

Low Cost Loans Initiative – Frequently asked questions

What is the Low Cost Loan Initiative?

The aim of the Low Cost Loans Initiative (LCLI) is to help fund critical enabling infrastructure projects that support and accelerate housing supply, including roads and utilities to drive housing growth. 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 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.

Who is implementing this initiative?

The LCLI program is a joint initiative of the Department of Planning, Housing and Infrastructure (DPHI), Office of Local Government (OLG) and NSW Treasury Corporation (TCorp). DPHI will be responsible for the assessment of applications and ongoing management of the program. OLG are responsible for the administration of the funding agreement and payment of the LCLI reimbursement, while TCorp offer loan facilities to local councils seeking funding for projects.

How does the initiative 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 initiative, council must:

- advise its loan provider
- finalise its loan agreement and repayment schedule
- sign 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 isn't this a grant program?

There are already a range of grant programs available to councils which cover a wide range of different projects. Since 2011, OLG 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 initiative is 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.

Which councils will be eligible for 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, or other financial institution.

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, as well as meet eligibility requirements. Each council will also need to submit a separate application to OLG form with the required documentation by emailing lcli@planning.nsw.gov.au

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 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, councils can apply for funding with any financial institution. However, note TCorp's ability to borrow at a AAA rating means it can provide low cost funding.

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 payment duration of no more than 10 years.

What sort of infrastructure is covered by the loan?

Any infrastructure needed to enable or support increased housing supply in areas experiencing significant population growth. This could include 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, councils can apply for a program of work, providing that those projects meet requirements under the LCLI guidelines. Projects could be clustered in a particular location (e.g. community facilities in a new housing development), or across the LGA (e.g. similar playing field upgrades and playgrounds).

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

Council needs to show that the infrastructure is included in its approved Contributions Plan (i.e. S7.11), or in a social infrastructure audit or similar study. If this is not available, other evidence, or a business case showing that the infrastructure enables new housing supply must be provided with the application.

Are there any priorities for LCLI support?

Yes, infrastructure at a reasonably advanced stage of preparation, or that will be substantially completed by 30 June 2023 will be prioritised for support.

Are projects expected to be completed after 30 June 2023 eligible?

Applications for projects which are expected to be completed later than 30 June 2023 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 the Sydney and Hunter region where District plans have only recently been released need to demonstrate their progress and commitment towards implementing planning controls.

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. Council 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.

How does a council apply?

Details on how to apply are available on our website planning.nsw.gov.au/LowCostLoans

When do applications close?

Applications close at 5.00pm on 14 August 2020.

Who will do the assessment?

DPHI will organise a panel to assess applications. The panel will include representatives from TCorp, OLG, Local Government NSW and DPIE. Expert advice may be sought from other government agencies as required.

How will applications be assessed?

Applications will be assessed against the criteria outlined in the guidelines. Projects will need to demonstrate they are well planned and relevant to increasing housing supply. Evidence such as a description of the number of houses, new population serviced and the importance of the infrastructure to areas experiencing significant growth is required.

Priority will be given to projects where construction is ready to commence and will be completed on or before 30 June 2023.

When will I know the outcome?

It is expected that successful councils will be advised in late 2020.

Can unsuccessful applicants apply again?

Yes, councils may apply again for the same project, or a different one, in any future LCLI round.

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 councils be spent on?

Interest reimbursed under the LCLI can be used by councils to offset the loan or fund any other council cost.

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

If the council obtains another loan with the same terms and conditions, 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 of signing the agreement, the LCLI reimbursement may be withdrawn.

Where can I find out more?

Contact the LCLI team for further information and assistance by emailing lcli@planning.nsw.gov.au