What is the Low Cost Loans Initiative?

The Low Cost Loans Initiative (LCLI) is one of the measures identified by the NSW Government in its Housing Affordability Strategy released in 2017.

The LCLI addresses a key aim of the Strategy which is to accelerate the delivery of infrastructure to support growing communities. It supports local councils to borrow up to $500 million for infrastructure that enables new housing supply by halving the cost of interest on their loans.

The aim of the LCLI is to help fund critical enabling infrastructure projects that support and accelerate housing supply – including roads and utilities – to drive housing growth.

Who is implementing this Initiative?

The LCLI is a joint initiative of the Department of Planning and Environment (DPE), the Office of Local Government (OLG) and the Treasury Corporation (TCorp).

How does the LCLI work?

When a council applies for a loan from TCorp or another financial institution, it can apply for the LCLI at the same time. If approved for funding under the LCLI, the council advises its loan provider, finalises its loan agreement and repayment schedule and then signs a funding agreement with OLG. The council will make interest payments as per its payment schedule, and OLG will reimburse 50 per cent of the interest cost in line with the funding agreement.

Why doesn’t the government just give grants?

There are already a range of grant programmes available to councils which cover a wide range of different projects.

Since 2011, the Office of Local Government has allocated nearly $6.5 billion to NSW councils including Financial Assistance Grants and funding from the Local Infrastructure Renewal Scheme, Stronger Communities Fund, Companion Animal Fund and Innovation Fund.

This is a new initiative in addition to those grant programs. It is designed to help councils with their infrastructure investments by using a subsidy on interest costs to bring forward delivery.

Who can apply?

Councils that meet TCorp loan facility requirements, and are considered eligible to seek access to the TCorp State Borrowing Facility, can apply.
Why are only councils that meet TCorp loan facility scheme requirements eligible to the LCLI?

The NSW Government has been actively working with councils to improve their financial sustainability. The LCLI is being made available to those councils that have:

- been assessed as meeting the financial benchmarks set by the NSW Government OR
- submitted and had approved an Improvement Plan showing how they plan to meet the financial benchmarks AND
- been deemed eligible to seek access to the TCorp State Borrowing Facility.

Can two or more councils apply together?

Yes. Councils can partner to make one application for a project that crosses LGA boundaries. Each council will need to apply for a separate loan to cover its part of the project. Each council will need to meet eligibility requirements and submit a separate application form with the required documentation.

Can councils make more than one application?

Yes, providing each application covers one project/program and one loan.

Does a loan already have to be in place 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.

Can councils apply for the subsidy for existing loans or to refinance a loan?

No.

Does the loan have to be with TCorp?

No. So long as councils meet the TCorp loan facility scheme requirements to qualify for the LCLI, then they can use a loan provider other than TCorp. However, note that TCorp offers access to funding at the highest credit rating available – AAA/Aaa.

Are there any limitations on the type of loan?

Loans taken out must:

- Be for a minimum of $1 million
- Have a fixed interest rate
- Have a duration of no more than 10 years.
Low Cost Loans Initiative – Growing Local Housing

Frequently asked questions

What sort of infrastructure is covered by the loan?

Any infrastructure that is needed to enable increased housing in areas experiencing significant population growth. This could be roads, water, waste water and drainage, or the social infrastructure needed to support new housing development or increased density such as community facilities, parks, playing fields and early childhood centres.

What sort of loans are not eligible?

The LCLI does not support loans obtained for the purpose of operating or recurring annual expenditure.

Can the loan cover multiple projects?

Yes. A council can apply for a program of work, providing that those projects meet requirements under the LCLI guidelines. Projects may be clustered in a particular location (eg. community facilities in a new housing development), or across the LGA (eg. similar playing field upgrades and playgrounds).

How does council demonstrate that the infrastructure will support new housing supply?

The council needs to show that the infrastructure is included in its approved Contributions Plan (i.e. S94) or in a social infrastructure audit or similar study. If it does not have this, other evidence, or a business case, substantiating that the infrastructure enables new housing supply must be provided with the application.

Are there any priorities for LCLI support?

Yes. Infrastructure that is in a reasonably advanced stage of preparation and will be substantially completed by 30 June 2021 will be prioritised for support.

What if infrastructure is being delivered on a time frame going beyond 30 June 2021?

Applications with infrastructure completion dates beyond 30 June 2021 will still be considered. Applications should include clear milestones showing timeframes for completion.

What planning controls need to be in place?

A Local Environmental Plan (LEP) or draft LEP should be in place which reflects the relevant housing targets for the LGA as set out in a District Plan (for Sydney councils) or Regional Plan (other councils). Councils in Sydney and Hunter where District plans have only recently been released need to demonstrate their progress and commitment towards implementing planning controls.
**Low Cost Loans Initiative – Growing Local Housing**

Frequently asked questions

**If a council is currently reviewing its LEP, can it still apply?**

Yes, providing it can show that adequate progress has been made to implement relevant housing targets for the LGA as set out in a District or Regional Plan. It will need to provide evidence such as strategic planning documents, masterplans, LEP amendments currently undergoing the gateway process or council papers which report on LEP review progress. Further details are in the LCLI Guidelines and Required Documents Checklist.

**How does a council apply?**

Details on how to apply are available at www.planning.nsw.gov.au/LowCostLoans

**When do applications close?**

The first round of applications closes at 5pm on 1 July 2018.

**Who will do the assessment?**

DPE will convene a panel to assess applications.

**How will applications be assessed?**

Applications will be assessed against the criteria as outlined in the guidelines and projects will need to demonstrate that are well planned and relevant 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.

Priority will be given to projects where construction is ready to commence and will be completed on or before 30 June 2021.

**When will I know the outcome?**

It is expected that successful councils will be advised by September 2018.

**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.

**When will the subsidy be paid?**

Interest reimbursement will be paid twice a year in the first and third quarters of each financial year.

**What can the interest reimbursement received by council be spent on?**

Interest reimbursed under the LCLI can be used to offset the loan or applied to any other council cost.
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*Growing Local Housing*

*Freely asked questions*

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

If the council is able to 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.

**What if construction is delayed?**

If council does not commence project construction within 12 months after signing the agreement, the LCLI reimbursement may be withdrawn.

**Where can I find out more?**

Contact the Department of Planning & Environment for further information and assistance.

- Email lcli@planning.nsw.gov.au