SUBMISSION BY THE

Housing Industry Association

to the

Treasury

on the

Financial Services Inquiry

31 March 2014

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HIA is the leading industry association in the Australian residential building sector, supporting the businesses and interests of over 40,000 builders, trade contractors, manufacturers, suppliers, building professionals and business partners.

HIA members include businesses of all sizes, ranging from individuals working as independent contractors and home based small businesses, to large publicly listed companies. 85% of all new home building work in Australia is performed by HIA members.

1. Introduction

The Financial System Inquiry takes place against the backdrop of a delicate recovery in new home building and a severe slump in the renovations market. The weakness in the market can be partly traced to the constrained financing conditions that followed the GFC, along with other unfavourable developments in the financial system.

In this submission, we describe the features that we believe a better banking system needs to offer and which we hope the Inquiry might recommend.

Stronger competition in financial services will be key to delivering improved outcomes. Insufficient competition in the sector has resulted in unsatisfactory interest rate settings, excessive pricing for insurance products, and restrictive collateral valuation practices.

We believe that a healthy financial system must offer suitable mechanisms for managing risk, and the Inquiry can help promote product innovation with this end in mind.

In this submission, we detail several specific areas where the financial system can accommodate more fully the needs of particularly risk averse customers. The submission also points out the dangers to the financial system of being encumbered with additional macro prudential regulations.

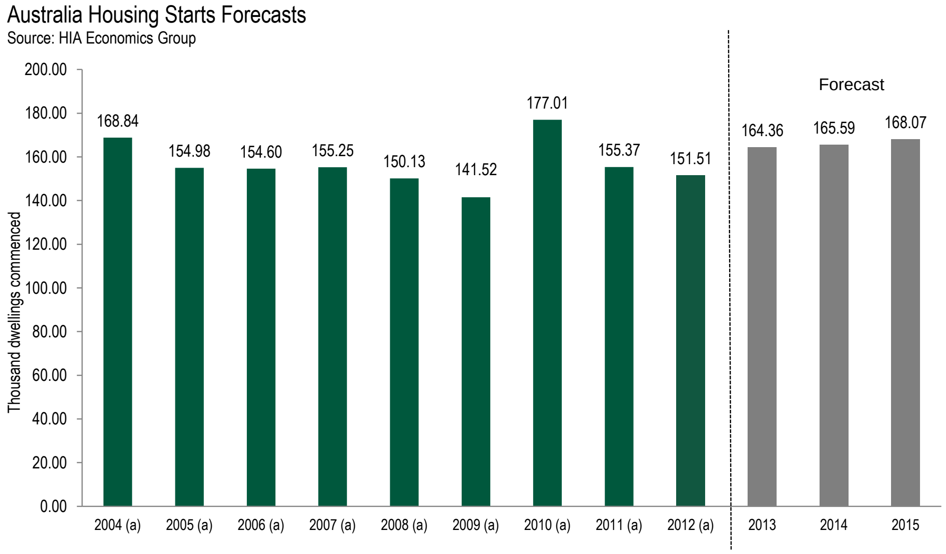
The unique interdependence between the financial system and the housing industry means that the impact of this Inquiry on the industry will be significant. It is the HIA's view that the opportunity exists to shape a more effective financial system.

2. Overview of housing industry activity

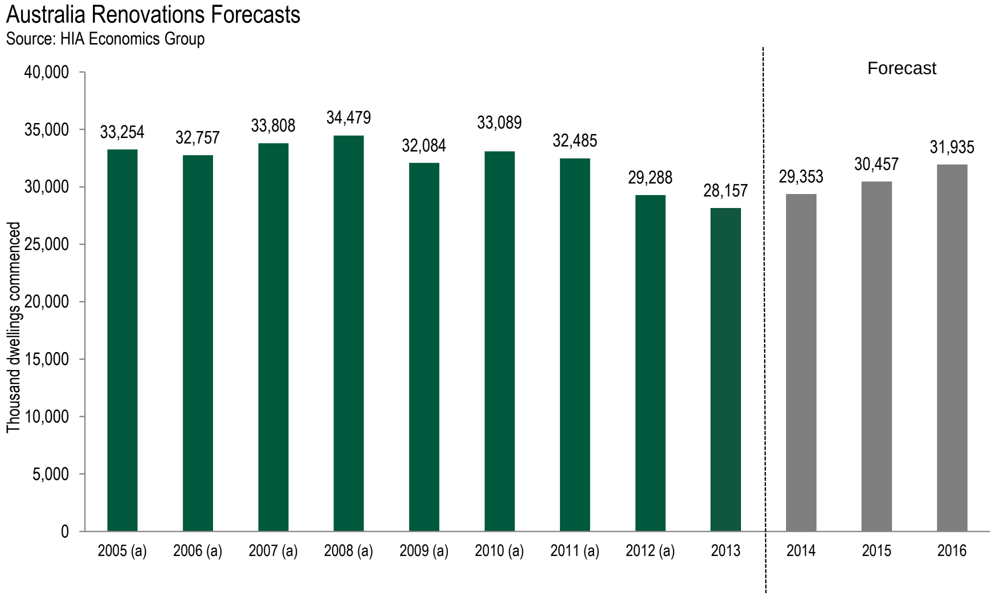
The housing industry is currently undergoing tentative recovery. An estimated total of 164,350 new dwelling starts occurred during 2013, an increase of 8 per cent on the previous year. This outcome followed two very low levels of activity in 2011 and 2012. HIA's latest set of forecasts sees new dwelling construction gradually increase towards the 170,000 level and beyond over the next number of years. This is due to a combination of low interest rates, rising population and the process of making up for years of underbuilding.

Under the most conservative of estimates, Australia needs to average 180,000 new housing starts per annum (excluding demolitions) to meet the requirements of the nation's growing (and ageing) population between now and 2050. Australia last started 180,000 dwellings in a single year in 1995.

During the 2000s decade, new dwelling construction did not average particularly high levels, despite the fact that population growth was strong and economic activity was robust. The lower than required levels of activity reflected a number of constraints around activity. These included shortages of suitable land supply, planning restrictions, and high taxation of the sector, together with tighter credit conditions and damage to consumer confidence in the aftermath of the GFC.



While the new dwelling construction market has started to recover, the renovations market has slumped over recent years. The volume of renovations activity during 2013 reached a ten year low and was about 15 per cent less than the equivalent level in 2010. Renovations activity has been affected by issues around consumer confidence as well as subdued home price growth over much of the past five years. Tight financing conditions involving low residential real estate valuations and the absence of significant home equity accumulation have also exerted a negative impact on renovations activity, with price developments and more stringent home valuation policies by lenders impeding home equity financing.



3. Why are the Housing industry and Financial System so interdependent?

The housing industry is a sector of the economy heavily intertwined with the financial system. For first home buyers and trade up owner occupiers, the majority of the purchase costs of a home are financed through borrowings. Investment homes are crucial to the provision of adequate rental supply, and mortgage financing is a vital part of this market too. Loan financing is also a crucial part of demand for housing renovations, alterations and additions. The high degree of interdependence between the financial system and the housing industry is underlined by the fact that about 66 per cent of the assets of the Australian financial system relate to housing loans.

The creation of the housing product also requires significant input from other areas of the financial system. This includes lending for the acquisition of land, land development, infrastructure provision and, finally, home building activity itself.

Apart from the provision of lending, the financial system is the source of important ancillary products including life assurance, mortgage insurance, and Lenders Mortgage Insurance (LMI). Such products facilitate the home purchase process and allow for certain risks to be shared more effectively between market participants and the financial system. The financial system also acts as an important source of liquidity and day-to-day financing for tens of thousands of small and medium-sized residential construction businesses right across Australia.

4. What would a better financial system look like?

The financial system must be one which supports an optimal level of activity in the housing industry at a competitive cost. This includes the provision of adequate, competitively-priced financing for land acquisition, infrastructure development and dwelling construction, as well as for renovations work. A crucial driver of activity in the market is the provision of a timely and efficient stream of financing for prospective home buyers. The HIA also believes that sharpening competition in the sector would also create a financial system which is more conducive to product innovation and one which drives progress in service delivery and customer needs.

HIA's submission outlines several areas where it is clear the financial services industry falls short of these requirements. These shortcomings relate to the pricing of some products, failure to maximise price efficiencies in other areas, and examples where insufficient productive innovation has acted as an impediment to activity in the housing market.

Australia's financial system needs to:

- Support the delivery of affordable housing in a timely manner;
- Foster sustainable economic growth in Australia;
- Ensure that the financial system achieves its full potential in managing consumers' risks;
- Set prices for loan and insurance products in a competitive fashion;
- Promote a strong culture of innovation and product development in financial services;
- Leverage Superannuation funds in a more effective manner;
- Offer financial products catering for a wider spectrum of risk appetite.

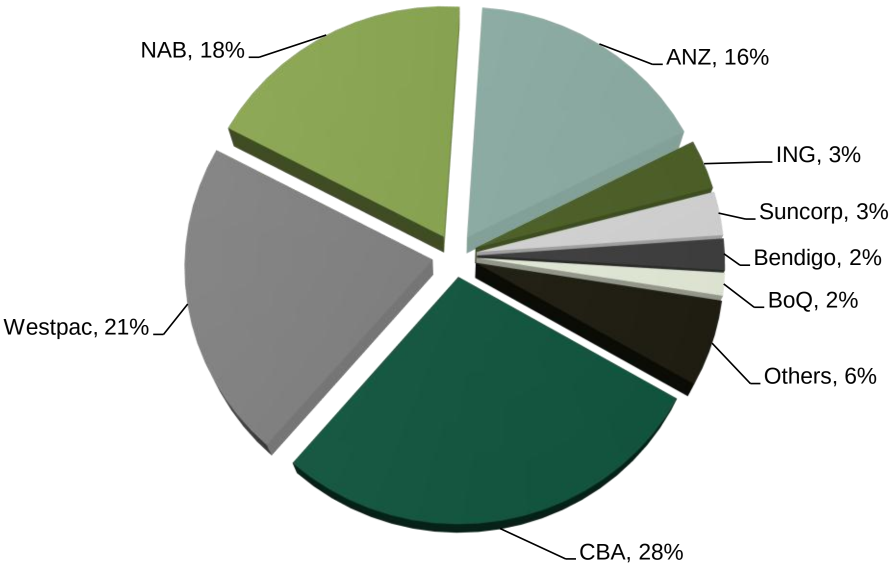
The way in which this can be achieved is set out in the following sections of the submission.

5. Is the financial system delivering competitive outcomes?

In answering this question, it is useful to review the structure of the financial sector as it affects homebuyers. The chart below illustrates the market shares of the owner occupier mortgage market as at February 2014. The so-called 'Big Four' dominate, with CBA, Westpac, NAB and ANZ collectively accounting for about 84 per cent of outstanding loans. The remaining 16 per cent of the market is accounted for by low volume lenders including ING, Suncorp, Bendigo Bank and the Bank of Queensland. A further four lenders (Macquarie, Members Equity Bank, AMP and Citigroup) have market share of around 1 per cent each. This means that just twelve lenders account for the entire market, with the vast bulk of lending activity concentrated amongst the 'Big Four'.

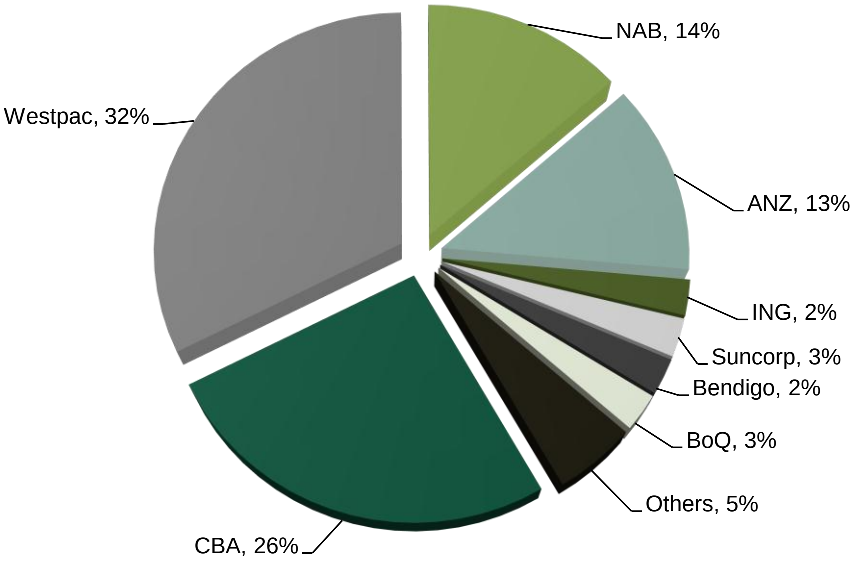
Share of Owner Occupier Mortgage Market by Lender, February 2014

Source: APRA



Amongst the investor mortgage lending side of the market, the structure is very similar. This is as illustrated in the chart below. The 'Big Four' account for 85 per cent of the market, with smaller shares taken by Bank of Queensland (3 per cent), Suncorp (3 per cent), ING (2 per cent), and Bendigo Bank (2 per cent). The remaining 5 per cent of the market is shared between four smaller volume lenders.

Share of Investor Mortgage Market by Lender, February 2014
Source: APRA



In markets where only a limited number of firms compete, poorer competitive outcomes tend to result. The lack of competition means that firms can charge prices significantly above cost without significant loss of market share. Under restricted competition, firms do not need to try as hard to achieve advantage, for example, through product development and innovation. The impact is detrimental to the interests of consumers. There is clear evidence that this is the case with the financial system. Our submission describes some of these market failures, namely:

- Incomplete interest rate pass through;
- Lenders Mortgage Insurance pricing;
- Loan collateral valuation policies.

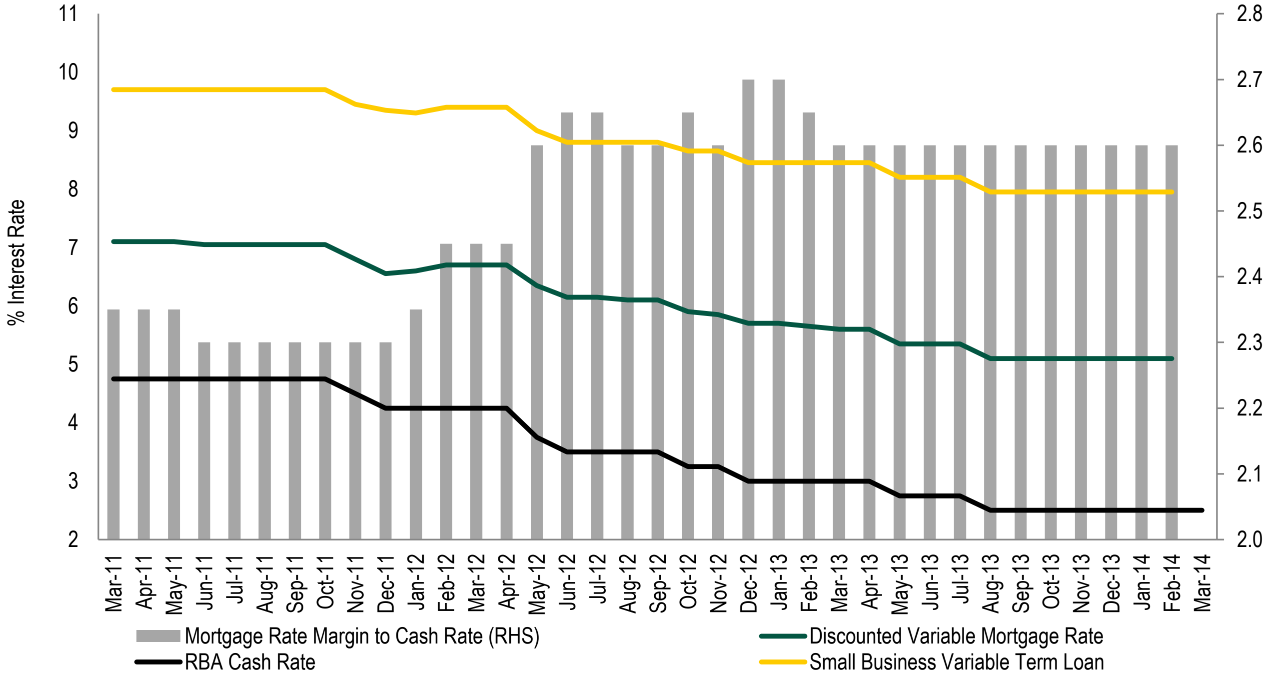
These issues are discussed in detail in the paragraphs below.

Incomplete interest rate pass through

The insufficient degree of competition in the mortgage market was illustrated over the past three years in terms of the linkage between variable mortgage interest rates and small business loan interest rates on the one hand, and the RBA's official cash rate on the other. The chart below shows how the RBA rate has declined by 225 basis points since late 2011. Over the same period, the discounted variable mortgage rate fell by only 205 basis points, with the Small Business Overdraft Rate declining by just 175 basis points over the same period. This widening gap between variable mortgage interest rates and the RBA's cash rate is shown by the grey bars in the graph.

While some of this is explained by more expensive overseas funding costs on wholesale markets, a proportion of the gap may be due to the absence of fully competitive pricing for mortgage and small business loans. It is HIA's view that the Inquiry must assess developments in variable interest rates over recent years. This will help reveal shortcomings in the competitive structure of the financial system, allowing informed corrective action to be embarked upon.

Interest Rates, Australia
Source: HIA Economics, RBA



- RBA official cash rate was reduced by 225 basis points since late 2011;
- Small Business variable term loan fell by 175 basis points;
- Discounted variable mortgage rate fell by 205 basis points.

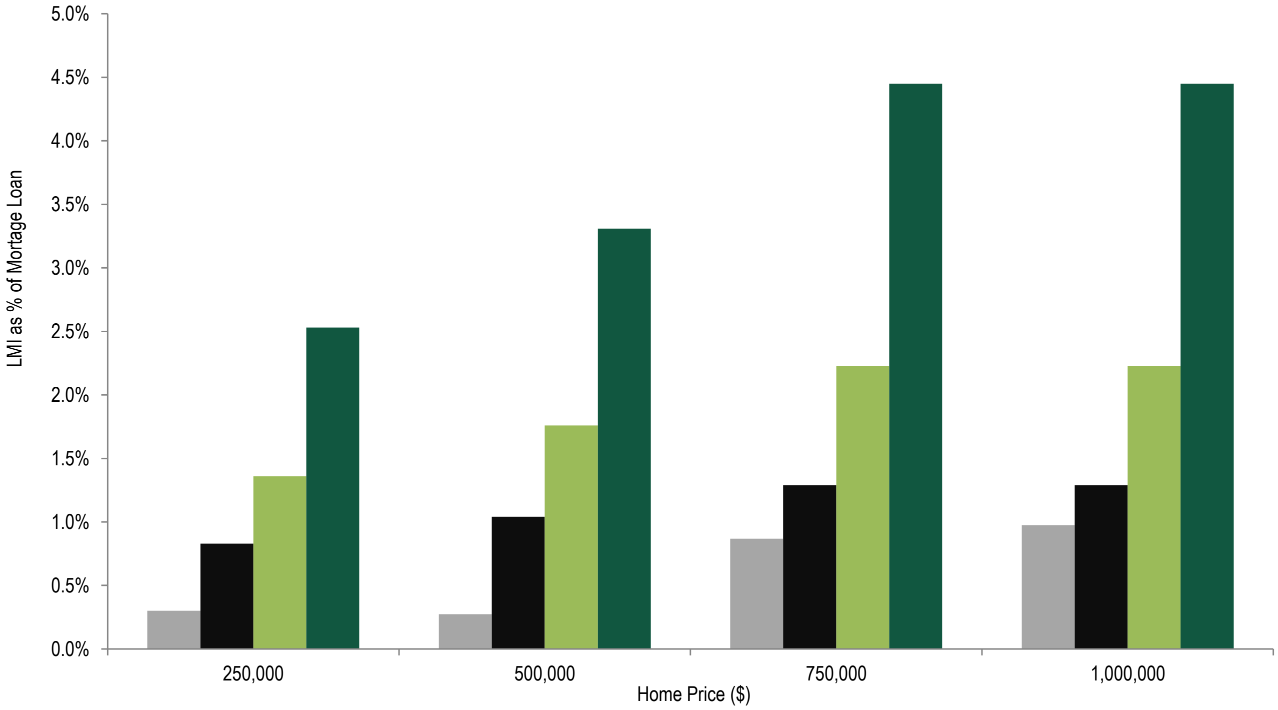
Lenders Mortgage Insurance pricing

The pricing of the Lenders Mortgage Insurance (LMI) product also suggests that the competitive structure of the financial services sector must be improved. The product protects the lender against a loss should a borrower default on the loan and the property is subsequently sold. The insurance covers any loss from the sale where it is not enough to pay off the outstanding loan in full to the bank or lender.

LMI is generally not required in cases when the LVR ratio is below 80 per cent. In the case of loans where the LVR is in excess of 80 per cent, LMI coverage may be a binding condition for the provision of financing. LMI is typically charged to the borrower at the beginning of the mortgage term and may be added to the outstanding mortgage loan, and is then capitalised.

As the chart below shows, the cost of the LMI premium can be substantial relative to the size of the mortgage loan. In the case of larger home prices involving high LVRs, the LMI premium can amount to almost 5 per cent of the loan value.

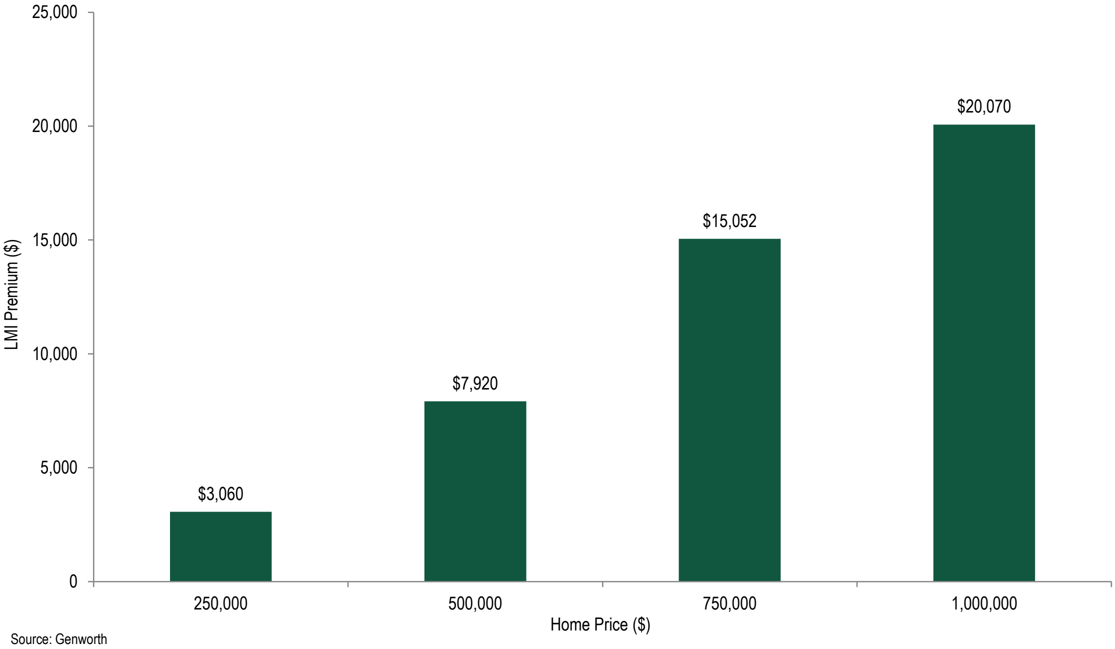
LMI as Proportion of Loan Value according to Home Price and LTV



Source: Genworth

In terms of the actual amounts involved, LMI premiums can be substantial. The chart below illustrates some sample LMI premiums based on a mortgage loan of up to 30 years and a 90 per cent LVR. The LMI for a home valued at $250,000 amounts to $3,060 which is 1.4 per cent of the mortgage loan value. In the case of a $500,000 home, the LMI premium is $7,920 and a premium of $15,092 will apply to a $750,000 home. For a home valued at $1m, the cost of the LMI premium amounts to over $20,000, equivalent to 2.2 per cent of the loan value.

LMI Premium according to Home Price (90% LTV)

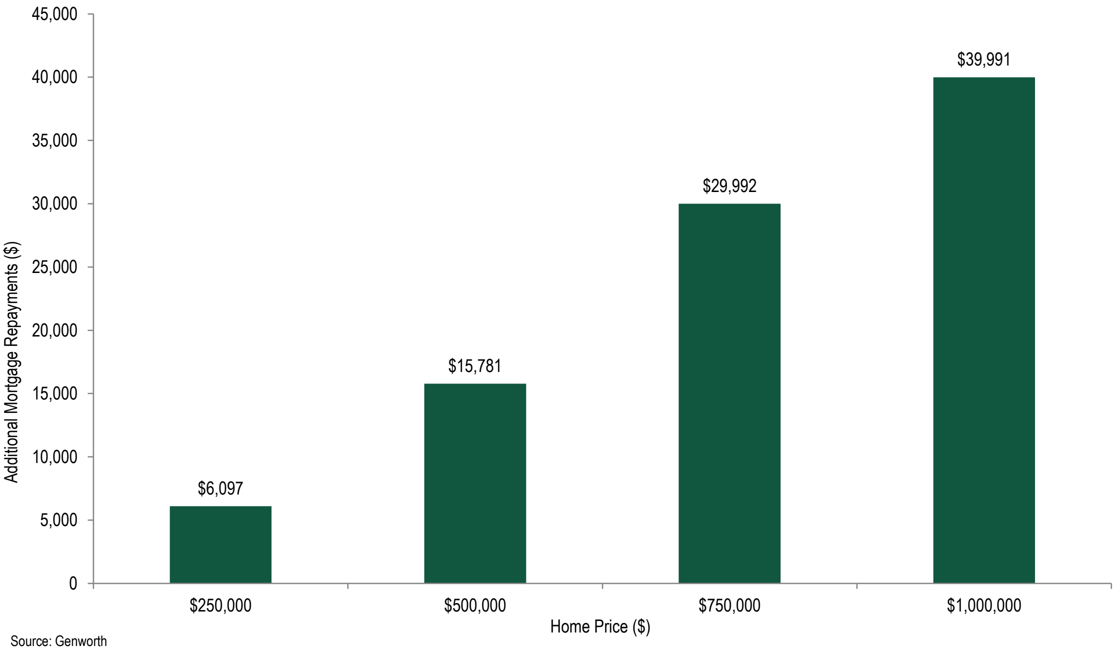


Source: Genworth

Premiums increase in proportion to LVRs and the length of the mortgage term. All else equal, the LMI premium relative to home price increases for homes of greater value.

The burden of the LMI premium is best captured by estimating the additional payments that result over the lifetime of the mortgage resulting from the LMI being absorbed into the mortgage principal. The chart below illustrates the increase in mortgage repayments arising from LMI for a 30 year mortgage with 90 per cent LVR at a discounted variable mortgage rate of 5.4 per cent. The amounts involved are considerable, with total repayments rising by over $6,000 for a $250,000 home and a very significant increase in repayments of about $40,000 on a $1m home.

Additional Mortgage Repayments due to LMI (90% LTV, 30 Year Mortgage Term)



Source: Genworth

We believe that the Inquiry should examine pricing and competition within the LMI market as it lacks a competitive number of suppliers. A Commonwealth-backed LMI scheme similar to that available in Canada should be considered within the terms of the Inquiry.

Loan collateral valuation policies

Another imperfection of the financial system has revealed itself over recent years with regard to the valuations policies employed by lenders, where the loan has involved the use of real estate as collateral.

Standard residential property valuation arrangements fail to recognise positive movements in the value of newly constructed house and land packages and 'off the plan' apartments. This often affects loan applicants, particularly first home buyers hoping to purchase a new residence.

Typically, this approach has taken the form of excessively conservative valuation for real estate assets, such as land, houses and units. This has led to financing shortfalls for developers, builders and prospective home buyers and has contributed to weaker activity in new dwelling construction. The use of overly precautionary-based valuations has also hurt the operation of small businesses, with business assets such as building, plant and equipment receiving valuations well below market value. This has placed severe liquidity pressure on small businesses, given their reliance on debt financing.

The introduction of such onerous valuation techniques by lenders is another firm indication of insufficient competition within the retail and small business banking sectors. The way in which this problem is dealt with will be another test of its effectiveness in delivering a better financial system.

6. What opportunities exist for innovation and product development in the financial system?

Apart from the issues around pricing and valuation policies, the competitive constraints in the financial system weaken the incentives for product development and innovation. Australia has the potential to be a world leader in the area of financial product innovation, particularly in mortgage, housing development and superannuation areas. A key function of the financial system is to act as an efficient conduit between those wishing to save and those planning to undertake major expenditure. The system should also serve to ease the burden of risk from those least tolerant of it, and provide credible vehicles for the accumulation of adequate retirement savings.

HIA believes the post-Inquiry financial system should be one that sharpens the incentives for product innovation. We believe the following areas are ones in which this innovation might take place:

- Leveraging Superannuation funds more effectively
- Fixed interest rate mortgage terms
- Infrastructure funding vehicles
- Residential REITs
- Shared equity mortgages

These potential innovations are discussed in turn below.

Fixed interest rate mortgage terms

A better financial system needs to do more to cater for those homebuyers most sensitive to risk. Under present conditions, mortgage borrowers may enter into a fixed rate mortgage for terms no longer than five years. Thereafter, they will be required to enter into another mortgage loan. This means that there is a risk of their mortgage repayments increasing significantly on expiry of the fixed interest term.

This situation means that potential buyers who are conservative may decide not to enter the market at all, relying instead on private rented housing or social housing provision. The post-Inquiry financial system must be designed so that lenders offer such individuals more options for managing their risk. This will ensure that the more prospective homebuyers are able to enter the market on terms they are comfortable with. The redistribution of risk is one of the key purposes of a well-functioning financial system. Longer term fixed mortgage products would boost home ownership rates and contribute to improved housing affordability, as well as enabling more cautious individuals to enter the market with much greater certainty.

Shared Equity Mortgages

Households at the conservative end of the risk spectrum are effectively locked out of home purchase under conventional mortgage structuring. A good financial system should be able to accommodate those prospective homeowners unwilling to bear all of the risk associated with changes in the value of their property. The availability of Shared Equity Mortgages would allow for changes in the home's value to be shared between the homeowner and the lender. This would likely involve the outstanding mortgage principal being linked to an appropriate residential price index. This product would make home ownership possible for those whose risk preferences are too sensitive for the existing range of mortgage structures. The creation and availability of such a product would widen the rate of home ownership and provide homeowners with the means of reducing the risk exposure associated with debt-financed home purchase. Access to shared equity mortgage arrangements would also assist those struggling with housing affordability challenges to cross the threshold into home ownership. There are already examples of shared equity products in WA (the Keystart programme) and in the ACT (the territory government-sponsored Shared Equity Scheme).

Infrastructure funding mechanisms

Under the current regime, residential land developers are required to meet the costs of social and community infrastructure up front. This charging structure adds to the cost of supplying new units of dwelling stock, thereby undermining the provision of affordable housing. In effect, new home buyers who constitute less than 10 per cent of the population effectively foot the infrastructure bill for the remaining 90 per cent of population. Alternative mechanisms for funding residential infrastructure would significantly enhance housing affordability in Australia, both for new dwellings, but also for existing stock through knock-on effects.

HIA believes that the post-Inquiry financial system must be one which plays its part in making housing more affordable through the development of innovative infrastructure funding mechanisms. We believe that possible solutions to the current infrastructure problem might include:

- Commonwealth government infrastructure bonds: would be tax preferred and would see the Commonwealth Government support state and local governments to build new, and to revitalise existing, infrastructure;
- State government infrastructure bonds, modelled along the lines of the US local authority municipal bonds system;
- Tax increment funding: which a local (or state) government authority would designate TIF areas from which future tax revenues would be used as security against which long-term loans (from the Commonwealth or the states) for capital expenditure could be raised.

Further details on these funding mechanisms are provided in the Appendix.

Residential REITs

Real Estate Investment Trusts, or REITs, are stock exchange-listed companies whose core business is in the ownership and management of real estate. REITs are unique in that rental income accounts for the vast majority of revenue, with also all of a REIT's fixed assets made up of real estate. In Australia today, the existing set of REITs invests in industrial, office, hotel/leisure and retail real estate. Australian REITs do not currently offer exposure to residential real estate.

The post-Inquiry financial system should be supportive of extending the REIT model to residential property. This would have a number of advantages. First, it would lessen the residential property sector's dependence on debt financing and reduce the risk to residential property from stresses in the debt market. The main advantage of Residential REITs would be to ordinary investors wishing to invest in residential property, particularly those on lower incomes. The REIT structure allows for relatively small investments to be made in the sector, without borrowing for funds necessarily having to be undertaken. The REIT investment design is also more suited to those requiring a 'hands off' approach, with all management of the real estate conducted by the REIT's trustees.

The creation of Residential REITs is likely to bring forth a stream of funding to the economy's capital stock that would not otherwise become available given the existing range of retail investment products on the market.

Superannuation funds and product innovation

At the end of December 2013, around $1.8 trillion was invested in Superannuation funds. This represents an enormous resource, roughly equivalent to 114 per cent of GDP. The importance of adequate retirement savings provision has been well documented, as have the problems likely to result from the shortfall in funds which are emerging over time.

Some of the potential product innovations mentioned above would greatly enhance the choice of investment available to superannuation funds. The inclusion of products such as infrastructure bonds and Residential REITs on superannuation menus would allow for greater diversification to be achieved, significantly reducing the funds' overall risk profile at negligible cost.

The greater availability of residential real estate-based investment instruments could encourage people to increase payments into their super funds. This is because the notion of investing in residential real estate has the capability to engage ordinary Australians, in a way that abstract products like stocks and bonds cannot do. The potential exists, therefore, for the development of residential real estate-based securities to whet the enthusiasm of ordinary investors with regard to increasing their superannuation contributions.

During the GFC, the limitations of existing mortgage market financing structures became all too apparent amid the crunch in wholesale markets. In particular, funding available to lenders through Residential Mortgage Backed Securities (RMBS) effectively dried up during the deepest days of the GFC causing severe stress in the market.

There is considerable potential for superannuation funds to ease the dependence of the residential mortgage market on conventional funding channels. The use of superannuation funds to finance lending to the mortgage market would have several attractive characteristics. First, the dependence of the mortgage sector on wholesale financing would be reduced by such a change. Second, this structure would provide superannuation investors seeking low risk with an opportunity to receive a somewhat higher return than would be received by investing in government bonds and other low risk investments.

7. Does Australia's financial system really need tougher prudential regulation tools?

Over the past six months or so, there has been widespread discussion of the possible role for macro prudential tools in managing Australia's financial system. This has been prompted by the perception in some quarters that excessive price growth is occurring in the residential property market, as well as the fact that similar tools were introduced by the Reserve Bank of New Zealand (RBNZ) last year.

With respect to HIA's vision for a better financial system, systemic risks need to be minimised given the unique role of the financial system in the functioning of the economy. However, we note that excessively onerous regulations could have the effect of stifling activity in the housing industry. Indeed, much of the weakness in the sector over the past five years has stemmed from excessive risk aversion by lenders. This has exacerbated the shortage of housing stock and undermined the achievement of more housing supply in Australia.

In the case of New Zealand, the RBNZ introduced restrictions on residential mortgage lending last October. Mortgage lenders were required to restrict new residential mortgage lending with LVRs over 80 per cent to no more than 10 per cent of the value of residential lending. The RBNZ's own assessment of the policy found that it had the same effect on economic activity as a 25 basis point increase in its key interest rate.

In Australia, it has been suggested that banks may be required to run more rigorous stress tests on mortgage loan applicants. This would involve, for example, loan financing only being provided to applicants capable of withstanding a 4 percentage point increase in mortgage interest. There is no doubt that such a policy would have a similar effect to significant monetary tightening at a time when the economy is growing below trend. The objective of housing affordability would also be undermined by tighter prudential regulation standards, and it is important that the Inquiry examines the substantial risks involved in implementing tighter prudential regulation standards.

8. How can we measure the effectiveness of the Financial System Inquiry?

In this submission, we have outlined the specific ways in which we would like the financial system to evolve following the completion of the Inquiry. HIA believes that progress in the financial sector can best be gauged by tracking several market indicators. These include:

- Share of owner occupier/investor mortgage market accounted for by the 'Big Four';
- Cost of LMI premium for 90 per cent LVR mortgage of less than 30 year duration;
- Number of mortgage products offering fixed interest terms of 10 years, 15 years and 20 years;
- Number of Shared Equity Mortgage products on the market;
- Number of residential infrastructure bonds in issue;
- Number of Residential REITs in issue;
- Number of Superannuation Funds involved in mortgage landing.

The set of monitoring indicators may be expanded based on the Inquiry's final report

9. Conclusion

This submission to the Inquiry has described the importance of the financial system to the housing industry, and the unique linkage between the two sectors. The housing industry has suffered almost a decade of chronic underbuilding exacerbated by challenges arising from the finance availability for home lending, small business lending, residential development and infrastructure funding. The Housing Industry Association believes that the improved, post-Inquiry financial system should:

- Support the delivery of affordable housing in a timely manner;
- Foster sustainable economic growth in Australia;
- Ensure that the financial system achieves its full potential in managing consumers' risks;
- Set prices for loan and insurance products in a competitive fashion;
- Promote a strong culture of innovation and product development in financial services;
- Leverage Superannuation funds in a more effective manner;
- Offer financial products catering for a wider spectrum of risk appetite.

Currently, the so-called 'Big Four' banks account for around 85 per cent of the mortgage market. Highly concentrated market structures have been repeatedly shown to result in less competitive outcomes for the consumer. Recent evidence of this includes:

- Incomplete pass through of RBA interest rate reductions to mortgage and small business borrowers;
- Unsatisfactory collateral valuation policies for loans secured by real estate;
- Excessive pricing for Lenders Mortgage Insurance (LMI) premiums; and
- Limited product development and innovation in the sector.

HIA further believes that the sector's competitive shortcomings should be dealt with by:

- Fully investigating the recent interest rate pass through policies of the Big Four banks in terms of both mortgage and small business loans;
- Exploring the possibility of introducing government-backed Lenders Mortgage Insurance schemes; and
- Investigating the behaviour of lenders relating to the valuation of real estate used as security.

In setting its vision for the future of the financial system, we believe the Inquiry should aim to make Australia a world leader in the area of financial product innovation. The development of new products has the potential to greatly enhance the effectiveness of the market and to allow households to better manage the risks involved in buying a home.

Furthermore, small businesses make up the bulk of companies active in residential construction and these can benefit from improved competitiveness and product innovation in the financial system.

We believe the Inquiry should focus on fostering innovation with respect to:

- Fixed interest rate mortgage terms;
- Shared equity mortgages;
- Infrastructure funding vehicles;
- Residential REITs; and
- Leveraging superannuation funds.

Recently, there has been widespread discussion of the possible role for macro prudential tools in managing Australia's financial system. We would be concerned that excessively onerous regulations could have the effect of stifling activity in the housing industry and ending the fragile recovery currently underway.

Appendix: Summary of Housing Infrastructure Funding Methods

Commonwealth Government infrastructure bonds, which would be tax preferred, and would see the Commonwealth Government support state and local governments to build new, and to revitalise existing, infrastructure. The issuing of federal government bonds to fund the residential infrastructure requirements of selected new residential developments, or to fund a proportion of the residential infrastructure required for all new residential developments, would help ensure that projects proceed and that new home buyers are not burdened with excessive charges.

State and local governments would be required to offset the reduced cost of loan raisings by lowering the level of development charges applying to new residential development, including in-fill development.

While the bonds in question would offer inducements, such as preferential taxation treatment which incur a cost to the government, the additional offering required to meet infrastructure needs would represent a very small percentage of total bond issuance. Such a bond program would be attractive to institutional and self-managed superannuation funds, although the tax treatment of borrowings may need to be considered for self-managed funds.

Bond interest and capital repayments are financed primarily through charges on the infrastructure's users, which would be regulated objectively, with any increases linked to transparent metric such as the CPI.

The range of eligible projects for support by the issuing of bonds could be aligned with the various capital city strategic plans.

Developing a market that incorporates residential infrastructure creates the opportunity to 'bring the community on board' by implementing a framework allowing the offering of bonds to the household sector as well as to institutional and wholesale investors.

State Government infrastructure bonds modelled on the lines of the US local authority municipal bonds system.

The municipal bond funding model that operates in the US enables governments to raise long term debt to fund investment in long lived infrastructure by issuing 'muni-bonds' in public capital markets. This enables government to fund investment in infrastructure to meet the needs of the community today and into the future. Muni-bonds are attractive to investors as the interest income they receive is exempt from federal and most state taxes.

Tax Increment Financing (TIF) under which a local (or state) government authority would designate TIF areas from which future tax revenues would be used as security against which long-term loans (from the commonwealth or the states) for capital expenditure could be raised. Tax Increment Financing (TIF) is widely used for urban renewal funding and delivery in North America. TIF is a 'value capture' model whereby a portion of the increase in the value of property that is created in an urban renewal area is used to repay the cost of investing in public infrastructure up-front. The TIF model as it is applied in the US temporarily diverts increases in tax revenue attributable to a TIF project (referred to as the 'tax increment') to pay for the infrastructure improvement of that specific project.

The key characteristics of TIF include;

Infrastructure and service improvements are planned within a defined area.

- TIF improvements are designed to attract private developers to invest in specific projects in the district, thereby leveraging public investment.
- Tax revenue increases resulting from the improvements pay for the improvements, so no new taxes are created.
- TIF revenue can only be used in the TIF District for pre-determined improvements;
- TIF funding is intended to work with other existing public and private funding sources to attract new investment to the District.
- Once the cost of the improvements have been fully repaid (typically over 20 to 25 years), the full tax revenue stream returns to the original taxing authority.