



Community Housing Asset Renewal Program (CHARP) guideline

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Community Housing Asset Renewal Program (CHARP) guideline

These Community Housing Asset Renewal Program (CHARP) guidelines set out program objective, project conditions and the criteria against which project proposals for redevelopment of community housing assets by CHPs will be assessed.

This Asset Renewal program and related guidelines apply to:

- CHPs registered as Tier 1 or 2 providers under the [National Regulatory System for Community Housing](#) and which have signed the Master Community Housing Agreement.
- These CHARP Guidelines apply specifically to the SACHA Funded Assets according to Schedule 1 of the Community Housing Master Agreement (previously referred to as 'debentured' properties).
- All other asset renewal proposals relating to community housing assets in which the SA Housing Trust has an interest and for which approval is sought will be assessed and managed through these guidelines.

These Asset Renewal program and related guidelines **do not** apply to:

- CHPs 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.
- Proposals relating to SAHT owned properties or Joint Ventures.
- Sale to tenants.
- Other transactions that fall within the scope of the [Community Housing Property Transaction Policy](#).

Program Objectives

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

- Provide eligible CHPs the opportunity to address significant asset management issues with SACHA Funded Assets through redevelopment of old and underperforming stock;
- Enable eligible providers to maximise development opportunities with assets under the Master Community Housing Agreement as well as other opportunities with state owned land or dwellings designated as community housing assets;
- Provide an opportunity for registered Tier 1 and Tier 2 CHPs to build property development capacity and experience with associated financing arrangements; and
- Improve the overall quality of social housing outcomes by facilitating development opportunities and enhancing the performance of assets delivered by CHPs.

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:

Protection of government assets

No capital funding will be made available from SAHT resources.

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There will be no net reduction in the overall number of both SACHA Funded Assets and other state funded assets sector wide.

At a project level the output value / interest will be at least as much as the input value/ interest and must be demonstrated at project completion via a full acquittal signed by an appropriate CHP delegate that is, CFO. This acquittal is also required to enable any Fixed Payment Exemptions.

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 Authority depending upon the size and complexity of the proposed development).

Any new outcomes in which Government has a financial interest (that is, new properties retained and not sold as part of the project proposal) will be incorporated under the CHPs Master Community Housing Agreement with the SAHT. Project property outcomes that are replacing original property inputs must be subject to the same Tenancy Types under the Master Community Housing Agreement as the original property inputs. However, the Tenancy Type for any additional or “uplift” project property outcomes may be negotiated between the Authority on a case by case basis.

The tenant outcome type will be negotiated between the Authority on a case by case basis.

The Authority will accept proposals on an ongoing basis. CHPs are encouraged to submit proposals when robust analysis is completed. CHPs should consider grouping individual sites into one project to provide efficiencies in application, review and monitoring.

No Fixed Payments will be payable on approved Exemption Type A or B properties (subject to acquittal on completion of project - refer to [Fixed Payments](#)).

The Authority has absolute discretion as to whether and in what circumstances the Fixed Payment Exemption Types A and B will be applied.

The general location of SACHA Funded Assets will be 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.

A Project Agreement will be issued for each approved project by the Authority for execution by the CHP and the Authority. This project agreement will summarise all approved conditions and targeted dates for construction and the release of fixed payments.

The project agreement must be executed by the CHP within 30 days of its receipt from the Authority in order to align with vacancy periods and fixed payment exemptions.

Financial Acquittal

The 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, using the [CHARP project completion report](#). The acquittal must be signed by an appropriate CHP delegate and will enable confirmation and application of any Fixed Payment Exemptions on project completion.

Acquittal must include:

- Construction costs reasonably incurred by the CHP associated with design, planning, subdivision and/or construction of the General and Supported Outcomes, plus land purchase cost if sales revenue not used to fund this purchase.
- Tenant relocation costs if applicable
- Direct cash or debt contributions by the CHP.
- Any surplus funds as per [Financial interest of Government](#).

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Excluded from the acquittal are:

- any development costs, costs of sale and any other costs with respect to the properties being sold in connection to this project
- CHP wages and salaries

If a project involves demolition or sale of a SACHA 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 may, at the Authority's discretion, be executed to fully secure the Government's financial interest.

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.

Financial interest of Government

Where a SACHA Funded asset is targeted for redevelopment, unless otherwise prescribed in the existing Deed of Statutory Charge, the Government contribution will be determined in accordance with the [SAHT Real Property Transaction Policy](#):

"must be the highest of the current licensed valuation or the Valuer General's on file Capital/Site value (CV or SV)"

Where a SACHA funded, or state funded asset is to be sold to generate development funding for a project the minimum price for sale must in accordance with the Community Housing Property Transaction policy.

The Government's financial interest in each project will be secured by a Deed of Statutory Charge against the CHP's property portfolio as follows:

- Against the title of all project property outcomes, or part thereof, to the extent necessary to secure the Government's total financial interest (this may result in security being placed over a greater number of properties than the original property); or
- Where the total value of the project property outcomes is less than the total financial interest of Government, the residual will be secured against the title of alternate land or property held by the CHP as agreed between the CHP and the Authority, or the CHP may provide a financial return to Government for the remaining unsecured amount.

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 community housing project or returned to Government, as agreed by the Authority, within a timeframe agreed by the Authority. The preferred position is that all funds are reinvested against the proposed project. Where the likelihood of surplus funds is reasonably foreseeable, the project proposal should include a specific proposal for the investment of surplus funds.

The CHP will arrange and fund an independent market valuation to determine the value of properties post completion and provide the valuation(s) to the Authority immediately to enable the execution of the Deed of Statutory Charge.

Fixed Payments

Note: as at April 2021 Fixed Payment A has been fully exhausted. No new applications will be considered for this exemption type. Limited numbers exist for Fixed Payment B.

Fixed Payments on any approved new CHARP 'Type A' outcomes which replace SACHA Funded Assets, included in a proposal approved by the Authority, will be waived. See more Type A details below at [Fixed Payment Exemption Type A](#).

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These guidelines will be applied to CHARP outcomes in CHARP project agreements executed from 1 July 2019.

The Authority has the sole discretion to apply Fixed Payment exemptions.

The Authority reserves its right to change the CHARP guidelines prior to the approval of a project.

Properties can only be vacated once a project agreement has been executed and no earlier than 6 months prior to demolition or sale unless otherwise agreed by the Authority.

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

The CHP is responsible for notifying its Account Manager upon vacancy to enable suspension of fixed payments for the property and adjustment of the CHP's Quarterly Data Return.

Fixed Payments for any new outcomes under the Master Community Housing Agreement will become due from the date of settlement unless otherwise agreed by the Authority (for example, through an Exemption Type A as detailed below).

Fixed payments on re-developed sites will be suspended for a period of up to 12 months unless otherwise agreed by the Authority (for example, through an Exemption Type A as detailed below).

Both Fixed Payment Exemption Type A and Type B outcomes in which Government does not have a financial interest, or the interest is nominal (that is, peppercorn) will be incorporated under the CHP's Master Community Housing Agreement with the SAHT and subject to the usual terms and conditions including but not limited to:

- Community housing Eligibility policy
- Community housing Allocations policy
- Community housing Rent policy
- Community housing Property Transaction policy
- Community housing Property Sale to tenant procedure
- Other property related actions under the Community Housing Providers (National Law) (South Australia) Act 2013 Section 24 (1) where the Authority needs to give permission.

Fixed Payment Exemption Type A

No Fixed Payments will be payable on approved new CHARP outcomes which replace SACHA Funded Assets. Note that this exemption will be capped to the first 100 properties under the program (for CHARP outcomes in CHARP project agreements executed from 1 July 2019) and is no longer available for new CHARP proposals from April 2021.

Fixed Payment Exemption Type A will be applied as follows:

Direct CHP Contribution*:	
0% - 15%	No FP Exemption
> 15%	All FP Exempted on SACHA funded replacement assets.

* To be calculated as:

- Total Direct CHP contribution / Total Construction cost for project and confirmed at completion of the project and after assessment of the CHPs full acquittal signed off by an appropriate CHP delegate as described in 4.2 above.
- Direct cash (that is, not including other Commonwealth/State funding) or debt contributions of the CHP are counted towards the Total Direct CHP contribution. Costs

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(including development and costs of sale) and revenue relating to market sales of the CHP cannot be counted as a Direct CHP contribution.

- Total Construction cost includes costs associated with design / planning / subdivision / construction of the General or Supported outcomes, plus land purchase cost if sales revenue not used to fund this purchase. Does not include the reallocation of ongoing existing CHP staff (and associated overheads) who may be managing development projects.

There are two types of SACHA funded replacement assets described above:

- 1) Redeveloped SACHA funded assets (that is, where existing SACHA Funded Assets are demolished and replaced with new build SACHA Funded Assets on SACHA Funded Asset land).
- 2) Sale SACHA Funded Assets (that is, sale of SACHA Funded Assets to tenants/private market) which require replacement SACHA Funded Asset outcomes.

Forecast exemptions will be negotiated as part of the execution of the CHARP Project Agreement and confirmed by acquittal at project completion. The acquittal of project costs will need to be signed off at an appropriate senior level within a CHP that is, CFO or similar.

Fixed Payment exemptions relate only to the CHARP and cannot be expanded to programs outside of CHARP for example, insurance payouts and subsequent development projects.

It is completely at the discretion of the Authority as to whether the fixed payment exemption applies.

Fixed Payment Exemption Type B

To further stimulate investment by CHPs, Fixed Payment offset exemptions will also be provided for additional social or affordable housing created through approved CHARP projects, where these additional new dwellings are retained by CHPs and subject to a SAHT Deed of Statutory Charge or Covenant. This exemption will be capped at a further 100 properties. To be eligible for Type B, the CHP must also meet Type A criteria with confirmation via assessment of a full acquittal at completion of project as described [above](#).

The Fixed Payment offset exemption would be applied to an equal number of nominated existing SACHA Funded Assets. While SAHT's financial interest in these additional properties would be nominal (that is, peppercorn), the properties would be captured under the Master Agreement and subject to the usual terms and conditions including Eligibility, Rent and Property Transaction Policies.

CHPs can select a SACHA Funded Asset against which the exemption applies.

It is completely at the discretion of the Authority as to whether the exemption applies.

If the additional properties are an outcome of another program (such as SAHT lease transfer programs) then the fixed payment exemption will not apply.

Should the additional social or affordable housing created through approved CHARP projects be sold in the future, or the Deed of Statutory Charge or Covenant is removed, the Fixed Payment Exemption Type B on the nominated SACHA Funded Assets will be withdrawn and Fixed Payments will restart.

A Project Agreement or a Deed of Consent will specify exemptions or resumptions of fixed payments.

Protection of tenant interests

The overall number of housing outcomes available for General or Supported customers sector wide will be maintained.

The overall number of SACHA Funded Assets will remain unchanged.

The geographic spread of properties will be retained unless there is demand for investment in other areas.

Where a project requires the relocation (whether temporary or permanent) of existing tenants, the CHP is responsible for sourcing alternative suitable community housing accommodation and must ensure that moving costs are paid for and existing rights and conditions are maintained, including rent charged and tenure arrangements. Relocations should occur according to the CHP policy – also refer to the [SAHT Relocations policy](#) as a guide on how to treat such tenants.

Vacancy management

To maximise rental return on SACHA Funded Assets approved for renewal or redevelopment, the CHP 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.

In order to maintain the total portfolio profile outcomes as set out in Annexure A of their Master Community Housing Agreement, CHPs must in the first instance consider their portfolio and manage new vacancies across their portfolio to maintain agreed portfolio targets. Where a development proposal has a significant impact on agreed portfolio outcomes, the CHP may negotiate a short term amendment during the construction period.

Un-tenantable properties and properties under construction will be excluded from the KPI assessment process for the duration of the project.

Property Sales

CHPs 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.

Where a SACHA Funded or state funded asset is to be sold to generate development funding for a project the minimum price for sale must in accordance with the [Community Housing Property Transaction Policy](#).

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 CHP must:

- Be a registered Tier 1 or 2 provider under the National Regulatory System for Community Housing;
- Have no regulatory compliance issues;
- Have entered into and be compliant with the terms of the Master Community Housing Agreement; and
- Be willing to give permission for the Authority to obtain a copy of its latest *Financial Performance Report* and *Compliance Report* from the Registrar to determine financial risk exposure.

Format of Proposals

CHP initiated proposals must be submitted using the [CHARP project proposal template](#).

Prior to submission, CHPs are encouraged to discuss their proposals with the Authority staff.

Provider Proposal Assessment

Evaluation

The Authority will ensure that evaluations of proposals are undertaken by individuals who possess the required skills in:

- Financial analysis
- Provider business models
- Development applications and requirements

While the evaluation members will not include a proponent's Account Manager, this staff member will be consulted during the assessment process to validate or confirm information provided in project proposals for example: data, performance reports, adherence to contract conditions.

Assessment criteria

Project proposals will be assessed in two separate parts against mandatory criteria (Part A) and project criteria (Part B) by the Housing Partnerships development team using the [CHARP Project assessment template](#).

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.

Part A: Mandatory criteria

- The proposal satisfies program objectives (as set out in [Program Objectives](#));
- The CHP meets eligibility requirements (as set out in [Provider Eligibility](#));
- The project will return at least an equal number of housing outcomes for General or Supported customers;
- No additional capital funding is requested of the Authority;
- Cash proceeds to be reinvested into specified and approved community housing project(s) or returned to Government; and
- Expected compliance with Local Government development requirements.

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 (that is, suitable relocation requirements – see [Protection of tenant interests](#))
- Location or replacement properties (that is, a like for like replacement in terms of location)
- Risks associated with project will be assessed in accordance with Authority's risk framework against the following categories:

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- Asset Management
 - Development of contaminated land
 - Returned assets in locations or groupings which are poor and/or may degrade over time (giving cause to reducing values)
 - Unsuitable housing for the tenant population
 - Potential delays in approvals, site access etc.
 - Other matters which may be identified relative to individual Projects as they are presented from time to time
 - Finance
 - The CHP's capacity to fully finance the Project (particularly where it is known that the CHP had limited capacity funding for previous Project Plans)
 - Value of SAHT assets maintained
 - Service and Program Delivery
 - The CHP's capacity to undertake the Project (particularly where previous Project Plans have not been adequately delivered)
 - Place making in high concentration developments, such as multi-story apartments
 - Legal compliance
 - Unsuitable development arrangements the CHP may propose with delivery partners or JV partners
 - Risk assessment is to include assessment of CHP risk management plan to ensure adequate controls are in place to address any risks to CHP and the Authority as per the [SA Housing Authority Risk Management Framework](#) and matrix.
 - Risks associated with project assessed against the Authority's Risk Management Framework (that is, assessment of risk management plan provided by CHP as part of project proposal submission).
2. CHP capacity (to develop and deliver)
- Giving consideration to:
- Skills commensurate with project complexity
 - Partnership arrangements
 - CHP financial viability and financial risk exposure
3. The funding model
- Giving consideration to:
- Cash funding/borrowing/grants
 - Risk/viability
 - Funding approval status
4. Project outcomes
- Giving consideration to:
- Number of new outcomes (i.e. yield)
 - Distribution of Affordable versus General or Supported 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 Authority urban renewal areas and any the Authority regional asset plans.

Project Approval

Approval must be obtained on a project by project basis in accordance with the *Authority's Instrument of Financial Delegations* relating to Authority's operations.

Any changes to the original submission (such as, substitute properties to be sold or reductions in yield following planning approvals) will be subject to reassessment and re-approval.

Project Monitoring and Completion

CHPs are to provide CHARP Monthly reports using the CHP CHARP monthly reporting template which will be provided by the Authority after approval.

At completion of the project, the CHP will provide a completed [CHARP project completion report](#) full acquittal as described in [Financial Acquittal](#). Fixed Payment exemptions will only apply after receipt of the completion report and confirmation against Type A and B criteria.

Definitions

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

CHP means Community Housing providers registered under the Act.

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

Fixed Payment means the dividend payable by the CHP to the Authority for SACHA Funded Assets set out in Part B of Schedule 2 of the Master Community Housing Agreement.

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 as SACHA Funded Assets (previously referred to as 'debentured' properties).

Related information

- [Community Housing Property Transaction Policy](#)
- *Community Housing Providers (National Law) (South Australia) Act 2013 (section 24)*
- Master Community Housing Agreement
- The Authority Instrument of Financial Delegations relating to the Authority operations
- [CHARP Project Proposal template](#)
- [CHARP Project Completion Report template](#)
- 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)
- [Collateralisation of SAHT interest policy](#)