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The Treasury, Langton Crescent
PARKES ACT 2600

Stockland submission, National Housing Finance & Investment Corporation, Investment Mandate

As Australia's largest diversified property group, and one of the most significant contributors to the supply of new houses nationally, Stockland welcomes the opportunity to continue to provide input to Treasury's National Housing Finance and Investment Corporation (NHFIC).

We commend the Government on its continued consultative approach to the development of legislation to implement the National Housing Finance and Investment Corporation. This collaborative approach with key stakeholders will be critical to NHFIC fulfilling its objectives and maximising its contribution to improving housing affordability.

We support the Exposure Draft Investment Mandate and look forward to continuing constructive engagement with Government and officials to progress NHFIC's establishment and commencement of operations. Our feedback on the Investment Mandate (IM) as it relates to the National Housing Infrastructure Facility is outlined below.

1. Eligible projects

We welcome the further clarity around project eligibility for NHIF funding outlined in the Investment Mandate.

(a) Additionality

We welcome "additionality" being defined in the IM as encompassing projects that add scale and/or accelerate the delivery of housing supply. Accelerating delivery can have a direct impact on project costs, that flow through to consumers. These increases in scale also assist with housing affordability. We believe clear supply targets, tied to infrastructure funding, are required to effect change in the housing system, allowing progressive payments for infrastructure only once supply delivery milestones are met.

There is an important opportunity for NHIF funding to apply not only to new projects, but to bring forward future stages of existing projects to fast track housing supply. Priority should be given to funding greenfield projects that are supported by strong infrastructure, job and community service connection opportunities to avoid delays and ensure timely completion.

(b) Defining affordable housing

Section 23 of the IM sets out criteria for eligible projects, restricting this to "*critical infrastructure to support new housing, particularly new affordable housing"* and provides examples of such infrastructure. Consistent with our earlier submission, we support the use of NHIF to fund critical housing-related infrastructure however we note that a specific definition of "affordable housing" has not yet been included.

Given the parameters set in the exposure draft IM, we highlight the need to define "affordable housing" for the purposes of NHFIC and clearly articulate the requirements at all levels of government in relation to the supply of community and social housing. It would be advantageous to incorporate this definition into Section 4 of the IM.

In setting this definition of affordable housing for the purposes of NHFIC we encourage the Government to consider critical groups such as first home buyers or key workers, as they may not qualify for public or community housing under NRAS, but would benefit from the provision of more affordable private housing stock.

(c) <u>Multi-tenure housing projects</u>
While noting that the NHIF will not itself provide housing, we recommend that the type of housing supported by NHIF projects be multi-tenure because:

- The incorporation of private dwellings in developments is an important mechanism to offset the cost of public or community housing. This is the model increasingly being pursued where, for example, part of a new development is retained for community housing while the rest is sold privately to fund further projects (e.g. Ivanhoe as part of the Communities Plus program at Macquarie Park).

- Ensuring sufficient supply of new private stock is critical to relieving affordability pressures in the market. While social and community housing dwellings are provided at below market rates, pricing is set with regard to the private market, which provides the reference point for discounts offered.

- CHPs are rarely involved in the delivery of key housing-related infrastructure and have limited capacity to play a role in this regard. Limiting NHIF funding to infrastructure that only supports public or social housing projects may limit NHFIC's ability to achieve its objectives at scale.

<u>Community infrastructure</u>
We note the IM expressly excludes the NHIF from funding community infrastructure, such as parks, day-care centres or libraries. While noting the rationale for this, planning for public amenity, connectivity and community services is a critical component of creating liveable towns and cities.

We would encourage NHFIC, while not funding these directly, to take into consideration planning for these features in the housing developments the infrastructure projects it is assessing for funding are designed to support. Opportunities to incentivise sustainable urban design, such as through NHIF funding assessment, should be taken wherever possible.

<u>Complex sites, land fragmentation</u>
The assessment process should encompass projects that put forward infrastructure solutions where land fragmentation is an issue. That is, an appropriate body or authority should have the capacity to assist in putting together fragmented sites that will, when combined, create more homes and the NHIF could then be used to finance the required infrastructure works and upgrades before sale.

<u>CHP capacity building grants</u>
The IM also makes provision for $175 million in the form of grants and capacity building activities. We recommend that consideration be given to investing a portion of this funding into strategic studies of key demand metrics. Data gathered to pinpoint demand areas could inform NHFIC lending decisions to maximise effectiveness. Identifying and facilitating the consolidation of disparate parcels of land, particularly in higher-density, inner-ring areas, would also be an effective means of concentrating funds to where they will have the greatest impact.

2. <u>Project proponents</u>
We commend and support the broader view the Government has adopted in defining eligible applicants for NHIF projects, which better reflects the variety across jurisdictions in the parties responsible for infrastructure funding and delivery.

(a) Consortia approach
Permitting a consortia approach to applications for NHIF funding is the most effective mechanism for managing financial and delivery risk. Partnerships or consortia between CHPs and the private sector provide an opportunity to build the financial capability of CHPs – a need identified by government and provided for in the IM. NHIF and consortia funding should be applied to multi-tenure projects and not solely social and affordable components.

(b) Special Purpose Vehicle approach, involvement of Councils
Allowing SPVs to receive NHIF funding is a very welcome change to eligibility. This is consistent both with research commissioned by Treasury, and information we have provided previously, demonstrating that the type of housing-related infrastructure identified in the IM is typically provided by developers, who also primarily bear the costs.

As noted in the initial NHFIC discussion paper "in some jurisdictions local governments can be responsible for very little of the direct provision of housing infrastructure, while private developers and state and territory governments (or their corporations) may be largely responsible." With the NHIF, the Federal Government has the opportunity to use its funds as an opportunity to unlock supply. Developers are well-placed to identify infrastructure that would enable or accelerate supply, including projects that may not be put forward by a Council for funding consideration. Consequently, a mechanism is needed that allows these opportunities to be considered by NHFIC, to ensure some of the best opportunities to unlock supply are not overlooked for funding.

3. Financing mechanisms

We are supportive of the general financing mechanisms outlined in the IM. We endorse the directive for NHFIC to take a commercial approach to financing decisions and for the Board to agree an appropriate investment risk evaluation process.

In our view, loans should be linked to the ability of the overall project to repay the loan when it is cashflow positive. Funding should also be tied to specific infrastructure delivery milestones. In setting loan terms and rates, NHFIC must have regard to private market offerings to ensure it is competitive.

For NHIF funding to have value from an SPV perspective, it must:
- Fill gaps where other finance cannot be obtained. This will be determined by the terms and requirements NHFIC sets, for example loan application hurdles would need to be lower than private sector loans.
- The rate of finance rate is lower than the cost of funds applicants have access to, otherwise they are likely to be decretive.

Further clarification is also needed on the management of NHIF funds in the case of consortia project applications, in terms of who would administer/control the NHIF funds from the overall project's perspective. The IM contemplates State/Territory/Local Government utilities and CHPs as Eligible (NHIF) Project Proponents, along with an SPV that undertakes housing infrastructure-enabling projects and has as a member an Eligible (NHIF) Project Proponent as able to receive funding.

We strongly support the opportunity for all relevant stakeholders involved in the delivery of housing-related infrastructure to potentially participate in NHIF projects, however the question then arises as to who controls the funds and how proportionate control/investment of the SPV would influence eligibility. Provision also needs to be made in the case that a utility, CHP or other foundation member withdraws from the SPV.

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4. Additional comments

The IM provides broad guidance of the projects the NHIF will look to support. As work to establish the NHFIC continues to progress, we look forward to further information being provided on specific assessment criteria for project funding and details of how it will be weighted. Further clarity on these points will help inform how the private sector can best support NHFIC's work and identify projects that would help achieve its objectives.

We suggest a weighting and matrix for project evaluation along the following lines:

Housing supply uplift – **the scale of the proposed project should receive significant weighting**. For NHFIC to have a measurable impact on affordability – consistent with its objectives – NHIF funding must unlock sufficient supply to influence the market.	40%
Geography – **priority areas for new affordable housing supply should be agreed and published in advance of NHIF accepting submissions**. The location of proposed projects within high priority areas should be weighted second in importance. Increasing supply in areas where affordability pressures are less acute would have reduced impact.	30%
Overall cost/Value – **submissions for NHIF funding should be competitive**, represent value for money and leverage additional funding sources wherever possible. Overall cost will be relative to the proposed project's scale and geographic location therefore some flexibility in this criterion will be required and should be reflected in a lower weighting. Competing bids will provide a good sense of value at the assessment stage	20%
Risk/Viability/Delivery/Amenity – an **assessment of the project risk, viability, delivery timeframes and amenity should also receive a weighting** in the evaluation process. Government will want to see project completions earlier rather than later from NHIF funding, that meet public amenity expectations. Low risk projects should be prioritised to protect taxpayer investment.	10%
Additionality – we support **making this a threshold criterion rather than a weighted criterion in the assessment phase**, i.e. a proposal must demonstrate that NHIF funding is crucial to the project proceeding and/or that it will materially accelerate its delivery and/or scale before it can proceed to assessment/evaluation for NHIF funding.	
Greenfield/Infill - **consideration could be given to splitting NHIF Funding into two streams**, one for Greenfield and one for infill with annual quotas for each category, rather than applying a weighting to one type or another in individual project assessments.	

We would be pleased to discuss our submission further with you and your team at a suitable time. The contact for our office is Amy Menere, General Manager Stakeholder Relations (amy.menere@stockland.com.au, 02 9035 2551). Thank you once again for your consideration of our submission.

Yours sincerely,

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