



Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
economics.sen@aph.gov.au

National Housing Finance and Investment Corporation Bill 2018

National Housing Finance and Investment Corporation (Consequential Amendments and Transitional Provisions) Bill 2018

Thank you for the opportunity to comment on the draft legislation for the National Housing Finance and Investment Corporation.

We strongly support the establishment of the NHFIC and are keen to see it operating as soon as possible. In our view, these two Bills provide an appropriate framework for the NHFIC's operations, without amendment.

The proposed operating arrangements

The operating arrangements for the NHFIC rest on the clear statement of objectives in section 3 of the draft legislation, the establishment of an independent Board, and reliance on a broad investment mandate from the Minister to guide the NHFIC's operations. These arrangements are underpinned by the requirements of the *Public Governance, Performance and Accountability Act 2013*. We particularly welcome the emphasis on the social and affordable housing sector in the objectives set out in section 3, and the specific reference to developing the scale, efficiency and effectiveness of Australia's community housing sector.

The NHFIC Board

The appointment of Board members with a range of skills and experience (clause 18) will provide sufficient expertise to ensure that the NHFIC delivers on its objectives and fulfils its purpose. Appointing board members with solid knowledge of the affordable housing sector

will be important in ensuring that the NHFIC's focus remains squarely on delivering additional supply of affordable housing as well as an overall increase in housing supply.

We encourage the government to announce the Board appointments as soon as possible in order that the NHFIC can progress key policy work and senior staff appointments in advance of the proposed 1 July 2018 start date for the NHFIC.

The investment mandate

The use of an investment mandate to direct the Board about strategies, policies and decision-making criteria strikes an appropriate balance between protecting the interests of government and ensuring the Board has sufficient autonomy to properly discharge its responsibilities under this legislation. We consider that an investment mandate has a distinct advantage over regulation; it will enable the government and the NHFIC to respond more much more quickly to any adjustments needed as the NHFIC evolves. This will be particularly important in the first couple of years of operation.

However, the broad direction set out in the investment mandate will need to be augmented by more policy detail on project eligibility, conditions for grants and loans, compliance and reporting requirements, and so on. We look forward to the opportunity to provide input to these policies as they are developed.

The Bond Aggregator

We support the establishment of a Bond Aggregator facility as part of the National Housing Finance and Investment Corporation. There are some matters in the draft investment mandate relating to the Bond Aggregator which require further clarification. These include whether the Bond Aggregator can lend to a registered community housing provider which is part of a Special Purpose Vehicle established to undertake development. For example, some projects which would be large or complex for an individual community housing organisation could be handled by a consortium of community housing organisations or in partnership with a developer. Further matters under discussion are the nature of security which will be required of borrowers accessing Bond Aggregator lending.

We welcome the provision of a guarantee by the Commonwealth government under clause 51, which will help reduce the cost of finance from the Bond Aggregator. The investment mandate proposes a cap of \$2 billion on the guarantee, which can be extended by the Minister. We suggest the government consider lifting the guarantee cap to \$3 billion as a way of signalling to the investor market the Government's strong commitment to both the NHIF and the AHBA borrowings.

Infrastructure Funding facility

Making infrastructure funding available to registered community housing providers will be very useful, whether they are undertaking developments alone or in partnership with other organisations via a special purpose vehicle. Access to infrastructure loans or grants would enable community housing providers to undertake small infrastructure projects (for example, site remediation or demolition, or road access into infill developments) in preparation for residential construction facilitated by Bond Aggregator financing. Where community housing providers are members of a special purpose vehicle which is funded by the NHFIC to undertake infrastructure works, it will be important to ensure that the community housing provider has a significant role in the SPV and the development project. The objects of the Act (to advance the community housing sector and to advance the supply of social and affordable housing) provide a framework within which the investment mandate can ensure that this is the case.

This draft legislation requires the NHFIC to have regard to whether its funding will increase overall housing supply, and particularly the supply of social and affordable housing. The investment mandate further requires the NHFIC to satisfy itself on the impact of a project on affordable housing supply. The focus in this draft legislation on advancing the development of the community housing sector means that the additional supply will also include affordable rental housing, not solely affordable homes for purchase by owner occupiers. This is a welcome inclusion which will be important in retaining the housing generated via the NHFIC funding as affordable housing over the longer term.

Delays in getting infrastructure into new estates is a key factor in rising lot prices which can be directly addressed by the NHFIC's infrastructure funding facility. There is some urgency in addressing the infrastructure backlog in greenfield developments, particularly in Melbourne and Sydney where lot prices for new land have escalated dramatically over the past five years. Recent reports suggest lot prices on Melbourne's fringe have risen by \$100,000 over the past year to almost \$350,000. Even where affordable housing providers do not receive NHFIC funding directly, they could be expected to receive a flow-on benefit from the impact that the NHFIC funding has on reducing infrastructure delays and suppressing further growth in lot prices.

The payment of an annual dividend to the Commonwealth

We note the provision in clause 49 for the NHFIC to provide annual advice to the Minister about whether the NHFIC will pay a dividend to government. We expect that the objective of increasing the supply of housing would take priority over the return of any dividend from NHFIC activity to the government.

Transparency and accountability.

The *Public Governance, Performance and Accountability Act 2013* sets out requirements for Commonwealth corporations such as the NHFIC in terms of strategic and business planning requirements, performance frameworks and requirements in annual reporting to the Minister. We consider that the NHFIC's credibility would be enhanced by frequent, regular public reporting on its activities, both in relation to the Bond Aggregator and the National Housing infrastructure facility.

This submission was prepared with input from the New South Wales Federation of Housing Associations and the National Affordable Housing Providers Association.

Please do not hesitate to contact me on [REDACTED] if you require further information.

Yours sincerely



Peta Winzar
Executive Director
13 April 2018