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:

Department of the Treasury –

1. What is the assumed increase in the supply of social and affordable housing that the AHBA by itself will generate? Please provide by the following breakdown:

    a) Affordable housing dwellings?
    b) Social housing dwellings?

- Treasury has not assumed an increase in the supply of social and affordable housing resulting from the AHBA. The report, *Establishment of an Australian affordable housing bond aggregator*, prepared by Ernst and Young for the Affordable Housing Implementation Taskforce presented scenarios on savings generated based on different bond issuances. The report noted that the AHBA could generate savings of around $56 million in the medium term. The extent to which these savings translate into supply depends on many variables such as: how the funds are used (retire debt, maintenance or construction); how such funds are combined with other funding sources; location; and the mix of social and affordable dwellings.

2. The Affordable Housing Working Group's report entitled 'Supporting the Implementation of an Affordable Housing Bond Aggregator' highlighted that:

    "a bond aggregator *by itself* will not lead to a substantial growth in affordable housing.

    Reforms that address the funding gap (or the disparity between the cost of providing affordable housing, compared to the returns which can be generated) will help providers to increase the scale of their activities and create a pipeline of supply for the bond aggregator, and expansion of the community housing sector as a pathway beyond public housing." [pg.1]

    What benefits to the supply of social and affordable housing in Australia will be delivered by the bond aggregator, in the absence of measures to address the funding gap?

- The AHBA is intended to alleviate the financing challenge faced by the CHP sector by providing longer-term finance at a lower cost than CHPs would otherwise be able to access. This will provide CHPs with a more efficient source of funds and reduce the refinancing risk faced by CHPs. As noted above, this could generate savings of around $56 million in the medium term.

- The Affordable Housing Working Group report, *Supporting the implementation of an affordable housing bond aggregator*, noted that addressing the funding gap will require ongoing support from all levels of government.

3. Has Treasury commissioned or produced any modelling on the number of additional affordable or social housing dwellings the AHBA would generate under alternative policy conditions? If so, which policies were modelled?

- The report, *Establishment of an Australian affordable housing bond aggregator*, prepared by Ernst and Young for the Affordable Housing Implementation Taskforce considered policy options for establishing the AHBA, including the Government guaranteeing the AHBA's bond issuances.
- Treasury has not undertaken modelling on alternative policy conditions.

4. Has any assessment been made or modelling done of which income or household groups will benefit from increased access to social or affordable housing the AHBA by itself will generate?

- The beneficiaries are determined by income and other relevant thresholds specified by each jurisdiction for access to social and affordable housing as well as the criteria set by CHPs.

5. At what personal or household income level will the 'funding gap' be too great that CHPs cannot feasibly provide social or affordable housing even after accounting for the financing benefits provided by the AHBA?

- This question is best addressed by CHPs because their funding circumstances can vary from project to project.

6. Have Treasury conducted any recent discussions or consultation with community housing providers on what additional policies could work in tandem with the AHBA to address the 'funding gap'? If so, when did those discussions or consultations occur?

- Treasury's consultations with CHPs have focused on the establishment of the NHFIC.

7. Has Treasury provided any advice to government about addressing the 'funding gap' identified in the Affordable Housing Working Group's report? When was the advice provided?

- Treasury has provided advice to the Government on the Affordable Housing Working Group reports in 2016 and 2017.

8. Section 12 of the NHFIC Act provides that the Treasurer must make an investment mandate directing the Board in relation to NHFIC's functions.

   Under the Administrative Arrangements Order (AAO), does the Department of the Treasury administer legislation that contains an investment mandate (IM) or like instrument (Mandate Direction) that is not subject to disallowance by the Parliament such as the one provided for in the NHFIC Bills?

If yes, which legislation?

- No. However, Treasury is aware that the Department of Environment administers the *Clean Energy Finance Corporation Act 2012* which contains an investment mandate that is not subject to disallowance by the Parliament.

- Treasury has drawn on its experience of establishing the Clean Energy Finance Corporation in setting up the National Housing Finance and Investment Corporation.

9. Will amendments to *Legislation (Exemptions and Other Matters) Regulation 2015* be required for the NHFIC's investment mandate to be a properly made legislative instrument?

- No, subsection 8(2) of the *Legislation Act 2003* and subsection 12(1) of the Bill provide that an investment mandate will be a legislative instrument.

10. Under the existing Exposure Draft Investment Mandate, will a registered community housing provider (CHP) that is part of a Special Purpose Vehicle established for the purposes of undertaking development be able to access funding sourced from the AHBA?

- A CHP that is part of a Special Purpose Vehicle could potentially access funding sourced from the AHBA. However, the CHP would need to meet the eligibility criteria specified by the NHFIC and consistent with the investment mandate.

- In the case of a development project undertaken by a Special Purpose Vehicle, AHBA funds are only available for the CHP share of the development project and not the entire development project.

11. As neither the NHFIC Bills nor the Exposure Draft Investment Mandate specifies the nature of the security required for borrowers to access AHBA lending, how and where will the nature of such security be determined?

- Security requirements for financing will be determined by the NHFIC on a case-by-case basis.

12. Do the NHFIC Bills prohibit the National Housing Infrastructure Facility (NHIF) from using funds raised through the issuing of bonds by the AHBA?

- The AHBA will be funded through the issuance of bonds in commercial markets. The NHIF will be funded through Budget appropriations. The NHIF is expected to be a perpetual fund which willreinvest repaid principal and interest earnings and cover its operating costs in the medium term.

13. How will capital raised through the issuing of bonds for the purpose of lending through the AHBA be secured? i.e. Via a financial institution or other mechanism?

- The Export Finance and Insurance Corporation (Efic) will initially raise funds in the capital market on NHFIC's behalf. Treasury is working on the details of the arrangement with Efic.