

22 January 2018

Manager - Housing Unit
Social Policy Division
The Treasury
Langton Cres
PARKES ACT 2600

To the Housing Policy Unit Manager,

Compass welcomes the opportunity to provide comment on the National Housing Finance and Investment Corporation Bill 2018.

Compass Housing Services is an enterprising and socially committed not-for-profit organisation that provides social and affordable housing for low to moderate income households. Our vision is for a world in which all people have appropriate and affordable shelter and are engaged in sustainable communities. Compass currently manages over 4500 properties and community development projects in Australia, New Zealand and Vanuatu.

Compass welcomes the Government's commitment to improving housing affordability across the spectrum and offers the following observations and feedback.

SECTION 1: THE BOND AGGREGATOR

As many contributors noted during the first round of consultation, the primary concern with the bond aggregator model as proposed is the absence of recurrent government funding to make new construction projects viable.

The Ernst & Young report to Treasury suggested CHPs could expect to obtain finance through the NHFIC up to 1.4% cheaper than conventional bank finance. While this would be welcome, and attractive to CHPs seeking to refinance existing debts, on its own it is unlikely to be sufficient to encourage new supply. Due to revenue pressures inherent in offering housing at below market rents, it will likely remain commercially unviable to produce additional social and affordable housing at scale without some kind of government contribution (whether capital or recurrent) to enable CHPs to service the additional debt. The success of the bond aggregator and therefore of the NHFIC to fulfil a crucial part of its mandate, i.e. increasing the supply of social and affordable housing, and contributing to the scale of the community housing sector, will ultimately depend on the successful resolution of this issue.

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We note section 2.18 of the Explanatory Material to the exposure draft of the Bill indicates the Minister may include other matters in the directions that constitute the Investment Mandate to ensure there is “sufficient flexibility to address emerging issues or other matters that the Government considers are important.” Compass is optimistic the exposure draft of the Investment Mandate, which we understand will be released for consultation in the near future, will provide clarity as to how the government proposes to reduce the funding gap in a way that makes the delivery of new supply commercially viable. The Affordable Housing Working Group’s September 2017 report contained a number of suggestions in relation to this matter that warrant consideration.

SECTION 2: THE NATIONAL HOUSING INFRASTRUCTURE FACILITY

Compass strongly supports the NHIF and its potential to address infrastructure bottlenecks that impede development of additional housing. In addition to its stated purpose of providing financing for transport links, power and water infrastructure and site remediation works, we believe consideration could be given to expanding the NHIF’s remit to include direct investment in projects that boost the supply of dedicated below market rental housing. Alternatively, NHIF finance could be linked to the delivery of specific affordable housing outcomes.

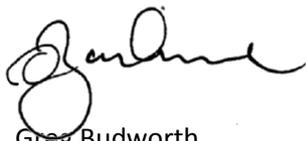
Compass understands further details about the business activities of the NHIF will be contained in the Investment Mandate which is due to be released for public comment in the coming weeks.

SECTION 3: COLLECTION AND ANALYSIS OF STATISTICS

Compass notes the Explanatory Material credits the failure of supply to keep up with demand as among the main causes of the significant appreciation in house prices witnessed over the past 15 years. Compass further notes that in addition to lending and investment activity aimed at improving housing outcomes, the draft legislation permits the NHFIC to do “anything incidental or conducive to the performance of the above functions”. As such Compass believes consideration should be given to resourcing the NHFIC to carry out some of the functions of the former National Housing Supply Council, specifically the provision of estimates, projections, analysis in relation to housing supply and demand. Doing so would provide the board and management with solid evidence on which to base strategic decisions in relation to the Corporation’s activities.

Compass once again thanks Treasury for the opportunity to provide feedback on the draft legislation and looks forward to the opportunity to review the Investment Mandate when it is released for consultation in the weeks ahead.

Yours sincerely,



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