

# Moving into development – Key considerations

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# Key issue is risk

- Development is harder than it looks!
- Lots of potential issues

# Housing development

- Land procurement
- Design and construction
- Raising finance

# Risks associated with land procurement

- Land procurement involves:
  - identification of sites for affordable housing development;
  - evaluation of the site to assess its potential;
  - determining a fair value for the site;
  - establishing sources of finance for the purchase of the site and the development of housing on the site;
  - initial assessment of the operational viability of the site;
  - purchasing the site in a timely way.
- Refer Risk Management in Community Housing, p57

# Useful publication

- Risk Management in Community Housing  
Hal Bisset and Viv Milligan 2004

<http://www.nchf.org.au/downloads/RiskManagementReport.pdf>

# Risks associated with housing development

## • Design and construction

- determining the best use of the site;
- estimating the cost of construction;
- securing funding commitments;
- demonstrating the financial feasibility of the project;
- gaining planning approval;
- designing the development;
- undertaking a tender to select a builder;
- negotiating a building contract;
- supervising construction.

## • Refer Risk Management in Community Housing, p58

# Risks associated with raising finance

- Raising finance involves:
  - Negotiating equity contributions from social investors
  - Demonstrating capacity to collect rent
  - Demonstrating adequate income stream to meet repayment obligations
  - Demonstrating capacity to maintain value of asset
  - Providing security for the providers of debt finance

# Capacity to manage development risk

- Appropriate governance experience
- Appropriate project management skills
- Effective financial control
- Support from competent consultants
  - architects, planners, engineers, cost estimators, lawyers, heritage advisors,
- Healthy Balance Sheet
- Significant Cash Flow
- Special purpose vehicle