

Homes Victoria

Ground Lease Model Project

Project Summary

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Introduction

On 18 May 2021 the Director of Housing entered into a contract with Building Communities (Vic) Limited (Project Co) to deliver new housing at sites in Flemington, Brighton and Prahran (the Project).

The Project was procured and will be delivered as a Public Private Partnership (PPP) under the Partnerships Victoria Framework. Under this model Project Co is responsible for the design, construction, financing and management of dwellings at each site.

This Project Summary provides information about the contractual and commercial aspects of the Project. The document is divided into three parts.

The first part is an overview of the Project, including the rationale for PPP delivery, and summarises:

- the Project Objectives and scope
- the tender process
- the public interest considerations for the Project, and
- the tender process timetable.

The second part details the financial outcome of the Project, including the value for money assessment.

The third part sets out the key commercial features of the Project, including the main parties and their general obligations, the broad allocation of risk between the parties and the treatment of various key project issues.

Partnerships Victoria forms part of the Victorian Government's strategy for providing better services to all Victorians by expanding and improving Victoria's public infrastructure and service delivery. The Partnerships Victoria Framework uses private sector expertise to design, finance, build, operate and maintain infrastructure projects. The framework consists of the National PPP Policy and Guidelines and supplementary Partnerships Victoria Requirements. Further information on the Partnerships Victoria Framework is available at <www.dtf.vic.gov.au/infrastructure-investment/public-private-partnerships>.

This summary should not be relied upon to completely describe the rights and obligations of the parties in respect of the Project, which are governed by the Project Deed and associated documents. The Project Deed and associated documents are available online at the Buying for Victoria website <www.tenders.vic.gov.au>.

This document may be updated from time to time. Please check the Partnerships Victoria website <www.dtf.vic.gov.au/public-private-partnerships/partnershipsvictoria-ppp-projects> for the current edition.

Part one: Project Overview

The Ground Lease Model Project

Overview of the Project

In a first-of-its-kind for social housing in Australia, Homes Victoria has partnered with the community housing and private sectors to deliver 1,110 new homes in Flemington, Brighton and Prahran.

The Ground Lease Model Project will build 619 brand new social housing dwellings, 126 affordable homes and 365 market rental homes, including 52 Specialist Disability Accommodation dwellings.

Public land will be leased to the not-for-profit project company (Project Co) who will finance, design, construct and manage the sites for 40 years, before handing all dwellings back to Homes Victoria. At the end of the lease, the land and all 1,110 dwellings will come under the management of Homes Victoria.



Project Objectives


The Project aims to increase the supply of social and other housing and transform each site to be environmentally and socially responsive. This includes fostering unified communities, including by delivering community infrastructure and public realm, and services that facilitate community interaction and the creation of diverse vibrant neighbourhoods.

More specifically, Homes Victoria's objectives in delivering the Project are:

- **Social housing supply:** Increase the supply of social housing.
- **Housing diversity:** Increase housing diversity at each site by delivering a mix of housing types including affordable and market rental dwellings.
- **Integrated communities:** deliver an integrated, tenure blind, socially inclusive community on each site including through design, built form and equality of public realm to enable and foster community and neighbourhood interaction.
- **Quality built form:** provide quality and contemporary built form outcomes.
- **Reduce cost:** develop a structure that allows for private dwellings within an integrated development to offset some part of social housing costs.
- **High quality and efficient operations:** deliver high quality, performance-based tenancy and efficient tenancy and asset management services with certainty of maintenance standards and asset quality over the long term. Deliver social landlord services which encourage community engagement and partnerships.
- **Financing:** Develop a project structure and risk profile capable of leveraging non-State sources of capital and applicable concessions at scale for the social housing sector.
- **Evidence base and continued innovation:** promote innovation including through partnerships between Government, private and non-government sectors, as well as evidence building and data collection.

Project Sites and Planning

<p>Flemington</p> 	<p>The Flemington Phase 1 and Phase 1B sites are situated in the Flemington housing estate with Victoria Street to the west and Holland Court to the east. The site is located within a 10 minute walk from the Racecourse Road shopping strip and Newmarket Plaza shopping centre and supermarket.</p> <p>The site is accessible to transport infrastructure including excellent walking and cycling access to Newmarket train station and Flemington Bridge station, tram stops on Racecourse Road and Mount Alexander Road and good road access including to Citylink.</p> <p>To the north is the expansive Debney’s Park open space and Flemington community centre while further to the east is the Trin Warren Bellbird Wetland and the Royal Park and Melbourne Zoo precinct.</p>
<p>Brighton</p> 	<p>The Brighton site is bordered by Rusden Street to the north, Brickwood Street to the south, residential properties to the East and the Elster Canal to the West.</p> <p>Salisbury and Airlie Streets also terminate at the site along the east boundary.</p> <p>The site is situated in close proximity to parkland, open space and amenities. Transport connections are available via Elsternwick Station, Tram route 67, a bus route along Rusden Street, and bicycle paths along the canal and New Street.</p>

<p>Prahran</p> 	<p>The Prahran site is bordered by Bangs Street on the west and Bendigo Street on the east, with public open space at the northern end of the site.</p> <p>The site is situated in close proximity to Princes Gardens and the Prahran Aquatic Centre, as well as the Chapel Street shopping precinct.</p> <p>Transport connections are available via tram routes along High street and Chapel street as well as walking and cycling access to Windsor train station and Hawksburn train station.</p>
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The Minister for Planning is the responsible authority for planning for all three sites. Project Co must obtain planning approvals for each site in accordance with the Victorian Planning Provisions.

The Partnerships Victoria framework

The Ground Lease Model Project is being delivered under the Victorian Government’s Partnerships Victoria framework. The Partnerships Victoria model seeks to achieve better value for money by capturing the expertise and efficiencies of the non-government sector in designing, financing, building and maintaining infrastructure projects and providing services on a whole-of-life basis.

Partnerships Victoria framework requires that projects comply with the:

- National PPP Policy and Guidelines (National PPP Guidance) that apply across all state, territory and Commonwealth arrangements
- requirements specific to Victoria as detailed in the Partnerships Victoria Requirements (updated in November 2016).

Details of the National PPP Guidance and the Partnerships Victoria Requirements are available at Infrastructure Australia <www.infrastructureaustralia.gov.au> and Department of Treasury and Finance <www.dtf.vic.gov.au> respectively.

What is a ground lease approach to housing?

In this instance, ground leasing refers to a residential development where the dwellings are built on public land in partnership with a consortium. The consortium will finance, design, construct, manage and maintain the new housing to a prescribed standard over a 40-year operating term. The assets will revert to full public ownership and control at the end of this fixed period.

Under the long-term service contract, the Director of Housing will pay the consortium a service fee for managing the Project over the operating phase and meeting required social housing service

standards. The consortium will also collect rents from tenants and the service fee is abatable if operating standards are not met.

The decision to procure the Project under the Partnerships Victoria framework focuses on achieving value for money outcomes by allocating risks to the party, or parties, best placed to manage them, with the majority of design, construction, maintenance, management and rental risks being transferred to the consortium thereby incentivising innovative and efficient whole of life solutions.

Procuring agency and governance structure

Homes Victoria is the agency responsible for delivering the Project, including overseeing all aspects of the Project including stakeholder engagement, the conduct of the tender process, oversight of planning and construction delivery and ongoing contract management during the Operational Phase.

A steering committee comprising representatives from Homes Victoria, Department of Treasury and Finance, Department of Premier and Cabinet and other relevant parties has been established to oversee the Project and make recommendations to the Director of Housing.

Stakeholder engagement

Homes Victoria has conducted extensive stakeholder and community engagement activity during the Project's development. This includes:

- Three phases of consultation with the community and stakeholders leading to the approval of a Development Plan Overlay for each site. This included an opportunity for stakeholders to participate during the Planning Panels Victoria process and consideration of masterplans and design framework.
- A Community Consultative Committee (CCC) has been established for each site, chaired by a local Member of Parliament. The CCC provides a forum for members of the local community and other project stakeholders to participate in the Project's development through open dialogue and consultation.
- Public housing tenants relocated from the sites have been involved in the process through regular communication and updates. The former tenants were also invited to join the CCC set up for each site.
- Council officers were actively engaged through the tender period with each Proponent meeting with each Council for design feedback and issue resolution prior to Proposal lodgement. As a key stakeholder, the relevant Council is also represented on each of the Project's CCCs. Officers of Homes Victoria and each local council continue to meet on a regular basis during the delivery phase of the Project.
- Other Government Departments including the Department of Jobs, Precincts and Regions, the Department of Environment, Land, Water and Planning and Creative Victoria have been engaged throughout the planning and procurement phases of the Project.

Tender Process

Overview

Homes Victoria conducted a competitive tender process to ensure the Director received the best value for money outcome. The tender process involved three phases:

- Registration of Capability phase as part of the Public Housing Renewal Program. This involved releasing an open invitation for applications, determining the packaging of sites within the Program, and selection of Shortlisted Registrants. Throughout this phase innovative commercial structures were encouraged from the market to inform the progression of the Public Housing Renewal Program. A ground lease model approach involving the retention of public land ownership was selected for the Flemington, Brighton and Prahran package, and three Shortlisted Registrants identified to progress to the next phase.
- A two-stage Request for Proposal (RFP) phase. The three Proponents were invited to provide interim and then final Proposals. The purpose of the two stages was to first test the viability and value for money potential of the Project with the market as it was a unique approach. Subject to this confirmation and approval from Government, the second stage was a full submission process. Both stages included intensive interactive workshops and interrogation of market leading concepts, responding to tender queries, then clarifying and evaluating the Proposals.
- Negotiation and completion phase involved a negotiation and bid refinement period, appointing a Preferred Proponent, final negotiations, executing the Project Deed and achieving Contract and Financial Close.

Tender Process Timetable

The timeline for the Tender Process is shown below:

Table 1 - RFP timeline

Procurement process	Date
Registration of Capability phase	2017-18
Approval to undertake RFP process	June 2019
RFP Stage 1	
Release of RFP	16 August 2019
Interim Proposals submitted	12 November 2019
RFP Stage 2	
Procurement process suspended	Early-mid 2020
Release of RFP Stage 2	12 August 2020
Final Proposals submitted	19 November 2020
Negotiation and Completion Phase	
Contract close	18 May 2021
Financial close	3 June 2021

Tender Process Governance

Homes Victoria established a formal evaluation and governance structure to oversee the evaluation processes. An evaluation panel supported by four specialist subpanels reported to the Project Steering Committee for both the Interim and Final Proposal assessment. The specialist subpanels comprised:

- Design and Technical subpanel that evaluated the design (master plans, architectural, urban realm/landscaping, engineering), project management, stakeholder engagement, construction methodology and program related aspects of the Proposals.
- Services subpanel that evaluated the asset and tenancy management related aspects of the Proposals.
- Commercial and Financial subpanel that evaluated the commercial, financial, and contractual aspects of the Proposals.
- Value and Risk subpanel that evaluated the whole-of-life, risk-adjusted cost of the Proposals by taking into account the financial and risk consequences. It also considered the extent to which relevant government policies and frameworks were addressed.

Specialist working groups, project advisers and other Government agencies (including the Office of the Victorian Government Architect) supported the evaluation panel and subpanels as relevant. The evaluation panel was responsible for making recommendations concerning the RFP evaluation process to the Project steering committee.

Probity

Probity and maintenance of confidentiality was important throughout the tender process. Strict security procedures were adopted to ensure that information was held in complete confidence.

The tender process was undertaken within an agreed probity framework, endorsed by the Project's probity adviser. The role of the Probity Adviser was to independently monitor procedural aspects of the tender process to ensure compliance with all relevant tender documentation and to advise the Project in relation to probity and process matters.

In addition, the Project had regard to and abided by the Public Administration Act 2004 (Vic) and all other relevant government tendering policies with public officials required to comply with the Code of Conduct for the Victorian Public Sector.

At the completion of the tender process, the probity adviser confirmed they were not aware of any material probity risks that had arisen.

Evaluation process

The Evaluation Criteria applied in assessing Proposals are presented in Appendix B. To assist Proponents in preparing their Proposals, Homes Victoria provided guidance in the RFP as to the relative weightings of each Evaluation Criterion.

Director's Advisors

The following external advisors were engaged to assist Homes Victoria in undertaking the tender process:

Table 2 – Project advisors

Advisor	Role
Ontoit	Concept development, transaction and project management, commercial advice
Corrs Chamber Westgarth	Legal advisor
EY	Financial advisor
GHD Woodhead	Technical advisor
MBM	Services/Facilities Management advisor
A2M and MBM	Quantity Surveyor
Anne Dalton and Associates	Probity advisor

Specialist advice was also provided by other Government departments/agencies and other branches within Homes Victoria.

Tender Process Outcomes

Shortlisted Proponents

Three consortia participated in the RFP phase, namely:

- Building Communities – Icon Kajima Construction, Citta Property Group, Tetris Capital, and Community Housing (Vic) Limited
- Homegrown Communities – Capella Capital, Watpac and Housing Choices Australia
- KAMP – Kane Construction, Assemble, Mission Australia Housing Victoria and Plenary Group

Successful Proponent

Following an extensive evaluation process, Building Communities was appointed as the Preferred Proponent to enter into exclusive negotiations with Homes Victoria to deliver the Project.

Building Communities' offer was not only assessed as providing value and being affordable relative to the Public Sector Comparator, it was also assessed as delivering the best overall value for money relative to the other two Proponents.

Key Components of the Project

The Project comprises the design and construction of social, affordable, specialist disability accommodation and market rental dwellings at sites in Flemington, Brighton and Prahran, including associated community facilities and commercial opportunities. The Project also includes management services for the 40 year Operational Phase, including tenancy, community building and asset management services, and the collection of rents from tenants.

Project Scope

Project Co will deliver 1,110 dwellings across the three sites as shown in Table 3 below.

Table 3 – Dwellings

	Social	Affordable	Private
Brighton	151		148
Prahran	228		217
Flemington 1	218		
Flemington 1B	22	126	
Total dwellings	619	126	365

In delivering the Project, Project Co must comply with a range of project requirements including:

- Liveable Housing Design Guidelines (LHDG) Gold Level for 1- and 2-bedroom social housing dwellings and Silver Level LHDG for 3- and 4-bedroom social housing dwellings
- constructing to a minimum standard of NatHERS 6 Stars with a 7-star average (social housing dwellings) and Green Star 5 Stars (all dwellings)
- Better Apartment Design Standards
- Homes Victoria specific requirements for cladding, accessible dwellings and building services
- Alignment with the development plan overlays which specify communal open space provision, pocket parks, community facilities and commercial activities where applicable
- The Director's detailed requirements for building elements and services, roads, car parking, and gardens.

The tables below summarise the scope to be delivered at each site.

Table 4 – Brighton site scope

Brighton	
Homes	<ul style="list-style-type: none"> • 299 dwellings (151 social, 148 private including 15 SDA) • 5 buildings • Varying heights scaling from 3 storeys at the residential interface to a maximum of 6 storeys towards the Elster Canal edge
Car parking	<ul style="list-style-type: none"> • Concealed basement car parking with entries off Rusden and Brickwood Streets
ESD	<ul style="list-style-type: none"> • Solar panels, 5 Star Green Star and 7 Star NatHERS rating
Urban realm & community	<ul style="list-style-type: none"> • 2000m² central open space centred around the existing trees • Community garden plots and facilities • Community pavilion and Café • Shared pedestrian spine connecting New St/Rusden St and Brickwood St • Northern Pocket Park including seating areas nestled in gardens with planting and nature play area • Southern Pocket Park with play area and Creekside Pocket Park • Native gardens incorporating water sensitive urban design and communal courtyards

Table 5 – Prahran site scope

Prahran	
Homes	<ul style="list-style-type: none"> • 445 dwellings (228 social, 217 private including 23 SDA) • 7 buildings • 3-4 storey townhouse typology along Bendigo St, increasing to 6 storeys at the north and south ends. Building heights along the Bangs St interface scale down from a 12-storey building adjacent to the northern park to 7 storeys at the southern end
Car parking	<ul style="list-style-type: none"> • Concealed basement car parking with single entry off Bangs St
ESD	<ul style="list-style-type: none"> • Solar panels, 5 Star Green Star and 7 Star NatHERS rating
Urban realm & community	<ul style="list-style-type: none"> • 1500m² central open space providing passive recreation opportunities and nature play space for kids • Northern park re-landscaped including a new nature playground and basketball half court • Central north-south pedestrian spine connecting the southern apartment buildings to the northern park with planting and garden beds • East-west links connecting the site to the Mount Street Masterplan open space network • Rooftop communal space and terraces • Commercial spaces tenanted by social enterprises including Good Cycles and Cultivating Communities • Artist’s studio and residence • Productive garden plots • On site office for the housing manager • Bike storage accessible at ground level

Table 6 – Flemington Phase 1 site scope

Flemington Phase 1	
Homes	<ul style="list-style-type: none"> • 218 dwellings (social) • 2 buildings on northern parcel fronting Victoria Street • 4 storeys on Victoria St scaling to a 6-10 storey form on Holland Court
Car parking	<ul style="list-style-type: none"> • Concealed basement car parking with entry off Holland court
ESD	<ul style="list-style-type: none"> • Solar panels, 5 Star Green Star and 7 Star NatHERS rating
Urban realm & community	<ul style="list-style-type: none"> • Access ramps and connectivity through the site running north-south and east-west • Communal courtyards and planting • Wedge parks activating the ground plane and providing seating opportunities • Sensitive interface treatments and setbacks to Debney Meadows Primary school • Bike storage accessible at ground level

Table 7 – Flemington Phase 1B site scope

Flemington Phase 1B	
Homes	<ul style="list-style-type: none"> • 148 dwellings (22 social, 126 affordable including 14 SDA) • 3 buildings on southern parcel fronting Victoria Street • Two 4 storey buildings along Victoria St and one 8 storey building setback from sensitive interfaces along Holland Court
Car parking	<ul style="list-style-type: none"> • Concealed basement car parking with single entry off Holland Court
ESD	<ul style="list-style-type: none"> • Solar panels, 5 Star Green Star and 7 Star NatHERS rating
Urban realm & community	<ul style="list-style-type: none"> • 420m² gateway park parallel to Hill St • Pocket park and children’s play area • Community room and on-site office for the housing manager • Bike storage accessible at ground level

Services

Project Co will be responsible for managing the sites over the Operating Phase. This includes:

- Provision of asset management and maintenance services covering planned and cyclical maintenance, responsive and vacancy maintenance, disability modification repairs and lifecycle replacement to the serviced areas which include the buildings, grounds and surrounds.
- Tenancy management services for all social housing in accordance with the Victorian Housing Registrar’s Performance Standards, including managing the allocations of properties (with a minimum 75% of housing on a door count basis to be allocated to Priority Access tenants)
- Residential lease management in accordance with the Residential Tenancies Act, including tenants’ rights, collecting rent, inspections, repairs, vacancies, complaints and appeals and reporting (across both social and private dwellings)
- Community building and engagement services, including fostering integration, place-making and social landlord initiatives
- Compliance with the terms of the Deed Poll for returning tenants who were relocated to facilitate construction of the new dwellings
- Facilitating tenant transition from their existing accommodation

Social housing dwellings will be allocated to tenants from the Victorian Housing Register, with at least 75% to be allocated to tenants from the Priority Access categories of the register. Rents will be capped at 25% of the annual income of household members, plus 15% of Family Tax Benefits and 100% of any Commonwealth Rent Assistance.

Affordable housing dwellings will be targeted at very low to moderate income households as determined in accordance with the Planning and Environment Act 1987 (Vic), with rent to be capped at 75% of market rent.

Value Creation and Capture

The value creation and capture of economic, social and environmental benefit was a core focus throughout the procurement of this Project. As a result, an extensive range of value creation and capture initiatives will be delivered as summarised in the table below.

Value creation/capture initiative or feature	Description
Rental value capture	<p>The Project captures the value of rental revenue streams which are a significant source of funding to the Project. Project Co will receive these revenue streams throughout the operating term, which reduces the Director’s required contribution to the project in terms of Quarterly Service Payments. These rental streams mean that the Director is not contributing to the construction of the 365 market rental apartments which will revert to full Director ownership and control at the end of the Project term. These rental revenues also reduce the funding required from the Director for the delivery of social housing.</p> <p>Net rental value is also captured from the Director’s \$50 million capital contribution which was included within the Project as part of the Big Housing Build to enable the delivery of Phase 1B at the Flemington site. This net rental value reduces the Quarterly Service Payments that would otherwise have been required for delivery of this social and affordable housing.</p>
Additional housing capacity including Specialist Disability Accommodation	<p>Delivery of a larger number of dwellings than estimated in the public sector comparator including 52 Specialist Disability Accommodation dwellings providing appropriate accommodation for NDIS eligible tenants</p>
Future housing growth and profit sharing	<p>Project Co’s solution also includes additional benefit to the Director and broader community with a contractual commitment by Community Housing (Vic) Limited to re-invest its future returns (after repayment of a corporate loan) in further social and affordable housing growth. In this way the project is seeding long-term continual growth in social and affordable housing.</p> <p>The Director will also share in project returns over the latter years of the Project, with the opportunity for the Director to co-invest in the new projects pursued by Community Housing (Vic) Limited.</p>
Commercial opportunities	<p>Commercial opportunities which activate the sites, deliver value and provide services for the benefit of the community are included at Brighton and Prahran, in addition to community spaces at all sites. The commercial opportunities include a café at the Prahran and Brighton sites as well as other commercial or community tenancies at Prahran.</p>
Environmentally sustainable design	<p>The project incorporates the following measures to achieve long term sustainability and improved tenant outcomes:</p> <ul style="list-style-type: none"> • Solar panels within an embedded network so tenants can share in the benefit of solar generated power

Value creation/capture initiative or feature	Description
	<ul style="list-style-type: none"> • Air tightness testing, mitigating thermal bridging, vapour control and thermal comfort modelling • Promotion of alternative transport options (e.g. micro mobility hub, bike maintenance stations, GoGet car share, provision for future installation of electric vehicle charging stations) • Achieve at least a 7-star average NatHERS rating for all dwellings, not just the social housing • Rainwater reuse for toilet flushing • Electric hot water plant (no-gas sites)
Community building activities	<p>The Project will incorporate a Community Benefit Agreement at each site, enabling the local community to input to community projects to improve social outcomes. These projects will be tailored to local needs and support the achievement of diverse, vibrant neighbourhoods.</p>
Employment and economic growth	<p>The Project will increase employment, creating new jobs including apprenticeships, traineeships and cadetships.</p> <p>The proposal exceeds the State’s minimum Local Jobs First Policy and Social Procurement requirements.</p>
Social capital	<p>In accordance with Government’s Social Procurement Framework, the Project will deliver additional social value above and beyond the value of the Project.</p>

Other Government Policy outcomes

The key project outcomes in relation to the Victorian Government's Local Jobs First Policy and Social Procurement Framework, and the degree to which Building Communities' Proposal exceeds the Director's minimum briefed requirements, are summarised below.

Government Policy Outcome	Minimum Requirement briefed in the RFP	Contracted outcome	Exceeded requirement
Local content – Development Activities	91%	92.84%	1.84%
Local content – Steel related items	91%	91.40%	0.40%
Local content – Services	80%	95.94%	15.94%
Major Project Skills Guarantee (MPSG)	10%	17.36%	7.36%
Social Benefit Supplier Expenditure			
• Social enterprise	n/a	\$7.8m	\$7.8m
• Aboriginal owned Business	n/a	\$5.9m	\$5.9m
• Victorian Disability Enterprise	n/a	\$2.8m	\$2.8m
Employment Outcomes	n/a	1.5 % of paid project hours	1.5 % of paid project hours
Public Tenant Employment Program – Development Activities	6 FTE in Development Phase	7 FTE in Development Phase	1 FTE in Development Phase
Public Tenant Employment Program – Services	n/a	40 FTE	40 FTE

Public Interest Considerations

At various stages throughout the development of the Project, Homes Victoria made an assessment of the extent to which the Project was in the public interest. The analysis was undertaken in accordance with the Partnerships Victoria guidance on how to evaluate whether a project meets the public interest.

The assessment was made against the following criteria:

- Effectiveness
- Accountability and transparency
- Affected individuals and communities
- Equity
- Public access
- Consumer rights
- Security

The public interest assessment concluded that, on balance, the public interest was being protected. Appendix A – Public Interest Test contains a summary of the Public Interest Test.

Contract Milestones

Key contract milestones are set out below.

Table 8 – key milestones

Activity	Dates		
Contract Close	18 May 2021		
Financial Close	3 June 2021		
Technical Acceptance	Brighton	Flemington	Prahran
	22 September 2023	20 October 2023 (Phase 1) 8 December 2023 (Phase 1B)	20 December 2023
Commercial Acceptance	Brighton	Flemington	Prahran
	3 October 2023	30 October 2023 (Phase 1) 15 December 2023 (Phase 1B)	11 January 2024
Contract Expiry Date	11 January 2064		

Part two: Financial Outcome

Value for Money

Overview

The Partnerships Victoria framework seeks to identify and implement the most efficient form of infrastructure and service delivery. The concept of value for money goes beyond the selection of the cheapest solution, focusing on the true value of each delivery option. This involves an in-depth analysis of each proposal received from the private sector and comparison against a Director-managed delivery option. The analysis considers quantifiable elements (for example, items that can be quantified in monetary terms or as a quantity of volume or throughput) as well as qualitative considerations.

Public Sector Comparator

The Public Sector Comparator (PSC) is an estimate of the hypothetical, risk-adjusted, whole-of-life cost of the Project if delivered by the Director. The PSC is developed in accordance with the output specification and risk allocation proposed for the public private partnership and is based on the most likely and efficient form of conventional (that is, non-public private partnership) delivery by the Director.

The PSC is expressed in terms of the net present cost to the Director, calculated using a discounted cash flow method and taking full account of the costs and risks that would arise through conventional delivery by the Director. The PSC includes costs of the design and construction of the dwellings, lifecycle, facilities management and tenancy management costs, and revenues (including rents) arising during the 40-year Operating Phase of the Project.

The PSC was prepared under the National PPP Guidelines for Economic Infrastructure as rents direct from tenants are a material source of revenue in the Project and Project Co bears market risks including demand, rent rates, impact of success of integration strategies, and long-term cost risk to meet market expectations. The State delivery model assumed delivery through a Government Business Enterprise (Development Victoria) partnered with a Social Enterprise (Community Housing Agency).

Table 9 – Public sector comparator

Description	Value
Dwellings	820
Capital and finance costs	\$479m
Operating and lifecycle costs	\$217m
Rental revenues	(\$334m)
Competitive neutrality	\$40m
Transferred risk	\$44m
Total net present cost of PSC (excluding retained risk)	\$446m

1. All numbers are expressed in net present values as at April 2021.

2. A discount rate of 4.77% was used in calculating the net present value of the PSC. This rate was determined in accordance with the National PPP Policy and Guidelines, taking into consideration the social and economic infrastructure characteristics of the Project.

3. The PSC includes adjustments for 'competitive neutrality' where necessary, to remove the net competitive advantages or disadvantages that accrue to Government by virtue of its public ownership, in this case being state taxes. The PSC includes transferred risk estimates but excludes Director retained risk estimates.

Net Present Cost of Building Communities Proposal

The quantitative value for money assessment for the Project is demonstrated by the estimated savings between the PSC and the contract cost. As shown below, a saving of \$161 million in NPC terms has been achieved from the procurement, with more dwellings delivered than anticipated by the public sector comparator. A large part of the savings was driven by the market innovation in the designs leading to a highly competitive construction price. This coupled with private rental revenues resulted in offsetting the service payment costs. The commercial structure also attracted a range of tax and other benefits that further improved this position.

Table 10 – Value for money comparison – PSC versus Project Co delivery

Description	PSC	Building Communities
Dwellings	820	1,110
Net present cost of Service Payments	\$446m	\$238m
Net present cost of Director's capital contribution	n/a	\$47m*
Total net present cost	\$446m	\$285m
Savings	\$161m (36%)	

1. All non-percentile numbers are expressed in net present values as at April 2021.

2. A discount rate of 4.77% was used for calculating all net present cost values. This approach was adopted given the social and economic infrastructure characteristics of the Project in accordance with the National PPP Policy and Guidelines.

3. Following announcement of the Big Housing Build, Proponents were invited during the RFP phase to deliver additional dwellings at the Flemington site to be funded by a capital contribution from the Director. This element of the Project was not included in the public sector comparator.

* The Director's capital contribution is \$50m in nominal dollars.

Additional Value for Money Benefits

In addition to meeting all of the Director's requirements for the Project at a price that is less than the Director's PSC, Project Co's Proposal includes additional benefit to the Director and broader community. This includes a contractual commitment by Community Housing (Vic) Limited to re-invest its future returns (after repayment of a corporate loan) in further social and affordable housing growth. The Director will also share in one third of project returns (after repayment of debt financing) over the latter years of the Project, with the opportunity for the Director to co-invest in these projects.

Other additional benefits are set out above in the Value Creation and Capture and Other Government Policy Outcomes sections.

Other Costs

Homes Victoria has or will meet a range of costs including:

- Tenant relocation costs
- Site demolition costs
- Tender process transaction costs including the project team and project advisers
- Contract management costs of administering the Project Deed and associated documents
- Costs pertaining to retained risks.

Director Payments

Capital Contribution

The Director will make a \$50 million capital contribution towards the Project, set aside at Financial Close. This contribution will be drawn progressively throughout the Development Phase as works are completed and certified by an independent payment certifier, after Project Co's investment is first applied and in parallel with debt financing drawdowns.

Quarterly Service Payments

The payment mechanism for the Project is based on Quarterly Service Payments (QSP) to be made by Homes Victoria over the Operating Phase. These payments commence from Commercial Acceptance of the first site and increase following Commercial Acceptance of each subsequent site. Payments are subject to reduction/abatement where services are not provided to the required standards.

The formula for calculating the QSP is detailed in Schedule 3 of the Project Deed. The components of the QSP are:

- A capital component that does not escalate in value over the Operational Phase.
- A lifecycle component that relates to Project Co's asset refurbishment and replacement costs.
The real value of this component is indexed by CPI over the Operational Phase.

Abatements to the QSP may be made each quarter during the Operational Phase based on Project Co's performance. In addition, various one-off abatements may be levied upon commencement of operations where certain Development Phase requirements have not been met.

The performance regime is structured to incentivise Project Co to design, construct and maintain assets that comply with the Director's requirements, and to deliver high quality tenancy management and related services.

- Abatements – reduction to the QSP where social housing occupancy falls below a set threshold, for poor performance in completing Urgent Repairs, for poor Tenant Satisfaction survey results or for Reporting Failures
- Asset Management Failures – reduction in the QSP where Asset Management Failures occur (such as a material non-compliance with the Asset Management Plan). This includes withholding of funds until the issue is rectified as well as an abatement element.
- Government Requirements Adjustments – one-off adjustments where the contractually agreed targets for Local Content Requirement, Major Projects Skills Guarantee Requirement and Social Procurement Requirements over the Development Phase are not achieved.

Quantum of net payments

Table 1 provides further details on the quantum of the QSPs.

Table 1 – Disclosure of nominal flows

Cost of contracted proposal (net present cost) as at 3-Jun-2021	Discount rate used to arrive at net present cost	Total cost of contracted proposal (nominal)	First full year payment (nominal)**
\$238m	4.77%	\$638m	\$12,686k

** Non-indexing component only, excludes lifecycle. The average annual payment for lifecycle is \$1,569k in real dollars as at June 2021.

Financial Liability Treatment

The Director will accrue a financial liability in its balance sheet which is less than the value of the associated housing assets of the Project. This financial liability will be progressively recognised in line with the costs incurred by Project Co during construction for the related assets, representing the Director's obligation to make future payments to Project Co for the financing, design and construction of the assets.

The financial liability for the Project is outlined below. The reported figure represents the peak financial liability the Director will incur based on the Financial Close Financial Model. This peak occurs following the end of the Development Phase (at Commercial Acceptance).

The financial liability has been calculated under current accounting practice in accordance with AASB 59 Service Concession Arrangements.

Table 2 – Disclosure of financial liability

Financial liability expected to be recognised at completion (nominal)	Financial liability expected to be recognised at completion (NPC)	Expected year of completion	Implied interest rate in lease liability
\$220m	\$223m*	FY23/24	5.03%

* NPC of financial liability uses the implied interest rate as the discount rate. The implied interest rate is based on the Project's internal rate of return as calculated in the Financial Close model.

Partial Bid Cost Reimbursement

The Director made a contribution of \$1 million to each Proponent for verifiable and reasonable external costs incurred in preparing their Proposals. Reimbursement of a proportion of bid costs is consistent with the Partnerships Victoria Requirements where it will maximise competition by incentivising stronger market responses and attracting better quality Proposals. The Director retains the intellectual property contained in each unsuccessful Proponent's Proposal.

Part three: Key Commercial Features

Parties to the Contract

The Director of Housing has contracted with Project Co to deliver the Project.

The Director of Housing has also entered into the Distribution and Co-Investment Agreement with the Mezzanine Investors, governing the Director's capital contribution to the Project, its rights to a share of returns over the later years of the Operating Phase, and Community Housing (Vic) Ltd commitment to reinvest in further social and affordable housing growth.

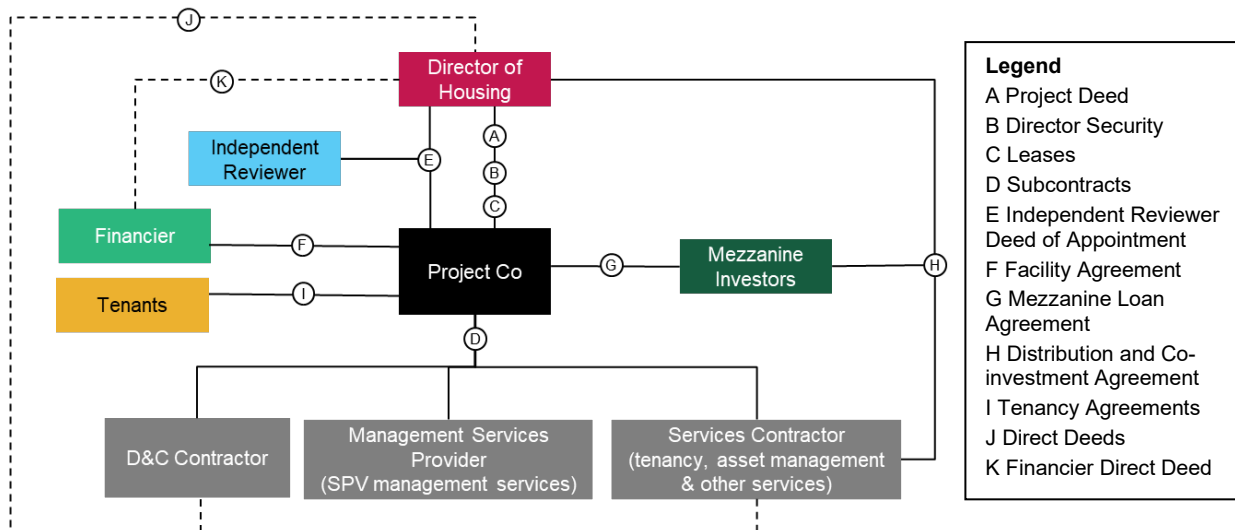
The relevant parties under the contractual arrangements are set out below.

Table 3 – Contract parties

Role	Entity
State Parties	
The Director	The Director of Housing is a signatory to the Project Deed and other relevant ancillary Project Documents.
Key Private Sector Parties	
Project Co	Project Co is Building Communities (VIC) Limited and is a registered housing agency under the <i>Housing Act 1983 (Vic)</i> . Project Co is the counterparty to the Project Deed and is the primary contracting entity with the Director. Project Co in turn has entered into a range of contracts with other parties to facilitate delivery of the Project.
D&C Contractor	Project Co has engaged Icon SI (Aust) Pty Ltd as the D&C Contractor to design and construct the works.
Services Contractor	Project Co has appointed Community Housing (Vic) Ltd to manage all dwellings, including providing tenancy, community engagement and asset management services.
Mezzanine Investor	Building Communities Housing Limited and Tetris BC Pty Ltd as trustee for the Tetris BC Trust (each a Partner) have formed a Partnership that will on-loan funds borrowed from Community Housing (Vic) Ltd to Project Co, known as the Mezzanine Funding.
Financier	The National Housing Finance and Investment Corporation (NHFIC) has committed to provide the senior debt financing required for the Project.
Independent Reviewer	North Projects Pty Ltd has been jointly appointed by the Director and Project Co to oversee the design and construction of the Project in accordance with the Independent Reviewer Deed of Appointment.

Contractual Relationships

The relationship between the Director, Project Co and other related parties is detailed in the Project Deed and associated documents. The figure below sets out a high-level overview of the commercial structure.



Risk Allocation

The risk allocation in the Project Deed allocates risks to the party best able to manage them in order to achieve best value for money for the Director. This results in various risks being:

- retained by the Director
- transferred to Project Co; or
- shared between the parties.

The Project Documents have been developed utilising the Partnerships Victoria Standard Form Deed for Social Infrastructure Projects, adjusted for project-specific factors including the rental revenues in the Project. Project Co generally bears the risk of design, construction, finance, operations and maintenance subject to the terms of the Project Documents.

Table 4 provides a high-level outline of the risk allocation for the Project. Where a risk is allocated to more than one party, those parties may not share that allocation equally. All risks are dealt with in detail in the Project Deed and associated documents.

Table 4 – Risk allocation summary

Risk Category	Description	Director of Housing	Project Co
Planning			
Obtaining planning approvals	Risk that necessary planning approvals are not granted before commencement of construction.	✓ (DoH has already established Development Plan Overlays for each site. It bears risk of delays in planning application assessment beyond 12 weeks of submission to the relevant planning authority and costs associated with planning appeals that the Director requires Project Co to pursue or defend, as applicable)	✓ (Project Co is responsible for obtaining all planning permits, subject to the Director bearing the risk of delays beyond 12 weeks in application assessment and subject to the processes leading to partial termination or an alternative proposal if the planning process cannot proceed as anticipated)
Planning compliance	Risk of satisfying all requirements of all necessary Planning Permits.		✓
Site			
Ground conditions and contamination	The risk of any site conditions (latent or otherwise) in or on any of the sites, including the risk that unanticipated adverse ground conditions are discovered during construction which cause construction costs to increase and/or cause delays. Risk that the site is contaminated, or environmental liabilities arise requiring expense to remediate.	✓	✓
Artefacts and heritage claims	Risk that the discovery of any Artefacts delay the works or result in additional costs.	✓ (Only for a suspension, cessation or material change directed or required by Law or court order.)	✓
Native title	Risk that the site is the subject of a native title claim	✓ (For suspension, cessation or material change directed or required by Law or court order, dealing with any native title claim and the payment of compensation to native title holders following a successful claim.)	✓
Design, Construction and Commissioning			
Management and resourcing	Risks in relation to the management and general administration of the Project (unless otherwise specified).		✓
Design	Risk that the design development process cannot be completed on time or to budget, or that the design is incapable of delivering the output specification.		✓
Construction	Risk that construction cannot be completed on time or to budget.		✓
Defects risk	Risk that defects are discovered after construction is completed.		✓

Risk Category	Description	Director of Housing	Project Co
Fitness for purpose (at completion)	Risk that the works are not fit for purpose or otherwise do not meet the contractual requirements.		✓
Director initiated modifications	Risk that the Director changes the design, construction, commissioning requirements or specifications.	✓	
Program timelines (excluding industrial relations)	Risk that events occur during the construction period that prevent the Project being delivered on time and budget (including subcontractor management), except for delays arising from specified events, including (without limitation): <ul style="list-style-type: none"> acts, defaults or omissions of the Director not permitted by the Project Deed; a force majeure event; a Contamination Compensation Event; a Director modification; Pandemic Directions; or there is otherwise an entitlement to an extension of time. 		✓
Safety conditions	All risks in relation to the safety, maintenance and security of the sites (unless otherwise specified).		✓
Industrial Relations	Risks to program and/or cost: <ul style="list-style-type: none"> non-Project specific strikes, blockades/embargoes or civil commotion; Project specific strikes, blockades/embargoes or civil commotion which are not caused by the Director or its Associates; increased terms and conditions; changes in legislation. 		✓
Covid-19 Directions compliance	Costs of complying with Chief Health Officer Directions relating to Covid-19 (Pandemic Directions) (*See also delay costs from Pandemic Directions under program timelines above).	✓ (For suspension, cessation or material change to the Development Activities due to a Pandemic Direction)	✓
Operations Phase			
Fitness for purpose (during the Operating Phase)	Risk that the dwellings and facilities are not fit for purpose.		✓
Social housing occupancy	Risk that the utilisation of the social housing is less than anticipated (subject to applicants being on the waitlist).		✓
Social housing revenue	Risks in relation to the rate and collection of rents from social housing tenants.	✓ (Director specifies the social housing rent cap under the Project Deed)	✓ (all other risks)

Risk Category	Description	Director of Housing	Project Co
Private housing occupancy and revenue	All risks in relation to the leasing of the private rental housing. This includes the risk that vacancy is less than or greater than anticipated, and the collection of rents.		✓ (Including the risk that if 10% or more of private rental dwellings are vacant for a period of 6 months, the Director may require Project Co to sublease the dwellings to social housing Tenants for up to 12 months)
Social housing operations and maintenance (including asset replacement)	All risks associated with managing the social housing including meeting the Regulator's Performance Standards, and maintenance and asset replacement to achieve the end of term condition.		✓
Private housing operations and maintenance	All risks associated with managing the private rental housing including maintenance and asset replacement to achieve the end of term condition.		✓
Super-profits	Risk/opportunity that net rental cashflows will be higher than anticipated due to high rent escalation or other factors.	✓ (Director shares in mezzanine debt payments over latter years of operating term subject to certain thresholds)	✓
Changes in law or policy			
Changes in Commonwealth Rent Assistance	Risk that a change in legislation regarding Commonwealth Rent Assistance will affect Project Co revenues.	✓ (Director shares risk where change has a material adverse effect on Project as a whole)	✓ (Project Co bears risk subject to a material adverse effect regime)
Changes in law and policy (general)	Risk that a generally applicable change in legislation or mandatory policy will affect the Development Activities or the Services (other than Commonwealth Rent Assistance)	✓ (The Director bears the risk of: <ul style="list-style-type: none"> • general changes in law during the Operational Phase which require Project Co to undertake capital improvements to the Project Assets, the costs of which cannot reasonably be passed through to Tenants; and • the imposition of a building permit levy or cladding rectification levy in respect of the Works) 	✓ (Except where Director bears risk)
Changes in law and policy (project-specific)	Risk that a change in legislation, or mandatory policy, applying exclusively to the Project will affect the Services or the design or construction of the Facilities.	✓	✓ (changes in policy in respect of Performance Standards established under the <i>Housing Act 1983 (Vic)</i>)
Tax risk - federal	Risk of changes in income tax, GST or the law relating to taxes generally.		✓
Tax risk - State	Risk of changes in land tax, stamp duty or the law relating to taxes generally.	✓ (land tax)	✓ (other)

Risk Category	Description	Director of Housing	Project Co
Force majeure			
Force majeure	Risk of a defined 'force majeure' event affecting construction or the provision of the Services.	✓ (Only: <ul style="list-style-type: none"> with respect to interest on senior debt during the Development Phase; and during the Operational Phase, to the extent that the Director may need to continue to make payments to service the interest on senior debt and for uninsurable risks that cause damage). 	✓
Finance risks			
Interest rate risk during first 15 years	Risk of movements in interest rates during the initial debt term (15 years post Financial Close).		✓
Interest rate risk beyond first 15 years	Risk of movements in interest rates beyond the initial debt term.	✓	
Insurance risk	Risk that insurance cannot be obtained or that premiums increase significantly.		✓
Market value of assets	Residual value risk of the portfolio of assets at the end of the term.	✓	✓
Market risk	<ul style="list-style-type: none"> General economic downturn Competition in the vicinity Inflation Demographic change. 		✓ ✓ ✓ ✓
Other			
Dispute resolution	Risk of inability to resolve contractual disputes between the Director and Project Co.	✓	✓
Stakeholder engagement	Risk of impacts to the Program from stakeholder interaction.		✓

Departures from Standard Project Deed

The Project Deed was tailored from the Standard Form Project Deed to reflect housing-specific matters. This includes establishing a contractual regime related to planning approvals, matters related to rent revenues and tenant rights, and recognition of the regulatory regime which applies to the Victorian community housing sector.

Key agreed departures are summarised in the following table, including project specific regimes and negotiated outcomes.

Table 5 – Summary of departures from the Standard Project Deed

Topic	Summary
Project specific regimes	
Planning	Incorporates provisions which require Project Co to obtain the relevant planning approvals for the Project. Time and cost relief is provided in certain circumstances such as where the responsible authority fails to provide a timely response to a planning application, where unacceptable conditions are imposed, or in relation to appeals.
Demolition	Incorporation of provisions requiring the Director to complete demolition of the existing housing at the sites by a certain date.
Community consultative committee	Provides for Project Co to be a member of the community consultative committee established for each site.
Domestic Building Contracts Act	Incorporates provisions which clarify the operation of the <i>Domestic Building Contracts Act 1995 (Vic)</i> in relation to the Project documents.
Ground Lease	Rather than a licence, the Director will grant Project Co a lease of each site prior to commencement of the works at that site until the Expiry Date.
Design and ESD requirements	Incorporates provisions in relation to the Green Star and NatHERS ratings Project Co is required to achieve.
Requirements for social housing, affordable housing and private rental dwellings	<p>Incorporates provisions which set out the requirements for the social housing, affordable housing and private rental dwellings, including:</p> <ul style="list-style-type: none"> the target groups for tenants of social and affordable housing dwellings the maximum rents which may be charged for social and affordable housing dwellings requirements for the terms of residential tenancy agreements, and compliance with the Performance Standards under the <i>Housing Act 1983 (Vic)</i>. <p>Incorporates a regime for 5 yearly inspections of the private rental dwellings (including affordable housing dwellings and specialist disability accommodation) to assess whether those dwellings meet the required condition.</p> <p>If 10% or more of the private rental dwellings are vacant for 6 months or longer, the Director may require Project Co to sublease the vacant dwellings to social housing tenants for no longer than 12 months.</p>
Defects in social housing dwellings	Provides for defects in social housing dwellings to be treated as asset management failures, including retention by the Director of the estimated cost of rectification until Project Co has remedied the relevant failure.

Topic	Summary
Term & Development Phase Finance Amounts	<p>Specifies a fixed operating term of 40 years from the last Operational Commencement Date.</p> <p>Incorporates provisions to entitle Project Co, in the case of a change compensation event, to not only incremental interest caused by the relevant event, but to the recovery of amortising principal that would have been paid during the period of delay relating to both the NHFIC facility agreement and mezzanine loan (subject to certain limitations).</p>
Compensation on termination	<p>Incorporates specific provisions to include the consideration of rent revenues in the termination calculations and provides a regime for partial termination of a site.</p>
NHFIC Investment Mandate and concessional debt	<p>Incorporates provisions that any novation of Project Co's debt rights and liabilities with respect to NHFIC financing may only occur in accordance with NHFIC's investment mandate.</p> <p>Upon a refinancing, Project Co must present the Director with at least one option for refinancing involving concessional debt where it is reasonably available.</p>
Director Mezzanine Loan Contribution	<p>Incorporates provisions which address the payment of the Director's capital contribution to the construction of the Project, including conditions precedent to payment and a right of the Director to recover any unpaid contribution in the event of termination.</p>
Disability Modifications	<p>Incorporates provisions in relation to disability modifications to social housing dwellings requiring Project Co to take reasonable steps to obtain funding from other sources before discussing with the Director.</p>
MAE Change in Law	<p>Incorporates provisions which address certain material changes in Commonwealth rent assistance legislation which have a material adverse effect on the performance of the Project, including for good faith negotiations and a force majeure termination event where agreement cannot be reached.</p>
Partial Termination	<p>Provides that Director will have discretion as to whether to terminate a Project Area or the Project in whole in the case of default termination, force majeure, termination for convenience and termination for major loss.</p>
Mezzanine Funding	<p>Provisions relating to equity and equity investors have been updated to reflect that the equity for the Project will be contributed by way of the Mezzanine Funding.</p>
Building Act 1993 (Vic) levies	<p>Incorporates provisions for compensation to Project Co for cladding rectification levies (noting the project is exempt from the cladding rectification levy as the Public Housing Renewal Program is on the Victorian Building Authority's Social Housing Register)</p>
Changes in Mandatory Requirements	<p>Provides for relief if:</p> <ul style="list-style-type: none"> • an insurance which is provided by the Victorian Managed Insurance Authority pursuant to its community service organisations' insurance program ceases to be available to Project Co; or • a change in policy after the date of the Project Deed requires Project Co to undertake capital improvements to the Project Assets.

Topic	Summary
Subcontracting and restrictions on distributions	Incorporates additional requirements and restrictions on subcontracting with related parties of the Mezzanine Investors (including Community Housing (Vic) Ltd) due to the sharing of profits between the Director and the Mezzanine Investors under the Distribution and Co-Investment Agreement. Project Co must ensure that moneys available for distribution are paid in accordance with the finance documents and the Director project documents, and it does not incur certain material operating or capital expenses without the Director's consent.
Liquidated damages	Incorporates provisions which require Project Co to pay to Director liquidated damages for late completion as existing tenants have a right to return to the sites.
Share capital dealings	Incorporates amendments to reflect the nature of Project Co as a company limited by guarantee.
Failure to maintain registration	Provides for a default termination event if the Services Contractor fails to obtain or maintain registration as a registered housing agency under the Housing Act.
Services Contractor Bond	Incorporates requirement for a performance bond from the Services Contractor, which the Director may require Project Co to call upon in certain circumstances.
Land tax	Provides for Project to seek a binding ruling in relation to the land tax status of the Project Areas, and the Director to be responsible for any land tax imposed on the Project Areas.
Other departures from the Standard Project Deed	
Contamination	Amendment of contamination provisions such that Project Co is entitled to relief for: <ul style="list-style-type: none"> • PFAS contamination where Project Co is prohibited from disposing it; and • remediation required as a result of environmental audits (to the extent not known at the date of the Project Deed).
Pandemics	Incorporates a relief regime in respect of pandemic directions during the Development Phase.
Changes in law and policy since the Standard Project Deed was published	The Standard Project Deed predates the Local Jobs First Policy and ipso facto insolvency law reforms and has been updated to address these. It has also been updated to include provisions relating to the Social Procurement Framework and cladding guidelines which prohibit Project Co from installing any prescribed combustible products.
Change in Control	Modified provisions relating to a change in control which is an on-market acquisition, so that the State may require the provision of additional or replacement security, rather than this comprising a major default or default termination event in the first instance.
Refinancing	The Standard Project Deed has been updated to incorporate amendments to the refinancing clause.

General Obligations of Project Co

The full detail of Project Co's obligations is contained in the Project Deed and associated documents. The key obligations of Project Co over the course of the Project are summarised below.

- Project Co must design and construct the dwellings and surrounding area in accordance with the Project Deed.
- Project Co is responsible at its own cost and expense for the design of the Project and obtaining all necessary Planning permits for the each Project Area.
- Project Co must achieve Commercial Acceptance of each Project Area by the applicable Date for Commercial Acceptance or otherwise be liable to the Director for liquidated damages
- Project Co must finance, or procure financing of, the Development Activities and otherwise carry out the Project activities.
- Project Co, on and from the Date of Commercial Acceptance, warrants that the assets are Fit for Purpose and comply with the requirements of the Project Deed, all applicable laws and all applicable standards.
- During the Operational Phase, Project Co must provide Tenancy Management Services, Community Engagement Services and Asset Management Services to the social housing dwellings.
- Project Co is required to provide certain plans, programs, protocols, policies, procedures, strategies, reports and notifications to the Director. Project Co is also required to undertake performance reporting, performance reviews and audits.
- Project Co must at all times carry out the Project activities in accordance with the specified environmental requirements.
- Project Co must obtain and maintain certain insurances for the Project activities.
- Project Co must undertake all necessary tasks to ensure that the Project assets are handed back to the Director on expiry of the Operational Phase in the required condition and in accordance with the end of term requirements set out in the Project Deed.

General Obligations of the Director

Under the Project Deed, the Director's obligations include the following:

- providing Project Co with the necessary access to allow it to perform its obligations
- undertaking the Demolition works at each Project Area. Demolition works must be completed prior to Demolition works completion date for the relevant Project Area
- reviewing and commenting on design documentation and other material that will be submitted by Project Co in accordance with the Project Deed
- determination of the achievement of Commercial Acceptance of each Project Area, and
- payment of the Director's capital contribution and the QSP during the Operational Phase, subject to any abatement that may apply if Services are not delivered to the required performance standard.

Changes in cost to the Director

Change in law and policy

The Director bears the risk of cost increases or savings arising from certain changes in law and changes in policy that occur after Contract Close.

Relief events

Subject to certain conditions, Project Co may be entitled to performance relief under the Project Deed and to payment by the Director of certain additional costs and expenses incurred by it as a result of the following events:

Table 6 – Relief events

Risk Category	Description
The Director will provide Project Co with an extension of time and costs during the Development Phase for:	<ul style="list-style-type: none"> • A breach by the Director of a Project Document • Certain acts or omissions of the Director or any Director associate when acting in connection with the Project • Certain proximate interface works and site interface works • Cessation or suspension of the construction activities or a material change to the way they are carried out because of a pandemic direction in certain circumstances • Cessation or suspension of the construction activities or a material change to the way they are carried out because of a direction, order or requirement of the law in connection with a heritage claim or native title claim • Industrial action which occurs in the direct vicinity of a Project Area and is caused by the Director when acting in connection with the Project or a Director associate (subject to certain exclusions) • If the Director directs the suspension of the construction activities (subject to certain exclusions) • In certain circumstances, the exercise of the Director’s right of step-in • Certain delays in relation to planning and the realignment of Holland Court • Any other event expressly stated to be a compensable extension event.
The Director will provide Project Co with an extension of time (but not costs) during the Development Phase for:	<ul style="list-style-type: none"> • Any breach of a direct interface deed by a direct interface party • A failure by a responsible authority to respond to a planning permit application or development plan application within the prescribed time • Any other event expressly stated to be an extension event.

Risk Category	Description
<p>The Director will provide Project Co with relief from performance and costs during the Operational Phase for:</p>	<ul style="list-style-type: none"> • A breach by the Director of a Project document • A fraudulent, reckless, unlawful or malicious act or omission of the Director when acting in connection with the Project or any Director Associate • Cessation or suspension of the services or a material change to the way they are carried out because of a direction, order or requirement of the law in connection with a heritage claim or native title claim • Cessation or suspension of the services or a material change to the way they are carried out because of a pandemic direction • Industrial action which occurs in the direct vicinity of a Project Area and is caused by the Director when acting in connection with the Project or a Director Associate (subject to certain exclusions) • Certain proximate interface works and site interface works • Any other event expressly stated to be a compensable intervening event.
<p>The Director will provide Project Co with relief from performance (but not costs) during the Operational Phase for:</p>	<ul style="list-style-type: none"> • If the Director directs the suspension of the Services (subject to certain exclusions) • In certain circumstances, the exercise of the Director’s right to step-in • Any breach of a direct interface deed by a direct interface party • Any other event expressly stated to be an intervening event.
<p>The Director will provide Project Co with relief from performance, an extension of time and certain costs for:</p>	<ul style="list-style-type: none"> • Earthquake, natural disaster, bushfire, landslide, seismic activity, tsunami or mudslide, and fire, explosion or flood caused by those events • Severe winds • A 100 year flood event • Certain risks that are uninsurable at Contract Close • In certain circumstances, utility interruptions • Suspension of activities due to the occurrence of a force majeure event • The exercise of the Director’s right to step in due to the occurrence of a force majeure event.

Modifications and Augmentations

The Project Deed contains the following mechanisms for effecting changes to the scope of Project.

Modifications

The Director may, at its sole discretion, request Project Co to implement changes to the Project assets and services, provided that Project Co provides a value for money offer to implement the change and the Director adequately compensates Project Co in accordance with the Project Deed. This regime captures minor modifications and other changes to the Project scope, but excludes augmentations.

Augmentations

This regime captures substantial changes to the Project requirements and activities which the Director considers is likely to cost in excess of \$50 million, and which the Director determines should be delivered pursuant to the augmentation process. This process entails up front agreement of the process for the tendering and implementation of the augmentation, including fees and margins payable and returns subject to an agreed cap.

Default and Termination Regime

Default

A default by Project Co under the contractual arrangements will entitle the Director to various remedies. Where a default has occurred, the Director will, in most circumstances, be required to give Project Co an opportunity to cure the default. If the default is not cured by Project Co within the required cure period, it will escalate to a major default.

The Project Deed also elevates a number of events to immediately be classified within the major default category (for example a failure to achieve commercial acceptance by the required date or a failure to maintain the required insurances).

In respect of major defaults, Project Co is required to provide a cure program to be reviewed and agreed by the Director.

Where Project Co fails to cure the major default in accordance with the agreed cure program (if the major default is capable of cure) or to comply with the reasonable requirements of the Director (if the major default is not capable of cure), this will generally, subject to financier cure rights, give rise to the Director's right to terminate the Project Deed.

Certain events of default are so severe that they are not subject to a cure regime. These events give rise to a Director termination right immediately upon their occurrence (for example the insolvency of Project Co or continued poor performance during the Operational Phase).

Step-In

In addition to triggering termination rights (or potential termination rights), major default events and default termination events may trigger additional Director rights and remedies including the right to step-in to remedy the situation (that is, the right to assume control and management of the Project).

The circumstances where the step-in rights for the Director, as specified in the Project Deed, can be triggered include when:

- a major default has occurred and Project Co is not complying with its obligations with respect to the major default;
- a default termination event has occurred;
- a cure notice has been issued by a key subcontractor; or
- a law entitles the Director to a statutory right of step-in.

The default-related step-in right is subject to any step-in rights the financiers may have. During any step-in associated with a default or which is otherwise caused by Project Co, the QSP will be abated to the extent that the Services are not being provided.

Termination

Where the Project Deed is terminated in whole or in part before the natural expiry of the intended 40 year Operational Phase, Project Co may be entitled to a termination payment. The Project Deed may be terminated in whole or in part as a result of the following:

- the occurrence of a default termination event
- a force majeure termination event,
- voluntary termination by the Director, and
- certain planning termination events.

The basis for the calculation of the termination payment will be determined by the reason for the termination as summarised below.

Table 7 – Termination Payments

Event	Trigger	Termination Payments
Default termination event	The Director may terminate the Project Deed if a default termination event occurs (including where a major default has not been remedied in accordance with the Project Deed).	The Project's fair market value determined by retendering or an independent valuer (where there is no liquid market, or the Director elects not to conduct a retender).
Voluntary Termination	The Director may at any time, for reasons of its own choosing, unilaterally elect to terminate the Project Deed for convenience.	The outstanding debt as at the termination date and other reasonable costs, including: <ul style="list-style-type: none"> • a capped amount of break costs to key subcontractors • a return to investors
Termination for force majeure	The occurrence of a force majeure termination event.	The outstanding debt as at the termination date plus other costs.

Event	Trigger	Termination Payments
Planning termination event	<p>Either party may terminate the affected Project Area if the parties are unable to agree an alternate proposal in relation to planning.</p> <p>The Director may terminate the affected Project Area(s) for delays in obtaining a development plan or planning permit or the Holland Court realignment beyond 24 weeks.</p>	<ul style="list-style-type: none"> • Direct third party costs incurred by Project Co in respect of the Project Area up to the date of partial termination (subject to a cap in relation to D&C Contractor costs) • Financing break costs.

Finance and Security Arrangements

Project Co is responsible for the provision of finance for the Project through its funding structure. This comprises of mezzanine loan funding from the Mezzanine Investor provided at Financial Close, and debt financing from NHFIC in the form of a 15 year sustainability bond facility. This is supplemented by a second facility from NHFIC via the National Housing Infrastructure Fund (NHIF) for enabling works which includes both a debt financing and grant component.

It is assumed that debt will be refinanced at regular intervals over the remainder of the Project term. The Director will not share in any refinancing losses but will be entitled to 50 per cent of the benefit of any other refinancing gain, after allowing Project Co to recoup any prior refinancing losses.

The Director takes security over all of Project Co's rights and undertakings as security for performance of Project Co's obligations. Under the Finance Direct Deed, the Director, Financier and Project Co agree the usual priority and enforcement rights whereby the Director obtains first priority for out of pocket amounts (e.g. on step-in) and amounts payable to it on termination.

Director Rights at Expiry of Contract

The Project Deed requires Project Co to hand back the Project assets (including all dwellings) at the expiry of the Operational Phase (or on earlier termination) for nil consideration in a pre-defined state known as the handover condition. The Director will then resume control of those assets.

To ensure that the assets are able to meet the handover condition at the end of the Project, in the two years prior to expiry of the Operational Phase, an independent expert will be appointed to undertake reviews to ensure that lifecycle and maintenance works are completed so that the assets will meet the relevant handover condition.

If the remaining QSPs are less than 120% of the estimated cost of delivering the works to meet the handover condition, Project Co must elect to provide additional bonding or allow the Director to deposit a portion of the remaining QSPs into an escrow account.

Project Co must also cooperate with the Director in relation to the transition of all tenants at the Expiry Date. Project Co must ensure that the term of any residential tenancy agreement with respect to any private rental dwelling must be at customary market terms and that the term should not exceed the date that is 12 months after the Expiry Date.

Audit and Inspection Rights of the Director

The Project Deed includes contractual rights for the Director, any Director Associate, the Independent Reviewer and other person directly authorised by the Director to:

- inspect, observe, or test any part of the Project assets or the Project activities
- examine and make copies of the accounts and other records, reports and all documents reasonably requested of Project Co or any of its key subcontractors in connection with the Project, and
- disclose information in connection with the Project to satisfy the disclosure requirements of the Victorian Auditor-General or to satisfy the requirements of Parliamentary accountability

The Director may also initiate an audit at any time to verify Project Co's compliance with its obligations under the Project Deed. This may include assessing whether Project Co is maintaining the Project assets in accordance with the requirements of the Project Deed.

Appendix A – Public Interest Test

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Public interest element	Standard	Assessment
<p>Effectiveness Is the project effective in meeting government objectives?</p>	<p>The Ground Lease Model Project (GLM) aligns with relevant government policies and standards, including:</p> <p>Quality Standards:</p> <ul style="list-style-type: none"> Government standards for the construction and service delivery elements of the project are outlined in the Project Scope and Detailed Requirements (PSDR). <p>Quantity Standards:</p> <ul style="list-style-type: none"> The Public Housing Renewal Program, outlined in Homes for Victorians, addresses the need to transform our ageing public housing, by redeveloping inner city estates into modern, sustainable and accessible social housing. A key objective for renewal projects was a minimum 10 per cent uplift of new social housing properties in addition to the replacement of the existing number of properties on each site. Homes Victoria has been established and will pursue reforms to enable a sustainable and effective homelessness, social and affordable housing systems for this generation and the next. Key reforms include the development of a ten-year strategy for social and affordable housing. <p>Government Policy Requirements:</p> <ul style="list-style-type: none"> The Local Jobs First Policy seeks to drive local industry development by specifying local content and Major Project Skills Guarantee (MPSG) requirements. The Social Procurement Framework seeks to maximise the social and sustainability outcomes delivered from Government investment <p>Legislative Requirements: The Housing Act 1983 provides the legislative framework for social housing delivery in Victoria.</p>	<p>The Ground Lease Model project is aligned with relevant housing and other policies, providing additional housing for Victorians in areas well located to jobs and services.</p> <p>Each site will deliver at least 10% uplift in social housing, as well as other housing types including specialist disability accommodation, affordable housing and market rental dwellings. The project delivers integration of housing types and achieves a higher than 50 per cent ratio of social to private/affordable housing across each site.</p> <p>The project delivers on the Director of Housing's core objects under the Housing Act 1983 to ensure that every person in Victoria has adequate and appropriate housing at a price within his or her means by encouraging the provision of well-maintained housing of suitable quality and location; and encouraging the participation of non-profit bodies in the provision of well maintained, affordable rental housing of suitable quality and locations.</p> <p>Service delivery requirements and standards form part of the Project's contractual documentation with Project Co with regular reporting on key performance indicators required.</p> <p>The Local Jobs First and Social Procurement commitments also form part of the Project's contractual documentation with Project Co.</p>
<p>Accountability and transparency Do the partnership arrangements ensure that:</p> <ul style="list-style-type: none"> the community can be well-informed about the obligations of government and the private sector partner; and they can be overseen by the Auditor-General? 	<p>The GLM complies with Victorian Government accountability and transparency policies and obligations including:</p> <ul style="list-style-type: none"> Freedom of Information Act 1982 (Vic); Victorian Government Purchasing Board Probity Policies; Best Practice Probity Advice Guidelines; Audit Act 1994 (Vic); and The monitoring role of the Victorian Housing Registrar in relation to performance standards for social housing managed by a Registered Housing Agency. 	<p>The community will be well informed about the obligations of both the Government and private & community sector partners through several mechanisms, including:</p> <ul style="list-style-type: none"> details of the relevant contracts, subject to commercial-in-confidence considerations, are published in accordance with Victorian Government policy; information on the GLM performance being available in the department's annual report; the Freedom of Information Act applying to the GLM; the Auditor-General will have access to project information in accordance with the Audit Act; Victorian Government Purchasing Board Policies were applied to the tender process; an independent probity adviser overseeing the procurement process to ensure the

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		<p>process is fair and transparent and conducted in accordance with the GLM Probity Plan. The probity adviser will provided sign-off to government following the conclusion of the evaluation process and negotiation process with the preferred proponent; and</p> <ul style="list-style-type: none"> the Victorian Housing Registrar overseeing complaints handling processes which must be established by a registered housing agency; Community consultative committees are a key forum of communication to ensure the community can be well-informed about the obligations of government and the private sector partner; and the Homes Victoria website has been established as a central point of contact for information dissemination on Homes Victoria projects including the GLM.
<p>Affected individuals and communities</p> <p>Have those affected been able to contribute effectively at the planning stages, and are their rights protected through fair appeals processes and other conflict resolution mechanisms?</p>	<p>Primary stakeholders and affected individuals of this project include:</p> <ul style="list-style-type: none"> Public housing residents <p>Public housing residents of the existing estates have been required to relocate to alternative housing for the redevelopment to proceed. They each have the right to return once construction of their new housing is complete. They are the most impacted stakeholder group.</p> <ul style="list-style-type: none"> Local Government councils <p>Stonnington, Bayside and Moonee Valley Council are the local government authorities for the respective sites in the program. They are stakeholders due to their role through the planning process.</p> <ul style="list-style-type: none"> State MPs and Relevant Ministers <p>The Minister for Housing is a key stakeholder for this project in terms of approvals, also the Minister for planning as the Responsible Authority for planning decisions. State MPs are chairing the consultative committee groups (Nina Taylor in Brighton and Danny Pearson in Flemington). Their political alignment with the project makes them a key stakeholder.</p> <p>Secondary stakeholders who are affected by this project include:</p> <ul style="list-style-type: none"> Advocacy and Legal Rights groups <p>Groups such as the Victorian Public Tenants Association (VPTA) and the Federation of Community Legal Centres (FCLC) are actively engaged in the processes and outcomes of this project as tenant advocates.</p> <ul style="list-style-type: none"> Local service providers <p>Local service providers will be impacted through the development of increased density housing in their local service catchment. They may also be impacted during the period of construction.</p> <ul style="list-style-type: none"> Neighbours of redevelopment sites and local community <p>Surrounding residents who live in proximity to the redevelopment sites will be impact by the increased densification and construction. Issues generally noted by neighbours are the impact of increased heights, traffic and noise.</p> <p>Other relevant mechanisms</p>	<ul style="list-style-type: none"> The project has sought the active involvement of all identified stakeholders and taken a best practice approach to stakeholder engagement and communication. Public housing tenants have been involved in the process through regular communication and updates from the Client Engagement Team. Residents were also offered the opportunity to join the consultative committee groups set up for each site. Council officers have been actively engaged through the interim submission process with bidders expected to meet with each council for design feedback and issue resolution prior to interim submission lodgement. It is expected that they will continue to play an active role in the next stage of the process. State MPs chair the community consultative committees in their local electorates. The Minister for Planning and the Minister for Housing are regularly briefed in accordance with the project governance structure. Secondary stakeholders are also invited to participate in the community consultative committee to represent their local interest in the project. <p>Planning</p> <ul style="list-style-type: none"> The Planning Scheme Amendment process was undertaken by government prior to the commencement of the RFP process for the project. DHHS designed a three-phased consultation that involved client outreach, design workshops, town hall forums and culminated in a formal submission process through Planning Panels Victoria. All submissions were considered by the Standing Advisory Committee who made their recommendations to the Minister for Planning which were adopted in part. The Development Plan Overlays applied to the site exempt future applications from third party notice and appeal rights. In December 2020, amendments VC187 and VC190 introduced changes to the Victoria Planning Provisions and all planning schemes to streamline the planning process and support economic recovery through the creation of thousands of jobs, and the rapid delivery of much needed social and affordable housing.

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	<ul style="list-style-type: none"> The Local Jobs First Policy (including the Victorian Industry Participation Policy (VIPP) and Major Projects Skills Guarantee (MPSG)) and Social Procurement Policy; Environmental, OH&S and other assessments of the Project Area; and Charter of Human Rights and Responsibilities Act 2006 (Vic). 	<ul style="list-style-type: none"> The new planning provisions clauses 52.20 and 53.20 will apply to the Flemington and Brighton sites. Flemington Phase 1 and Brighton planning applications will be considered under 53.20 as they are “By or on Behalf of the Director of Housing”. Further stages at Flemington delivered using Big Housing Build stimulus funding will be considered under 52.20 ‘Victoria’s Big Housing Rebuild’. <p>Contract/Legal Obligations</p> <ul style="list-style-type: none"> Tenants who have been relocated from the sites have a guaranteed right to return to their site, if they so wish, once construction is complete. Social housing tenants at the three sites will have a guarantee of service quality through the Director of Housing’s agreement with the development partner and Registered Housing Association, who will be required to maintain the standard of the properties it manages to the appropriate standard under a performance-based services contract. Under this agreement, social housing tenants will receive best practice tenancy management services while benefiting from the same tenancy rights as other public housing tenants in Victoria.
<p>Equity Are there adequate arrangements to ensure that disadvantaged groups can effectively use the infrastructure or access the related service?</p>	<ul style="list-style-type: none"> The GLM must comply with all relevant government laws and policies including: <ul style="list-style-type: none"> Housing Act 1983; Disability Act 2006 and the Commonwealth Disability Discrimination Act 1992 (DDA); Racial Discrimination Act 1975 (Cth); Sex Discrimination Act 1974 (Cth); Equal Opportunities Act 1995 (Cth); Residential Tenancies Act 1997 (Vic); and Charter of Human Rights and Responsibilities 2006 (Vic). Planning and Environment Act (1987) Disadvantaged groups that will have access to the housing infrastructure and services delivered through this project include social housing residents and applicants in the priority interest category who <ul style="list-style-type: none"> are homeless and receiving support Are escaping or have escaped family violence With a disability or significant support needs With special housing needs. As well as eligible applicants in the register of interest cohort who require access to affordable housing. Under the social procurement policy framework the employment of disadvantaged cohorts is prioritised as an objective for government. Under local jobs first policy, the employment of trainees, cadets and 	<ul style="list-style-type: none"> Contractual provisions include the required safeguards to ensure that Project Co complies with all applicable laws, which include common law and the principles of equity. The Charter of Human Rights and Responsibilities enables housing tenants to protect their rights to privacy, cultural practices, life and protection from inhumane treatment. The usage rights of the disadvantaged groups identified is guaranteed through the contractual structure of the project in which the private party is obligated to tenant social housing properties with social housing tenants from the Register of Interest and Priority Access cohorts of the Victorian Housing Register after housing all eligible returning tenants. Particular access needs for the physically impaired or disabled will be equitably considered through the provision of a 5% DDA compliant housing. Modifications to apartments may also be made under the Project Deed. People living with disability who have an extreme functional impairment or very high support needs will have access to specially designed accommodation (SDA). 53 of the private and affordable homes will be offered to this cohort. Mechanisms to ensure that disadvantaged groups can effectively access the employment opportunities created through the construction project have been implemented through the requirement for the private party to create and sustain jobs for public housing tenants. The project partner has committed to promoting the employment of apprentices,

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	<p>apprentices are an essential requirement for major projects.</p>	<p>trainees and cadets by exceeding the minimum requirements of the Major Projects Skills Guarantee. Over the life of the project 17.36% of jobs will be performed by apprentices, trainees, and cadets.</p> <ul style="list-style-type: none"> As part of the project partner's commitment to social procurement they will prioritise access to employment opportunities for disadvantaged Victorians. Over the life of the project 1.5% of project hours will be completed by Disadvantaged Victorian cohorts including: public housing tenants, people with disability, workers in transition, refugees, migrants, long term unemployed people disengaged youth and Aboriginal Victorians. New roles will be created by the project partner and relevant sub-contractors over the construction and operations phase of the project.
<p>Public access Are there safeguards that ensure ongoing public access to essential infrastructure?</p>	<ul style="list-style-type: none"> All required and statutory public access will be provided, where it is safe to do so. Housing delivered through this project is premised on the retention of public land owned by the Director of Housing. Existing residents of public housing and waitlist applicants in the Priority and Register of Interest category will have access to social housing delivered through the project. Affordable housing is housing that is appropriate for the needs of a range of very low to moderate income households ('eligible households'). For this contract, affordable housing will be appropriate for the needs of people with very low to moderate incomes with rent capped at 75% of market rent. The private rental housing delivered is accessible to the public at market rents. Public open space provision on each housing estate is specified in the applicable planning controls. Appropriate contractual arrangements will be in place. 	<ul style="list-style-type: none"> Housing delivered through this project is built on public land owned by the Director of Housing. The ground lease of the land to the private party will allow the use of the Director's land for the contracted building design, construction and services over the project term. At the end of the lease the assets built on the land will be returned in full ownership to the Director increasing the asset base of the public housing portfolio and retaining the land in whole for intergenerational benefit. The provision of 1,500 square metres of public open space in Prahran, 2,000 square metres in Brighton and a gateway park in Flemington is a requirement of the planning controls that will be met by the private party.
<p>Consumer rights Does the project provide sufficient safeguards for service recipients, particularly those for whom government has a high level of duty of care, and/or the most vulnerable?</p>	<ul style="list-style-type: none"> Public housing tenants are considered a vulnerable cohort, particularly those from the priority access register. There are people with special needs, accessibility issues and mental health issues that all need to be supported for and catered to. As the end users or clients they are the service recipients that are owed a high level of duty of care by the Director of Housing and through the project. Private housing residents are the consumers of the private build to rent housing product. The Director of Housing has less duty of care to this cohort, however government more broadly is responsible for safeguarding their housing rights and landlord services under the Residential Tenancies Act. Affordable housing is not social housing but is targeted for residents who face barriers to accessing quality rental 	<p>The GLM will provide sufficient safeguards for service recipients by:</p> <ul style="list-style-type: none"> Social housing tenants of the new estate will benefit from specialised services provided by the registered housing provider under the regulation of the Victorian Housing Registrar and in accordance with the performance-based service contract. Under the project there may be enhanced support services available for vulnerable clients under the social landlord approach to housing which is embedded in the project objectives Director step-in rights. This project increases the supply of affordable housing by providing 126 affordable homes at Flemington for those on a very low to moderate incomes. Requiring in the PPP contract that Project Co comply with all laws including any relevant housing legislation.

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	<p>properties in well located areas. For this contract, affordable housing will be appropriate for the needs of people with very low to moderate incomes with rent capped at 75% of market rent.</p> <ul style="list-style-type: none"> • Charter of Human Rights and Responsibilities 2006 (Vic) 	<p><i>What are the deficiencies i.e. which of the identified needs or rights are not provided for or protected throughout the project and what are the consequences? Can they be addressed (e.g. through contractual or regulatory means)?</i></p> <ul style="list-style-type: none"> • Tenants who have been relocated from the existing housing estates are currently classified as tenants of Public Housing with the Director of Housing functioning as their landlord. Upon their choice to return to the redeveloped estates their landlord and tenancy will change to 'social housing tenant'. Under the Minister's pledge the right of all tenants to return also makes provision for: • Public housing tenants who return to the new estates to have their rent calculation limited to 25 per cent of their household income. • Public housing tenants who return to the new estates to experience no reduction in their security of tenure.
<p>Security Does the project provide assurance that community health and safety will be secured?</p>	<p><i>Identify all public health and safety standards that government is required to meet:</i></p> <ul style="list-style-type: none"> ○ <i>at law (e.g. health and safety legislation);</i> ○ <i>under government policy; or</i> ○ <i>from government's political accountability to the public.</i> • Government is required to meet specific health and safety standards for public procurement construction including: <ul style="list-style-type: none"> ○ Occupational Health and Safety ○ Industrial Relations ○ The Building Act 1993 • The health and safety of the community is secured throughout the project lifecycle <ul style="list-style-type: none"> ○ During due diligence work pre construction ○ During construction ○ Throughout the operating period • State owes a duty of care to the public. 	<p><i>Which of the health and safety standards identified does the project meet?</i></p> <ul style="list-style-type: none"> - The project complies with all the required health and safety standards identified. <p><i>How is each identified standard satisfied?</i></p> <ul style="list-style-type: none"> - Under the PPP contract, the private party must carry out and must procure that the Works are carried out: <ul style="list-style-type: none"> ○ safely and in a manner that does not put the health and safety of employees or any other persons at risk; and ○ in a manner that protects property. <p>Design and Construction</p> <ul style="list-style-type: none"> • Management plans relating to construction and traffic etc require the private party to report on health and safety performance monitoring • Private party building design must ensure fire safety systems services are designed to the satisfaction of Fire Safety Victoria to protect the Developments, and their residents and visitors in the case of fire. • The Private party must not install into any building a Prescribed Combustible Product as part of an external wall (including as an attachment) unless Project Co has obtained a determination of the Building Appeals Board that the installation of the Prescribed Combustible Product complies with the <i>Building Act and associated regulations.</i> • Crime Prevention through Environmental Design (CPTED) is a key design principle to be used by the private party to lead built form towards greater levels of passive surveillance, lighting and landscaping that increase tenants perception of safety on site. <p>Operational</p> <ul style="list-style-type: none"> • Asset maintenance and FM to be maintained and serviced in accordance with OHS regulations and Essential Safety Measures Reporting to be undertaken as required by the <i>Building Regulations 2006 (Vic)</i> and compliance certificates;

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		<ul style="list-style-type: none"> Gardens structures, amenity and equipment must meet health and safety standards. The private party is to implement an electronic security management system to ensure the health and safety of tenants on the sites. The electronic systems will provide immediate intelligence on conditions around the site. Information on activities within/around the building will be gathered via electronic devices and transmitted via a security communication network system to a designated location where the information may be acted upon.
<p>Privacy Does the project provide adequate protection of users' rights to privacy?</p>	<p><i>Identify the users' rights to privacy (whether at law or otherwise).</i></p> <ul style="list-style-type: none"> Privacy and Data Protection Act 2014 (Vic) Charter of Human Rights and Responsibilities Act 2006 (Vic.). Victorian Planning Scheme Provisions Building Regulations 	<p><i>Which of the rights identified in the previous column are protected under the project?</i></p> <ul style="list-style-type: none"> The private party must agree to, and ensure that all Subcontracts contain terms which require the Subcontractor to, be bound by the Information Privacy Principles and any applicable code of practice defined in, and approved under, the <i>Privacy and Data Protection Act 2014</i> (Vic) The private party must ensure that tenants' rights to privacy are protected under the Charter of Human Rights. However, actions and decisions made during the program could impact the rights of relocated tenants. Under s13 of the Charter which pertains to "the right of a person not to have his or her privacy, family, home or correspondence unlawfully or arbitrarily interfered with". Where possible and with great effort the department is ensuring these rights are protected and argues that the temporary relocation of residents for redevelopment purposes is not arbitrary. In accordance with the Victorian Planning Scheme Provisions and the relevant building regulations: A dwelling or residential building should have private open space of an area and dimensions specified in the schedule to the zone. Or, If no area or dimensions are specified in the schedule to the zone: <ul style="list-style-type: none"> An area of secluded private open space with a minimum area of 25 square metres, a minimum dimension of 3 metres and convenient access from a living room; or A balcony of 8 square metres with a minimum width of 1.6 metres and convenient access from a living room; or A roof-top area of 10 square metres with a minimum width of 2 metres and convenient access from a living room

Appendix B – Evaluation Criteria

Evaluation Criteria
Criterion A1: Scope, quality design and amenity
Criterion A2: Delivery approach, capacity and certainty
Criterion B: Services
Criterion C1: Commercial
Criterion C2: Financial
Criterion D: Government Policy Requirements
Criterion E: Value and Risk Proposition