

**NATIONAL HOUSING CONFERENCE 2003  
26 TO 28 November - Adelaide**

**PUBLIC PRIVATE PARTNERSHIPS  
FOR COMMERCIAL, SOCIAL and LOCAL ECONOMIC SUSTAINABILITY  
IN URBAN RENEWAL**

**By  
Sue Crafter, Regional Director, Urban Pacific Limited**

*NB This paper is partly in dot point form as it was a PowerPoint presentation*

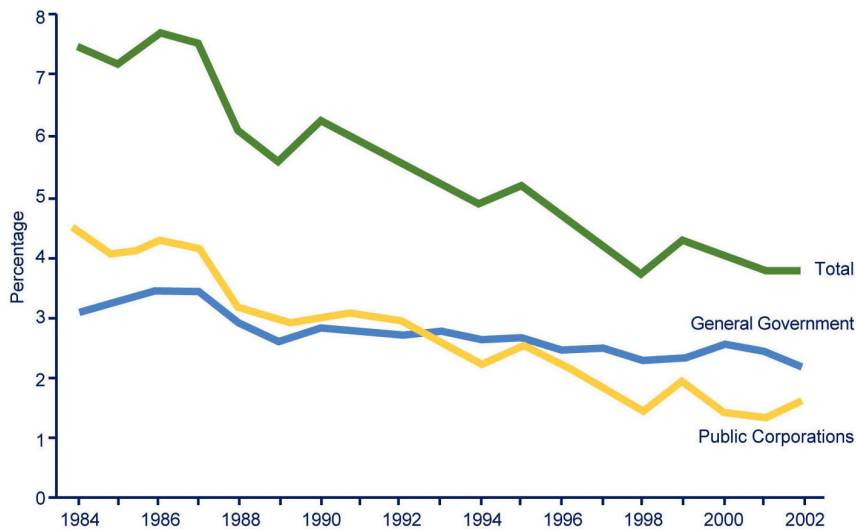
**DEFINITION**

Public Private Partnerships are a means of using private finance and skills to deliver capital investment projects or deliver a service traditionally provided by the private sector.

**CONTEXT**

The rise in Public Private Partnerships must be viewed in the context of significant decline in capital formation (a proxy for public infrastructure investment) as a proportion of GDP.

Government Capital Formation as a Proportion of GDP, 1984 to 2002



Source: The Allen Consulting Group, derived from ABS Cat no. 5220.0

According to the August 2003 report by the Allen Consulting Group, there is emerging evidence that Australia’s Public Infrastructure is not keeping pace with the demands placed on it – and that this generally holds true across the full range of public infrastructure services and facilities.

The seriousness of this situation is illustrated by the National Infrastructure Report card 2001 (published by the Institute of Engineers). This report rates Australia’s infrastructure in terms of its condition, distribution and funding.

**2001 Australian Infrastructure Report Card: Infrastructure Rating**

<u>Infrastructure</u>	<u>Rating</u>
Irrigation	D-
Potable Water	C
Wastewater	C-
Roads – National	C
Roads – State	C-
Rail	D-
Airports	B
Gas	C
Stormwater	D
Telecommunications	B
Ports	B
Electricity	B-

(Source: The Infrastructure Priorities of Local Government: NOLG, 2003; 2001-2002 Report on the Operation of Local Government [Financial Assistance Act 1995]).



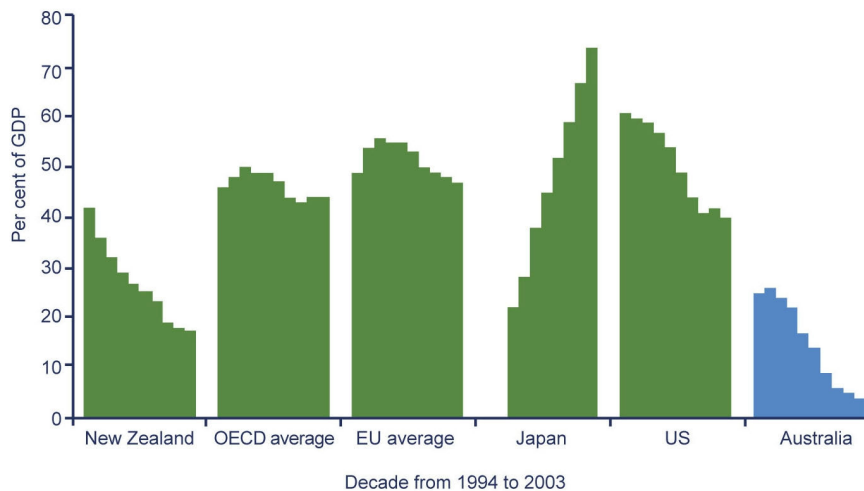
There is evidence that this situation has material impacts on both the efficiency of the particular infrastructure as well as the availability of the assumed benefits to the population. The NSW Audit Office, for example, has noted that “the legacy of the general decline in capital formation is accompanied by unmet maintenance requirements” with public housing, railways and schools being identified as areas posing particular concerns.

The situation is not simply the province of Commonwealth and State Governments alone. The National Office of Local Government has noted the poor performance of councils in Victoria, New South Wales, South Australia and Western Australia in addressing deficiencies across infrastructure for which they are responsible. Councils were found to have failed to invest in asset renewal and ongoing maintenance. (Source: The Infrastructure Priorities of Local Government: NOLG, 2003; 2001-2002 Report on the Operation of Local Government [Financial Assistance Act 1995])

The funding sources available to State and Local Governments to meet their service and capital requirements include:

- Taxation and rate revenue
- Commonwealth Government Grants
- Donations, sponsorships and borrowings
- Public Private Partnerships
- User charges, including dividends from GTE's, levy's and so on.

Australian governments are comparatively reluctant (relative to other western countries) to finance services and infrastructure through debt as the following graph shows.



It is within this financial policy context of restricted public capital of all forms that Public Private Partnerships have emerged as a source of private sector funding and skills to meet infrastructure shortfalls.

## **THE WESTWOOD URBAN RENEWAL PROJECT CASE STUDY**

The Westwood Urban Renewal Project – a joint project between Urban Pacific Limited (UPL) and the South Australian Housing Trust (SAHT) in association with the City of Port Adelaide/Enfield, is a form of Public Private Partnership initiated by the South Australian Government in 1995.



## **BACKGROUND TO SA HOUSING TRUST'S DECISION TO REDEVELOP**

- Deteriorating and inappropriate housing stock
- Declining viability of ageing Trust properties
- Significant and increasing social and economic disadvantage
- Trusts financial position preventing level of investment required
- Different lifestyles and expectations (built 1945 to 1965)
- Redress the imbalance in the population profile
- Provide better housing opportunities for public housing tenants
- Reduce concentration of public housing in one location
- Open up area to “natural” cycle of renovation and renewal

## **REASON FOR A COMPREHENSIVE APPROACH**

- Relocation effects can be significant for tenant households eg; loss of networks, rehousing and re-settlement stresses involuntary move
- Overseas research shows physical changes alone may not provide durable benefits unless social and economical issues addressed
- Community tensions may emerge if only new purchasers are seen as beneficiaries
- Deliberate strategies needed to create harmonious community relations (old and new)
- Physical changes (an important tangible improvement) do not address the spiral of deprivation including:
- Exclusion from mainstream labour market
  - Compounding effects of multiple disadvantage
  - Loss of local business viability
  - The suitability and standard of local community services
- The tangible positive effects of physical changes provides leverage to facilitate social and economic improvements
- A process of building confidence in the area spanning physical change, image, an increase in local pride and an expansion of opportunities for residents

## **SAHT PERSPECTIVE OF VALUE ENHANCEMENT**

- Procurement of new stock
- Stock portfolio efficiencies
- Increased asset value/quality
- Tenure switching
- Future asset management flexibility
- Reduced maintenance
- Re-positioning in 'private' area
- Structured finance options
- Potential 'upside' gains
- Neutral funding 'impact'
- More attractive rental proposition
- More independent and resourceful community ie: local employment and social capital benefits.

## **PROJECT OBJECTIVES AND GOALS**

- A commercially successful project based on a long term strategy which meets the following goals:
  - Improve the residential amenity and quality of the existing environment to support a variety of lifestyles
  - Become a positive force for local and economic development
  - Increase the quality, variety and density of housing
  - Provide opportunities for a range of affordable housing alternatives
  - Become a benchmark for Urban renewal in Australia
  -

*Cut to video of Minister Jane Lomax Smith – Minister for employment, Science and Technology at the opening address of the 2003 Westwood Awards. Video explained project not just about bricks and mortar etc*

## **STRUCTURE OF AGREEMENTS**

### **Project Agreement**

- Commercial contact between SAHT and UPL to deliver project
- Procedures and requirements of tenant relocation and delivery of vacant properties
- Roles, obligations and rights of parties
- Minimum commercial returns for SAHT and UPL

- SAHT’s ability to delay
- Dispute resolution and termination arrangements
- Westwood Urban Renewal Fund

### **Council Commitment Deed**

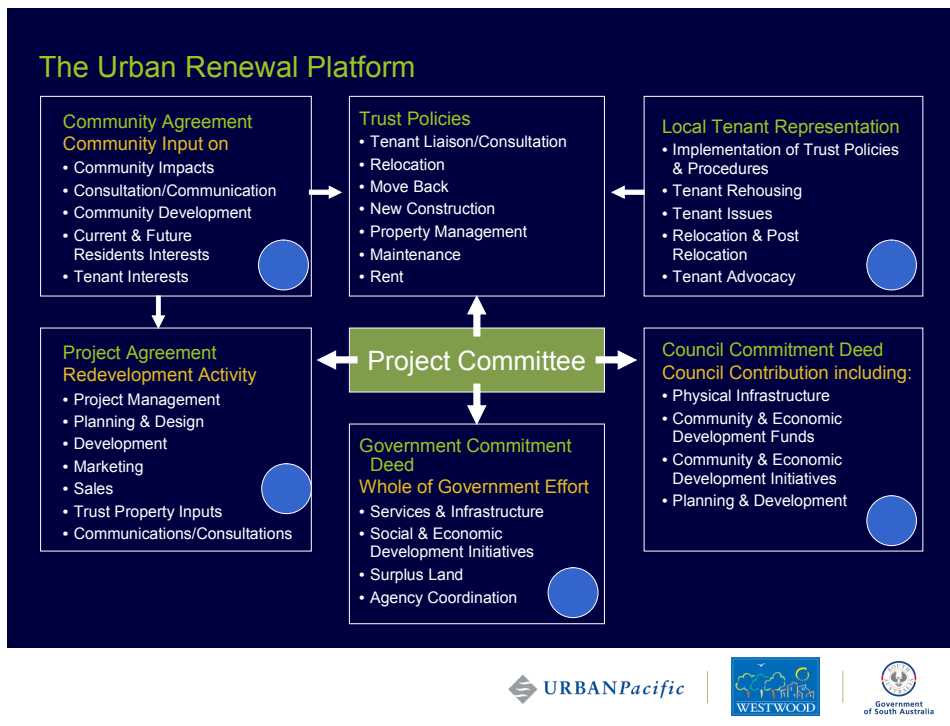
- Three way contract between Local Council, SAHT and UPL
- Commitment by Council to project goals – \$6.5 million for infrastructure plus \$1 million for community and economic development
- Variation of development plan provisions

### **Government Commitment Deed**

- Contract between SAHT, UPL, and The State of South Australia
- Commitment by State Government Agencies to work with SAHT and UPL to meet project objectives
- Dispute process
- Some specific commitments (eg; sale of surplus government land to project)
- A whole-of-government committee to resolve policy conflicts and monitor Government performance

### **Community Partnering Charter**

- Informal agreement signed between SAHT, UPL and Community Reference Group
- Define three mutual objectives and acknowledged separate objectives
- Dispute Processes



## ROLES OF PARTIES

### *Trust Role*

- Project sponsor, landlord and asset owner
- Relocation and re-housing of tenants
- Delivery of vacant properties to UPL
- Refurbished dwellings (50%) and vacant allotments (20%) retained for public housing
- Construction of new Trust housing
- Participation in project and community committees
- Tenant liaison and consultation
- Community building
- Employment of Neighbourhood Development Officer

### *UPL Role*

- Project Manager
- Strategic & Business planning
- Provides development funding
- Demolition & refurbishment of properties and all other development activities
- Marketing & sales

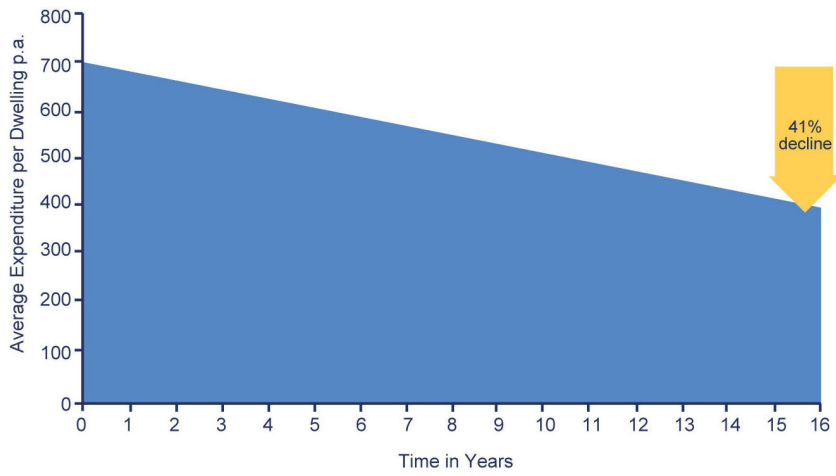
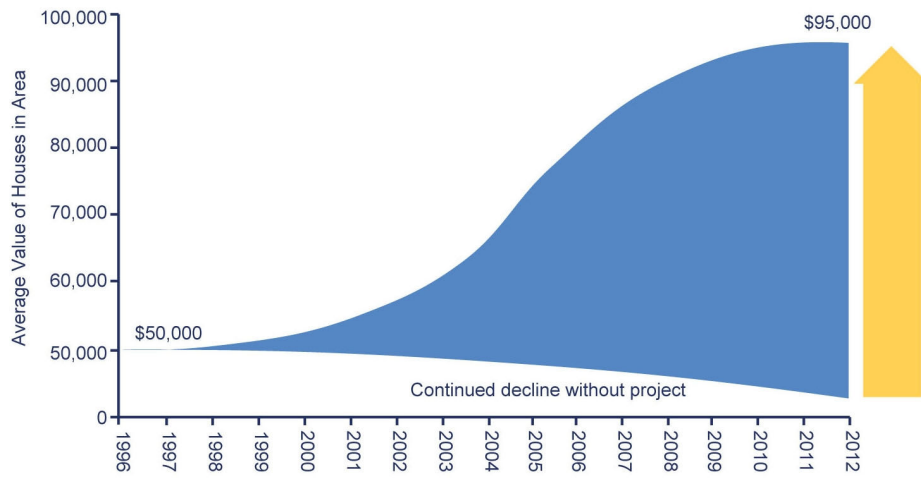
- Resident communication
- Service agency liaison & approvals
- \$1m for community & economic development projects
- Council liaison & negotiation
- Management Reporting
- Employment of Employment and Economic Development Officer

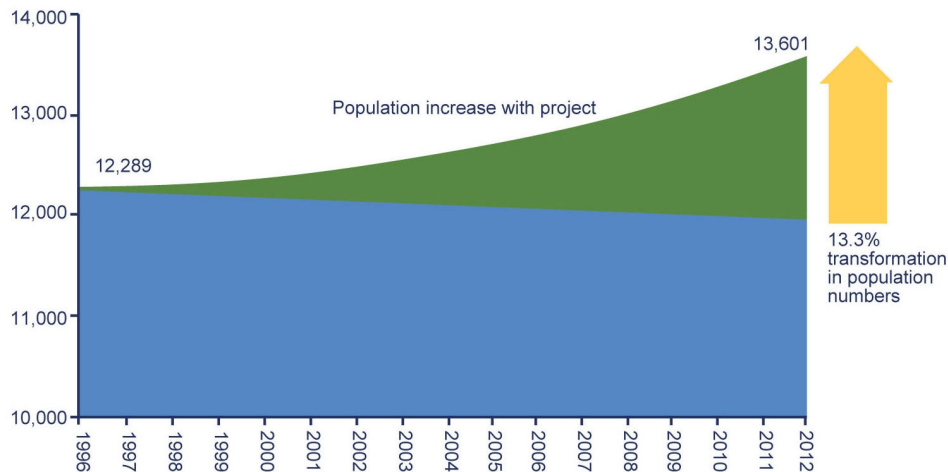
### ***COUNCIL Role***

- Joint signatory to the Council Commitment Deed (with UPL and SAHT)
- \$6.5m for infrastructure upgrade (in kind)
- \$1m (cash) for community and economic development projects
- Chair of the Council Coordination Committee (with UPL & SAHT)
- Development Approval Authority with agreement to assess DA's against the provisions of the Housing Design Guidelines
- Member of community and economic development committees

### **KEY OUTCOMES**

- 2100 vacant lots and 150 refurbished dwellings sold privately
- 530 vacant lots and 150 refurbished dwellings sold by the SAHT for public tenants rental
- Vacant lot price increases up to 250% (depending on lot type) since November 1999
- Refurbishment prices doubled from \$95,000 to \$180,000
- Additional Government focus and effort through whole-of-government committee, strong focus on public safety and crime, and school retention
- Involvement of academics in ongoing research
- \$100 million investment in local community in four years compared with progressive withdrawal of services and decline in past two decades
- asset value increase (see chart below)
- public housing agency maintenance costs decline (see chart below)
- population increase (see chart below)





## Economic and Employment Development

### ***Employment Development***

- 153 employment outcomes to date
- 225 people participated in training
- Targeted training programs based on regional priorities (Stores and warehouse, Aged care, hospitality etc) – seed or part funding provided
- Liaison with Job Network providers and unemployed people
- Liaison with Centrelink
- Youth Direction Program (for youth at Risk in Year 11 and 12 not at school or at risk of dropping out)
- Your future Program – Year 10 personal development
- Westwood Awards\* - annual awards to recognise local people, business and community groups who have achieved something special during the year

*\*Cut to video of winner at the 2003 Westwood Awards*

### ***Business Development***

- Business Development Program for local businesses to help them understand the project, how it may effect them and how to capture (covers Finance, Marketing, Procurement)
- Business networking with local businesses

### ***Regional programs***

- Vocational education
- Local career expo
- Partner in Go West Business network

## Community Development

- Westwood Urban Renewal Fund - \$2million from UPL and Council over project life for local community and economic development initiatives
- Family Fun Days
- Summer Concerts in the park
- Community Involvement in Reserve Design ( reserves all themed to recognise stages in history of development of the area eg indigenous, early settlers, Asian, multi cultural)
- Support to Community Groups (funds & in kind)
- Bi-lingual consultant to conduct information seminars for resident in a variety of local community languages
- Welcome nights for each new stage and welcome kit
- Public Safety projects – eg neighbourhood clean up, community development

*Cut to video of interviews with public housing tenants talking about the relocation experience and the area as a place to live.*

## JOINT WORKING RELATIONSHIPS

- ◆ Public and Private Sector
  - Joint project team, genuine joint commitment to objectives essential to smooth running of project
  - Clarity of roles essential, but partnering approach builds understanding of constraints and aids joint problem solving
  - Lack of transparency regarding full range of project costs has led to a poor appreciation of the true project costs
  - Initial refusal by previous Government to establish whole-of-government committee, limited progress and attention to broader social and economic issues - can it expect project to take on responsibility for entrenched disadvantage?
  - Determining the right level of responsibility of action by the project, relative to broader Government agencies, in the local community and economic sphere problematical
  - Private sector involvement viewed by some Government agencies as a reason to restrict or reduce resources to the area
  - Long term nature of the project places a different set of pressures on 'partner' relationships – frustrations emerge

- A degree of flexibility is required in implementation, due to duration and complexity and originality
- Unrealistic view in Government of extent of profits being made
- ◆ Community, Government and Private Sector
  - Significant pressures on community representatives due to strongly held and divergent attitudes – divided loyalties, voluntary
  - Lack of power in exerting real influence on either Government or private party
  - Difficulty in establishing a representative community consultations group resulting in domination of single issue members
  - Some community members felt the “Community Partnering Charter” limited their ability to act in an adversarial or political manner (eg; behaviour protocol)
  - Government and private partners considered groups contribution was
    - Single issue in focus ie; public housing tenant issues, but effective in this sphere
    - Not effective as a mechanism for enhancement of social capital or representative input
  - Extent and duration of project and consultation, age and ethnicity of residents makes establishment of viable group and communication difficult
  - Need to accept and understand different and sometimes conflicting priorities between parties

## **INGREDIENTS FOR SUCCESS**

- Holistic view of project
- Private & public sector partnering
- Long term perspective & commitment
- Mutual understanding of the requirements & priorities of all parties
- A flexible approach to development activity
- Effective community engagement
- Joint team working at operational level & on site
- Clear protocols & definition of roles
- Avenues for conflict resolution
- Unifying vision and viable strategy responsive to community needs and issues
- Realistic view of what can be done – agreement about expectations of parties
- Continuous improvement and refinement through input from SAHT, council and community

- Co-operation and direct access to key Government agencies
- Effective involvement by government in ongoing responsibility for service delivery

## **ADVANTAGES OF PUBLIC PRIVATE PARTNERSHIPS**

- Ability to re-use additional finance in an environment of budget constraints
- Harnessing private sector operational efficiencies and services
- PPP's have strengths and weaknesses and are not the right solution in each instance, but can optimise use of resources
- Acceleration of provision of infrastructure
- Faster implementation
- Reduced whole of life costs (particularly in operation of Public Private Partnerships)
- Risk transfer
- Incentives to perform
- Improved quality of infrastructure
- Generation of additional revenue
- Benchmarking of standards and costs
- However, they are usually complex to design, implement and manage

But how do local residents view the changes???

*Cut to video of interviews with residents and tenants talking about how they see the area before the project and now following redevelopment*