

Low Cost Loans Initiative

Supporting Local Housing

March 2024





Acknowledgement of country

The Department of Planning, Housing and Infrastructure acknowledges the traditional custodians of the land and pays respect to Elders past, present and emerging.

We recognise Australian Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to place and their rich contribution to society.

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Artwork (above) by Nikita Ridgeway

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Cheaper finance for councils

Housing affordability is a key priority for the NSW Government.

One of the key aims of the strategy is to accelerate the delivery of infrastructure to support growing communities. To meet this aim, the Low Cost Loans Initiative (LCLI) will support local councils to borrow up to \$500 million for infrastructure that enables new housing supply by halving the cost of interest on their loans. This will allow councils to bring forward delivery of planned infrastructure in new housing areas.

The objectives of the LCLI are to:

- enable forward funding of local infrastructure by local government for the accelerated delivery of housing
- provide councils with safe, cheaper finance subsidised by the NSW Government
- facilitate the quick delivery of infrastructure in new housing areas.

Example 1

Council A has acquired some land and is currently planning a new housing development.

The development will include public open space with gardens, a recreational area and a cycleway linking the new site with the town centre to encourage active travel and reduce traffic congestion.

The Council is taking out a loan to acquire additional land, complete the subdivision requirements, embellish the open space and build a cycleway.

All these elements are eligible for support under the LCLI.



What is the Low Cost Loans Initiative?

The aim of the LCLI is to help councils supply new housing by reducing the cost of borrowing to build the necessary infrastructure for new housing developments.

Under the LCLI, the NSW Government will refund 50% of the costs of council's interest payments on loans for eligible infrastructure. Council can use the proceeds of the interest reimbursement to offset the loan or apply them to any other council cost.

To be eligible for the LCLI, council must be:

- Building local infrastructure to enable the development of new housing. The development must be for new private dwellings which may be self-standing houses, flats or apartments that are used primarily for residential purposes.
- Responsible for the provision of the local infrastructure. The housing development itself may be carried out by the council or a developer.
- Responsible for repaying the loan which is funded by TCorp, or another financial institution of the council's choice, on their standard terms and prudential requirements.

If two or more councils are implementing a project that crosses council boundaries they can submit a joint application to the LCLI for that project but will need to take out separate loans.

The infrastructure loans taken out must:

- be for a minimum of \$1 million
- have a fixed interest rate
- not exceed 10 year
- be new, not an existing or a refinanced loan
- be primarily for the infrastructure component of the development. Where a loan includes funds for both the development of infrastructure and construction of housing, only the component relating to the infrastructure is eligible for LCLI support. The cost for infrastructure must be for an amount greater than \$1 million.



Need more information ?
LCLI@planning.nsw.gov.au

Low Cost Loans Initiative criteria

There are three key criteria that councils must meet to be eligible to apply for the LCLI.

1. Meet TCorp loan facility requirements

Councils may only apply for the LCLI if they meet eligibility requirements to access the TCorp loan facility as set out in the TCorp Loan Facility for Councils Guidelines. This means that council must have:

- been assessed as meeting the financial benchmarks set by the NSW Government **OR**
- submitted and had approved an Improvement Plan showing how it plans to meet the financial benchmarks **AND**
- been deemed eligible to seek access to the TCorp State Borrowing Facility (subject to meeting TCorp's credit criteria).

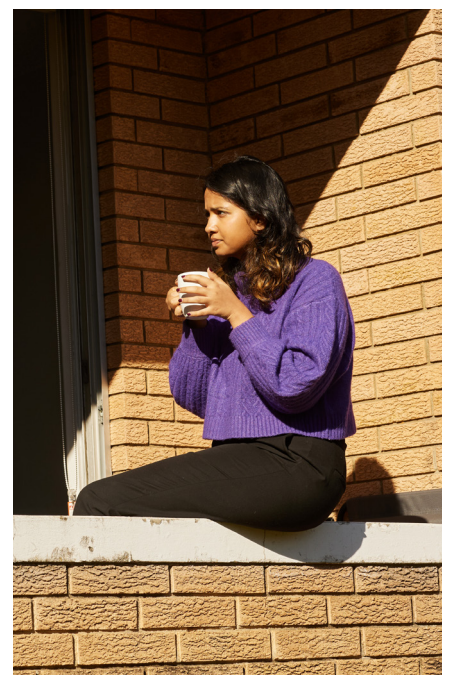
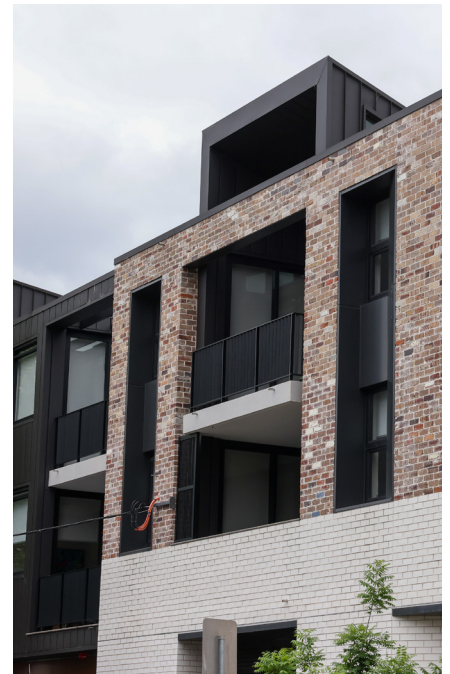
Loans must be for:

- an amount greater than \$1 million
- the purposes of capital expenditure only – not operating or recurrent annual expenditure
- capital expenditure on works that enable housing development to proceed, or community infrastructure assets that support new housing. This may include playing fields and playgrounds, roads, drainage, libraries, community centres, pedestrian or cyclist facilities, or land acquisition.

2. Infrastructure that enables new housing supply

LCLI funding is only available for infrastructure which enables new housing supply as demonstrated by at least one of the following:

- The inclusion of the infrastructure in the council's approved Contributions Plan.
- The inclusion of the infrastructure in a social infrastructure audit, or similar publicly available study, commissioned to forecast the community infrastructure needs of an area experiencing significant local population and housing growth.
- A business case or other evidence provided by the council to substantiate that the infrastructure enables new housing supply. Other evidence could include a development servicing plan, copy of IPART assessment or details of any voluntary planning agreements. This will be subject to assessment by the Department of Planning, Housing and Infrastructure.



3. Council Local Environmental Plan requirements

Councils must have in place current or draft planning controls which are applicable to the council area and meet the relevant housing targets.

If there is a Local Environmental Plan (LEP) in place it should reflect the relevant housing targets for the LGA as set out in a District or Regional Plan.

Where a District or Regional Plan has been made in the last 24 months, the council must demonstrate that:

- a draft LEP has been prepared that reflects the housing targets **OR**
- it has made adequate progress in its LEP review to implement the relevant housing targets set out in the District or Regional Plan.
- The adequacy of council's progression in its LEP review to achieving housing targets will be subject to assessment by the Department of Planning, Housing and Infrastructure. This assessment will consider the extent of council's progress and commitment as evidenced by documents such as:
 - its Local Strategic Planning Statement
 - its Local Housing Strategy
 - the inclusion of housing targets in related strategic planning documents
 - completed masterplans for new housing areas
 - LEP amendments currently undergoing a gateway process
 - completed studies of local planning related to new housing supply which will feed into the new LEP
 - relevant council project plans and agenda papers which include the LEP Review and council's goals.

Example 2

Council B is working with a developer to develop a site for 60 new dwellings. It needs to improve the access road and provide drainage for stormwater, footpaths and sewerage infrastructure to prepare the site for building. It is eligible to access the TCorp loan facility and TCorp has given approval to the loan, or provided an indicative loan repayment schedule. The council is eligible to apply for LCLI funding.



How to apply

Councils may submit more than one application providing each application is for a separate project and separate loan. Only one interest reimbursement will be paid per loan.

Applications may comprise:

- A single project in one development area – for example: new road, new sewerage station, an upgraded library or cycleway.
- A group of different but related projects clustered in a single location – for example the development of community facilities or town centre for a new housing area.
- A group of projects of a single nature that can be packaged as one program – for example, astro turf on playing fields in different sites within the LGA needed to support a growing population.

Projects for different infrastructure in different areas within the LGA – such as roads and drainage in one area and land acquisition in another – should each have a separate loan and separate application to the LCLI.

Disparate projects which serve different functional purposes and comprise an entire program for infrastructure are not eligible for support under the same application.

Applications from partnered councils

Two or more councils partnering to deliver a project across LGA boundaries may make a joint application.

All participating councils must meet the eligibility requirements and provide a separate application with the required documentation as set out in these guidelines.

Each council must contract a separate loan to cover its share of the project cost.

Project preparedness

Support will only be provided to reimburse the interest on borrowings for projects that are in a reasonably advanced stage of preparation. Projects with a completion date of 30 June 2023 or earlier will be prioritised.

The application must include a realistic indication of the project delivery timetable and evidence of council approval for the project, such as a current Operational Plan or council minutes.

Where the infrastructure requires additional approvals (for example, S60), council should indicate its progress in obtaining approval or its intention to apply.

Councils must be able to demonstrate they have the necessary resources, including effective project management and sound administration, to deliver and maintain the project once completed.

Application form and support material

Councils should complete a Low Cost Loans Initiative Application Form, available at www.planning.nsw.gov.au/LowCostLoans and submit it online along with:

- an approved Contributions Plan OR a social infrastructure audit or similar OR a business case or other evidence which demonstrates justification for the project (see Criteria)
- current LEP (or draft where relevant) reflecting housing targets for the LGA
- the current Operational Plan, or other plan, or council minutes showing that the proposed project has been approved by council
- evidence that loan finance is in the process of being obtained
- indicative Bank Term Sheet or Letter of Offer and loan repayment schedule (see www.planning.nsw.gov.au/LowCostLoans for details of these).

Councils may provide additional documentation that supports the application for funding.

Closing date

Applications must be received by 5.00pm Friday on 14 August 2020. Announcement about future rounds will be made later in 2020.

Please contact the Department of Planning, Housing and Infrastructure to discuss your application prior to submission: lcli@planning.nsw.gov.au

Example 3

Council C wants to build low cost accommodation for mining workers.

It has acquired land and begun essential works to prepare the site.

It is applying for a loan to complete the roads, footpaths, landscaping and build the housing.

The council can apply to the LCLI to have the infrastructure component of the loan supported, but the actual construction of housing is not covered under the LCLI.

Assessment

A panel, convened by the Department of Planning, Housing and Infrastructure, will assess all applications. The panel will include representatives from NSW Treasury Corporation, the Office of Local Government, Local Government NSW and the Department of Planning, Housing

and Infrastructure. Expert advice may be sought from other government agencies as required.

All applications must meet the key criteria as outlined in these guidelines, and provide relevant evidence of meeting the criteria.

In addition, the assessment panel will prioritise applications which:

- demonstrate that the infrastructure will be completed by 30 June 2023 or earlier
- articulate how the infrastructure directly enables new housing supply
- provide evidence that the infrastructure project is well planned
- demonstrate relevance to increasing housing supply as evidenced by a description of the number of houses, new population serviced and the importance of the infrastructure to areas experiencing significant growth.

Applicants may be contacted during the assessment process for further information. Recommendations of the assessment panel are subject to Ministerial approval.

Announcement of successful applicants will be made in late 2020.



Funding agreement and payment

The Office of Local Government will be responsible for administering the funding agreement and payment of the LCLI reimbursement. Should there be any changes to the project which may alter the loan parameters and scheduled interest payments, Office of Local Government must be notified immediately as provided under the terms of the agreement.

Funding agreement

Following the announcement, the Office of Local Government will send successful applicants a funding agreement setting out terms and conditions of the LCLI.

Council will be expected to advise its loan provider that it has been approved for LCLI funding and negotiate the final loan agreement. Council and lender must agree on loan terms by the commencement date of the project.

Once the loan is finalised, a certified copy of the final loan agreement and final approved Bank Term Sheet/ Letter of Offer must be provided to the Office of Local Government. The funding agreement will then be signed.

The dollar amount of the reimbursement for a given project will be fixed in the LCLI agreement and there will be no adjustment to this amount, except as provided under the terms of the agreement.

Failure to commence project construction within 12 months after signing the agreement may result in the LCLI reimbursement being withdrawn.

The funding agreement will include the requirement for council to provide regular progress reports on the project delivery.

Variations to the funding agreement will be approved by Office of Local Government in consultation with the Department of Planning, Housing and Infrastructure.

If council defaults on the loan or fails to deliver the infrastructure detailed in its LCLI application, the funding agreement may be terminated.

Payment

Councils are expected to make full interest payments directly to the lending institution in accordance with their loan agreements and provide relevant documents to enable Office of Local Government to administer biannual reimbursements. Reimbursements will be paid in the first and third quarters of each financial year.

Updated February 2024

Councils can now also elect to claim their funding upon completion of the project. Councils will need to submit their claim with supporting information prior to any payment being made.

Acknowledgement protocol

Successful councils will be required to acknowledge the LCLI funding and use NSW government logos in materials, on signage and in other publicity provisions in accordance with the NSW Government Funding Acknowledgement Guidelines which can be found at [https:// www.dpc.nsw.gov.au/about/publications/grants_administration/ funding_acknowledgement_guidelines](https://www.dpc.nsw.gov.au/about/publications/grants_administration/funding_acknowledgement_guidelines)

Councils will also be required to identify milestones in the project – such as commencement, completion or opening of infrastructure – which the Minister for Planning and Public Spaces or the Minister for Local Government might announce, or events to which they might be invited.

Frequently asked questions

What is infrastructure that enables new development?

It is infrastructure that is needed so that an already planned development can proceed or be accelerated. This could be roads, water, waste water and drainage, or land acquisition. It may also be the social or recreational infrastructure needed in new housing developments such as community facilities, parks, playing fields, or early childhood centres.

Does infrastructure include the building of housing?

No. The infrastructure is anything that is needed before the housing can be built, or to support the new community that will live there such as footpaths and cycleways to encourage active travel.

How can council demonstrate that the infrastructure will enable/increase housing supply?

The link between the infrastructure and housing supply can be demonstrated by:

- The inclusion of the proposed development within council planning controls, contributions plans, regional or district housing targets or other strategic planning documents (see essential criteria in these guidelines).
- Outlining in the application the number of houses, the changes to population necessitating the growth and how the proposed infrastructure will improve housing supply in the area.
- Showing that the development is well planned by providing a detailed timeline and other evidence that the development will proceed.

Does the loan have to be approved in order to apply?

No. However it is expected that the council will already have an application process underway with TCorp or another financial institution. Note that being approved to receive LCLI support does not automatically mean a loan application will be approved. Council will still have to satisfy the requirements of its credit provider for the loan to be approved.

Can the loan cover multiple projects?

Only if those projects are clustered in the same location (for example, a variety of infrastructure needed for one housing development), or are similar projects across an LGA (for example, roads and footpaths across more than one development).

Projects for different infrastructure in different areas within the LGA – such as roads and drainage in one area and land acquisition in another – should each have a separate loan and separate application to the LCLI.

What if the loan only needs to cover part of the infrastructure cost?

If the infrastructure is funded through a loan and other sources, the application must specify the other sources of funding and whether they have been confirmed. The cost for infrastructure must be for an amount greater than \$1 million.

What if the loan falls through after council has been approved for LCLI?

If the council can obtain another loan with the same terms and conditions, and for the same project, then the LCLI approval will still apply. However, if this means a delay to construction, the LCLI reimbursement may be withdrawn.

If I'm not successful can I apply again?

Yes. Councils may apply again for the LCLI for the same project, or a different one, in future rounds.

Where can I find out more?

If you have further questions, or wish to discuss your application, please email lcli@planning.nsw.gov.au

