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### **Bond issuance: a fair way to deliver funding for Affordable Housing**

Urban Taskforce Chief Executive, Tom Forrest, today welcomed the announcement by Federal Minister for Housing and Assistant Treasurer, Michael Sukkar MP, of Australia's largest ever bond issuance for social and affordable housing totalling \$562 million.

"This is the *smart and fair way* to raise money for social or affordable housing", Mr Forrest said.

The Commonwealth uses its AAA credit rating to underwrite borrowing then makes that money available to the community housing sector.

"This means significant savings compared to a free market-rate for borrowing which costs developers between 10-15%pa for a combination (depending on the mix) of debt and equity funding for new household construction and development", Mr Forrest said.

These savings support the construction of social and affordable housing which are then managed by community housing providers.

Australia has been slow to recognise the role that can be played by the Commonwealth Balance sheet and its AAA credit-rating.

"This innovative funding mechanism for delivering social and affordable housing is significantly more sophisticated and productive compared to more simplistic models for affordable housing finance like those applied by many Councils across Australia. Simply applying an affordable housing levy on new homes effectively amounts to taxing new home buyers," Mr Forrest said.

Under traditional models of a "development levies" for affordable homes, new home buyers (usually apartment purchasers) end up paying for a problem created by government wind backs in social housing investment and the slowness of the planning system. Both these factors drive up prices by limiting the supply of new homes. Affordable Housing levies are both regressive and inherently involve intergenerational inequity.

"Urban Taskforce urges the NSW Government to work with Community Housing Providers and the Commonwealth to further support the affordable housing sector. Establishing a strong and sustainable mechanism for institutional involvement with affordable housing in an important new approach and is strongly supported by the Urban Taskforce.

All Super funds have money invested in highly secure, low interest bonds and part of their balanced growth funds. This "housing bond aggregator" funding model delivers a AAA credit rating backed return to the funds as well as providing homes for key workers and often for Superannuation fund members", Mr Forrest said.

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*The **Urban Taskforce Australia** is a property development industry group, representing Australia's most prominent property developers and equity financiers.*

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