



Invest in Affordable Housing




Background

Foundation Housing is WA's largest community housing organisation, successfully running social housing programs that provide secure housing for approximately 3700 Western Australians.

Foundation Housing's mission further includes the remit of providing affordable housing. With a quickly changing rental market, the availability of affordable housing – defined as paying less than 30% of income on rent – is an increasing problem facing the WA community.

Rental availability in WA is currently at a 40-year low, with rents increasing rapidly in the face of diminishing supply and growing demand. This has created the potential for more people to be forced into unaffordable or inadequate housing. Compounded with the impact of increased numbers of people applying for social housing, the timing for a new affordable housing portfolio was ideal.

Within this context, Foundation Housing developed its innovative 'Elevate' program, implementing an Australian-first model of social enterprise to create new and affordable rentals for those in need.

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The Model

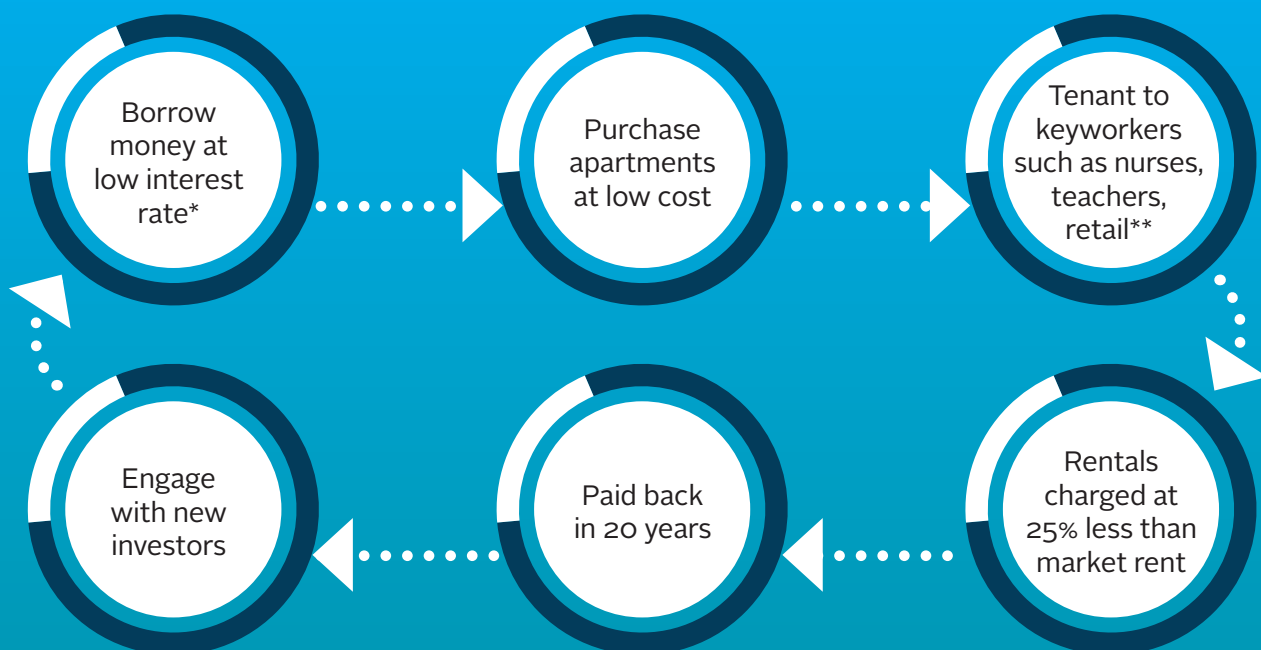
Elevate by Foundation Housing has successfully demonstrated a new and sustainable way to use funding to provide discounted, affordable rentals in desirable locations in Perth, whilst at the same time using proceeds to deliver much needed social housing.

Using low-cost funding available via the National Housing Finance Investment Corporation (NHFIC), Foundation Housing purchased over 100 new homes from credible, high-quality private developers, all in central locations with proximity to public transport, employment hubs and retail precincts. The model benefited commercially through wholesale transactions and by leveraging the organisation's not-for-profit status.

To be eligible, potential tenants had to meet eligibility criteria as a low to moderate income earner (household income was capped at \$102k pa), and tenants pay no more than 30% of their household income in rent, which is capped at 75% of market rent.

As well as repaying the debt and growing the asset value, the rental income from the properties is funding a further 12 new social housing properties, at zero cost to the taxpayer.

Affordable Housing Model



* borrowed \$45m from NHFIC at 2.2%

** tenants pay less than 30 per cent of their household income in rent

Project capabilities

Having successfully initiated, developed and managed the *Elevate* project, Foundation Housing has demonstrated its extensive project management skills to deliver future housing projects, including:

COMMERCIAL ACUMEN

Foundation Housing identified and developed the model and assessed options for viability.

As part of the application to access NHFIC's Affordable Housing Bond Aggregator, a detailed project finance model was required within a strict timeframe. FHL estimated that approximately \$55 million of stock could be acquired at market value for \$45 million, resulting in at least \$10 million of equity on settlement.

As well as servicing the debt, the rental income is funding 12 new social housing properties. The value of the assets will build in the longer term, creating an independent financial base to develop more property assets for social and affordable housing, hence continuing to meet the organisation's purpose of providing homes for those in need.

PROPERTY ANALYSIS

Foundation Housing identified the high-quality and desirable housing stock that will hold long-term value and then worked with reputable developers to purchase the properties. This was an extensive process, with over 500 properties assessed and partnerships created with 20 developers to secure the assets.

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MARKETING

Foundation Housing ran a comprehensive and targeted marketing and communications program over a two-month period, successfully letting all 98 homes within a five-week period and fielding over 3000 enquiries. In doing so, this also had the impact of raising awareness about wider affordable housing issues in the community and positioned Foundation Housing as a recognised and reliable community housing leader amongst developers, partners, the community, and local and state governments.

TENANCY & PROPERTY MANAGEMENT

Foundation Housing manages all aspects of the ongoing tenancy and property management arising from the purchases.