THE CONSTELLATION PROJECT
TOWARDS ENDING HOMELESSNESS IN A GENERATION

Housing Boost Aggregator

An Explainer

Australia has a severe shortage of social and affordable rental housing for low and moderate income households. One million homes are needed in the next 15 years to meet demand.

The National Housing Finance and Investment Corporation (NHFIC) provides debt financing for social and affordable housing, with Community Housing Organisations (CHOs) typically using their rental income to pay the interest.

Even when combined with other available forms of funding assistance (such as rate and tax rebates, planning concessions and land contributions) these loans are often not enough to fund new social and affordable homes. In short, CHOs are faced with a funding gap that prevents new builds.

Despite the exceptionally low interest rates of the past few years, this funding gap has consistently presented a barrier to scaling up the industry to produce affordable rental housing.

The Housing Boost Aggregator (HBA) will unlock a new stream of private sector investment to bridge that funding gap, allowing more housing projects to go ahead.

This is a tried and tested policy approach, similar to:

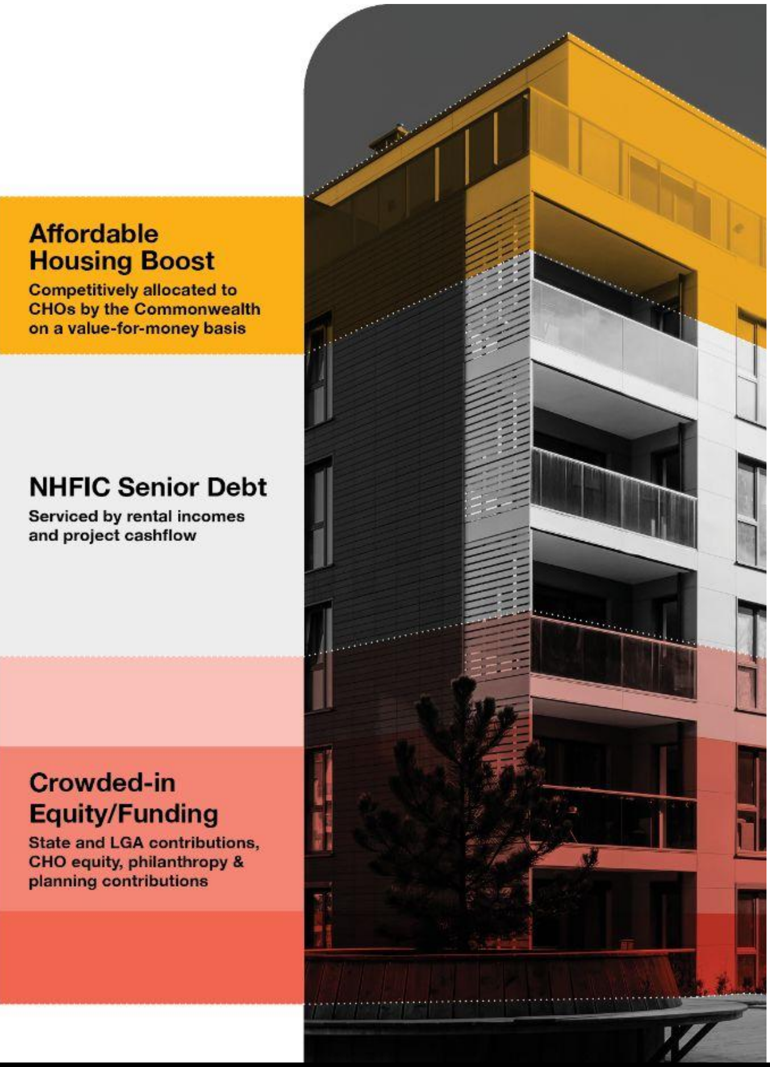
- **The United States Low-Income Housing Tax Incentive Scheme**, which has operated for more than 30 years, supporting construction of around 110,000 affordable rental units annually and more than 2 million units since its inception[1].
- **The Australian Research & Development Tax Incentive**, which encourages investment in technological innovation.

[1] Tax Policy Centre, 2020

Every year, the Commonwealth Government would make tax credits — the Boost — available, and run a competitive tender process to award those tax credits — the Boost — to CHOs.

The Boost would be tied to specific social and affordable housing development projects.

The amount of the Boost awarded would vary, with the size of each project's funding gap (after all other available state/territory funding, planning incentives, borrowings and cross-subsidies) have been taken into account by the Commonwealth Government.



CHOs would be able to claim the Boost from the ATO annually for ten years, after their development is completed.

But many CHOs need upfront capital to begin construction.

A new or existing government agency (the Housing Boost Aggregator) would enable CHOs to 'convert' their Boost into upfront capital by acting as an intermediary between individual CHOs and large-scale institutional investors, such as super funds.

The HBA would aggregate CHOs' capital requirements, create a fund and offer shares in that fund to institutional investors.

The capital raised would be passed to the individual CHOs. Once their projects are built and tenanted, the CHOs will claim their Boost – tax credits – annually and, via the HBA, transfer them to the institutional investors.

While the Boost is paid for only ten years, **modelling shows that CHOs would be able to retain at least 75% of the homes built as social and affordable housing in perpetuity.**

The Commonwealth Government could target the boost at particular priority household groups; varying this from year to year.