



Infrastructure
Western Australia

Major Infrastructure Proposal Assessment

DevelopmentWA

Housing Diversity Pipeline - Housing Australia Future Fund

Ellenbrook Proposal

Summary Assessment Report

Infrastructure WA

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Acknowledgment of Country

Infrastructure WA acknowledges the Traditional Custodians of Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures; and to Elders both past and present.

Purpose

This assessment report has been prepared in carrying out Infrastructure WA's (IWA) legislative function to assess and report to the Premier on major infrastructure proposals. The assessment is of the rapid business case for the DevelopmentWA Housing Diversity Pipeline Housing Australia Future Fund Ellenbrook (Ellenbrook) proposal. Additional supporting information received from the proponent and consultation with relevant key stakeholders has also been used by IWA to support its analysis.

1. IWA observations

IWA considers that the proposal has strategic merit and there is sufficient information to inform a WA Government investment decision. There is strong alignment with State policies and initiatives to support the provision of social and affordable housing in locations close to transport and social amenities. However, there will remain uncertainty regarding the State funding requirements, until the Commonwealth's Housing Australia Future Fund (HAFF) funding, Community Housing Provider revenue, and building tender price are finalised.

It is recommended the State should ensure that sufficient contractual safeguards are in place to protect its interests if the financial outcomes do not align with the current expectations. DevelopmentWA should consider procurement options across the successful proposals to achieve better timing and value for money delivery outcomes for the State by aggregating projects and exploring modern methods of construction. More broadly, work to determine value for money parameters should be undertaken to be able to assess future social and affordable housing proposals.

2. Context

2.1 Project background

The proposal is for a 196-unit development across four buildings and over three storeys at Lot 29, The Parkway, Ellenbrook, comprising 40 social housing units and 156 affordable housing units, under a Build to Rent (BTR) model.

The proposal was one of a number of initiatives developed by DevelopmentWA in response to the Commonwealth Government (Commonwealth) Call for Applications for the Housing Australia Future Fund (HAFF) Facility and National Housing Accord Facility (NHAF).

3. Strategic merit

3.1 Alignment

While the Ellenbrook proposal has been submitted to the Commonwealth Government and was assessed against the Commonwealth's criteria, there is a high degree of overlap with the State's objectives on social and affordable housing, with the dwelling units contributing to the State Government's Housing Diversity Pipeline objectives to deliver nearly 5,000 new social homes and intent to increase the availability of affordable housing, and capitalising on the recent investment in METRONET.

IWA's State Infrastructure Strategy (SIS) highlighted through Recommendation 72, the need to 'prioritise further investment in social and affordable housing'. The SIS also recognises the value of partnering with community housing organisations, noting that they provide "an opportunity to secure greater levels of investment in both social and affordable housing through access to financing options, concession and support not available to the state government".

3.2 Problems and opportunities

It is well documented, and IWA agrees that there is a current shortage of housing and especially social and affordable housing within Western Australia. The business case summarises the problems as being:

- Unaffordable purchase price and rental rates

- Insufficient supply of new housing stock
- Homelessness and lack of access to housing
- Low market supply of market led Community Housing Providers in Perth despite known benefits.

IWA considers that business case clearly identifies the opportunity, via the HAFF, for the State to partner with the Commonwealth and the community housing sector to expedite new social and affordable housing supply in WA. The sites and associated proposals were selected as they were able to meet the criteria of the HAFF.

4. Options assessment

The IWA assessment considered the option assessment of the Ellenbrook proposal within the context that the site has been selected to be a BTR social and affordable development, rather than a broader assessment as to options to address social and affordable housing.

The Ellenbrook business case assessed five options for how to potentially progress development on the site being:

- Do Nothing
- Do Minimum (Base Case)
- Preferred Option
- Alternate Option
- Sale to Market (As if Complete).

IWA considers that sufficient analysis has been undertaken to determine the preferred option based on the proposal's strategic objectives.

5. Societal impacts

5.1 Economic and financial assessment

The business case identifies that the total development cost is estimated to be \$137.34 million. Revenue from Community Housing Provider (CHP) is intended to partially offset this cost, aided by the anticipated Commonwealth HAFF contribution, however there will need to be a subsidy from the WA Government.

As with the anticipated project cost, the expected revenue must be seen as an indicative estimate and subject to successful engagement with a suitable CHP. Under the proposal model, the financial risk rests with the State, with the State required to absorb any additional project costs that may occur during the proposal's development and compensate for any shortfalls in estimated revenue from the CHP. It is recommended that contractual safeguards are included between the State and the Commonwealth and State and potential CHP that allow the State to be able to withdraw from the process, if the proposal is no longer considered viable from the State's perspective.

There are clear financial benefits from pursuing the HAFF funding opportunities and similarly there are financial benefits in engaging a CHP to maintain and operate the units, with the State not responsible for ongoing funding. The business case would benefit from detailing this ongoing cost saving to WA Government for the maintenance and operation of the social housing dwellings to aid further weight to the financial benefits of the proposal. IWA recommends, more broadly, that additional work is undertaken to allow for more effective financial comparison of different social and affordable housing models and initiatives to best inform Government decision making.

IWA notes that while use of the CHP model is not a well-developed model within the Western Australian context, it is one that should be encouraged to expand the delivery options of social and affordable housing.

5.2 Social assessment

Social housing provides a critical safety net for the most vulnerable in the community. Similarly, access to affordable housing efficiently relieves pressure on social housing.

The provision of a medium density option is considered appropriate as the proposal is adjacent to the Ellenbrook train station, and within walking distance of employment, shopping, educational and medical facilities.

IWA is encouraged to see Aboriginal participation and engagement documented in the program business case including alignment with mandatory requirements (WA Government's Aboriginal Procurement Policy and Aboriginal Heritage Act) and non-mandatory commitments (DevWA RAP, Metronet Gnarlal Biddi Strategy and other state projects).

5.3 Environmental assessment

The Ellenbrook site has been previously cleared for development (being formerly a pine tree plantation with no apparent previous buildings or structures) and has re-growth present consisting of several small to medium sized trees, shrubs and grasses. The site is considered to have low risk of contamination and DevelopmentWA has advised that there are no known environmental issues associated with the site.

It is encouraging that the business case states that the development will be including 7-star Nationwide House Energy Rating Scheme targets and Silver Liveable housing design.

6. Recommended Option: Project definition

The recommended option is for DevelopmentWA to deliver a 196-unit social and affordable housing development across four buildings and over three storeys at Ellenbrook. The apartments will be a combination of 84 single bedroom units and 112 two-bedroom units. IWA considers this will be an important and appropriate contribution to dwelling diversity for Ellenbrook. It is intended that the breakdown will be 40 social housing units and 156 affordable housing units, all available for long-term rental in a BTR model.

7. Deliverability

The business case identifies that an early concept design for the proposal is complete, with development of a design package and supporting material suitable for Development Approval to be undertaken in early 2025. Construction is expected to commence by mid-2026 and be completed in mid-2028. IWA considers that this is a reasonable timeframe for a project of this nature however the business case would be improved by including a more comprehensive program.

More pertinent risks to Ellenbrook include engaging a CHP (with anticipated revenue), fluctuations in delivery cost and market capacity to deliver. To help derisk the proposal, DevelopmentWA is proposed to be the delivery manager which includes overseeing the development approval process.

Noting that the Ellenbrook proposal is one of a number of proposals being considered, it is recommended that DevelopmentWA should consider procurement options across the successful proposals to achieve better timing and value for money delivery outcomes for the State through aggregating projects and exploring modern methods of construction.

IWA considers an appropriate governance structure is in place for the oversight of the proposal's progression.