



Infrastructure
Western Australia

Major Infrastructure Proposal Assessment

DevelopmentWA

Housing Diversity Pipeline Housing Australia Future Fund

Perth City Link Proposal

Summary Assessment Report

Infrastructure WA

Level 41, 108 St Georges Terrace
Perth Western Australia 6000

Phone: 08 6552 5229

Email: proposals@infrastructure.wa.gov.au

October 2024

© Government of Western Australia 2024

Trouble reading this document?

If you have trouble reading this document and would like us to share the information with you in another way, please contact Infrastructure WA on 08 6552 5229 or proposals@infrastructure.wa.gov.au.

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 Perth City Link 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.

It is noted that the Perth City Link proposal requires the highest subsidy per dwelling of the DevelopmentWA submissions to Housing Australia. The location is a complex development site being adjacent to the railway and has limited access. 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 project at Lot 6 Roe Street, Perth is for the development of 22 social housing units and 86 affordable housing units as part of a building that steps up from eight to 12 storeys. The units will all be available for long-term rental in a Build to Rent (BTR) model.

The Perth site consists of a narrow parcel of remnant land remaining subsequent to the Perth City Link rail underground works. It is located approximately 800 metres west of Perth Station.

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 Perth City Link 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 the 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 considered to be able to meet the criteria of the HAFF.

4. Options assessment

The IWA assessment considered the option assessment of the Perth City Link 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 Perth City Link 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 \$101.9 million. Revenue from a 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. The subsidy for Perth City Link is the highest of the proposals submitted by DevelopmentWA.

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.

Additionally, it should be clarified if the proposals are prioritised, noting the potential of proposals such as Perth City Link to require additional funds, which may in turn reduce the funding available for more easily delivered proposals.

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 high-density option is considered appropriate as the proposal is in close proximity to the Perth train station, underground bus station and within walking distance of employment, shopping, educational and medical facilities. This is of significance, as none of the dwellings have any allocated car bays (there will be 108 bicycle bays and 10 visitor car bays).

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 proposed site is located on the edge of the original Lake Kingsford, that was present in the Perth City Link area and subsequently filled. Since the late nineteenth century, the proposal site has been associated with the adjacent railway. Any development on the site will need to make allowance for anticipated shallow groundwater, acid sulphate soils and potential contamination.

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 108 dwellings with a mix of 72 single and 36 two-bedroom apartments across one building with two towers that step up from eight to twelve storeys. The dwelling mix includes 22 social units and 86 affordable units all available for long-term rental in a BTR model. IWA considers this will be an important and appropriate contribution to increasing social and affordable housing in the inner-city area.

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 completed by the third quarter of 2025. Construction is expected to commence by mid-2026 and be completed in mid-2029. 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 Perth City Link includes constructability and delivery due to the size, shape and location of the site, engaging a CHP (with anticipated revenue), fluctuations in delivery cost, and market capacity to deliver.

It is encouraging that the business case states that there will be investigation of opportunities for prefabrication construction methods to mitigate the issues of the site. To help derisk the proposal,

DevelopmentWA is proposed to be the delivery manager, which includes overseeing the development approval process.

Noting that the Perth City Link 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 by 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.