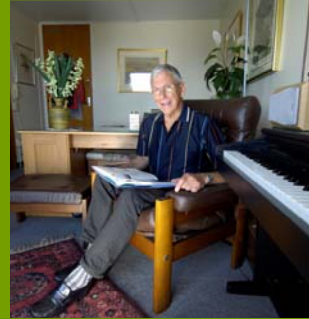


National Housing Conference 2008



A New Era for Affordable Housing

Helen O'Loughlin – Centre for Affordable Housing





Current Policy Climate

- National consensus and commitment to work cooperatively to address housing affordability
- Potential for national agreement to cover wider range of housing needs and impact on a broader range of government policies available to address those needs allowing improved coordination of responses
- Key Federal Government policy announcements with funding attached
- Recognition key role non government sector must play
- At State level, key infrastructure and resources are being put in place to maximise growth community housing sector



Affordable Housing Infrastructure in NSW

Community Housing Sector

■ Regulation

- Recent amendments to *Housing Act* to recognise and regulate the community housing sector
- Regulatory code being developed and independent Registrar to be appointed

■ Scale and capacity

- Planning for the Future – five-year strategy to grow the community housing sector from 13,000 to 30,000 over next 10 years
- Process to identify “growth providers”



Affordable Housing Infrastructure in NSW

Funding and Delivery Models

- Specific innovative funding programs to assist in growth sector
 - Leveraged long-term leasing
 - Affordable Housing Innovations Fund (AHIF) \$50 million
 - \$70 million to direct and grow new supply
 - Key goals -maximise leveraging of government funds and attract private sector funding
- Recognition of need for operating guidelines for provision of affordable housing as sector expands



Affordable Housing Infrastructure in NSW

Use of Planning and Development System

- Significant work to address supply-side barriers and reduce red tape – but no attempt yet to capture and pass through cost savings
- *Environment Planning and Assessment Act* makes explicit provision for affordable housing in objects and provides some planning mechanisms
 - Use inclusionary zoning some areas but constrained geographically in application
 - Voluntary planning agreements – used state and local level
 - Landcom State Government Development Agency 7.5% target
 - Local government active participation limited to specific areas and small scale <100 but increasing



Affordable Housing Innovations Fund

\$50 Million

Comprises

- \$10 million to construct 70 affordable rental properties at St Marys
- \$39 million for innovative partnership projects bringing both debt and equity funding
- Kickstart investment by community housing providers in affordable housing
- Two rounds of funding have already been released and \$9 million has been allocated
- A further three tenders for a total of \$30 million released in tranches over this and next two years



Affordable Housing Innovations Fund: Program Dimensions

- Up to 60% total project cost provided by government as a conditional grant
- Minimum of 40% project cost must be brought by community housing provider as mix debt and equity
- Funds offered by tender
- Community housing providers apply (may partner third party, such as private sector or local government)
- Projects must be for target group – low-to-moderate income households and be in area of identified housing need
- Selection criteria include yield for government dollar, feasibility project, organisational capacity to undertake

Affordable Housing Innovations Fund: Program structure



Resources

Housing
NSW equity
contribution

CHP equity
contribution

Debt finance
from private
financial
institution

Acquisition

The CHP will develop or acquire affordable housing. The CHP will own the properties. The financial institution will hold the 1st mortgage, while Housing NSW' funds will be protected by a 2nd mortgage.

Management

CHP will hold title to the properties and manage them.

The affordable housing will be rented to a mix of household income groups to ensure that rental revenue is sufficient to cover all operating costs, including maintenance, upgrading and debt repayment.



Affordable Housing Innovations Fund: Outcomes

- For the first two rounds of AHIF there has been substantial leveraging of govt funds
- Will achieve more than a 50% increase in the units than could have been achieved by govt funds alone
- Cost effective, builds capacity in sector

	Unit #s	Housing NSW funds	Community housing provider equity	Community housing provider debt	Additional units delivered
Total	85	\$9.325 m	7.825m	\$5.11 m	49



Lessons Learned

- Community housing sector has been able to generate debt and equity contributions
- Private sector has been prepared to lend, albeit to relatively small-scale low-risk projects
- Considerable lead times initially in developing legal structures which adequately protect all parties interests – no off-shelf products
- In long term, asset base of new affordable housing will enable sector to continue to generate surpluses and raise debt.
- Considerable leveraging can occur but layering up of funding sources is required
- Scale is required



Current Opportunities and Challenges

- Harness the additional equity or debt servicing capacity of NRAS tax credit/grant to extend models such as AHIF on a much larger scale
- Capture the potential for even further leverage from combining the funding provided by HAF and NRAS
- How do we gear up to package up development projects at the scale envisaged by Federal Government under NRAS
- Must use planning system more effectively and efficiently



Affordable Housing Innovations Fund: Legal Structure

Central Project Agreement

Parties: Housing & CHP
Contents: responsibilities, contributions, project specifications, project management

1st mortgage

Parties – CHP & Financier

Property title

held by CHP

2nd mortgage

Parties – CHP & Housing
Term – 40 years

Deeds of Agreement

Parties: Financier, CHP & Housing
Contents: priorities, redraw / further advances, option to purchase