

Pre-budget Submission 2020-2021

Budget Policy Division

Department of the Treasury

24th August 2020

Building on foundations of a successful partnership between Government and Community Housing Providers to increase the supply of affordable housing

Executive Summary

SGCH is a Tier 1 community housing provider with core expertise in delivering and operating social and affordable housing to help create better places and stronger communities. We work at the intersection between people and places, using affordable housing as a means to link customers to opportunities that strengthen their social and economic connections. Since 2014 we have raised \$450 million in capital to support our development program that is currently delivering a pipeline of over 1,000 new affordable homes in Sydney. Our business has proven robust during COVID-19, reflecting the risk and return characteristics of affordable housing that are more closely aligned to social and economic infrastructure classes.

Alongside others in the Community Housing Industry, we stand ready to partner with Government to help the community and economy withstand and recover from COVID-19. With continued government support, we will apply our capability to leverage capital from investors who have demonstrated a strong appetite to support delivery and operations of affordable housing.

We propose that Government consider three key measures in the upcoming Budget:

1. **Continue the flow of private investment into affordable housing** by increasing the cap that applies to the amount of Government-guaranteed liabilities that can be incurred by the National Housing Finance and Investment Corporation (NHFIC).
2. **Expand the mandate to use existing funding to invest in new affordable housing** by amending the NHFIC Investment Mandate to allow the National Housing Infrastructure Fund to be invested in affordable housing where the project proponent is a not for profit Community Housing Provider.
3. **Increase the delivery of well-located affordable housing** close to jobs, aiding in economic recovery, by providing a targeted stimulus to be leveraged by not for profit Community Housing Providers.

Our submission is based on 35 years of expertise, as NSW's largest community housing provider and as an industry leader driving innovative investment solutions for social and affordable housing that use both public and private capital.

Continue the flow of private investment into affordable housing

The Government created the NHFIC to improve housing outcomes for Australians.

Since formation in 2018, NHFIC has successfully raised nearly \$1.2 billion of social bonds, drawing strong interest from domestic and offshore investors, including a number of Australian superannuation funds, to invest in affordable housing through loans issued to Community Housing Providers.

The loans from NHFIC to Community Housing Providers have provided efficient, lower cost debt with long tenor (10 years +) that is better aligned to the long-term nature of affordable housing assets than was otherwise available. This means increased certainty for Community Housing Providers and the delivery of more homes.

NHFIC has helped mature the options, and stimulate the appetite, for capital to invest into affordable housing.

NHFIC bonds are 100% guaranteed by the Commonwealth of Australia and this has been a crucial component in achieving efficient pricing. A cap of \$2 billion applies to the amount of Government-guaranteed liabilities may incur. It is proposed that the Government approve a higher cap.

Expand the mandate to use existing funding to invest in new affordable housing

The Government and NHFIC established a \$1 billion National Housing Infrastructure Fund.

The NHFIC Investment Mandate Direction 2018 (3 July 2018) sets out the criteria for the National Housing Infrastructure Fund (NHIF). The mandate currently requires that the NHIF can only deploy funds into a project using these mechanisms where the project "would not itself provide housing".

It is proposed that the Government amend the mandate to allow the NHIF to be used for affordable housing where the project proponent is a not for profit Community Housing Provider.

By making NHIF funding available for affordable housing, the Government would be providing Community Housing Providers access to an equity like source of capital which will help accelerate project delivery.

Making NHIF funding available to Community Housing Providers would strengthen their existing role as the natural point of coordination for affordable housing concessions. At a state level, Community Housing Providers already coordinate affordable housing concessions, including exemptions on land tax, stamp duty and rates, while also receiving planning uplift for developments with affordable housing.

With funding from the NHIF, Community Housing Providers would be in a stronger position to work with state governments, with a view to government owned land being made available for more

affordable housing. Finally, Community Housing Providers, with NHIF funding, will have a greater degree of control when negotiating commercial relationships, helping to retain affordable housing in the sector.

Increase the delivery of well-located affordable housing

Australia has an opportunity to stimulate the economy through the construction of affordable housing. This will also build a legacy of a more resilient housing market that provides a safety net and a springboard for lower income households into improved workforce participation and the mainstream residential market.

Research from NHFIC shows that for every \$1 million in residential construction 9 jobs are supported along with \$2.9 million of industry output and consumption across the broader economy.

For many Australians, COVID-19 has led to underemployment, unemployment, or employment insecurity. Providing an increased supply of affordable housing in close proximity to existing jobs, or future employment growth areas such as the Western Sydney Aerotropolis, will be essential to underpin economic recovery.

It is proposed that Government stimulate the delivery of affordable housing by funding a capital program where Community Housing Providers leverage private sector investment and partnerships to deliver new homes and connect residents to social and economic activities. There are a number of industry supported proposals such as the SHARP and submissions from PowerHousing Australia which SGCH broadly supports.

SGCH proposes that Government also consider funding for an Investment Approach to affordable housing for a targeted cohort where:

- Federal Government provides a Community Housing Provider a capital grant through NHFIC. A portion of this grant is structured as a social impact investment and converts from junior (subordinated) debt to a grant based on outcomes achieved (e.g. successful employment);
- Tenants must meet eligibility criteria including having received either JobKeeper or JobSeeker payments
- Tenants are connected with training, education and employment.

Conclusion

The Federal Budget presents an opportunity to implement measures that will support jobs and ensure a more resilient housing system. We look forward to further engagement with the Community Housing Industry to partner with Government on solutions that increase opportunities for private investment, expand existing mechanisms such as NHFIC and increase the delivery of well-located affordable housing for the growing number of people who will need a hand up.