



Response to the:

National Housing Finance and Investment Corporation

The purpose of this document is to provide feedback on the objectives of the National Housing Finance and Investment Corporation (NHFIC).

Introduction

National Shelter welcomes the opportunity to provide input into the establishment of the NHFIC and supports the government's development of the NHFIC as an important element contributing to growing affordable housing in Australia. It introduces welcome architecture to the housing system which, in time, will assist in developing affordable housing. At all times National Shelter recommends the focus of housing policy and instruments be on outcomes for the occupants of housing developed and delivered by them.

About National Shelter

National Shelter is a non-government peak organisation that aims to improve housing access, affordability, appropriateness, safety and security for people on low incomes.

Since 1976, National Shelter has worked towards this goal by influencing government policy and action, and by raising public awareness about housing issues.

National Shelter's aim is to work towards every Australian having access to housing that is:

- **affordable** — people should not be left in poverty after they have met their housing costs
- **adequate** — everybody is entitled to housing that meets basic standards of decency and their own basic needs
- **secure** — people should not live under threat of loss of home and shelter
- **accessible** — access to housing should be free from discrimination
- **in the right place** — housing should be located close to transport, services and support networks, job opportunities, and social and leisure activities
- **able to meet their lifecycle needs** — people have different housing needs at different stages of their lives, and housing should be available to meet these changing needs.

National Shelter has examined the submissions provided by the Community Housing Industry Association, Queensland Shelter and the NSW Federation of Housing Associations and supports the many points made in those submissions. Rather than repeating those we note our endorsement and will limit our submission to points that may have not been included or which are not within the ambit of those worthy organisations.

National Shelter includes as members State Shelter organisations whose roles vary from jurisdiction to jurisdiction but which span representing the interests of consumers, providers, a variety of other members (planners, architects, interested individuals) as well as a specific interest in housing and homelessness policy and programmes and a specific interest in ensuring housing systems and markets work to produce affordable housing outcomes for the occupants of housing.

Our membership also includes national member organisations with an interest in housing and homelessness and an associate member category open to supporters and others who are not national organisations, this includes many community housing providers, state based welfare organisations and other providers.

Scale

The intent and purpose of the NHFIC is to oversee and establish a Bond Aggregator to attract finance and lower the cost of borrowing to community housing providers (CHPs) and to oversee the operation of the Affordable Housing Infrastructure Facility.

While these are important contributions to the role of housing provision the degree to which they will add to the sum total of supply of affordable housing is limited. Lowering the cost of borrowing and aggregating finance to make it available to a range of providers is a step forward but by itself won't meet the shortfall in housing supply.

National Shelter estimates an overall shortfall of housing supply of 500,000 properties available to and affordable by low income households. This is based on the National Housing Supply Council's last reported estimate of shortfall of 529,000 propertiesⁱ adjusted for the level of new supply added over recent years.

The scale response required to meet this shortfall is beyond the scope of the Bond Aggregator. As noted by the Affordable Housing Working Group Reportⁱⁱ "Creating and maintaining a rental housing portfolio targeted to people on very low to low incomes requires explicit ongoing subsidies to bridge the gap between operating costs (including debt servicing) and rental incomes."

National Shelter is concerned the Bond Aggregator is seen as an adequate response to the shortfall. Meeting the shortfall will require government at all levels to lift their explicit investment in social and affordable housing to bridge the funding gap. There are other ways to produce affordable housing but government/s will always be required to provide the subsidy required to meet a funding gap which varies depending on the outcome being sought.

Professor Judy Yates in her opening chapter of the CEDA report "Housing Australia" points to the need for governments to build 200,000 new social and affordable housing properties over the next 10 years just to maintain the current (declining) level of social housing in Australia relative to population and household formation.ⁱⁱⁱ

This minimum doesn't account for the level of rental stress in the broader housing markets of Australia where households in the lowest 40% of incomes face a rental market in most capital cities with no affordable rental housing and in which they may be paying 40-65% of their incomes to rent.^{iv}

A National Plan

The NHFIC is itself a welcome development but which exposes the absence of a national plan to meet the shortfall in affordable housing. A national plan would encompass the National Housing and

Homelessness Agreement and NHFIC and would link to an urban and regional development framework and infrastructure developments working across all levels of government. A national plan would draw on a range of resources to grow affordable and social housing. This would include:

- Additional new direct investment from the commonwealth and states to support growth either via a capital fund, variable incentive, tax credit or meeting operational costs
- Utilising the existing public housing estate as a basis for redevelopment and renewal which is already underway in some jurisdictions but which would benefit from national targets
- Include planning measures in new developments like inclusionary zoning and value capture which would either produce new affordable housing or generate funds which could flow to community housing providers (CHPs) for new builds
- Examining how build to rent projects may incorporate affordable housing or work with CHPs to incorporate market rental into broad tenure projects
- Establish a variable/sliding subsidy/incentive to meet the return on investment required to attract scale institutional equity investment to affordable and social housing
- Examine how to encourage the contribution of land from state, local government and Not for Profit sources to add to a national affordable housing land bank
- Establish a single national regulatory framework for community housing to encourage scale CHPs to develop and reduce multi-jurisdictional administrative and regulatory burdens
- Examine how affordable housing may be developed alongside or as part of national infrastructure projects (transport e.g.)
- Connected service systems between housing and allied services (health, employment, support, culture)
- Improved Commonwealth Rent Assistance
- Tenancy law reform to improve the quality of rental housing, security of rental tenure and the experience of renting (pets, maintenance, applications e.g.)
- Commit to closing the gap between general community housing provider capacity and Aboriginal and Torres Strait Islander Community housing capacity
- Include a funded robust tenant led and managed engagement process

Ideally this would be led by a cabinet minister and be the responsibility of a central agency whose role was to facilitate the development and implementation of a coordinated national housing plan and program. It would develop a suite of tools (investment, planning, land bank, incentives as above) which would be utilised by a growing community housing sector available on the submission and acceptance of a building and management plan creating an ongoing pipeline of investment and projects, rather than being determined by annual budget decisions, program deadlines or changes of government or new programs. The intent of the NHFIC aligns with this notion but is only one, albeit important element of it.

Applicants would apply for access to packages to support national building programs of up to 1000 dwellings. The approval of plans would include minimum requirements relative to the national plan including household profiles, specified proportions of housing for different household income profiles, specified levels of inner urban, middle ring, outer suburban and regional/remote minimums. Specifications for application rounds could also include minimum requirements for environmental standard, energy efficiency, disability accessibility, location. This would enable innovative applications which meet and exceed the minimum specifications while allowing projects to ensure viability.

The NHFIC could develop over time to become the administrative instrument for a national housing plan.

NHFIC Governance

National Shelter supports the idea of separate staffing units for the different functions of NHFIC rather than a combined one. NHFIC will need to recruit suitable experts from community housing and apply that expertise to the operation of the bond aggregator. This should not be confused with the separate operation of the infrastructure fund. We would be concerned about having a single staffing unit across both functions but there would be some shared tasks and responsibilities.

We believe there should be a minimum of two representatives from the housing sector and their representative bodies including one from a recognised national community housing industry body and one who can represent the interests of a good housing system including consideration of consumer inputs. Ideally, we would also recommend a consumer body representative and we would propose National Shelter be considered for either of those two roles should they be included.

In terms of the overall operation of the NHFIC we agree with the various points made by the NSW Federation of Housing Associations and by CHIA around governance and staffing.

We also support that a NHFIC would have recourse to robust independent forecasting on housing supply, need and forward projections in line with state governments. We suggest re-establishing the National Housing Supply Council to undertake that task and which could inform the NHFIC in its deliberations.

The National Housing Infrastructure Facility

National Shelter welcomes the NHIF as a continuation of previous programs and projects enabled by the Housing Affordability Fund.

We think the NHIF forms an important element of the architecture of a national housing plan and has the potential to be considering affordable housing within the context of urban and regional development. One concern we have is that housing constructed as affordable made possible by NHIF funding should be affordable beyond the first sale of a property to prevent windfall gains of first purchasers. Consideration needs to be given to ensuring affordable housing made available is maintained as affordable for a specified (long) period. One way of ensuring this would be to have properties developed as affordable made available via ownership or rental through a CHP, using a shared equity approach to ownership if the property was sold, perhaps with a covenant to protect the ongoing affordability.

We support the notion of the NHIF receiving bids from consortia and would recommend that a condition be the inclusion of a CHP as one of the consortia members.

Suitable projects would be critical infrastructure to open up new land (bridges e.g.) the inclusion of NHIF funds in developing city deals, potentially the facilitation of local transport infrastructure to enable lower cost land to be serviced by buses.

We agree that housing made available under the NHIF could target occupation from lower income working households, including key workers, but which also extends to e.g. childcare, baristas, carers, hospitality, cleaners. These are very low paid occupations which nonetheless need to be located sufficiently close to jobs and other opportunities where key workers (nurses, police) are often sufficiently paid to secure regular market housing.

The Affordable Housing Bond Aggregator.

National Shelter supports the various points made in the submission by the NSW Federation of Housing Associations as covering the issues we would also raise and we endorse their comments. We also note the report of the Affordable Housing Working Group as a worthy contribution to this discussion.

i National Housing Supply Council, Housing Supply and Affordability – Key Indicators, 2012, p22-27 The figure of 539,000 is arrived at as follows. In 2009-10 there were 857,000 renter households in the bottom 40% of the income distribution, and 1,256,000 dwellings rented at an affordable price for these households. However, 937,000 of these dwellings were rented by households in higher income groups, leaving only 319,000 available for rent by low income households – a shortfall of 539,000.

ii <https://static.treasury.gov.au/uploads/sites/1/2017/09/170921-AHWG-final-for-publication.pdf>

iii Professor Judy Yates in CEDA, Housing Australia 2017, p29

iv https://www.shelter.org.au/sites/natshelter/files/public/documents/RAI%20Report%20May%202017%20-%20Small_3.pdf