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Senate Economics Committee
PO Box 6100,
Parliament House,
CANBERRA ACT 2600

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

Thank you for the opportunity to comment on the two Bills intended to support the establishment of the National Housing Finance & Investment Corporation (NHFIC).

The Bills appears to present an appropriate arrangement for the creation of the new Commonwealth entity, addressing the relevant issues required to establish the Corporation, the Board and its executive officers, along with operational procedures for the management of finances and administration and setting objectives in relation to the financial matters that will be managed by the Corporation.

Therefore HIA has no concerns with the Bill as drafted.

It is noted that HIA's response to the draft Investment Mandate also recently released for comment expressed supports the operation of the NHFIC. However there were some concern in relation to the amount of funding currently allocated for the Corporation's work and proposed limitations on the Facility's investments that may be relevant to the Committee's considerations. A copy of that submission is attached.

If the correct settings can be achieved in the Corporation's operations both administratively and financially, HIA believes the future work of the Corporation in supporting the supply of long term, clearly defined affordable housing projects will be positive.

If you would like to discuss these comments further, please do not hesitate to contact me on [REDACTED] or [REDACTED]

Yours sincerely
HOUSING INDUSTRY ASSOCIATION LIMITED

[REDACTED]
Kristin Brookfield
Chief Executive Industry Policy



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9 March 2018

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National Housing Finance and Investment Corporation Investment Mandate Direction 2018 – Exposure Draft

Thank you for the opportunity to comment on the exposure draft *National Housing Finance and Investment Corporation Investment Mandate Direction* to support the operation of the National Housing Finance & Investment Corporation (NHFIC).

HIA considers that the draft Mandate is sufficiently broad in its scope to provide for opportunities for the NHFIC to engage in innovative responses to the current challenges that all levels of government and the private sector are experiencing in meeting the infrastructure needed to cater for the demand for housing, especially at the more affordable end of the spectrum.

The Mandate for the bond aggregator function of the NHFIC is clear in its intent and delivery options. HIA's only comment on this aspect of the Mandate is the \$150 million restriction on the warehousing function. Prima facie this limit seems too low if the objective of the aggregator is to make the bonds issued by NHFIC attractive to institutional investors. HIA hopes that Treasury has engaged with potential investors in the bonds about the scale of their potential appetite for the bonds in making the judgement about the \$150 million warehousing limit.

Similarly HIA hopes that Treasury has consulted broadly with the community housing sector about the pace at which their demand for finance might accumulate as this will have a significant impact on the appropriateness of the \$150 million limit.

This \$150 million limit could also become a constraint on the Corporation's infrastructure investments in the early years if the Corporation is to be funded at a rate of \$200 million a year for the first five years.

As it applies to the Infrastructure Facility the Mandate is very broad, appropriately giving the Corporation scope to innovate in its operations. HIA has a concern that the requirement in the mandate to maintain the real value of the permanent fund will bias the Corporation's investment decisions towards loans rather than grants or other innovative investment opportunities.

There is also a concern that the limiting the Facility's investments to those where there is a significant level of involvement from a local or state government or a community housing organisations is too restrictive. Excluding purely private businesses from working directly with the Corporation will cut off significant potential to meet the objectives of bringing forward provision of additional affordable housing: it is not just community housing organisations who deliver affordable housing to the market.

It would be desirable where state and local governments are involved to have an explicit reference in the Mandate favouring those infrastructure projects where the government partners were able to provide concessions or incentives, like elimination of upfront infrastructure charges on new home buyers, that lower the up-front costs project providers face as a direct means of improving housing affordability. Such concessions could potentially be recouped by the government at some later stage in a project's life such as through increased rate payments or when the property is sold.

The \$2 billion limit on the Corporation's loan book seems unnecessary if it is to operate on commercial terms. If the Corporation is delivering a return to the Government that meets the objective of the Commonwealth's cost of borrowing, then the Commonwealth should be indifferent to the size of the Corporation's book, especially as the Corporation is unlikely to become a major player in the overall housing development finance market.

The broad scope of activity which the Investment Mandate enables is positive but will clearly require another level of detail for the Corporation's Board to develop to describe the priorities and processes that the Corporation will use in deciding between what should be a significant level of interest from competing projects. This will be a challenging task but one that will hopefully promote new ways of delivering much needed affordable housing.

HIA has reviewed the supporting draft legislation for the NHFIC and we continue to support the establishment of the Corporation. If the correct settings can be achieved to make each aspect of the Corporations work financially viable for all parties, it will be supported by the housing industry.

If you would like to discuss any of the comments outlined above, please do not hesitate to contact [REDACTED] ([REDACTED]) or myself.

Yours sincerely
HOUSING INDUSTRY ASSOCIATION LIMITED

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Kristin Brookfield
Chief Executive Industry Policy