1 Purpose of these guidelines

These guidelines set out program objectives, project conditions and the criteria against which project proposals for redevelopment of community housing assets by community housing providers will be assessed.

2 Scope

This program and related guidelines apply to:

2.1 Community housing providers registered as Tier 1 or 2 providers under the National Regulatory System for Community Housing and who have signed the Community Housing Master Agreement.

2.2 The CHARP guidelines apply specifically to the SACHA funded assets where a fixed payment applies according to Schedule 1 of the Community Housing Master Agreement (previously referred to as ‘Debentured’ properties).

2.3 All other asset renewal proposals relating to community housing assets for which the SA Housing Authority has an interest in and for which approval is sought will be assessed and managed through these guidelines.

This program and related guidelines do not apply to:

2.4 Community housing providers registered as Tier 3 providers under the National Regulatory System for Community Housing or project proposals which include prospective mergers or joint venture arrangements with Tier 3 providers.

2.5 Proposals relating to SAHT-owned properties or Joint Ventures.

2.6 Sale to tenants

2.7 Other transactions that fall within the scope of the Community Housing Property Transaction Policy.

3 Program Objectives

The objectives of the Community Housing Asset Renewal Program (CHARP) are to:

3.1 Provide eligible community housing providers the opportunity to address significant asset management issues with SACHA Funded Assets through redevelopment of old and underperforming stock;

3.2 Enable eligible providers to maximise development opportunities with assets under the community housing master agreement as well as other opportunities with state owned land or dwellings designated as community housing assets;

3.3 Provide an opportunity for registered Tier 1 and Tier 2 community housing providers to build property development capacity and experience with associated financing arrangements; and
3.4 Improve the overall quality of social housing outcomes by facilitating development opportunities and enhancing the performance of assets delivered by community housing providers.

4 Program conditions

The following conditions apply to projects approved through the Community Housing Asset Renewal Program and other developments of community housing assets requiring approval by the SA Housing Authority:

4.1 Protection of government assets
4.1.1 No capital funding will be made available from SAHT resources.
4.1.2 There will be no net reduction in the overall number of both SACHA funded assets and other state funded assets sector wide.
4.1.3 All newly constructed dwellings must be targeted for completion within 12 months of execution of a Project Agreement (this timeframe may be negotiated with the SA Housing Authority depending upon the size and complexity of the proposed development) and 18 months from the initial In-Principle approval provided by the SA Housing Authority for a project.
4.1.4 Any new outcomes in which government have a financial interest (i.e. new properties retained and not sold as part of the project proposal) will be incorporated under the provider’s Community Housing Master Agreement with the SAHT. The tenant outcome type will be negotiated between the provider and the SAHT on a case by case basis.
4.1.5 A target of approximately 25 SACHA funded assets per annum will be released by the SA Housing Authority as part of the CHARP program in an individual round, unless part of a special purpose call or project outside of this cap.
4.1.6 The SA Housing Authority may also consider proposals outside of this cap where a CHP agrees to maintain fixed payments over SACHA funded assets that are to be sold or redeveloped.
4.1.7 The general location of SACHA funded assets is maintained or improved. For example, as a guideline, projects proposing to sell SACHA funded assets within inner ring suburbs and replace them with properties in outer ring suburbs will not be supported.
4.1.8 A Project Agreement will be issued for each approved project by the SA Housing Authority for execution by the provider and the SA Housing Authority. This project agreement will summarize all approved conditions and targeted dates for construction and the release of fixed payments.
4.1.9 The project agreement must be executed by the community housing provider within 30 days of its receipt from the SA Housing Authority in order to align with vacancy periods and fixed payment exemptions.

4.2 Financial Acquittal
4.2.1 The SA Housing Authority will require a full acquittal of all funds into and out of the project, whether in the form of cash proceeds or asset contribution at project completion.
4.2.2 If a project involves demolition or sale of a SACHA funded or SAHT funded asset, and the value of security for Government’s financial interest is thereby reduced, then a new Deed of Statutory Charge, bank guarantee or similar instrument will be executed to fully secure the Governments financial interest.
4.2.3 Upon project completion a new Deed of Statutory Charge will apply over the project properties in which government has a financial interest. Where third party financiers are a party to the project a Deed of Priority may also be required to be entered into.
4.2.4 The financial interest of government will be determined as follows:
   4.2.4.1 Where a SACHA funded or state funded asset is targeted for redevelopment, the government contribution will be valued at the
latest available Valuer Generals valuation, but SAHT may at its absolute discretion seek an updated independent valuation prior to the execution of a project agreement.

4.2.4.2 Where a SACHA funded or state funded asset is to be sold to generate development funding for a project, a market valuation will be required to estimate the value of the property for the project agreement. The final government contribution will be valued at the net sale proceeds (i.e. sale price minus selling costs (maximum 2.5% of the sales price) as per the settlement statement and the value of any equity that might be due to the tenant as part of grandfathered equity share schemes i.e. group self-build). See 4.6 Property Sales for more information.

4.2.5 100% of the financial interest of government will be secured by a Deed of Statutory Charge against the community housing provider’s property portfolio as follows:

4.2.5.1 Against the title of project outcomes or part thereof to the same value of the original properties, this may result in security being placed over more or fewer properties than the original property; or

4.2.5.2 Where the value of properties delivered is less than the financial contribution of government, the residual will be secured against the title of alternate land or property held by the community housing provider as agreed between the provider and the SA Housing Authority or the provider may provide a financial return to government for the remaining unsecured amount.

4.2.6 Any surplus funds on completion of project (where the funds derived from sale of the original or new project properties exceed those reinvested into new retained project outcomes), must be reinvested into an approved or in principal approved community housing project or returned to government, as agreed by the SA Housing Authority. The preferred position is that all funds are reinvested against the proposed project.

4.2.7 Where the likelihood of surplus funds is reasonably foreseeable, the project proposal should include a specific proposal for on the investment of surplus funds. The community housing provider will arrange and fund an independent market valuation to determine the value of properties post completion and provide to the SA Housing Authority immediately to enable the execution of the deed of statutory charge.

4.3 Fixed Payments

4.3.1 Upon approval of a project proposal by the SA Housing Authority, fixed payments on any SACHA funded asset included in a development proposal will be waived from the date of vacancy up to the agreed project completion date as stipulated in the Project Agreement.

4.3.2 Properties can only be vacated once ‘In Principal’ agreement has been provided and no earlier than 6 months prior to demolition or sale unless otherwise agreed by the SA Housing Authority.

4.3.3 In the event the project agreement is not executed by the provider with the required timeframe, fixed payments will re-commence for the vacant property until execution of the agreement.

4.3.4 The provider is responsible for notifying their Business Relations Specialist upon vacancy to enable suspension of fixed payments for the property and adjustment of the providers Quarterly Data Return.

4.3.5 Where an approved project involves the handback of a vacant SACHA funded asset, fixed payments will be waived from the date of vacancy up to the agreed handback date as stipulated by the Project Agreement. Properties are to be vacated no earlier than 3 months prior to the agreed handback date unless otherwise agreed by the SA Housing Authority.

4.3.6 Fixed Payments for any new outcomes transferred to the provider under their Community Housing Master Agreement with the SAHT, will become due from the date of settlement unless otherwise agreed by the SA Housing Authority.
4.3.7 Fixed payments on re-development sites will be waived for a period of up to 12 months unless otherwise agreed by the SA Housing Authority.

4.4 Protection of tenant interests
4.4.1 The overall number of housing outcomes available for high needs customers sector wide will be maintained.
4.4.2 The overall number of SACHA funded assets will remain unchanged.
4.4.3 Where a project requires the relocation (whether temporary or permanent) of existing tenants, the provider is responsible for sourcing alternate accommodation and must ensure that existing tenancy rights and conditions are maintained, including rent charged and tenure arrangements.

4.5 Vacancy management
4.5.1 To maximise rental return on SACHA funded or state funded assets approved for renewal or redevelopment, the provider may in the short term assign an ‘affordable’ tenancy type or utilise the asset for short term Transitional Housing from vacancy until project commencement. In this instance for SACHA funded assets the fixed payment will continue to apply regardless of the basis of rental.
4.5.2 In order to maintain the total portfolio profile outcomes as set out in Annexure A of their Master Community Housing Agreement, providers must in the first instance consider their portfolio and manage new vacancies across their portfolio to maintain agreed allocation targets. Where a development proposal has a significant impact on agreed portfolio outcomes, the provider may negotiate a short term amendment during the construction period.
4.5.3 Untenanted properties and properties under construction will be excluded from the KPI assessment process for the duration of the project.

4.6 Property sales
4.6.1 Community housing providers are responsible for managing any property sales related to the project proposal and funding associated sales, conveyancing and valuation costs. This includes development sites where land subdivision occurs and allotments or properties are sold on the private market to fund a project.
4.6.2 Properties can only be sold where the sale price is greater than 90% of the market valuation as determined by an independent market valuation. The only exception to this is the sale of re-development sites where land division occurs and allotments/house and land packages are sold in conjunction with a private developer.
4.6.3 The SA Housing Authority reserves the right to undertake its own independent market valuation where the sale of a property is estimated to fall below the 90% of current valuer general (VG) value.
4.6.4 In the event the sale is below the 90% of VG value the SA Housing Authority may rescind the approval for sale.
4.6.5 Projects involving construction on government land and subsequent sale will be subject to the Government’s 15% Affordable Housing Policy.

5 Provider Eligibility
To be eligible to submit a Project Proposal under the Community Housing Asset Renewal Program or other development opportunity involving a community housing asset a community housing provider must:
5.1 Be a registered Tier 1 or 2 provider under the National Regulatory System for Community Housing;
5.2 Have no regulatory compliance issues;
5.3 Have entered into and be compliant with the terms of the Community Housing Master Agreement.; and
5.4 Be willing to give permission for the SA Housing Authority to obtain a copy of their latest Financial Performance Report and Compliance Report from the Registrar to determine financial risk exposure.

6 Request for Proposals

6.1.1 Frequency
The SA Housing Authority will release a ‘Request for Proposals’ from time to time via a Community Housing Bulletin and the SA Housing Authority provider Intranet page.

Proposals submitted or negotiated outside of a formal call may be considered in accordance with these Guidelines dependent upon budget and resource implications. Proposals will also be considered on an urgency basis where properties have become untenantable or severely unsuited for their designated program purpose.

6.1.2 Ongoing submissions
At the discretion of the SA Housing Authority, consideration will be given to bids outside of scheduled rounds for Community Housing Provider who have been given approval for and executed a CHARP project in previous rounds. Proposals should be linked to short to medium term plans and will be assessed under CHARP guidelines.

6.1.3 Format
Provider initiated proposals must be submitted in the form provided at Attachment 1.

Prior to submission, community housing providers are encouraged to discuss their proposals with the SA Housing Authority staff including their Business Relations Specialist and the Senior Financial Analyst.

7 Provider Proposal Assessment

7.1.1 Evaluation panel
A minimum of three SA Housing Authority staff will be nominated by the Manager, Housing Solution ensuring appropriate experience and expertise in:
- Financial analysis
- Provider business models
- Development applications and requirements

While the evaluation panel will not include a proponent’s Business Relations Specialist, this staff member will be consulted during the assessment process to validate or confirm information provided in project proposals e.g. data, performance reports, adherence to contract conditions.

7.1.2 Assessment criteria
Project proposals will be assessed in two separate parts against mandatory criteria (Part A) and project criteria (Part B).

All mandatory criteria must be satisfied in order for the proposal to progress for further assessment against the project criteria. Proposals not meeting Part A criteria will be rejected.

7.1.2.1 Part A: Mandatory criteria
1. The proposal satisfies program objectives (as set out at section 3 above);
2. The community housing provider meets eligibility requirements (as set out at section 5 above);
3. The project will return at least an equal number of housing outcomes for high needs customers;
4. No additional capital funding is requested of the SAHT;
5. Cash proceeds to be reinvested into specified and approved community housing project(s) or returned to government; and
6. Expected compliance with Local Government development requirements.

7.1.2.2 Part B: Project criteria

Project proposals will then be assessed according to four (4) key elements:

1. **Project viability**
   Giving consideration to:
   - Timeframe for completion
   - Project complexity
   - Tenant considerations (i.e. relocation requirements etc.)
   - Location of replacement properties (i.e. a like for like replacement in terms of location)

2. **Provider capacity (to develop and deliver)**
   Giving consideration to:
   - Skills commensurate with project complexity
   - Partnership arrangements
   - Provider financial viability and financial risk exposure

3. **The funding model**
   Giving consideration to:
   - Cash funding/borrowings/grants
   - Risk/viability
   - Funding approval status

4. **Project outcomes**
   Giving consideration to:
   - Number of new outcomes (i.e. yield)
   - Distribution of affordable versus high needs outcomes
   - Property input location versus property output location (like for like is preferred however each proposal will be considered on its’ merits)
   - Target demographic is well supported and tenancies sustainable (where relevant) Links to existing the SA Housing Authority urban renewal areas and any SAHT regional asset plans.

7.1.3 Weighting

Each of the four assessment elements will be weighted by the SA Housing Authority according to government strategic priorities at the time.

Proposals with the highest weighted scores will be recommended by the evaluation panel for approval.

8 **Project Approval**

Approval must be obtained on a project by project basis in accordance with the SAHT Instrument of Financial Delegations relating to SAHT operations.
Any changes to the original submission (e.g. substitute properties to be sold or reductions in yield following planning approvals) will be subject to reassessment and re-approval.

9 Planning approvals

Proposals under CHARP may be submitted for planning approval through the Office of State Co-ordinator General, in some circumstances this may be a quicker process than local council and expedite the delivery of the project.

10 Related laws, policies and documents

10.1 Controlling Documents

These guidelines link to the Core Operating Policy: Community Housing Property Transaction Policy and comply with the relevant requirements of the:

- Community Housing Providers (National Law) (South Australia) Act 2013 (section 24)
- Community Housing Master Agreement
- SAHT Instrument of Financial Delegations relating to SAHT operations

10.2 Related documents

- SA Government’s Guidelines for the Assessment of Unsolicited Proposals (where proposals are considered outside of a formal call by the SA Housing Authority under the Community Housing Asset Renewal Program)

11 Definitions and Terminology

Act means the Community Housing Providers (National Law) (South Australia) Act 2013

Community Housing Master Agreement means the Master Community Housing Agreement (2016) entered into between the community housing provider and the South Australian Housing Trust, and includes all attachments, annexures and schedules to it;

Fixed payment means the dividend payable by the Community Housing Provider to SAHT for SACHA Funded Assets set out in Part B of Schedule 2 of the Community Housing Master Agreement

Inner rim means suburbs within 10 kms of the Adelaide Central Business District

In principal agreement for the purposes of CHARP projects will be in the format of a formal letter signed by the General Manager of Homes and Partnerships, the SA Housing Authority acknowledging the project has been agreed to in principal but where a project agreement has yet to be executed.

SACHA Funded Asset for the purpose of these guidelines means those Project Properties which are specified in Schedule 1 of the provider’s Community Housing Master Agreement where fixed payments apply (previously referred to as ‘Debentured’ properties).

12 Date these Guidelines apply from

Version 2 - September 2017, Version 2.1 December 2018
## Approval

<table>
<thead>
<tr>
<th>Content Author:</th>
<th>Custodian:</th>
<th>Delegated Authority:</th>
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</thead>
<tbody>
<tr>
<td>Name: Teena Hantke, Position: Business Relations Specialist, SA Housing Authority</td>
<td>Name: Tim Irvine, Position: Senior Financial Analyst, Housing Solutions, SA Housing Authority</td>
<td>Name: Warwick Stuart, Position: A/General, Manager, Homes and Partnerships, SA Housing Authority</td>
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Signature required

Signature required
### 1 PROJECT SUMMARY

Provide a project summary and headline financials/outcomes

Explain why the selected SACHA funded asset/s has/have been chosen for renewal

Provide key reasons why your proposal should be accepted

### 2 PROVIDER DETAILS

- Organisation name
- Address
- Contact person
- Contact telephone number
- Contact email

Attach evidence of a duly authorised decision of the provider according to constitutional requirements e.g. agenda and minutes of meeting at which a Special Resolution was passed

### 3 PROPERTY DETAILS (SACHA funded asset/s)

- Address 1
- Certificate of Title No.
- Address 2
- Certificate of Title No.
- Address 3
- Certificate of Title No.
- Address 4
- Certificate of Title No.

Attach a maintenance history for each property along with relevant details from the maintenance plan
### 4 OTHER PROJECT PARTNERS AND ARRANGEMENTS (i.e. Developers etc.)

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<th>Organisation name</th>
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<tbody>
<tr>
<td>Address</td>
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<td>Overview of arrangements, including roles/responsibilities and any formal agreements already in place</td>
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### 5 DESIRED DEVELOPMENT OUTCOMES

| Project description i.e. anticipated yield, tenure, design approach, location etc. |  |
| Proposed distribution of affordable versus high needs outcomes |  |
| Projected timeframe for completion and key milestones |  |
| Details of discussions with Local Government demonstrating compliance with Council planning and development requirements (e.g. multiple dwellings acceptable) |  |

Attach correspondence with Local Government and/or relevant Development Guidelines

### 6 FUNDING ARRANGEMENTS

| Provide details of how the project will be funded (i.e. cash funding/ borrowings/ external grants/ philanthropic investment) |  |
| Explain any dependencies |  |
| If proposal is subject to raising bank finance, please provide details including status of negotiations and approvals |  |

### 7 TENANT CONSIDERATIONS

| Explain any tenant considerations for the selected property including whether it is currently vacant or your future plans for ensuring the property becomes vacant |  |

DATED / / 201..

Executed by the providers’ Representative as designated in Schedule 1 of their Master Community Housing Agreement. Permission is also granted for the SA Housing Authority to obtain a copy of the undersigned organisation’s latest Financial Performance Report and Compliance Report from the Registrar.

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