

Adaptive Reuse Funding Mechanism

Strategic Alignment - Our Places

Public

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**City Planning, Development
and Business Affairs
Committee**

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EXECUTIVE SUMMARY

The purpose of this report is to recommend a framework for City of Adelaide to invest in adaptive reuse of underutilised buildings in the City of Adelaide for residential purposes as part of the Adaptive Reuse City Housing Initiative (ARCHI), auspiced by the Capital City Committee (CCC).

ARCHI aims to activate underutilised building stock, support housing supply, retain embodied carbon, and repurpose heritage places to support their conservation.

The ARCHI remit includes review of grant and incentive schemes (how these can be applied, aggregated, and enhanced) to support residential adaptive reuse outcomes.

This report outlines two options for investment in adaptive reuse and recommends a separate funding pool for adaptive reuse projects be established, in addition to providing access to City of Adelaide's existing relevant grant and incentive schemes (including Heritage Incentive Scheme, Incentives for Sustainability and Noise Management Incentive Scheme). This report recommends a Residential Adaptive Reuse funding pool of \$500,000 per year, over three years.

RECOMMENDATION

The following recommendation will be presented to Council on 13 February 2024 for consideration

THAT THE CITY PLANNING, DEVELOPMENT AND BUSINESS AFFAIRS COMMITTEE RECOMMENDS TO COUNCIL

THAT COUNCIL

1. Approves a Residential Adaptive Reuse Incentive Scheme for prioritisation as part of the 2024/25 Annual Business Plan process.
 2. Authorises the Acting Chief Executive Officer or delegate to prepare Operating Guidelines for a Residential Adaptive Reuse Incentive Scheme.
 3. Authorises the Acting Chief Executive Officer or delegate to amend the Noise Management Incentive Scheme such that residential adaptive reuse projects are eligible for professional advice and funding.
 4. Notes the Acting Chief Executive Officer will advise the Department of Premier and Cabinet of Council's decision for a Residential Adaptive Reuse Incentive Scheme to support the Adaptive Reuse City Housing Initiative (ARCHI), auspiced by the Capital City Committee.
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IMPLICATIONS AND FINANCIALS

<p>City of Adelaide 2024-2028 Strategic Plan</p>	<p>Strategic Alignment – Our Community Increase the use of the City of Adelaide or State Government incentive schemes or grants to increase diversity in housing.</p> <p>Strategic Alignment – Our Environment 50 dwellings delivered annually through adaptive reuse of underutilised buildings.</p> <p>Strategic Alignment – Our Places Increase the number of dwellings in our city from 14,660 (2021) to 17,780 by 2026 and 22,770 by 2031 (target for adaptive reuse to provide 5% of the supply).</p>
<p>Policy</p>	<p>Adaptive reuse is a key strategy set out in multiple City of Adelaide strategic documents including, draft Housing Strategy – <i>Investing in Our Housing Future</i>, draft Integrated Climate Strategy and Heritage Strategy 2021-2033 and Action Plan – <i>Heritage Our Future</i>).</p> <p>Adaptive reuse funding mechanisms are being proposed in the context of existing City of Adelaide grant and incentives schemes, noting there are separate report items on the Heritage Incentives Scheme and Incentives for Sustainability included on the Agenda for City Planning, Development and Business Affairs Committee on 6 February 2024).</p> <p>Council is separately considering an overarching Grants Policy which would provide policy guidance for City of Adelaide grant and incentive schemes.</p>
<p>Consultation</p>	<p>Internal consultation regarding adaptive reuse funding mechanisms has occurred across the City of Adelaide. Consultation with the ARCHI Steering Group is scheduled for February 2024.</p>
<p>Resource</p>	<p>This report presents an option for City of Adelaide to allocate budget to grants and incentives that deliver adaptive reuse for housing outcomes, including case management services. Budget proposals will be considered and prioritised as part of the 2024/25 Annual Business Plan and Budget process.</p>
<p>Risk / Legal / Legislative</p>	<p>There are regulatory and other barriers to adaptive reuse which is within the remit of ARCHI to assess. The ARCHI Steering Group is monitoring project risks.</p>
<p>Opportunities</p>	<p>Grants and incentives are one opportunity to support delivery of City of Adelaide’s target to deliver 50 adaptive reuse dwellings per year in accordance with the Strategic Plan and draft Housing Strategy – <i>Investing in Our Housing Future</i>.</p>
<p>23/24 Budget Allocation</p>	<p>The 2023/24 budget includes funding for a Project Manager for the ARCHI and approximately \$175,000 for professional services over two years as per the funding agreement between the City of Adelaide and the Department of Premier and Cabinet.</p>
<p>Proposed 24/25 Budget Allocation</p>	<p>The report sets out two options for consideration:</p> <p>Option 1 (preferred) – Residential Adaptive Reuse Incentive Scheme. Comprising dedicated case manager and grant funding pool of \$500,000 per year, over three years.</p> <p>Option 2 – City of Adelaide’s Existing Grants Programs. Refine and supplement City of Adelaide’s existing grant and incentive schemes for heritage, sustainability and noise management to accommodate adaptive reuse projects. This can be achieved within existing funding allocations or by increasing the total funding pool.</p>
<p>Life of Project, Service, Initiative or (Expectancy of) Asset</p>	<p>The ARCHI is being delivered in accordance with CCC timeframes and for review based on the success of the project.</p>
<p>23/24 Budget Reconsideration (if applicable)</p>	<p>Not as a result of this report</p>

Ongoing Costs (eg maintenance cost)	Delivery of adaptive reuse housing outcomes in the immediate to short term will require incentivisation.
Other Funding Sources	Administration is reviewing opportunities for external grant attraction through the Housing Australia Future Fund. Administration to exploring opportunities for joint State Government and Council grant funding for State Heritage Places as per Council decision on 10 October 2023.

DISCUSSION

Background

1. Adaptive reuse refers to the repurposing and refitting of an existing building or structure to accommodate a new function – in this case, residential dwellings. This process can involve modifications to meet current building codes and legislation and fulfil occupant expectations.
2. The benefits of adaptive reuse are well established and include contributing to new uses, in this case housing supply, preserving heritage places through repurposing, preserving existing built assets and reducing embodied carbon.
3. The Adaptive Reuse City Housing Initiative (ARCHI) has been established and auspiced by the Capital City Committee to explore and progress residential adaptive reuse outcomes in the City of Adelaide. This includes the re-purposing and refitting of vacant or underutilised office buildings, redevelopment of heritage buildings and conversion of underutilised space above shops (shop top housing).
4. This report outlines two options for investment in adaptive reuse based on a review of existing City of Adelaide grant and incentive schemes for heritage, sustainability and noise management, including how the existing grant programs could be applied, aggregated, and enhanced to support adaptive reuse outcomes.
 - 4.1. Option 1 (preferred) – Residential Adaptive Reuse Incentive Scheme. Establish a new funding mechanism for residential adaptive projects, supported by a case management service.
 - 4.2. Option 2 – City of Adelaide’s Existing Grants Programs. Refine and supplement City of Adelaide’s existing grant and incentive schemes to accommodate adaptive reuse projects (Heritage Incentives Scheme, Incentives for Sustainability, Noise Management Incentive Scheme).
5. Both options propose to provide residential adaptive reuse projects access to the existing funding pools for the Heritage Incentive Scheme, Incentives for Sustainability and Noise Management Incentive Scheme.

Option 1 (preferred) – Residential Adaptive Reuse Incentive Scheme

6. To further incentivise adaptive reuse, a new funding mechanism could be established to support a Residential Adaptive Reuse Incentive Scheme. The remit of the scheme may include:
 - 6.1. Case management to support building owners through the feasibility, design and approvals process
 - 6.2. Access to a dedicated funding pool to incentivise adaptive reuse
 - 6.3. Access to Local Design Review being progressed in 2024
 - 6.4. Access to existing City of Adelaide grants and incentives for heritage, sustainability and noise management (as per Option 2)
 - 6.5. Coordination across corresponding grants and incentive schemes
 - 6.6. Funding for professional advice and documentation (relevant reports, plans and specification).
7. Benefits for case management include providing tailored advice and support, providing direction to incentives, and supporting good design outcomes. Based on a broad internet search and high-level consultation, there does not appear to be specific comparable adaptive reuse funding programs in other states.

Option 2 – City of Adelaide’s Existing Grants Programs

8. City of Adelaide has three funding programs complementary to adaptive reuse:
 - 8.1. Heritage Incentive Scheme (HIS) - reimburses owners of heritage and unlisted historic character places that meet specific criteria, a portion of the costs for professional advice and documentation, and heritage conservation works. A review of the HIS Operating Guidelines is presented in Report

Item 7.2 of this Agenda and proposes that the HIS is amended to provide access to residential adaptive reuse projects.

- 8.2. Incentives for Sustainability - reimburses residents, businesses, and groups to make sustainable practices and technology more accessible and affordable. Sustainability initiatives include solar, energy monitoring, electric vehicle charging, water saving devices, home energy assessments, resource recovery. A review of the Operating Guidelines is presented in Report Item 7.1 of this Agenda and proposes that the scheme is amended to provide access to residential adaptive reuse projects.
- 8.3. Noise Management Incentive Scheme – provides advisory consultation services and recommendations on possible physical changes to dwellings to address external noise issues. To encourage and enable adaptive reuse outcomes, the funding guidelines and criteria could be refined to:
 - 8.3.1. Specifically identify and prioritise adaptive reuse projects
 - 8.3.2. Offer an additional funding allocation
 - 8.3.3. Expand the remit of funded works (to achieve a coordinated acoustic and energy efficient outcome).
9. Providing residential adaptive reuse projects to existing funding pools can be achieved within existing budgets or by increasing the total funding pool for these programs.

Preferred Option

10. Adaptive reuse of existing buildings can present regulatory barriers and challenges with each building likely to require tailored advice and support, and clear understanding of the nature of incentives for building owners. Work has commenced through the ARCHI on the nature of incentives for adaptive reuse related to different building assets and ownership models.
11. Given the complexities with adaptive reuse projects and Council’s ambitious target for 50 dwellings delivered annually through adaptive reuse of underutilised buildings, a case managed approach is considered to provide the most effective short-term framework for investing in projects.

Next Steps

12. Pending Council’s decision about a preferred approach for investment in adaptive reuse, budget proposals will be prepared for consideration in the annual 2024/25 business plan and budget.

ATTACHMENTS

Nil

- END OF REPORT -