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## National Affordable Housing Consortium Ltd

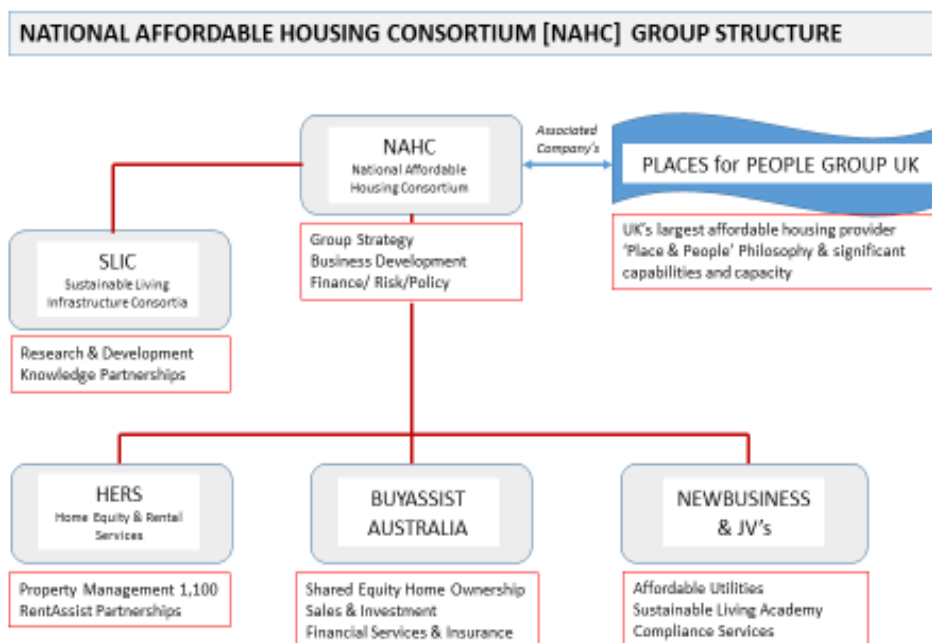
18<sup>th</sup> December 2017

Senate Standing Committees on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Committee,

### RE Treasury Laws Amendment (National Housing and Homelessness Agreement) Bill 2017 [Provisions]

#### About NAHC:



The National Affordable Housing Consortium is a Not For Profit Company and endorsed Charity. It was incorporated in November 2008.

In the last 8 years NAHC has worked with developers, financiers and investors to co-ordinate the delivery of 3,583 new affordable rental homes under NRAS, attracting over \$1.4B in private investment. In doing so we have created strong community-business partnerships that are capable of adding thousands of additional affordable units to meet community need.

The pre-requisites for delivering affordable housing, across the needs-continuum, at scale and through an alliance of the best of industry, finance and community, are:-

- sound and reliable Government policy settings
- adequate and predictable subsidy arrangements
- an infrastructure approach to investment and long term holdings and:
- an alignment of activity across the 3 levels of Government through a revamped NHHA

As well as facilitating new housing on the ground, NAHC invests in research and development and has developed new models to assist social housing reform and pathways between the social and market systems and pathways from renting to buying. We research and address areas of market failure through commercially sound models, influencing policy settings and through an ability bring together partners that operate at scale.

NAHC expects to continue to play a leading role in social and affordable housing reform, renewal and increasing housing opportunities between social and market system. Above all, NAHC expects to add to the further growth in supply, which is essential if we are to address the underlying imbalance in the market.

## **GENERAL INTRODUCTION: JOINING THE DOTS**

The Australian Government announced a range of measures in its 2017-18 Budget under its 'Comprehensive housing affordability plan for all Australians', including proposed reform of the NAHA [NHHA] and the introduction of some additional Commonwealth infrastructure aimed at increasing investment in social and affordable housing.

NAHC and its partners have already provided submissions on the proposals for increased CGT concessions and Managed Investment Trust arrangements for affordable housing and on the National Housing Finance and Investment Corporation

This submission to the Senate Committee addresses the NHHA, but should be considered alongside those other reforms.

It is essential that the Australian Government effectively join the dots across these policy and financing mechanisms.

Whilst the two prominent financing mechanisms, the Finance Corporation and MIT might enable significant investment in affordable housing via debt and equity respectively. These mechanisms will fail or fall far short of their potential if we do not put into place the necessary policy underpinnings through the NHHA Multilateral and the required subsidy provisions via NHHA Bi-laterals and the Infrastructure Fund.

Long term debt and equity finance is simply not going to be attracted if there is a lack of Commonwealth/State policy agreement and a lack of long term adequate and reliable subsidy.

The sector and industry are not likely to invest in an ability to deliver the 100,000 new social and 100,000 new affordable homes required over the next decade without a clear commitment by Government to evidence-based supply, affordability and funding targets that must underpin any 'Comprehensive Plan'.

## **NHHA**

NAHC is in favour of significant reform in the way that the Commonwealth and States finance and subsidise housing outcomes.

The real value of Commonwealth support for social housing has fallen substantially since 1996, and this funding gap has meant greater unmet needs across our community.

It is also true that the resources that have been provided by the Commonwealth have not led to any additional pool of homes being made available to those in need. Indeed without the Stimulus Funding, the decline would be even greater.

Reform is clearly needed. Despite nearly \$1.5 billion in Commonwealth funding per year to the States, the number of social housing units has fallen and the underlying problems with housing supply and quality has worsened. The current arrangement is failing to address growing need and growing housing stress.

To meet the housing needs of communities across Australia, it is NAHC's view that both the multilateral and bilateral portions of the National Housing and Homelessness Agreement must focus on supply and should ensure adequacy and transparency of funding.

### ***The Multilateral Agreement***

Toward the achievement of these objectives, NAHC recommends that the multilateral portion of the Agreement clearly sets out system-level Principles that will guide the structure of the arrangement and its implementation.

A list of suggested system-level **Principles** has been included with this letter (see attached "A Conceptual System Framework for Housing Assistance".)

The multilateral portion of the Agreement should also include two sets of reportable performance indicators:-

- (1) **Priority Supply Targets** [see further discussion below] and;
- (2) General Performance Indicators

One of the shortcomings of the NAHA was that it set out very broad targets that were not realisable given the mismatch between the limited funding and industry-wide scope of the Agreement. These fabulous aspirations had the downside of setting NAHA up to fail.

The untied nature of the funds also removed a bedrock of expected State investment. Not that the community could every really see clearly if and what each State was contributing.

This has led NAHC to advocate for a more simple and transparent set of measures. The most important is new and additional housing supply to meet the continuum of need. Funding needs to be prioritised towards increasing social & affordable housing supply.

The multilateral portion of the Agreement must also clearly articulate how the national infrastructure is to be arranged and funded. Otherwise these important institutional reforms will also fail.

To avoid failure, we believe the parties must agree to the relationship between the Bond Aggregator targets, Managed Investment Trust targets and the targets intended to be delivered by the NHHA.

The articulation of these relationships must be presented in a manner that is structured and funded. Without agreement as to the delivery formula as between each of these pieces, there will be no certainty of scale or outcomes.

In relation to funding the national infrastructure, NAHC proposes the following:

1. *Subsidies to support National Infrastructure*: NAHC supports the creation of a Bond Aggregator and welcomes MIT as a mechanism for investment. These mechanisms have the potential to generate a significant supply increase. However, opportunities will be missed and these mechanisms will not fully deliver without appropriate subsidies. In a separate submission to Treasury, we have discussed steps required to sufficiently incentivise the MIT mechanism. Research by AHURI and the NSW Federation of Housing Association demonstrates that the bond financing alone will not sustain the housing that is created. The income stream generated on the housing will be insufficient to service the construction debt or to cover the costs of services associated with the housing. Subsidies are crucial to ensure that any housing created through the bond financing is for the target clients.
2. *Centralised Housing Regulation and Regulator*: national regulation and a national, centralised regulator are also critical to track spending and to ensure that the entities receiving the funds have the capacity to deliver the supply targets. Centralised regulation will also provide confidence to bond aggregator and MIT investors.

NAHC has proposed that the Commonwealth establishes a National Affordable Housing Fund in addition to NHHA to support the scale of investment the Bond aggregator and MIT arrangements need to deliver. This could sit within or alongside the Infrastructure Fund within the NHFIC.

If additional funding is not forthcoming, NAHC suggests that funding for the Bond and MIT subsidies and for the regulator could be achieved through ‘**top-slicing**’ a portion of the total funding, for instance \$300 million of the total \$1.5 billion.

### ***Bilateral Agreements (i.e. Schedules)***

The schedules to the Agreement should consist of supply targets set by each State for each ‘category’ of housing across the housing need spectrum: crisis, public, community, affordable rental, affordable home ownership, etc. The following will also be set out:

- Targets apportioned over 3, 5 and 10 year terms.
- Commonwealth funding allocated to each target.
- Against each target, the State will identify how it will enhance outcomes through its available mechanisms including joint ventures, renewal, inclusionary zoning, or use of government land.

A simplified example schedule has been included with this letter.

The supply targets agreed by each state will be based on quantitative assessments of need.

By allocating funds to specific, clearly defined targets, stakeholders will be able to confirm that the funding is adequate to achieve the targets and if not adequate, what the gap is. This will enable better public policy debate and improve public accountability.

Importantly, setting targets will also permit simplified tracking and reporting. Results should be published annually in a format that is accessible and consistent with previous cycles of investment.

Stakeholders will be able to confirm that the provided funds are resulting in the intended supply: “Dollars In, Houses Out.” States will also be able to track their own performance and their performance compared to that of other states.

We thank you again for the opportunity to raise these issues with you and invite you to contact me at any time to discuss NAHC’s recommendations further.

Mike Myers  
Managing Director  
National Affordable Housing Consortium

Enclosures: Sample NHHA Schedule

## A conceptual system framework for housing assistance

### System-level principles

- 1. Adequacy:** *can meet community need to an acceptable standard*
- 2. Accessible:** *the full service system can be readily accessed in person or electronically*
- 3. Accountable & measurable:** *housing and non housing outcomes and value for money are measured and reported*
- 4. Needs Based:** *assistance is provided based on need and for the length of need*
- 5. Prevention and early intervention:** *assistance is rebalanced towards prevention and early intervention*
- 6. Services Connect:** *assistance is packaged and co-ordinated in support of the customer*
- 7. Pluralistic and responsive:** *one size does not fit all- the system promotes responsiveness and diversity based on locational, social, economic and household factors*
- 8. Maximises customer control & choice:** *a strength based / person centric approach maximises customer control and choice*
- 9. Technology Smart:** *new technology is used to improve access and control by customers and enhance accountability*
- 10. Actuarial methodology** *underpins an ‘Investing in people: investing in outcomes’ framework*

### Principles to underpin the customer journey (applicants and tenants)

- Can easily access and navigate the system
- Are provided with the right help at the right time
- Are engaged and empowered by the system
- Mutual Responsibility underpins the relationship between customers and the system
- Choice and self reliance are maximised
- Support is co-ordinated and tailored
- Housing and non housing outcomes are measured

NATIONAL HOUSING AND HOMELESSNESS AGREEMENT - SCHEDULE C - [STATE/TERRITORY] - SUPPLY TARGETS AND FUNDING: 3 YEAR

	Continuum of Need							
	Crisis	Public	Community	Affordable Rental <sup>1</sup>	Built to Rent (secure market rent) <sup>1</sup>	Affordable Home Ownership <sup>1</sup>	Market Rent	Home Ownership
<b>NHHA Commonwealth Funding:</b> e.g. \$270 million pa	\$XXXX	\$XXXX	\$XXXX	\$XXXX	\$XXXX	\$XXXX		
<b>NHHA Commonwealth Funded Targets (number of dwellings/units)</b>	100	750	1000	500	500	500		
<b>Additional State Funding for New Supply:</b> e.g. \$200 million pa	\$XXXX	\$XXXX	\$XXXX	\$XXXX	\$XXXX	\$XXXX	States may choose to offer programs to support these categories (e.g. First Homebuyer Grants)	
<b>State Funded Targets (enhanced by various mechanisms<sup>2</sup>)</b>	0	600	750	500	200	500		
<b>State Commitment to Supporting Commonwealth Financing Mechanism<sup>3</sup></b>	a. Subsidy to support bond debt finance delivery (e.g. \$20 million per year) b. Subsidy to support Managed Investment Trust (for Rental Delivery) (e.g. \$10 million per year)							
<b>Total Funding</b>	\$XXXX	\$XXXX	\$XXXX	\$XXXX	\$XXXX	\$XXXX		
<b>Total Targets</b>	100	1,350	1,750	1,000	700	1,000		

1. These categories involve less government subsidies to supply and the target numbers reflect this.

2. State Mechanisms for Enhancing Supply

- Government Land
- Planning Mechanisms (e.g. uplift and rezoning)
- Renewal
- Finance (e.g. SAHF; VIC Fund)
- Grants

3. State Commitment to Supporting Commonwealth Financing Mechanism

- The effectiveness of the Bond and Managed Investment Trust arrangement needs to be enhanced by forward commitment of funding subsidies. This should be set out and reported in the table.
- Please see written submission for further discussion