Housing Boost Aggregator

Frequently Asked Questions

The Housing Boost Aggregator has been developed and refined through consultation with Community Housing Organisations (CHOs), superannuation fund representatives, government officials and the private sector. We've sought expert advice on issues such as tax and spoken to international colleagues about how the US Low-income Housing Tax Credit mitigates investment risk. There has been considerable positive feedback on the proposal.

This document sets out answers to the commonly raised issues during the consultation.

THE CONSTELLATION PROJECT
TOWARDS ENDING HOMELESSNESS IN A GENERATION

Contents

Frequently asked questions about our approach

The Housing Boost

Frequently asked questions about why this is needed

Q1: What is the Housing Boost Aggregator? How does it work?

A: There are two documents that explain – a short 2-Pager and a more detailed summary.

Q2: Why is a Boost needed in the first place?

A: There is a demonstrated shortage of social and affordable rental housing in Australia. The reason that few affordable rental dwellings are built is that operating incomes and support are not sufficient to service ongoing maintenance and financing costs. There is a funding gap that prevents positively geared housing projects. Even though the non-profit Community Housing Industry is extremely sophisticated at harnessing all available incentives, tax efficiencies, and funding on offer, this is not enough to get shovels in the ground. For instance, for a combined social and affordable (50:50) housing project, the funding gap remains around 25-30% - after drawing on tax and stamp duty concession, own equity (10%), and gifting of land (100%) to the project. For affordable housing projects, this gap in some instances declines to 5-15%; for social housing projects, the gap is greater. Costs and feasibility vary by location, types of properties, types of tenants and discount to market rents. The provision of social and affordable housing to meet housing needs and urban development priorities – as going concerns – is therefore not feasible without a Boost.

Q3: Why is this called a "Boost?"

A: The Housing Boost Aggregator is intended to target the barrier remaining to financial viability of social and affordable housing projects, once additional cost-reducing planning tools and measures, tax and fiscal exemptions, philanthropic and state / territory contributions and developers' own equity have been taken into consideration. Once all other available sources of funding and cost reductions have been factored in, developers can compete for tax credits to provide the final 'Boost.' The 'Boost' is thus not replacing other measures, but is a tool for providing the final and additional support to ensure financial viability. These other sources that get raised first include state contributions, land concessions, local contributions including through inclusionary zoning, rate discounts, cross-subsidy with market-rate housing, CHO equity, and philanthropic contributions. To stimulate this crowding-in effect, allocation of tax credits is based on a competitive process where the Boost subsidy sought is assessed relative to development outcomes, additional funding and cost reduction, and urban development objectives to ensure value for money. In this way, the commonwealth government is not funding the entire housing project, but instead providing the final Boost to ensure that developers can proceed.

Q4: What are the differences between different types of below market / subsidised rental housing?

A: There is often confusion between the types of below market / subsidised rental housing and the different owners and managers of these homes.

Type of below market / subsidised rental housing	Owners and managers of below market / subsidised rental housing
• **Affordable rentals** • **Social housing** *(see detailed definitions below)*	**Public registered and regulated Community Housing Providers (CHOs):** These are almost always charitable entities **Private sector:** For example, real estate agents, non profit entities - such as Nightingale Housing or individuals

Affordable rental: a term describing housing suitable for the needs of a broad range of very low to moderate income households and priced at a discount to market rates – at least 20% below the market rate. If owned (as well as managed) by registered community housing organisations (CHO) the discount to market will be set so as to ensure a household pays no more than 30% of their net income on rent. The ‘subsidy’ can be a government grant, e.g. the National Rental Affordability Scheme (NRAS), planning concession, e.g. City of Sydney’s inclusionary zoning scheme and occasionally solely via cross subsidisation though generally in the latter case, the economics would rule out allocations to the lowest income groups.

Many but not all schemes assume that the homes will be affordable for a time limited period – NRAS for example is 10 years. However, this is not an essential feature but is dependent on the investor / owner decision. For example, NRAS properties owned and managed by CHOs will in almost all cases, be retained as affordable rental after the minimum 10 years.

Eligibility is set by the program funder (typically it is income based but can include types of employment, specific population cohorts). There are no specific affordable housing waiting lists - though some homes are allocated to people from the social housing waiting lists. It is a relatively small part of the subsidised rental housing total.

Most affordable rental housing is managed by CHOs but ‘for profit’ non-registered landlords can also manage where the government program and / or the regulatory system allows. Affordable housing can be owned and managed by both the private sector and CHOs. CHOs also manage affordable housing for private owners on a fee for service basis. A few Councils and institutional investors own affordable housing.

Some people use ‘Affordable housing’ to include cheaper ‘for sale’ units - we think this should be avoided.

Social housing: is housing provided to very low and low-income households. Rents are set as a proportion of income - between 25% and 30% - the amount typically set by jurisdictional policy. Allocations are generally made from the state and territory waiting lists, and most homes will go to those in ‘priority need’. There are strict income eligibility criteria and a comprehensive assessment of need. Social housing can be owned and managed by the state (public housing) or CHOs. Many CHOs also manage (rather than own) ex-public housing units. Social housing is targeted at very low-income households, thus requires considerably greater subsidy. In some locations, this can approach 80% of the total development cost.

Indigenous housing is a subsection of both public and community housing. Growing numbers of Indigenous community housing organisations are now registered within one of the three community housing regulatory systems.

Q5: What does “crowding in” mean?

The Housing Boost Aggregator is intended to target the barrier remaining to financial viability of social and affordable housing projects, once additional cost-reducing planning tools and measures, tax and fiscal exemptions, philanthropic and state / territory contributions and developers’ own equity have been taken into consideration.

The term ‘crowded in’ is a piece of jargon that is increasingly used to describe the active identification and maximisation of alternative resources before seeking government assistance.

Q6: Does the Boost support homeownership?

A: Indirectly, yes. The Boost is earmarked for social and affordable rental developments that provide both security of tenure and below-market rents for tenants. Lower housing costs will enable tenants to save for a deposit and / or reduce the time required to save for a deposit. Supporting the Community Housing industry’s long-standing build-to-rent expertise in this way provides an alternative to Australia's current ‘system’ of private rental housing provided by retail investor landlords, which is characterised by low tenure security driven by speculative investment over stability. Further program design features could be incorporated to support homeownership where feasible upon program stabilisation, for example, right-to-buy or rent-to-buy options should the affordable housing project ultimately incorporate strata subdivision.

Q7: Does the Boost reduce homelessness?

A: Yes. The Boost is designed to increase the supply of social and affordable rental housing which in turn will contribute to reducing homelessness.

Q8: Has this policy worked elsewhere?

A: Yes - In the US, tax incentives have been underpinning affordable rental housing construction for over 30 years. The US Low-Income Housing Tax Credit (LIHTC) offers developers non-refundable and transferable tax credits to subsidise the construction and rehabilitation of housing developments with strict income limits for eligible tenants and their cost of housing. Since it was established in 1986 by the Reagan Government, the LIHTC has subsidised over 3 million housing units, the largest source of affordable housing financing in the US.

Whilst we have drawn on elements of the US LITHC in the proposal, the Boost has been designed to work in the Australian policy and funding environment.

Frequently asked questions on the subsidy component

Q9: Why is the Boost a tax credit, not a direct subsidy / capital grant?

A: The Housing Boost Aggregator Aims to generate a recurrent source of funding for social and affordable housing, rather than a project or one-off direct investment in a set number of properties. A tax credit system could be enshrined in legislation as an annual allocation to States and Territories. The flow of financial benefit is regulated directly between the ATO and the holders of tax credits, reducing additional administrative complexity and risks (see Q33 on risks). In effect, this unlocks the housing outcomes now, while allowing the government to spread the cost of the gap funding over time.

Q10: Why not a flat rate subsidy, isn't that easier to administer and monitor?

A: Social and affordable housing can be a tool for the economic and social development of our cities. To maximise this potential, the Housing Boost Aggregator is responsive to differences in land and construction costs, as well as urban, social, and economic development aims. Unlike a flat rate approach, the Housing Boost Aggregator lets the desired housing outcomes and locations determine the financial Boost that is provided, rather than the financial Boost conditioning the type of housing and locations that can be provided. Importantly, it also incentivises the project sponsor to secure other funding sources to make its Boost application more competitive, presenting better value for the government's money.

Q11: How is this different from the National Rental Affordability Scheme (NRAS)?

A: There are three main points of differentiation between the Housing Boost Aggregator and the NRAS:

1. ➔ The Housing Boost is not awarded as a flat rate, regardless of location. This allows housing needs and urban development objectives to determine what can be built where, using a more efficient, tailored incentive.
2. ➔ Unlike NRAS, monitoring of eligibility is based on projects rather than individual tenants. This allows for flexibility in managing changes to individual tenant circumstances and additional flexibility in delivering social mix or key / essential worker policies.
3. ➔ The Housing Boost enables projects to be positively geared over a 20-year period. This allows for the retention of properties as social and affordable housing beyond the 20-year period, and generates an asset for further investment in social and affordable housing.

Q12: Can the Boost be provided by the States or Territories rather than the Commonwealth?

A: The Boost is designed to be provided by the Commonwealth in order to provide the scale and the certainty needed to establish an investment class in affordable rental housing once and for all. Further, the Boost's structure as a tax credit, or Refundable Tax Offset, requires that it be provided by the ATO. The idea is that the market credibility of the Commonwealth government addressing the market failure in affordable rental housing will reduce risk premiums and therefore return requirements for institutional investors. This makes the projects cheaper to subsidise.

We have also assumed that a Commonwealth entity will administer and award the Boost tax credits. Indicative allocations for projects from each State and Territory are likely to be set.

CHOs putting together projects for the Boost will be responsible for crowding in other funding contributions. The States and Territories will be important providers of these crowded-in layers.

Where States and Territories are committed to providing crowded-in layers of incentives and funding sources, they could set housing and regional / urban development priorities that determine how competitive bids are evaluated.

Q13: What happens to these projects after 20 years?

A: The Boost is designed to ensure that social and affordable housing projects can be debt free after 20 years of operation. Depending on the degree of crowding-in of additional layers of support, some 80-95% of the housing stock is retained after debt is extinguished. This creates a range of follow-on options. First, the development can be preserved as ongoing affordable housing options. Second, some or all of the development can be disposed of at market or affordable rates, generating equity for new investment and supporting homeownership. Third, the development provides an asset against which community housing providers can raise additional funding for investment and expansion of social and affordable housing.

Q14: How much government funding does this represent?

A: The amount of Boost required depends on the type of dwellings, income level of tenants, and location. For instance, for a combined social and affordable (50:50) housing project in middle ring Sydney, the annual tax credit required over 10 years is approximately $9,200 in tax credits per dwelling per year; or a total of $507 million in tax credits for 5,500 dwellings over 10 years (assuming tax credits scaled by 4% per annum). By comparison, the asset value retained after the 20-year period is approximately $1,818 million. The program is intended to allocate Boost credits to further new projects every year, which will likewise each require ten years of tax credits. This is necessary to both address the longstanding shortfall in affordable rental dwellings across Australia, and to ensure scale and credibility to institutional investors.

Therefore, in subsequent years the Commonwealth government funding commitment will staircase. The Government will be issuing the annual Boost subsidy for the first year's projects plus the second year's annual Boost. This scaling up will peak in year 10 after which it remains constant.

Q15: Can the Housing Boost be used to fund social housing?

Yes. Key worker, affordable rental, social, and crisis accommodation are all built dwellings. The only difference is rent calculations and operating cash flows, and by extension, the amount of senior debt that can be repaid. The gap subsidy required by social housing may be larger, but the flexibility of the Boost structure allows CHOs to apply for a project's actual feasibility shortfall. State governments who seek to stimulate social housing construction may choose to crowd in more equity cushion funding to jump-start social housing construction. The Commonwealth's Housing Boost allocation process can reflect policy goals by prioritising specific housing outcomes like social housing.

Q16: Can it fund housing anywhere?

A: Yes, it is designed to work in any state or territory and in metro, regional and remote locations. The Boost simply fills the funding gap after other sources of funding and finance have been crowded in.

It is the government or government agency assessing the tenders from CHOs that makes the decision on what projects in which locations are boosted.

Q17: Will it work with State and Territory programs?

A: It could boost existing state and territory programs or initiatives by enabling additional homes to be built or allowing for more homes to be provided as social rather than affordable housing. In other cases, the Housing Boost could unlock state and territory (and Council) contributions such as land, which on their own would not be sufficient to make a scheme viable.

Q18: Are the Refundable Tax Offsets (RTO) transferable?

A: Yes, this program may be designed by the Government of the day so that the RTO (refundable tax offsets) are transferrable and, through the Aggregator component of the HBA, efficiently pooled into investment funds to meet the scale requirements of large super funds. The transferability of the tax offsets is a central component of bridging the community-facing housing projects generated by non-profits and the sophisticated finance of the institutional investment sector in Australia.

Q19: What will stop the Housing Boost Aggregator being a rort for property developers?

A: Built into the scheme are systems of oversight and compliance. These include that:

- Only registered CHOs will be able to tender for the Boost. These organisations are subject to annual compliance checks against performance standards that include good governance, financial management and tenancy services.

- All tenders will be assessed against clear price and quality criteria.
- CHOs can only claim the tax credits once they have built the homes and tenants have moved in.
- CHOs will need to provide evidence annually that their scheme meets the project criteria before tax credits are released by the ATO.
- Data on the operation of and outputs from the scheme will be collected and reported.

Q20: How much capital is the Aggregator expected to raise and direct towards the provision of Social & Affordable Housing?

A: This will depend critically on the size of the program that the government supports – clearly a small program that covers fewer than 5,000 homes will require a lot less capital raising than one of 25,000pa. Then individual projects will require different amounts of capital to support development depending on (for example) whether land needs to be bought or has been provided as grant, the amount of equity a CHO can put in and indeed whether the CHO chooses to use the aggregator or accesses capital via an alternative arrangement.

Our assumption is that the program would start small and build up as the market develops. It is a tried and tested model - the initiative is based on the US Low-Income Housing Tax Credit that has been operating successfully since the 1980s. We have also consulted with institutional investors during the design process and have found considerable interest in Australia - the international market is more developed. Social and affordable housing investment is ESG aligned and the Community Housing Industry Association (with NHFIC as a partner) is leading the development of an ESG report framework in the first half of 2022.

The NHFIC review report estimated that to meet demand ‘the total quantum of investment required over the next two decades to meet the shortfall (890K homes) in social and affordable housing stock is approximately $290 billion. The scale of investment required inevitably means that all levels of government, the private sector and not-for-profit organisations will all need to be part of the solution. Clearly, it is unlikely that a program of this size would ever be agreed to and private capital would only meet a part of this, but it gives some idea that social and affordable housing has the potential to be an attractive and long term asset class.

Q21: Can institutional investors use the Boost’s tax credits?

A: Yes, the program will be structured so that the Boost subsidy can be passed through from the housing developer recipient to the passive super fund investor through the Housing Boost Aggregator. There is precedent of this from the longstanding US Low-Income Housing Tax Credit program overseas that harnesses considerable pension fund capital, and from the earlier Australian National Rental Affordability Scheme (NRAS). The rental subsidy was structured as a Refundable Tax Offset (RTO) that is applied dollar-for-dollar against a recipient's tax liability, not their taxable income. Therefore, a program participant's tax percentage does not affect return. This is because the Boost RTOs are a cash-like credit on tax liability, not a deduction on taxable income. Full program design and policy efficiency will be addressed in due course in a robust co-design process with industry.

Q22: Will the social & affordable housing created by the HBA be owned by the Government or by the private sector?

A: Neither. The housing will be owned by not-for-profit registered community housing organisations. This minimises the risk that homes built will either be sold (note states and territories sell off public housing, not always replacing) or sold without the proceeds being reinvested in new homes. The performance of CHOs is also subject to regulatory review.

Q23: How is the "availability allowance of $12,000 per dwelling" calculated?

A: The availability allowance is an estimate based on a set of assumptions about location of the property, average size of the homes and the proportion of social to affordable tenants' costs of construction. It was provided as an illustration as, unlike NRAS, the Boost is not a fixed amount per property regardless of location. The $12,000 example used construction costs provided by Rod Fehring (Chair, National Affordable Housing Alliance / Executive Chairman, Frasers Property Limited). We also had a $9,000 example based on CHO information collected in an AHURI research project which Rod thought under-played construction.

Q24: How much of the Housing produced by the Capital Aggregator would be owned in perpetuity and not just sold off in 10 years like the NRAS stock?

A: First, it is important to recognise that not all NRAS stock will be sold off automatically after ten years. Homes that are owned and managed by CHOs will not be sold unless, by doing so, the proceeds can be used to develop new homes in more appropriate locations. The Boost is designed to: first, require homes to remain an affordable rental for at least 20 years (though the subsidy is for ten years). Second, unlike NRAS the Boost is only available to registered, regulated, not-for-profit CHOs who, if after 20 years, sell a home would need to reinvest the proceeds in social and affordable housing. See below for more details.

The Boost is designed to ensure that social and affordable housing projects can be debt free after 20 years of operation. Depending on the degree of crowding-in of additional layers of support, some 80-95% of the housing stock is retained after debt is extinguished. This creates a range of follow-on options:

1. The development can be preserved as ongoing affordable housing options.
2. Some or all of the development can be disposed of at market or affordable rates, generating equity for new investment and supporting homeownership.
3. The development provides an asset against which community housing providers can raise additional funding for investment and expansion of social and affordable housing.

Q25: Is the HBA an alternative to a housing future fund?

A: A future fund can operate in different ways. It could use the return on investment to provide a given (fixed) number of upfront grants to build housing. Alternatively, it could provide annual payments to CHOs to cover the costs incurred in constructing new homes - much as the Boost does, except that the payments would be in cash instead of tax credits. These cash payments could also be converted into upfront capital via the Aggregator function

There are advantages and disadvantages of using a Future Fund mechanism. On the plus side, it could be attractive to governments because much of the expenditure is 'off balance’ sheet. However, the returns are dependent upon the stock market performance (it is pro-cyclical), and in a poor year, the returns may fall below the commitments entered into, with the government needing to provide a supplement.

Q26: Does it need legislation?

A: Yes. There is existing legislation used to bring in the National Rental Affordability Scheme that could serve as a basis. If NHFIC were selected as the Aggregator, the NHFIC Act would need to be amended as previously occurred when the First Home Owner Deposit Guarantee scheme was introduced.

The Boost Aggregator

Frequently asked questions on the investment component

Q27: Why is aggregated investment more desirable than direct investment in affordable rental projects?

A: We have based this proposal on overseas precedents of large-scale, ongoing institutional investment in affordable housing – for example, the US market where some Australian super funds already invest.The advantage of aggregated over direct investment in individual development projects is that investment analysis is streamlined and made efficient through standardised aggregation. Also, impact is greater once a standardised Boost subsidy unlocks new construction activity into which super funds may invest. Every year, government awards Boost subsidies to a class of the most feasible, targeted, efficient projects, and investment pools can then be aggregated of these diversified yet standardised assets with returns underpinned by the stable flow of annual government tax credits.

Furthermore, aggregated investment enables standardised due diligence, investment risk reduction and project pipeline development through forward linkages with Community Housing Providers and housing developers. This provides an additional layer of capacity building for community housing providers and forward planning to ensure a stable pipeline of development projects.

Q28: Who will act as the Housing Boost Aggregator entity?

A: The HBA is a financially sophisticated entity that performs due diligence and commercial negotiation with the various project sponsors to compile a balanced, rated fund offering for institutional investors. Overseas precedents include either a government instrument (like the NHFIC), an industry body (for example, a new arm of a sector peak or a non-profit like the Enterprise Social Investment Corp in the US), or a private financial services provider (such as the for-profit tax credit syndicators in the US.) It will be important that the entity has credibility with the market and can provide a competitively priced service to CHOs.The aim is to maximise the number of social and affordable homes that are constructed.

Note that the entity that acts as the intermediary between the CHO Boost project applicants and the super fund institutional investors is distinct from the entity that allocates the Boost subsidy.

Q29: Is this proposed investment debt or equity?

A: Preliminary consultation has suggested that standard debt may not provide enough return to interest investors. In any case, NHFIC's guaranteed aggregated senior debt issues provide a senior term debt product already. The HBA provides up-front capital needed to fill the last funding gap to fund affordable rental housing construction. Its repayment source is the annual Boost dollar for dollar tax offsets from the government, directed through the HBA, who provide amortised repayments to the super funds. Therefore, it is subordinate or mezzanine debt. It is not guaranteed, like the NHFIC securities. While the up-front construction use of the capital proceeds of the HBA fundraisings is equity-like, the returns are, however, not anticipated to reflect equity pricing.

A modest kicker of additional return is available in mixed-income projects that include a market-rate component that cross-subsidizes the affordable rental dwellings. Because NHFIC's senior debt requires a 1.2 Debt Cover Ratio, or 20% buffer above debt repayments, there will be excess cash flow generated by the higher-rent dwellings in mixed-income. Once NHFIC covenants are satisfied, we propose that cash flow is split between the CHO operator and the HBA bondholders to provide a greater return than debt, and align interests between the non-profit operator and passive investor. This additional cash flow may provide a more mezzanine return. Further, the overseas model of tax credit syndication upon which the Boost Aggregator is based also includes a pass-through of depreciation to enhance investor returns, which may be available here as well.

Q30: Will the Housing Boost tax credit be channelled through the CHO project sponsor, or will it flow directly from the ATO to the aggregated investors?

A: The proposal seeks to maximise the regulatory oversight of the Community Housing industry, through existing frameworks - the National Regulatory System for Community Housing (NRSCH) or the Victorian and Western Australian equivalents.Therefore, it is proposed that the CHP developer act as conduit for the Boost. It is understandable that a streamlined flow of tax credits directly to an aggregator vehicle for allocation to the super fund investors may be seen as a risk mitigant; however, it is unlikely that the Commonwealth government will support the optics of subsidy flowing directly to investors. While CHOs could not 'use' the tax credit – they have no tax to offset', any potential super fund concern over leakage may be addressed through effective project ring-fencing to ensure that Boost subsidies are retained within the project. There are such mechanisms operating in overseas precursors that could be examined and adapted for use in Australia.

Q31: Don't super funds already invest in affordable housing?

Yes, there are a small number of examples of large super funds directly investing in schemes for moderate-income earners / key workers. Some schemes are designed to be a gateway to home ownership and in others, the accommodation will remain affordable for a designated period of time.

Our proposal would not seek to replace these initiatives but instead complement them. Feedback shows that many funds would be attracted to an approach that reduces transaction costs, mitigates risk and operates at scale.

Q32: Doesn't the NHFIC's 'bond aggregator' already do this?

A: The NHFIC's Affordable Housing Bond Aggregator (AHBA) provides senior long-term loans that are sized upon a project's net rental proceeds which includes CRA. Its aggregated bond issues to date have largely been refinancing of existing commercial bank loans rather than debt backing new projects. This is because there is currently no stable pipeline of new affordable rental housing projects outside of those enabled by intermittent state programs. The NHFIC was created to provide longer-dated senior debt financing than commercial banks could provide, and to aggregate this debt to achieve the scale required by institutional investors. In a broader sense, the NHFIC, with its government guarantee, was established to create a market in institutional investment in affordable rental housing. Outside of a modest interest rate savings provided by its guaranteed debt, however, the NHFIC does not currently offer a solution to filling the affordable housing feasibility gap and so does not directly generate housing production.

This proposal for a Housing Boost Aggregator represents a distinct mechanism – a new subsidy stream (the Boost) that provides the missing gap funding to unlock a stable pipeline of affordable rental housing construction.

The aggregated investment offered by the proposed HBA is solely backed by this recurrent Boost subsidy rather than the underlying rental operations. This provides a distinct investment proposition designed to be the next step in the maturing of the Australian affordable rental housing industry.

The Boost subsidy and the NHFIC are related, however, the main policy recommendation on the establishment of the NHFIC in 2018 was to implement a new subsidy stream to generate a construction pipeline to which the NHFIC could lend. That policy recommendation has not yet been enacted. The Housing Boost, therefore, represents that missing component of the NHFIC's structure.

Q33: What are the key risks?

A: HBA investment is based on the metrics of affordable rental housing as an operating business. It is not a speculative property investment based on underlying value uplift. The key is stability – as much for investors as for tenants.

1. **Operational risk:** Rental housing operating risks are largely mitigated by the strict government regulation of the non-profit community housing industry via the NRSCH.
2. **Project viability:** The projects that the HBA invests in have all succeeded in the contestable commissioning process in applying for the Boost. They have all been judged by the government to be feasible, operated by a reputable CHO, and therefore worthy of funding.
3. **Rental risk:** Project income is largely statutory (government-provided) either through Commonwealth Rent Assistance (CRA) or welfare income. Tenants enter into standard tenancy agreements with the Community Housing managers. Vacancy risk is mitigated because affordable rental housing is by definition below market.
4. **Market risk:** There may be a component of market risk in a project whose funding includes cross-subsidy by market-rate dwellings - either for sale or for rent
5. **Counterparty risk:** the super fund investor's counterparty is essentially not CHO - the counterparty is in fact, the Australian Government who administers the Boost program upon which the Housing Boost Aggregator Fund's returns are based. This counterparty risk has two components:
    1. Cancellation of program (which provides pipeline; scale): this can be mitigated by bi-partisan housing policy support. Evidence is provided by the Morrison Treasury establishing the Affordable Housing Working group that led to the NHFIC establishment.
    2. Inconsistent administration of the program that may delay flow of subsidy payments / tax credits. (Previous consultation has noted that the ATO has in the past disliked tradability; misinterpreting transfer of tax credits as rort when overseas it is a means of aggregation.) This can be mitigated by clear intention of aggregation (non-profit CHOs transferring the tax credits to institutional investors) at the outset of program administration, less duplication of administration by more than one layer of government, and streamlining of compliance through project-level rather than tenant-level monitoring.

Developing the HBA

Frequently asked questions about our approach

Q34: Who has been involved in developing the Housing Boost Aggregator concept?

A: In 2021, the Community Housing Industry Association (CHIA) and Industry Super Australia (ISA) commenced a joint initiative in partnership with the Constellation Project and other housing sector organisations / supporters called the Housing Boost Aggregator. The project aims to develop a policy proposal that would facilitate institutional investment, at scale, in a new pipeline of social and affordable housing development. This involves building on and integrating two existing pieces of work into a single, unified policy proposal. These are:

- **The Affordable Housing Infrastructure Booster (AHIB):** A potential program of contestable Commonwealth Government co-funding via a tax credit to enable a pipeline of affordable rental housing construction via recurrent funding to eligible CHOs; and
- **The Housing Capital Aggregator (HCA):** A financial mechanism to translate recurrent subsidy payments into up-front construction capital by pooling many projects' tax credits into sound institutional investments that would appeal to super funds.

Alongside developing a unified policy proposal, the project looks to create a community of advocacy for the proposed Boost subsidy to kick-start ongoing affordable housing production. This project is distinct from previous affordable housing consultation in that it simultaneously proposes both a development feasibility gap solution and the means of bridging between that and large-scale institutional investment requirements. It builds upon established precedents yet is innovative in its tailored, value-for-money approach to individual housing project needs.

The work is being driven by the following project team with Constellation providing project management and secretariat support

Name	Organisation
Wendy Hayhurst	Community Housing Industry Association
Adrian Pisarski	National Shelter
Carrie Hamilton	Housing Action Network
Christian (Andi) Nygaard	Swinburne University of Technology

Gemma Pinnell	Industry Super Australia
Mark Degotardi	Community Housing Industry Association NSW
Charles Northcote	BlueCHP Limited
Erin Sales	Australian Institute of Superannuation Trustees
Geordan Murray	Housing Industry Association
Jacqui Jones	The Constellation Project
Erin Hannan-Jones	The Constellation Project

Q35: Who has been consulted?

A: The Housing Boost Aggregator has been developed and refined through consultation with CHOs, superannuation fund representatives, government officials and the private sector. We have sought expert advice on issues such as tax and spoken to international colleagues about how the US Low-Income Housing Tax Credit mitigates investment risk. There has been considerable positive feedback on the proposal.

Key consultations (superannuation):

Name	Title	Company
Daryl Browning	Chief Executive Officer	ISPT
David McFadyen	Fund Manager, Development and Opportunities Funds	ISPT
Jordan Kraiten	Head of Infrastructure	Hostplus
Linda Cunningham	Head of Debt	Cbus Super Fund
Zoe Heinrichs	Public Affairs Adviser	Cbus Super Fund
Brett Chatfield	Deputy Chief Investment Officer	Cbus Super Fund
Neil Harvey	Senior Investment Director, Property	AustralianSuper
Sawsan Howard	Head of Corporate Affairs	AustralianSuper
Roger Knott	Senior Investment Manager - Credit	AustralianSuper
Gemma Pinnell	Director, Strategic Engagement	Industry Super Australia
Stephen Anthony	Chief Economist	Industry Super Australia
Frank Russo	Investment Manager	CareSuper

Ken Marchingo	Chief Executive Officer	Haven Home Safe
Scott Barker	Head of Investment Risk and Execution Oversight	IFM Investors
Shaun O'Malley	General Manager, Investments	MTAA Super
Neil Matthews	Head of Property Investments	REST Industry Super
Ben Shortal	Senior Asset Manager	Super AI
Andrew Major	General Manager - Unlisted Assets	HESTA
Garry Weaven	(Formerly Chair of IFM Investors)	N/A

Key consultations (housing):

Name	Title	Company
Ken Marchingo	Chief Executive Officer	Haven Home Safe
Andrew Hannan	Chief Executive Officer	CHC
Hugh Hartigan	Senior Adviser	NHFIC
Kevin McCarthy	Chief Financial Officer	SGCH
Tak Onishi	Head of Strategic Finance	SGCH
Peter Brown	Chief Financial Officer	BlueCHP
Rebecca Oelkers	Chief Executive Officer	BHC
Steve Bevington	Founder / Managing Director	Community Housing Limited
Jitender Balani	General Manager - Strategy Asset Management & Business Growth	Evolve Housing
Phil Frost	Chief Financial Officer	Evolve Housing
Michael Lennon	Managing Director	Housing Choices Australia

Contact Us

HOMELESSNESS IS SOLVABLE

The Constellation Project exists to bring together corporates, governments, academia, philanthropists and not-for-profits to collaborate on solutions to homelessness.

For more information, email: **team@theconstellationproject.com.au**

Or visit: **theconstellationproject.com.au**