

Q-CHIP Industry Update - Q&As

Is it correct that a Capital Funding Agreement (CFA) will not be executed until a Development Approval is in place?

The department is generally looking for well-formed, delivery-certain projects by the Request for Detailed Proposal (RFDP) stage, and Development Approval (DA) is considered part of that certainty. Proponents should use the interactive workshop process to discuss their project program, including the implications of having or not having a DA in place.

How many Aboriginal and Torres Strait Islander community housing organisations in Queensland have been submitted through Q-CHIP to date?

To date, three Indigenous Community Housing Organisations (ICHOs) have submitted proposals for consideration under Q-CHIP.

Q-CHIP is a proponent driven process and we will continue to work with all proponents, including our First Nations partners, as they progress submissions

Will Q-CHIP consider fund-through arrangements for turnkey developments?

The department supports turnkey projects as a delivery model under Q-CHIP where they demonstrate delivery certainty, value for money and appropriate risk allocation.

Turnkey projects can support faster delivery and provide a pathway for community housing providers that may have less internal development capability. However, the department expects the community housing provider to complete appropriate due diligence on the development partner, delivery capability, project feasibility, risk allocation and value for money.

Where delivery and development risk sits with the developer, consultant, administration and employee costs are generally not supported as eligible project costs under the turnkey model.

A fund through model fundamentally changes the risk profile of these projects, and this risk position (and associated impact on overall value for money) would need to be considered on a case by case basis.

For turnkey projects, could valuation be treated as a condition precedent to settlement or the CFA, similar to a traditional off-the-plan acquisition?

The department seeks as much certainty as possible before committing to a turnkey acquisition. This reduces the likelihood that valuation issues are only identified at the end of the process, when the acquisition price may not be supported by market value.

The department recognises that it can be difficult to obtain an as-built valuation for a project that may be one or two years from completion. In these cases, proponents should discuss with the department how they can provide sufficient interim certainty that the future valuation is likely to support the proposed acquisition price and funding request to demonstrate value for money to the State.

Where a community housing provider has a pipeline of multiple projects, can these be presented and assessed as a program of works, or must each project be submitted separately?

Projects will be assessed individually. The department cannot evaluate a pipeline as a single pipeline submission. However, it does want to understand how multiple projects fit together as part of a cohesive development strategy. If

community housing providers are considering a single financing structure across multiple sites, it should seek to discuss this with the department through the pre-submission process, but each project would need to be able to satisfy the Department's evaluation criteria and be development ready.

If projects must be assessed individually, is there a way to present the full pipeline in a single pre-submission discussion so the government has visibility of the overall program?

Yes. Where a provider has multiple projects in pre-submission, or is preparing to submit multiple projects, the provider can initiate a pipeline discussion through Q-CHIP. This allows the department to understand project priorities, timing, strategic fit and the provider's preferred sequencing.

A 60/40 split between social and affordable housing was mentioned during the webinar. Is the Queensland Government seeking specific targets at the individual project level?

No. The department is not applying a fixed 60/40 target at the individual project level.

Social housing remains the priority under Q-CHIP. Affordable housing may be supported where it enables greater investment in social housing and improves the overall sustainability of a project.

The department considers the appropriate social and affordable housing mix on a project-by-project basis. Larger projects are more likely to support an affordable housing component because scale can improve the sustainability of the overall project and allow a greater number of social homes to be delivered.

As a guide, projects under 20 dwellings may face a higher threshold to demonstrate the rationale for affordable housing. Projects between 20 and 50 dwellings may begin to support that rationale, while projects above 50 dwellings are more likely to demonstrate a sustainable affordable housing component. This is a case-by-case matter and community housing providers should seek to discuss their specific proposal with the Department through the pre-submission process.

Is Q-CHIP considering sector feedback to reduce the requirement for schematics at detailed proposal submission?

The department is continuously reviewing information requirements across Q-CHIP stages, including pre-submission, Expression of Interest (EOI) and RFDP. Proponents are expected to provide sufficient information for the department to assess proposals properly and make robust, timely decisions. However, the department is considering whether requirements at each stage can be made more fit for purpose.

Where an applicant considers that a specific requirement cannot reasonably be met for a particular project, they should raise this with the department and explain the reasons.

Can proponents use a forward projection of valuation escalated to the expected completion date?

Proponents should discuss proposed valuation approaches with the department as part of the Q-CHIP process.

For turnkey projects, the department requires sufficient certainty that the proposed acquisition price is supported by value. Where a project is not yet complete, proponents should consider how they can demonstrate that the future valuation is likely to support the acquisition price at completion.

Can Q-CHIP provide feedback to the sector on why some projects have been assessed as unsuitable?

In any procurement process there can be a range of reasons why projects are assessed as non-conforming. For Q-CHIP, this can include the proponent not being a community housing provider and having no intent to become a community housing provider.

There may also be technical reasons why a project is assessed as non-conforming from time to time. However, Q-CHIP generally seeks to meet with proponents and discuss opportunities where possible.

Organisations that are not community housing providers are still encouraged to bring opportunities forward. A proposal may not proceed through Q-CHIP, but the department may refer the opportunity to another team to discuss potential partnership pathways outside Q-CHIP.

Debriefs are available to community housing providers on unsuccessful proposals, where specific and detailed feedback on the evaluation of the proposal is provided.

Given rising operating costs for social housing providers, will the Queensland Government support the use of affordable housing in projects of all sizes, including projects with fewer than 20 dwellings?

Social housing remains the priority under Q-CHIP. Affordable housing may be supported where it enables greater investment in social housing and contributes to the sustainability of a project.

The department considers the role of affordable housing on a project-by-project basis. Smaller projects, particularly those under 20 dwellings, may face a higher threshold to demonstrate the rationale for an affordable housing component. Projects between 20 and 50 dwellings may begin to support that rationale, while larger projects are more likely to demonstrate a sustainable affordable housing component.

There is no fixed threshold or prescribed ratio, and each proposal will be assessed on its merits against the evaluation criteria.

Can turnkey-related community housing provider (CHP) costs be covered through Q-CHIP, the Master Agreement or programme surplus?

Turnkey projects still require work by the community housing provider, including contracting, due diligence, design review, oversight and project monitoring.

The department recognises that these activities require time and resources. However, the department is cautious about funding costs above the acquisition price where those costs are not directly associated with the acquisition of the asset.

Q-CHIP also expects community housing providers to bring a financial contribution to projects. If a community housing provider is seeking to recover its costs associated with the acquisition, this suggests that provider is not making any contribution to the project and this will be assessed accordingly.

Where providers are seeking to recover or fund costs associated with supporting a turnkey acquisition, this should be raised with the department for consideration through the relevant Q-CHIP or Master Agreement pathway.

Are valuations becoming a systemic barrier for social and affordable housing projects?

The department recognises that valuations can create challenges for some projects, particularly turnkey and acquisition projects.

For development-from-scratch projects that add new housing supply, valuation is less central to the department's assessment. For turnkey and acquisition projects, valuation is more important because the department needs assurance that the proposed acquisition price is supported by market value. The department would also expect that community housing providers may have concerns with acquiring property above the market value of that property.

The department also recognises that turnkey projects can vary. Some may already be under construction and close to completion, while others may not commence until a funding agreement is in place. It is important that due-diligence activities are undertaken by community housing providers prior to committing to the acquisition of new homes to ensure the proposed purchase represents a value for money outcome. As part of its assessment and evaluation, the department also must ensure that the proposal represents a value proposition for investment.

The department is considering the implications of valuation challenges for acquisition-based projects.

How is Q-CHIP responding to concerns that the cost and complexity of preparing proposals may be prohibitive for smaller providers?

The department requires well-formed proposals so it can make robust and timely decisions through Q-CHIP.

Incomplete or immature proposals create risks for both proponents and the department. A potentially viable project may not be supported if there is insufficient information to assess its merits, or a project may progress too far before a material issue is identified.

At the same time, the department recognises that some providers, particularly those earlier in their growth journey, may face capability or resource barriers. The department is considering whether requirements at each stage can be made more fit for purpose and may discuss avenues to support earlier engagement activities through the Q-CHIP process.

The pre-submission process is available to providers to test ideas and opportunities early, before significant costs are incurred, to allow providers to make informed investment decisions regarding its pipeline. The department also expects that community housing providers are making contributing to the proposals submitted, and these early costs are an example of a contribution.

The department also encourages community housing providers to engage with Peak and Industry Bodies, Q-Shelter, CHIA Qld and Aboriginal and Torres Strait Islander Housing Queensland, who are well positioned to support the community housing sector.

How does Q-CHIP support Aboriginal and Torres Strait Islander community housing organisations in Queensland to participate in the program, including where they may face capability, funding or resource barriers?

The department recognises that some providers may face capability, funding or resource barriers when preparing Q-CHIP proposals, particularly organisations earlier in their growth journey.

Q-CHIP requires well-formed proposals so the department can make robust and timely decisions. However, the department is considering whether requirements at each stage can be made more fit for purpose and may discuss avenues to support earlier engagement activities through the Q-CHIP process.

Aboriginal and Torres Strait Islander community housing organisations are encouraged to engage with the department early through pre-submission discussions so that project readiness, capability, partnership opportunities and any barriers to participation can be considered.

In addition, First Nations providers are encouraged to engage with Aboriginal and Torres Strait Islander Housing Queensland (<https://housingqueensland.com.au/>) the Peak Body for First Nations housing organisations in Queensland. One of the key deliverables for the Peak Body is to provide education, training and ongoing support and innovative solutions to reform and continually develop the Queensland Aboriginal and Torres Strait Islander community housing sector.