

National Housing Finance and Investment Corporation Invest Mandate– UDIA RESPONSE March 2018



The Urban Development Institute of Australia (UDIA) is the peak industry body representing the property development industry throughout Australia, acting on behalf of over 2,100 member companies across the country from a variety of fields and professions in the development industry. Established at a state level in 1963, the Institute evolved to become a national body with a number of State-based divisions in 1970.

UDIA aims to secure the economic success and future of the development industry in Australia, recognising that national prosperity is dependent on our success in housing our communities and building/rebuilding cities for future generations.

UDIA National welcomes the opportunity to provide a submission into the National Housing Finance and Investment Corporation (NHFIC) Investment Mandate Direction 2018 draft. UDIA NSW has welcomed the establishment of the NHFIC, the Affordable Housing Bond Aggregator (AHBA), and the National Housing Infrastructure Facility (NHIF).

Our submission focuses on the following parts of the Investment Mandate

1. Part 2 – The Activities of the NHFIC
2. Part 3 – The AHBA
3. Part 4 – The NHIF

Part 2 – Activities of the NHFIC

UDIA NSW supports the proposed activities for the NHFIC that being:

- Establishment and operation of the Affordable Housing Bond Aggregator (AHBA),
- Establishment and operation of the National Housing Infrastructure Facility (NHIF), and
- Support for capacity building.

We support capacity building for the community housing providers. This is best placed to support building the financial sophistication and management for community housing providers to ensure they are able to access the AHBA and NHIF.

We agree the NHFIC must take a commercial approach when making financial decisions, as an underpinning principle, although also consider the focus on delivering additional new housing both market and affordable is critical.

Allocation of Funds for AHBA

We support the consideration of payment of dividends if the average return of the AHBA is substantially above the benchmark return set for the Board; however, we consider if the AHBA is regularly receiving returns substantially above the benchmark consideration needs to be given to

whether the government guarantee (which we consider is essential for the establishment of the AHBA) would still be required.

Allocation and maintenance of funds NHIF and capacity building

UDIA seeks clarification on the limit on infrastructure grants and capacity building contracts of \$175 million and \$1.5 million. We understand the limit is for the life of the NHIF, we consider at future dates there needs to be the option for additional infrastructure grants.

Part 3 – AHBA

UDIA notes eligibility is limited to registered community housing providers. UDIA supports the lending criteria. We consider the investment mandate should specifically endorse registered community housing providers delivering projects in partnership with industry should be able to access the AHBA for a portion of the projects finance. The development industry has significant capacity and willingness to support the provision of Affordable Housing in partnership with community housing providers, if the correct incentives are in place.

We note the development industry has a significant potential to deliver housing when compared to the community housing sector, between 2016 and 2017 NSW Federation of Housing Associations estimates CHPs will deliver 1404 new homes across NSW, whereas for the same four-year period industry has delivered more than 115,000 homes in the Sydney region alone. We consider encouraging partnerships between CHPs and Industry, will significantly expand the supply of affordable housing.

Part 4 – NHIF

Financing Mechanisms and eligibility

UDIA supports the eligible project proponents; however, we consider there is scope for government owned development corporations or developers to be included, an example could be Landcom in NSW. We consider this can facilitate further partnerships and help accelerate land release and return on investment.

We consider the eligible projects should be expanded to include stormwater, as a critical enabler of development. While we understand the current use of water is intended to include stormwater, industry often considers water is limited to drinking water.

We agree NHIF should not provide community infrastructure such as parks, day-care centres, or libraries; instead being focussed on catalytic infrastructure projects.

While, recognising the importance of the provision of affordable housing, a project should not be precluded from accessing the NHIF if it proposed to only add market housing stock. Especially, as many of Australia’s key housing markets are chronically undersupplied.

We consider the financing mechanisms are welcome; however, without direct partnership with a developer, through an SPV, equity investments would be challenging, particularly in relation to transport and stormwater infrastructure, and site remediation costs.

Criteria for financing decisions

We are generally supportive of the financing criteria; although we consider the concept of additionality should be expressed in the criteria. The Consultation Paper released in September 2017 stated:

The NHIF would give preference to ‘greenfield’ and ‘urban infill’ infrastructure projects that can demonstrate ‘additionality’ and which target those geographic areas experiencing particular supply and affordability pressures. Additionality in this context refers to projects that otherwise would not proceed or would face undue delay without NHIF assistance, and the extent to which NHIF assistance would accelerate or increase housing supply.

We consider it is critical the NHIF has regard to the provision of market housing, which will provide additional supply and ease affordability pressures.

Conclusion

UDIA supports the establishment of the NHIF. We would be pleased to further consult on the development of the NHIF and are happy to meet to discuss any matters raised in this submission. Please don’t hesitate to contact UDIA National as follows:

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