



NSW Community Housing Conference 2008



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Growth Opportunities

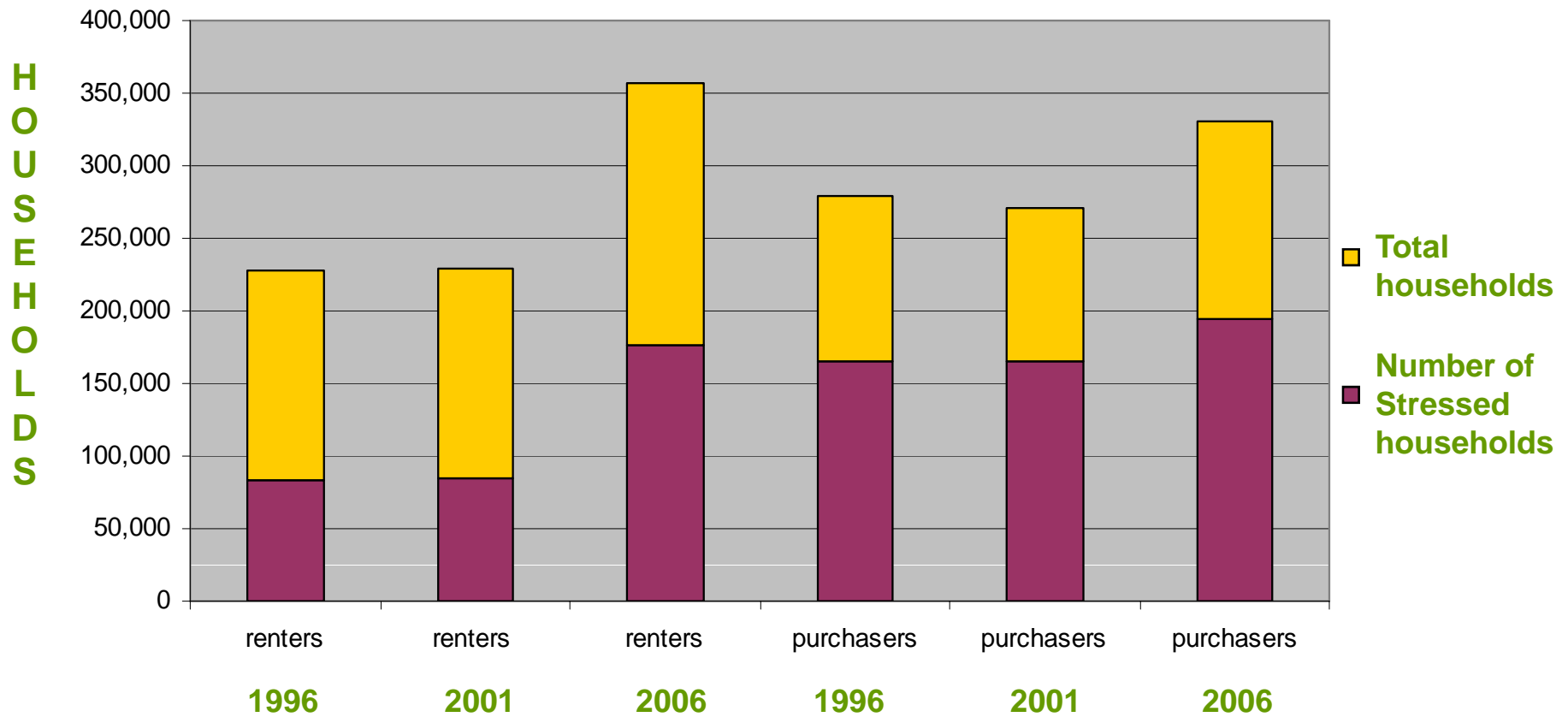
Debbie Kearns - OCH





Household Stress in NSW

Low to Moderate Income Households in Stress in NSW





Growth in Community Housing

- Transfer of supply from public housing
 - New and existing
 - Diversion of around 1/3 of public housing redeveloped units
 - Continuation of existing stock transfers
- Affordable housing supply
 - Delivered by the sector through leveraging



Affordable Housing Infrastructure in NSW

Funding and Delivery Models

- Debt Equity Model: Specific innovative funding programs to assist in growth sector
 - Affordable Housing Innovations Fund
 - Leveraged long-term leasing
- Key goals: maximise leveraging of government funds and attract private sector funding



Affordable Housing Innovations Fund

\$50 Million

Comprises:

- \$10 million to construct 70 affordable rental properties at St Marys
- \$39 million for debt equity projects
- Further funds to be allocated in conjunction with the National Rental Affordability Scheme



Affordable Housing Innovations Fund: Outcomes

- For the first three rounds of AHIF there has been substantial leveraging of the \$22.8 million in allocated government funds
- Will achieve more than a 120% increase in the units than could have been achieved through government 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	179	\$22.8 m	\$10.9m	\$12.8 m	99



Key successes - AHIF

- Partnerships with local councils: 4 of the 9 projects funded to date involve local council participation to some extent
- Increasing development experience: 5 of the 9 projects involve a CHP in a development role
- Increasing scale: 3 of the 9 projects are over 25 units, with 40 and 50 unit projects in the 3rd round
- Increasing leverage: On average, AHIF has provided 49% of the project costs.
- CHPs acting as a catalyst: CHPs have been at the centre of pulling together affordable housing projects with local government, financiers and builders.



Current Challenges - AHIF

- Turning debt finance for AHIF projects into larger scale investment
- Considerable lead times initially in developing legal structures which adequately protect all parties
- Scale is required - In long term, new asset base will enable sector to continue to deliver surpluses and raise debt.
- Harness the additional capacity of NRAS 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



Leveraged Long Term Leasing Pilot

Overview

- Accesses the value of the existing property base to leverage additional resources
- Basis for leverage is the security of providers' income from long-term community housing rents
- Converting 600 capital properties to a 35-year lease period (up from standard 5 plus).



Selection process - LLTLs

- New type of business for providers so selection had to focus on different criteria:
 - Ability to raise and manage debt finance;
 - Capacity to acquire and/or construct properties.
- Providers had to agree to:
 - convert 200 properties to 35 year leases –properties remain as standard community housing; and
 - Use debt to establish additional **affordable** community housing – new properties owned by providers NOT Housing NSW.



Major Changes - LLTLs

- 200 leased properties do not get management subsidies paid for them from Housing NSW
 - To increase predictability of income from financiers' perspective
- New properties exist because of government assets and actions and guidelines and legal arrangements required
 - Housing NSW has no “interest” in the property.



Current Challenges - HNSW

- Developing tools to manage for outcomes
- Setting broad targets for additional supply
- In both cases without trying to specify individual property use and utilisation and collect individual property data



Current Challenges - Providers

- Complex legal framework
 - Balancing roles and responsibilities
- Negotiating targets for growth
 - Previous advice provides guidance but only actual experience will validate those assumptions!



Questions
