

SENATOR DOUG CAMERON – QUESTIONS ON NOTICE

**Senate Economics Legislation Committee – Inquiry into:
National Housing Finance and Investment Corporation Bill 2018 and;
National Housing Finance and Investment Corporation (Consequential Amendments
and Transitional Provisions) Bill 2018**

QUESTIONS ON NOTICE

- 1. Several submissions to the Committee inquiry express a preference for the NHFIC's Board of Directors to contain representation from the CHP sector.**

Does SGCH believe this representation should be mandated, or does the appointment framework outlined in the Bills suffice?

SGCH considers that to improve housing outcomes there must be a primary focus on loans, investments and grants into social and affordable housing. On this basis we would suggest that it benefits the objective of the NHFIC to have a Director or Directors with experience and expertise related directly to social and affordable housing and the economics and social benefits of related projects. We also note that the risk exposure of the NHFIC will primarily come from the operational management of counter parties and it is therefore advantageous to have a Director or Directors with experience and expertise related to operational management of social and affordable housing. It would consequently be relevant to have representation from the CHP sector or persons who have worked directly with the CHP sector on significant transactions through which relevant expertise and experience has been gained.

The current appointment framework in the Bill does allow for such an appointment on the basis of 18 (2) (c), though this could be strengthened by requiring at least one Director with relevant skills and experience in social and affordable housing gained from the CHP sector.

- 2. SGCH's submission explicitly acknowledges that the longer term utility of the AHBA will be diminished if the yield/funding gap is not address.**

Has SGCH identified policy initiatives that have the potential to complement the NHFIC in delivering increased levels of affordable and social housing at scale in Australia?

SGCH considers that the establishment of the NHFIC, and in particular the AHBA, is an important step in addressing the need for affordable and social housing in Australia. We strongly commend this initiative to the Senate Inquiry and urge expedient consideration and approval of the Bills to create certainty for the market that this financing mechanism will be available in a timely manner.

As we have identified in our submission, whilst an important lever, efficient financing will not in and of itself address the yield gap sufficiently to generate substantial increases in the level of affordable and social housing. SGCH considers that generating a significant scale of new social and affordable housing requires a range of policy levers and that all three tiers of government in Australia (Federal, State, Local) have a role to play. We also note the importance of creating a stable policy environment with commitment to predictable and replicable funding.

The McKinsey Global Institute's "A blueprint for addressing the global affordable housing challenge" (McKinsey Global Institute, 2014) identified four key cost-reduction levers; land, development, operation and financing.

We have provided brief examples of these levers below.

Land

Possible policy levers	Example	Who controls this lever
Land contributions – land that is gifted or partially gifted.	The South Australian Government has contributed land for the delivery of social and affordable housing.	Commonwealth, State or Local government with regard to their own land holdings.
Concessional land – land that is priced with regard to the affordable housing outcomes rather than a very simple highest and best use.	The City of Sydney has sold two sites to SGCH where the specified affordable housing outcomes have been taken into account when setting the land sale price.	Commonwealth, State or Local government with regard to their own land holdings.
Inclusionary zoning – requiring affordable housing which impacts residual land values and is factored into development viability.	In South Australia planning policy requires that all new significant developments should provide 15% affordable housing.	State and / or Local Government
Planning bonuses and concessions	In NSW the State Environmental Planning Policy (Affordable Rental Housing) 2009 (AHSEPP) has an intent to increase the supply and diversity of affordable rental and social housing.	State and / or Local Government
Infrastructure support – for example, reducing or	Councils in NSW may levy contributions upon a	Commonwealth, State or Local government

<p>waiving infrastructure levies or costs for affordable housing.</p>	<p>development where that development generates an increased demand upon Council's services and facilities.</p> <p>This power is intended to meet the cost of increased demand for community infrastructure as a result of new development.</p> <p>Some councils have waived these 'Section 94' contributions for CHP's where the development is providing social and affordable housing,</p>	
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Development

Possible levers	Example	Who controls this lever
Retaining the development margin by having the long-term owner also undertake development.	SGCH is one of the largest developers of social and affordable housing in NSW with over 800 units in our development pipeline. As a CHP that develops to hold we are able to retain the development margin which is a critical factor in project viability.	CHP
Tax concessions	GST concessions (Commonwealth) and Stamp Duty concessions (State) are important sources of subsidy in the development of social and affordable housing.	Commonwealth and State

Operation

Possible levers	Example	Who controls this lever
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Recurrent revenue enhancements from government.	Programs such as the National Rental Affordability Scheme (Commonwealth) and the Social and Affordable Housing Fund (NSW) have assisted SGCH to secure private sector financing to deliver over 800 units of new social and affordable housing in metropolitan Sydney.	Commonwealth and State
Operating at scale and with efficiency.	A strong regulatory system and government commitment to growing the role of CHPs in NSW has led to expansion of the sector and growth in capacity and efficiency.	Commonwealth / State for policy settings committing to growth and CHP's for operation.

Financing

Possible levers	Example	Who controls this lever
Capital grants - where someone puts in capital with no return requirements.	<p>The Nation Building Economic Stimulus Plan— Social Housing Initiative was a substantial investment from the Commonwealth that was delivered by the States. Where housing produced under this program was subsequently granted (vested) to CHPs (as it was in NSW) it is being substantially leveraged to create new social and affordable housing.</p> <p>There are also numerous examples of government capital grant schemes that</p>	Commonwealth, State or Local

	have delivered new social and affordable housing.	
Efficient debt structures	The Clean Energy Finance Corporation has provided a \$170 million master debt facility to SGCH Sustainability to support the delivery of new social and affordable housing	Commonwealth and State can contribute to policy settings that encourage efficient debt structures. Financiers (including NHFIC when established).
Credit enhancement – Where government provides support that underwrites part or all the debt.	This is what is being proposed through the National Housing Finance Investment Corporation Bond Aggregator with a government guarantee.	Commonwealth and State