solutions (Senior Director, Strategic Business)	(DDTS representative) *
3. Budget Assessment Sub-Group Committee	(BASG representative) *

*This signature does not represent support for the proposal as a spending proposition.

Business case contact officer

Responsible area	Name, position, signature and date or evidence of endorsement
AFFORDABLE HOUSING POLICY COORDINATION, Treasury	Hayley Jones, Director, Affordable Housing Policy Coordination Electronically signed, 23/11/2023

Financial Impacts Summary (Preferred Option)	2023-24 $'000	2024-25 $'000	2025-26 $'000	2026-27 $'000	Total $'000
Capital Impacts					
Capital injection	-	-	-	-	-
Capital inflows	-	-	-	-	-
Capital – Offset – Existing provision[a]	-	-	-	-	-
New capital provision	-	-	-	-	-
MPC fee – resources received free of charge (if applicable)[b]	-	-	-	-	-
Expense Impacts					

Financial Impacts Summary (Preferred Option)	**2023-24 $'000**	**2024-25 $'000**	**2025-26 $'000**	**2026-27 $'000**	**Total $'000**
Expense – Annual Grant [1]	-	-	-	702	**702**
Deferred release (s	0	-	-	-	**0**
Expense – Offsets – Existing provision[a]	-	-	-	-	-
New expense provision	-	-	-	-	-
Depreciation	-	-	-	-	-
Offset Revenue – Affordable Housing Project Fund [d]	-	-	-	702	**702**
Deferred release (s	0	-	-	-	**0**
Commonwealth contribution	-	-	-	-	-
Savings	-	-	-	-	-
Staffing Impact[€]	**2023-24**	**2024-25**	**2025-26**	**2026-27**	
Total Additional FTEs (number)	0	0	0	0	

(a) Please identify the title of the existing provision.

(b) Please refer to Treasury Memoranda (Memo 2022/05) for additional details as to how MPC-related fees should be incorporated. Should not be applied to ICT or to designated major projects.

€ Please refer to 'Identifying genuine savings' in the *2023-24 Budget Process Rules* for what constitutes a genuine offset.

(d) A positive number here indicates a proposal that is increasing the revenue collected by government. A negative number here indicated a proposal which is reducing the amount of revenue collected by government.

€ All initiatives seeking additional FTEs will require a recruitment strategy to be completed, refer to section 6 of the business case.

Breakdown of Expenses	**2023-24 $'000**	**2024-25 $'000**	**2025-26 $'000**	**2026-27 $'000**	**Total $'000**
Annual Grant [1]	-	-	-	702	**702**
Deferred release (s	0	-	-	-	**0**
TOTAL	**0**	**-**	**-**	**702**	**702**

[1] The Grant funding is to be appropriated from the existing Affordable Housing Project Fund, following development of a funding agreement with the proponent and commencement of the affordable rental dwellings (estimated to be 2026-27). Therefore, the Annual Grant has no new financial impact. The Annual Grants schedule over 15 years assumes Deferred release (s and is expected to have a nominal life of project cost of approximately Sch 2.2(a)(xi) The question of whether GST will apply to these grants is currently being considered; however, any GST paid would be an input tax credit for the ACT Government and would have a neutral impact on the Fund.

Deferred release (s 38(6))

1. Problem statement – define the problem and provide evidence

The Government commenced the second annual Request for Proposal (RFP) process in late 2023 to invite and consider proposals to deliver affordable rental as part of a planned or existing Build-to-Rent development. The RFP process is designed to facilitate affordable rental where a proponent already has a site and is targeted towards shovel ready initiatives that could be completed or progressed by 2025-26 in line with the Government's PAGA commitment for 600 affordable rental dwellings by 2025-26.

Out of Scope

Outcomes of the RFP

Three proposals were received within the required timeframe for assessment in 2023. Additional applications received by 26 March 2024 will be considered in the 2024-25 Budget context.

The three proposals received were considered broadly compliant; however Out of Scope

Out of Scope

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[redacted] Out of Scope

MCCG Proposal

- Marymead CatholicCare Canberra & Goulburn (MCCG), seeks to construct 54 affordable rental dwellings at Block 7, Section 61 Curtin. The Catholic Archdiocese of Canberra and Goulburn is the leaseholder of this site. The evaluation panel considers the two entities are sufficiently related, and for all intents and purposes can be considered the same entity. MCCG is a local and registered Tier 3 community housing provider.
- The development will become feasible under the new Territory Plan, which enables affordable housing to be developed on faith-based land. The development will require a lease variation; however, estimation of lease variation will be unavailable until the new Territory Plan is in place. EPSDD advise that depending on the specific details of the lease, there is potential there would be no lease variation charge.
- In order to compare requests for upfront assistance with those for ongoing assistance, and assess against a value for money benchmark, an NPV of future payments is calculated.
    - With use of the comparative NPV, the MCCG Proposal is requesting approximately [redacted] Sch 2.2(a)(xi) per affordable rental dwelling, which is in line with value for money criteria and the assistance provided under the previous round.
    - The nominal grant assistance for MCCG would be [redacted] Sch 2.2(a)(xi) per affordable rental dwelling from 2026-27 over 15 years and indexed annually by 3 per cent, a total of [redacted] over the 15 years.
- [redacted] Deferred release (s 38(6))

If agreed:

- The Fund will have provisionally committed around $44 million based on the above cost estimate of [redacted] Sch 2.2(a)(xi)
- Treasury would negotiate with MCCG to settle a funding agreement in early 2024. Issues such as revisions to development size may delay the settlement of a funding agreement until final development size is settled.

[redacted] Sch 1.2

Sch 1.2

[redacted]

2. Options analysis

There are two options for considering the MCCG proposal:

- Option 1: Treasury should commence negotiations to develop a funding agreement for the MCCG Proposal.

- Option 2: Do not proceed to negotiation for the MCCG Proposal.

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2.1 Options comparison table (summary comparison)

	Option 1: Commence negotiations for the CHC/SCCC proposal	**Option 2: No negotiation agreed**
Benefits Outline the key strengths and advantages	Potential to grow affordable rental supply by an estimated 54 dwellings over the long term (minimum 15 years). While the affordable rental is not expected to commence until 2026-27, the proposal may assist in achieving our commitments under the PAGA for 600 affordable rentals by 2025-26. The MCCG proposal represents value for money to the Territory to support delivery of affordable rental, noting it aligns with the estimate of the funding gap required to support affordable rental adopted in the last round (which was based on advice from the 2022-2023 Lockbridge report : *Exploration of Opportunities to Boost the Supply of Affordable Rental Housing in the ACT*). Supporting the MCCG proposal will enable growth of a local Tier 3 provider and the proposed development will support housing a diversity of tenants, with its dwelling mix suitable for a range of population groups. It aims to create a cohesive community that accommodates a mix of tenants with various needs, without creating a pocket of disadvantage. This proposal demonstrates a model for other faith based land owners to utilise the underdeveloped land to provide affordable housing.	No additional cost to Government and funding could instead be directed to other affordable rental projects received in the next round, which could potentially offer better value for money and in alternative locations.
Disadvantages List weaknesses and negative consequences	Located in Curtin close to other affordable and social housing developments currently being negotiated.	Not supporting the proposal will likely delay investment that would support the growth of local community housing providers and risk the achievement of the Government's commitment to deliver 600 additional affordable rental dwellings by 2025-26.
Timescale What period will the costs and benefits	Under the MCCG proposal, there will be an annual cost for 15 years from 2026-27.	N/A

be incurred over	The benefit will be incurred once the project is completed, starting from 2026-27.	
Costs Summarise the costs and assumptions	The lifetime cost of the [redacted] Sch 2.2(a)(xi) in grants (nominal terms) requested over 15 years, or [redacted] Sch 2.2(a)(xi) per affordable rental dwellings (on a discounted, NPV basis). [redacted] Deferred release (s 38(6)) This opportunity cost would be budget neutral, due to the revenue offset.	
Major Risks Summarise the major risks associated	There is a risk that a suitable agreement cannot be negotiated, and therefore the funding in this proposal is provisional. Any decision should be treated as commercial-in-confidence until an agreement is finalised.	As the project is close to being ready to proceed, delaying consideration would delay delivery of affordable rental housing in the ACT.
Performance measurement Determine how the performance of the proposal will be monitored	Negotiating a suitable agreement in line with the implementation plan, which incentivises delivery in line with expected timeframes.	

3. Proposed Solution (as per options above)

If Option 1 is agreed, Treasury would enter negotiations for a grant assistance agreement consistent with the MCCG proposal. This negotiation would aim to mitigate the risks identified within the evaluation process of the proposal. The 2023-24 Budget reporting should be treated as commercial-in-confidence until there is an agreement in place. This will allow commercial negotiations to progress.

Treasury will finalise evaluation of the two remaining proposals in December 2023. If the evaluation outcome recommends one or both proposals be progressed – Treasury will provide an updated business case with the information required to support consideration and agreement by the Minister for Housing and Suburban Development and the Treasurer.

4. Policy alignment

This initiative primarily supports the housing and home and cost of living wellbeing domains. Expanding the Build-to-Rent model provides greater housing choice.

The ACT Housing Strategy includes overarching aims to grow supply and affordable rental, particularly for second income quintile households.

Option 1 could support delivery of the Government's commitment to boost the supply of affordable rental dwellings in support of the PAGA commitment.

5. Implementation, risk management and governance

Treasury would lead the negotiations of the agreement with the proponent. Treasury will seek ACTGS advice on forming a suitable agreement.

Treasury and the Revenue Office would manage the affordable rental component. Treasury would consider reports provided by the affordable rental management and provide the agreed Grant to the successful party once approved by relationship manager in Treasury.

Late 2023	Finalise evaluation of the remaining two proposals. If the evaluation recommends consideration of one or both proposals, Treasury will provide information on the proposal/s for the consideration of the Minister for Housing and Suburban Development and the Treasurer.
Early 2024	Negotiation with the Successful proponent commences. Treasury will seek to finalise negotiations and form a suitable agreement in the first quarter of 2024. Treasury will inform all Proponents evaluated under the RFP of the outcome. Proponent applies for lease variation and prepares DA documentation.
2024-2025	DA lodged and approval granted. Construction commences.
2025-2027	Construction expected to be completed around February 2027. • Treasury evaluates development as per any provisions in the agreement.

	• Treasury and ACT Revenue Office to finalise eligibility criteria, application process and communications for affordable rental component. Subject to previous milestones, Development is completed and is tenanted from March 2027. • Treasury finalises evaluation of development as per any provisions in the agreement. • Grants commence for 15 years. Affordable rental component open for application, Treasury manages annual grant requirements in line with the agreement, and ACT Revenue Office administers financial incentive in consultation with Treasury.
5 years from operation (2031-32)	Treasury evaluates the performance of the Build-to Rent affordable rental initiative and makes recommendations to Government.
10 years from operation (2036-37)	Treasury evaluates whether to extend the program and affordable rental incentives approximately three years prior to the end of the program.
2040-41	Final Grant is due under the existing Agreement. Noting the proponent is a registered community housing provider and the site has limited uses, it is likely the site will continue to be operated as community housing on an ongoing nature.

6. Recruitment strategy

There is no staff requested in this business case.

7. Performance measures and evaluation

The success of this initiative will be measured by the delivery of an additional 54 affordable dwellings which are targeted to a diverse range of population groups.

8. Inter-agency collaboration and stakeholder management

Treasury would lead the negotiations of the agreement with the proponent. Treasury will seek ACTGS advice on a suitable agreement.

Treasury and the Revenue Office would manage the affordable rental component. Treasury would consider reports provided by the affordable rental management, and the Revenue Office would provide the agreed subsidy to the successful party once approved by Treasury.

9. Communications

Treasury will lead the budget announcement, in line with any requirements around the commercial negotiations.

10. Detailed costs

Cost estimates are provided for the Option 1. Option 2 has no additional cost to Government.

10.1 Cost estimates

<u>Grants</u>

Deferred release (s 38(6)) [redacted]

Schedule of Grants (nominal, no further indexation expected, timing subject to construction)

2026-27	Sch 2.2(a)(xi) [redacted]
2027-28	
2028-29	
2029-30	
2030-31	
2031-32	
2032-33	
2033-34	
2034-35	
2035-36	
2036-37	
2037-38	
2038-39	
2039-40	
2040-41	

The nominal value of the grants is approximately Sch 2.2(a)(xi) [redacted]. However, the net present value cost used to compare the different types of proposals is estimated to be [redacted] (2023-24 dollars) or [redacted] per affordable dwelling (2023-24 dollars), using a 5.3 per cent discount rate.

The timing of the initial payment is dependent on commencement of the affordable rental (estimated to be 2026-27).

Deferred release (s 38(6)) [redacted]

Staffing and resources

No additional FTE is required.

10.2 Offsets

Nil.