

ASSETS PLACED IN A SPECIAL PURPOSE VEHICLE

A mechanism to secure Affordable Housing contributions

OVERVIEW

- Council establishes a Special Purpose Vehicle (SPV), which is a subsidiary company that is formed to undertake a specific business purpose or activity, such as Affordable Housing.
- Examples of SPVs include housing trusts and companies limited by guarantee.
- Registered Housing Agencies may also establish a SPV for a particular development to separate it from its other assets and investment.
- Registered Housing Agency can be a party to a SPV or contracted to manage the development and/or resulting dwellings on behalf of the SPV. Alternatively, the SPV could be registered as a Registered Housing Agency (subject to Registrar approval).
- Can be used to secure Affordable Housing contributions delivered on council owned land, and contributions delivered through planning system negotiations.
- When used for contributions on council owned land, council would transfer assets into the SPV by way of gifting, selling, or leasing the land, with development and subsequent management of outcomes overseen by the SPV's governing board or trustee
- When used for contributions delivered through planning system negotiations, council would first establish the SPV and then seek a landowner to direct an agreed Contribution to the vehicle (i.e., gifted land or dwellings, discounted land or dwellings, or a monetary contribution).



Photo courtesy of Unison Housing



Landowner:
SPV, such as a Housing Trust.



Management of assets: Depending on the structure, options include oversight by a SPV Board, with day-to-day management by a Registered Housing Agency on behalf of the SPV, or the SPV, if it is registered as a Housing Agency



Level of resourcing to implement: Moderate to high depending on purpose and structure of the SPV. Resourcing is required to operate the SPV and ensure it meets legal, regulatory, and operating requirements.



Responsibility for determining use of land at end of dwelling life: SPV – depending on structure; may be a Board or Trustee.

KEY STRENGTHS

- Separates the development, liabilities and risk from other assets owned by the council and Registered Housing Agency.
- Can have specific focus, such as development of Affordable Housing within a local government area.
- Once established, may reduce complexity of future Affordable Housing contributions.
 - Where a SPV has been established to own council land, it may be able to receive council assets each time development opportunities are identified without council requiring an open procurement process.
 - Where a SPV has been established to receive a developer contribution, it may be able to receive contributions each time opportunities are identified, reducing developer requirements to confirm a delivery partner.
- Can be structured as a charitable entity.

KEY WEAKNESSES

- Can be significant cost and process to establish and resource over time depending on the structure of the SPV.
- Where council has contributed land, once assets are transferred into the SPV control they are no longer in council ownership or direct control.
- Generally only assets within the SPV can be used for borrowing, or other guarantees are required.
- Requires careful consideration and legal and taxation advice to ensure charitable tax status.
- Additional decision-making layer, increased resourcing, and risk for the Registered Housing Agency.

REASONS FOR APPLYING

- Council requires strong assurance that the outcomes it facilitates will only be utilised for Affordable Housing in its municipality
- Significant additional contributions towards Affordable Housing are expected, such as land or cash from council, or land, dwellings, or monetary contributions through planning system negotiations.
- It provides for a more 'partnering' arrangement between the council and the Registered Housing Agency
- Council wants to have a level of (indirect) control over outcomes over time, for example, by appointing directors to the Trust Board or SPV.

IMPORTANT CONSIDERATIONS

- There are immediate and long-term legal, feasibility and risk considerations and implications that require careful assessment by each organisation, including time and resourcing to establish the entity; how the SPV is controlled and managed, and by whom; how SPV activities will be undertaken and how costs will be met; and what will happen to the assets in the event of wind-up of the SPV.
- Registered Housing Agency preference is to have title and full control over land as this maximises their ability to secure funding and finance, deliver and control outcomes over time.
- For a Registered Housing Agency, participation in a SPV arrangement is expected to be resource-intensive, due to the need to review the structure, tender and negotiate with the council.

Check out the full reports *Options for Delivering and Securing Affordable Housing on Local Government Land* and *Options for Delivering and Securing Affordable Housing Through the Planning System* to learn more about placing assets in a SPV to secure Affordable Housing contributions.