

BONNYRIGG LIVING COMMUNITIES PROJECT

A CASE STUDY IN SOCIAL HOUSING PPPS

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INTRODUCTION

The NSW Department of Housing manages over 130,000 public housing dwellings and oversees a community housing sector with a further 13,000 dwellings. Many of these dwellings are on public housing estates varying from 100 to 2000 homes. While these estates have many strengths, they are often burdened with more than their share of social problems and many, particularly the larger ones, have become concentrations of disadvantage, with high levels of unemployment and crime and low levels of community integration. Much of the housing and public space is in poor condition.

There are many approaches to the renewal of estates around the world. These range from those focussed principally on physical renewal, through complete demolition and rebuild projects, to those with a primarily social development focus on improving the social fabric and building community capacity. There is a growing recognition that successful renewal needs to span social, economic and physical elements in an integrated approach. Projects need also to involve multiple partnerships and a strong emphasis on the engagement of the affected community in the project. The concepts of "social mix" and reducing social housing concentration are also key factors in renewing estates.

However, every community is unique and there is no formula, no tried and tested approach for renewal. There is significant debate around the extent to which each of the various elements is key to the success of any renewal project.

The Department of Housing has developed the Living Communities Program as an approach to estate renewal, which ensures comprehensive and integrated change across three interlinked goals: provision of better services and creating new opportunities; the building of a stronger community, and the renewal of houses and public areas.

It has determined that combining this approach with a PPP for the majority of the components/services is the key success factor for estate renewal on estates such as that at Bonnyrigg in south western Sydney.

This paper sets out the background to the project, the objectives, the PPP services to be provided and the current status. At the time of writing the assessment of responses to the Expressions of Interest was in the process of being finalised.

THE BONNYRIGG LIVING COMMUNITIES PROJECT

The Bonnyrigg Estate is in south western Sydney, 4 km from Liverpool and 25 km west of the Sydney CBD. It covers 81 Ha and has a population of 3300 people including a high proportion of primary school aged children and youths. The area is highly culturally diverse and includes significant Vietnamese, Spanish, Chinese, Lao, Cambodian and Arabic communities and a significant indigenous community. Over half the residents were born overseas, almost 70% speak a language other than English at home and over 40% has poor English language skills. The Estate has a concentration of residents on low incomes and the unemployment rate, for all age groups, is higher than the average for the local government area and Western Sydney. Crime levels on the estate are higher than surrounding areas.

The Estate contains 927 dwellings of which 828 are social housing and 99 are privately owned. The housing is a mix of cottages, villas and townhouses. Much of the Public Housing stock is either at the end of its economic life or requires significant refurbishment to bring it to an acceptable standard. A large part of the Estate was constructed on a Radburn subdivision layout, with houses facing poor quality open space and having their back fence facing the street.. This layout detracts from Public Housing amenity by (among other things) making it more difficult for residents to survey the street, allowing offenders to avoid police detection or apprehension and increasing feelings of personal insecurity. Pedestrian-only walkways cross the estate, creating safety traps The Estate also, as a result of its Radburn layout, contains significant areas of poor-quality and under-utilised open space.

Bonnyrigg is home to many cultural and religious organisations, with four Buddhist temples, a mosque and six churches within a two km radius of the town centre, as well as a number of cultural clubs and ethnically based social or sporting groups.

Public housing estates have complex tenancy problems and the houses and public spaces are increasingly difficult and expensive to maintain to a good standard. In addition, the housing is not well matched to the needs of tenants, many of whom need smaller, more manageable homes. The Living Communities Program aims to make Public Housing estates safer and more attractive places to live, to improve services and provide residents with better access to education and employment opportunities, and to support and strengthen local communities. An important part of the program is renewal of housing and public areas and better integration of public and private housing within the community.

For this Project, a PPP partner will be chosen to plan improvements to houses, roads, parks and community facilities and to undertake physical renewal works. The PPP partner will also undertake facilities management and potentially tenancy management. The Department recognises that sustainable renewal of Public Housing estates cannot be achieved by government or individual agencies acting alone. It can only happen through partnership, with tenants and other residents, the private and community sectors, local councils and government departments all working together.

COMMUNITY RENEWAL AND DEVELOPMENT PLANS

The Department will work with the Bonnyrigg community, Fairfield City Council, the Department's chosen PPP partner, other Government departments and community organisations to renew the Estate and help create a stronger community in Bonnyrigg. The Project will be guided by two interlinked plans: a *Development Plan* for the renewal of the physical infrastructure and a *Community Renewal plan* for the development of the social and community infrastructure. The plans will address the three main project goals:

- *Providing better services and creating new opportunities.* In partnership with other agencies and community leaders, the Department will identify ways to upgrade public safety, improve health and community services and create new opportunities for residents, in particular to improve their education and skills and find work.
- *Building a stronger community.* The Department will work with the Bonnyrigg community to help build the skills of residents, improve communication and strengthen community networks and leadership. In doing so, the Department hopes to reflect and build on the rich cultural diversity of the Bonnyrigg community.
- *Renewal of houses and public areas.* In partnership with a PPP partner, Fairfield City Council and the community, the Department will replace or upgrade poor quality Public Housing and improve street layouts and public areas, increase the proportion of private housing and better match the type, size and configuration of Public Housing to tenant needs. Many new houses and apartments are expected to be built.

In addition, the project has a comprehensive community engagement strategy which aims to encourage and support the active involvement in the project from all population groups in the existing Bonnyrigg Community. The engagement strategy incorporates a robust consultation program, to ensure project directions and decisions are fully informed by community views, advice and preferences.

GUIDING PRINCIPLES

The Department has adopted a set of principles to guide decision making in relation to the Living Communities Program and the Bonnyrigg Project. These principles are:

- *No reduction in Social Housing numbers.* There will be no net reduction in the overall stock of Public Housing, Aboriginal Housing and Community Housing in Western Sydney as a result of the Project. There will, however, be better integration of Social Housing and private housing within the community.
- *Consultation with the community.* The Estate community will be consulted and invited to be involved at each stage of the planning and implementation of the Project. The consultation

framework is intended to reflect the cultural diversity of the Bonnyrigg community.

- *Protecting residents' and tenants' rights.* The rights of tenants and other residents will be fully respected. The Department will be seeking to make the Project as trouble-free as possible for them and their families.
- *Working in partnership.* The Department is committed to working in partnership at all levels to achieve the best outcome for the Estate community.
- *Engaging the private sector:* The Department intends to enter into a Project Deed with a PPP partner to replace and upgrade existing Public Housing and public areas in Bonnyrigg. Only Proponents that understand and are willing and able to address community issues will be chosen as Short-Listed Proponents.
- *Engaging with local government.* The Department and Fairfield City Council already work closely to support the local community. This relationship has been enhanced through a partnership agreement established in 2004.
- *Engaging other community service agencies.* The Department will actively work with other government service agencies (such as police, health, education and community services) and non-government agencies to develop a detailed services improvement action plan.

PROJECT OBJECTIVES

The Department is seeking to fulfil the following key Project objectives:

- Achievement of a complementary working partnership between the private sector, the Department, the community, Fairfield City Council, other government agencies and non-government organisations to achieve the Department's objectives.
- Improvements to the level of amenity and opportunity for tenants and private owners in the Estate through redevelopment, facilities management and community building activities.
- Encouragement for and achievement of broad community support for the proposed improvements.
- Effective mitigation of social impacts before, during and following the physical renewal process.
- Minimisation of negative social impacts on tenants of highly concentrated Public Housing by increasing the proportion of private housing in the Estate area.

- Delivery of demonstrable value for money through optimisation of whole-of-life costs.
- Optimisation of tenant and community benefits and maximisation of value, including through effective facilities management and through any other appropriate measures such as initiation of Community Housing approaches to tenancy management.

The Department believes that significant private sector involvement in the Project through a PPP will bring enhanced outcomes by harnessing private sector expertise, innovation and experience. This will bring the greatest benefits to tenants and the wider community for the money available. The Department expects that the long term nature of any PPP - including within its scope masterplanning, design, refurbishment, construction, facilities management, acquisition of any replacement properties and potentially tenancy management - will produce an optimal outcome.

KEY OUTCOMES

Tenant and Community Outcomes

The tenant and community outcomes that the Department is seeking to achieve are as follows:

- Create a community that facilitates social interaction and neighbourhood support and makes it possible for residents to be involved in neighbourhood and volunteer activities. It will be a community that complements the urban fabric and is not stigmatised in the eyes of the wider community. It will be a place in which public tenants, like all other residents, have the opportunities and support to fulfil their potential.
- Actively promote social cohesion, the development of social networks and social interaction in the Estate. This can be achieved through the design of the housing form, the configuration and design of public spaces and pedestrian access, the provision of community facilities, services and community development programs and other means.
- Significantly improve the physical and social environment in the Estate and ensure a sustainable community. A sustainable community is one that is safe, liveable and attractive, provides for an appropriate mix of household types, age groups and income levels, has ready access to required services, opportunities for recreation, shopping, community services and access to work opportunities.
- Ensure that the design of housing is appropriate to the intended occupants (e.g. through culturally appropriate design, accessibility features or otherwise) and that the external design of both public and private housing creates a unified and complementary streetscape.

- Ensure that disruption to the lives of residents (private and public) in the Estate is minimised during both the planning stages and the physical works.

The physical renewal aspect of the Project is likely to involve significant change for existing communities within the Estate. Such change creates the potential for social dislocation and generation of significant levels of stress and anxiety at the individual, family and community levels. These impacts increase with the scale of the physical renewal. For existing residents, redevelopment may involve disruption to the secure place called home, disruption to relationships with valued neighbours, disruption of access to local support networks and relocation to unfamiliar surroundings. This is of particular concern for public tenants with limited economic resources and influence, some of whom are ill or otherwise vulnerable. For these people, the loss of a sense of place and the disruption of local neighbourhoods can be particularly difficult because their day-to-day lives are strongly focussed on the local neighbourhood.

Therefore, the Department requires that the potentially adverse social impacts of the physical renewal be actively minimised, mitigated and managed by the PPP partner. Social impact management measures may include the following:

- Measures implemented through appropriate management processes:
 - Providing a continuous flow of quality information, appropriate to all sections of the community.
 - Providing opportunities for input, engagement and influence on the shape and implementation of the physical renewal.
 - Obtaining the support of relevant local government authorities, the existing tenant community and local non-tenant stakeholders.
 - Establishing clear timeframes for the physical renewal.
 - Honouring commitments made to tenants, other residents and the wider community.
- Measures implemented through appropriate design and staging:
 - Retention of some existing housing to facilitate rehousing and allow some residents, in particular those of long standing or with special needs, to remain in their homes.
 - Staging rehousing, temporary relocation and construction to accommodate tenant needs and minimise negative impacts on community services (including schools).
 - Maximisation of tenant choice: to stay in Bonnyrigg or move to another community; to select their alternative housing and neighbourhood.
 - Ensuring that tenants who are required to move do so because they recognise the benefits associated with improved housing and neighbourhoods.
- Measures implemented through provision of appropriate support services:

- Provision of quality support to people experiencing difficulties with the change process.
- Ensuring tenants are supported: in adjusting to change; in relation to decision making about their location if they are to move; through the relocation process; and to settle into the new neighbourhood.

Tenancy Management Outcomes

The Department believes that significant net benefits may be achievable through delivery by the PPP partner of tenancy management services using a Community Housing approach (or similar). The likely benefits include:

- A more responsive tenancy management regime tailored more closely to the local needs of tenants.
- A single point of responsibility and tenant contact for all tenant matters, whether related to facilities management (e.g. a leaky tap, peeling paint) or tenancy management (e.g. noisy neighbours, rental arrears, relocation).

Proponents will need to demonstrate in their Response that they have the necessary experience, skills and other capabilities in relation to implementation of a Community Housing approach or similar.

Housing Portfolio Outcomes

A key Project outcome is to transform the current Estate housing into housing that: matches the demand for Social Housing; is efficiently maintained and managed; relates to its neighbourhood and urban context in a manner that is beneficial for tenants; and optimises value for money from the Department's investment. The Department expects that achievement of this outcome will require:

- Replacement or modification of the current public domain and street layout to achieve a community space that conforms more closely to best practice urban design.
- Construction of Social Housing that is aligned to tenant need in terms of the number of bedrooms in the property and the type of property (cottage, unit, townhouse, villa). This may be achieved through construction of new housing or through refurbishment of existing housing.
- Location of newly constructed housing such that the Social Housing (new and refurbished) and private housing are interspersed and integrated.
- Design of new Social Housing such that it presents to the street as private housing.

- Construction or acquisition of Tradable Stock so that the Department can respond more flexibly to changes in the demand for Social Housing by adjusting property holdings through efficient buying/selling on the real estate market.
- Implementation of a pro-active facilities management strategy based on optimisation of property maintenance and capital expenditure across the property life-cycle.
- Elimination of the existing maintenance backlog through construction of new housing or refurbishment of existing housing.
- Realisation of secondary or complementary commercial opportunities.
- Optimisation of land utilisation, for example through development of additional housing where this is economically feasible and meets community expectations.
- Design of the housing, public domain and infrastructure in accordance with environmentally sustainable design principles.

Consultation and Communication Outcomes

Community engagement and support is critical to the success of the Project. The Department commenced comprehensive consultation and communication with the community in Bonnyrigg in December 2004 which is still continuing. It also consults regularly with other key stakeholders including Fairfield City Council and peak bodies representing Public Housing and Community Housing interests.

The Department intends that consultation and communication will continue in parallel with the PPP processes and will continue at least through to completion of the physical renewal works as follows:

- During the EOI process, the Department will continue to develop its community renewal objectives with the community and will consult the community in detail to identify key issues that may influence the Project in terms of its planning, design, timing, staging, or processes. Information coming out of this consultation will be factored into the RDP.
- During the RDP stage, the Department will continue to keep the community informed and consult on matters including any impacts on the Department's tenants, relocation policies and procedures. If this consultation uncovers issues that are likely to be material to submitted Proposals, then the Department will communicate these issues to Short-Listed Proponents.
- Following execution of a Project Deed, the Department expects that the PPP company will assume many of the communication and consultation responsibilities. The Output Specification will

contain specific performance measures in relation to this communication and consultation and the Project Deed will incorporate specific remedies for failure to perform in this regard - measures that may include step in rights and payment of compensation to the Department. Proponents will need to demonstrate that they have the skills and experience and other capabilities necessary to achieve positive community support and to work closely and constructively with the Department to ensure successful outcomes for the Department's tenants and other residents.

Sustainability Outcomes

The Department is committed to sustainable development and protecting the environment and will adhere to the principles of sustainable development. Proponents will be required to demonstrate their capabilities in this regard. Required sustainability outcomes will be detailed in the RDP. These outcomes will reflect the objectives embodied in documents and tools such as Fairfield City Council's DCP 34 (Energy Smart Homes) and the BASIX sustainability index.

Design and Development Outcomes

The Department is interested in ensuring that the redevelopment of the Estate is a high quality development and adheres to sound masterplanning, urban design and sustainable development principles. This will include adherence to the requirements of the relevant Fairfield City Council LEP and DCP and development of physical and social infrastructure as required to support the other housing outcomes that the Department is seeking, particularly tenant and community outcomes.

The Department is establishing an independent design review panel to assist in achieving these outcomes.

Market Context

The surrounding suburbs of Bonnyrigg Heights, Edensor Park, Greenfield Park and St Johns Park are characterised predominantly by good quality detached housing. Compared to surrounding local government areas, Fairfield local government area enjoys lower median house and unit prices. However, there is evidence of significant unit development activity occurring in the Cabramatta and Fairfield regional centres, which may be indicative of the comparative advantages and appeal of Fairfield and of future demand.

Private housing within the Estate area currently tends to change hands at a significant price discount to housing in adjoining suburbs. This discount reflects the market's assessment of the impaired amenity of the Estate in its current form - an impairment that impacts negatively on the Department's tenants and other residents and that the Project seeks to ameliorate.

Planning Controls and Housing Potential

The Estate is currently zoned Residential 2(a) within the Fairfield LEP. A DCP has recently been adopted by Fairfield City Council to guide development within the Bonnyrigg town centre. This DCP contemplates significant unit and medium density development in the vicinity of Bonnyrigg Plaza and the T-way noted above.

Approximately half the Estate is contained within the borders of the DCP. If Council and the community were to endorse a development solution essentially in line with current planning instruments, some 2000 cottages, townhouses and units could be developed within the Estate area.

Private Housing Component

Currently, private housing comprises less than 15% of the housing in the Estate area. This under-representation creates significant issues for tenants, the wider community and the Department. The Department is committed to increasing the proportion of private housing but has not formed a final view on the appropriate proportion.

The final concentration of private housing will be determined after consultation with the Bonnyrigg community having regard to the benefits of increasing the proportion of private housing and any negative impacts on the community or on individual residents and tenants.

While the final proportion of private housing is not fixed, as a guide to Proponents, the Department's indicative view is that 70% private households is a reasonable target. This view is based on the following considerations:

- Given the current and likely future profile of tenants in the Estate area, and the desirability of achieving a seamless integration of Social Housing into a private housing matrix, the Department does not believe that less than 50% private households is desirable.
- The overall proportion of social housing across Sydney is in the order of 6%, and it is desirable to have as diverse a range of locations as possible for this limited stock in order to meet diverse needs.
- The greater the proportion of private housing, the greater the need to relocate existing tenant households to housing outside the Estate area. The greater the level of relocation, the greater the dislocation to individual tenants lives, community life and important social and support networks. There are also significant financial impacts associated with acquisition of housing outside the Estate area. These issues, drive an objective to retain more social housing units to house those tenants who want to stay living in the area.

If a development solution were to be endorsed allowing approximately 2000 cottages, townhouses and units and 70% of these properties were to be private housing, then there could be approximately 600 Social Housing properties in the Estate area. In this scenario, given the requirement that there be no net reduction in the overall stock of Social Housing in Western Sydney as a result of the Project, some 245 Social Housing properties would need to be acquired or developed outside the Estate area and 245 Social Housing tenants and their

families would need to be relocated. Early indications are that there are about 200 or more tenants who would prefer to be rehoused in other areas.

THE PPP

PPP Services

The Department is seeking to fulfil a range of key Project objectives and believes that significant private sector involvement in the Project will bring enhanced outcomes by harnessing private sector expertise, innovation and experience.

The Department anticipates that the PPP partner may, over the 30 year term of the Project Deed deliver the following PPP Services:

- Masterplanning and community consultation.
- Design and construction of new infrastructure (such as roads and utilities) and communal open space and facilities.
- Rehabilitation of existing infrastructure.
- Design and construction of new Social Housing, Affordable Housing and private housing.
- Refurbishment of existing Social Housing.
- Marketing and sales of private housing and (where relevant) Affordable Housing.
- Acquisition or development of Social Housing outside the Estate to preserve the overall number of Social Housing properties.
- Facilities management of Social Housing - possibly encompassing management of housing acquired or developed outside the Estate. Facilities management may include (but not be limited to):
 - Provision of responsive and planned maintenance.
 - Vacancy restoration works required to make properties ready for occupation by the next tenant.
 - Grounds maintenance.
 - Security.
 - Any refurbishment works over the term of the Project Deed.
 - Reconfiguration works in relation to such things as disabled modifications or bedroom additions.
- Financing of all capital and operational requirements. To facilitate financing, the Department may (as appropriate):
 - Transfer title to the end purchaser of housing constructed or refurbished for sale as private housing or Affordable Housing.

- Transfer title to the PPP partner of housing constructed or refurbished for use as Affordable Housing for rent.
- Lease to the PPP partner the land occupied by Social Housing.

Tenancy Management Services

In addition to the PPP Services noted above, the Department is developing proposals to include tenancy management services within the PPP Services. In this regard one of the Department's key Project objectives relates to the optimisation of tenant and community benefits and maximisation of value. One mechanism that may contribute to realisation of this objective is the initiation of a Community Housing approach (or similar) to tenancy management.

Tenancy management includes (but is not limited to) the following:

- Entering into and administering tenancy agreements including rent collection.
- Allocating tenants to available properties.
- Working with tenants to facilitate access to government services.
- Working with tenants and the community to build and strengthen tenant-community linkages and involvement.

Community Housing Providers currently lease significant numbers of properties from the Department. These properties are tenanted by households that are eligible for Public Housing. These arrangements are administered by the Department through Office of Community Housing. In effect, Community Housing Providers currently deliver tenancy management services under the regulation of the Department.

Proponent Structure

The Department will be seeking to execute a Project Deed with a single PPP partner that has the capacity, skills and experience to deliver the entirety of the PPP Services including the necessary community and (potentially) tenancy management expertise. The Department believes this is likely to require the formation of consortia involving (among others) facilities managers, developers, builders, planners, communications/consultation experts, financiers and (potentially) tenant and housing management specialists.

Payment Mechanism and Key Performance Indicators

The Department wishes to ensure that the PPP partner has appropriate long term performance incentives. The payment mechanism will incorporate an appropriately structured abatement regime linked to KPIs.

It is intended that the KPIs be as simple as practicable. They are likely to principally relate to:

- The availability of the Social Housing provided by the PPP partner.

- The standard at which the Social Housing is provided by the PPP partner.
- The standard of service provided to tenants by the PPP partner.

The Department recognises that it may be appropriate that the payment mechanism be structured differently during the renewal stage (when any new housing is being constructed and any private sales are occurring) and the remainder of the Project Deed term. However, the payment mechanism would need to preserve appropriate incentives for the PPP partner over the entire Project Deed term.

Where necessary, the Department expects that the PPP partner's performance of the Project Deed will be supported by appropriate performance guarantees.

Risk Allocation

The Department is seeking to optimise community outcomes and value-for-money in relation to the Project. This will be achieved, in part, through the optimal allocation of risks. While greater detail regarding the commercial parameters of the Project will be provided in the RDP, it is intended that risks will be allocated consistent with accepted Australian and overseas standards for projects of this nature.

The indicative risk allocation between the PPP partner and the Department is broadly envisaged as shown in the table overleaf. The table shows how the risk allocation may change if the PPP Services encompass delivery of tenancy management services.

PROJECT SCHEDULE

The Bonnyrigg Renewal Project was announced by the NSW Government in December 2004. Since that time Expressions of Interest have been called, received and assessed. Industry response was very positive despite its complexity.

The indicative timetable for the procurement process published in the EOI is set out below

Milestone	Indicative Date
Release of Request	28 January 2005
Closing Date for receipt of Responses	30 March 2005
Notification of Short-listed Proponents	May 2005
Release of RDP	June 2005
Closing Date for receipt of Proposals	September 2005
Selection of preferred Proponent(s)	December 2005
Project Deed Executed	March 2006

The overall target date remains unchanged with release of the RDP now more likely to occur in July rather than June.

This PPP has some relatively unique features in that it combines -

- "brownfield" redevelopment of a 3300 population community
- combination of significant property development and a PPP
- potential delivery of "core" tenancy management services
- long term residential asset management

The benefits of combining these activities are considered to outweigh the risks, but the challenge is to clearly identify those risks and appropriately and realistically allocate them.

Documentation of the RDP is therefore a complex task to ensure a satisfactory outcome can be achieved for all parties. The Department is seriously considering "market testing" key elements of the RDP with shortlisted proponents prior to issue of the RDP.

Community outcomes are a key objective of this PPP. To this end the Department of Housing has, since the Project was announced in December 2004 conducted a continuous and comprehensive community consultation involving both general and targeted communication and consultation, workshops, open days, street BBQ's etc.

Over 40 forums and events have been held involving over 1600 residents. This is the most comprehensive program conducted by the Department for any renewal project to date. Early indications are that the consultation program has met its goals of informing the community about the project, communicating a clear message that community views are an important influence on project directions, and that community involvement is encouraged. In addition, a resident survey has been conducted with a reach of over 70% of households. The consultation process is transparent with reports on consultations being progressively prepared and made available to the community. We anticipate that a full set of this documentation will be made available to shortlisted proponents to assist in the preparation of proposals in response to the RDP.

CONCLUSION

The renewal of the Bonnyrigg public housing estate using a PPP is a complex yet achievable undertaking. It offers the potential of a practical, affordable and lasting improvement to a disadvantaged community by utilising the capabilities of both the public and private sectors and involving the affected community in a meaningful way. The project faces many significant challenges in being able to balance the physical, social and financial objectives to achieve a financially and socially sustainable result. It is also a pathfinder project for other public housing estates. The progress to date in both the commercial and community spheres has been very positive and indicative that successful outcomes can be achieved for all parties.