20 October 2017

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

Via e-mail: HousingConsultation@treasury.gov.au

Dear Manager,

Submission to the Treasury consultation into the National Housing Finance and Investment Corporation

Common Equity NSW Ltd (CENSW) welcomes the opportunity to make a submission to the Treasury consultation into the National Housing Finance and Investment Corporation.

CENSW is a Nationally Registered, Tier 2 Community Housing provider and is a highly experienced operator, providing quality tenancy and property management services supporting over 500 tenants for more than 7 years. CENSW is unique in that we specialise in establishing and supporting housing Co-operatives in addition to directly managed properties.

The Co-operative housing model is a unique approach in the market and this provides a real value-add as part of the tenancy management process at far lower cost. Housing Co-operatives are empowered to play an active role in key tenancy management functions under the watch and guidance of CENSW. They are established with their own governance framework, provided with training and support and also operate according to a set of model rules. CENSW ensures all tenancy management functions are completed to a high standard either by the Co-operative or by CENSW itself.

CENSW welcomes the opportunity to provide further information or comment on any aspect of this submission.

Yours sincerely,

James Brown
CEO
Common Equity NSW Ltd

NHFIC

- Should be a skills-based board independent of Government (this will promote longevity of the entity and reduce likelihood of party-politics impacting its operation).

- Requires a clear term of reference from Government as the objectives are not sufficiently spelt out to provide enough guidance on key strategic and operational decisions so as to prevent sub-optimal resource allocation.

NHIF

- Strongly support the concept of the NHIF.
- Using this fund to pay for Council developer contributions (or any other State development levies) should be expressly permitted and will directly contribute to more affordable housing by lowering the capital costs of supply. It will also address one of the key concerns from the community about new development that is it places pressure on existing assets (libraries, parks, traffic, etc.) many years ahead of Councils actually funding appropriate upgrades. This would address a key community concern and generate support for new development because of the broader community benefit.

  The NHIF should be used to incentivised Councils to bring forward their infrastructure spend if the NHIF paid a premium on top of the published rates of developer contributions (eg. 50% loading) in return for a commitment to "fast tracking" the provision of that infrastructure such as through their own borrowings if necessary.

- Other NHIF expenditure should be linked to enabling infrastructure via a "deal making" process similar to the City Deals methodology. Under this methodology, funding is only provided if there is a demonstrated commitment from multiple layers of Government, CHP's and multiple other organisations to deliver their respective components of associated infrastructure in a co-ordinated way. For example, roads, public transport, schools, parks, drainage, water supply, housing construction, etc. are all delivered by different agencies and need to be co-ordinated. The NHIF could incentivise this to happen.

- NHIF money should not be used for any equity investments. This is an overly complicated approach that will lead to sub-optimal outcomes as NHIF funds may be re-directed towards some future assessment of investment return or with a pre-determined equity exit strategy in mind.

  Responsibility for infrastructure is clear and Federal intervention into the part ownership of infrastructure not normally within its jurisdiction serves no value. The focus should remain on identifying key infrastructure "bottlenecks" that is preventing new development that could be resolved via NHIF money with determinations purely on the merits of each proposal and relative capacity to maximise new dwellings.

Bond Aggregator (BA)

- Strongly support the concept of a BA.

- BA funds should only be available to CHP's to maximise delivery of affordable accommodation across the full spectrum of need in local communities. This will incentivise developers to partner with CHP's in the delivery of affordable housing.

- Direct access to BA funds by developers will introduce the risk that higher income brackets of the affordable housing spectrum will be catered for at the expense of lower income brackets. It also risks that accommodation will only be provided for a limited time on an affordable basis (e.g. Current 10 year provisions delivered by developers in accordance with Council approvals). Access to affordable accommodation funded by the BA can be assured in perpetuity through CHP's.

- Funding rates should be fixed for 10 years to promote the viability and financial certainty of new developments.

- The BA needs to be Government guaranteed to maximise the savings to the sector. Savings on financing costs directly contributes to affordable housing. The quantum of funds being guaranteed is small as a % of the Federal Budget and asset base, consequently there will be a negligible impact upon the credit rating of Government.

- Ahead of the first bond issue, the Federal Government may be required to "forward fund" projects so as not to delay the pipeline of work being created.

- Use of BA funds should be permitted on all housing supply projects by CHP's irrespective of any other funding sources available for those projects. This includes projects that incorporate State of Local Government grants, donations, asset sales or projects relying on recurrent revenues such as income from future residents on government pensions or targeting funding streams such as the National Disability Insurance Scheme.

- BA rules should seek to minimise any requirements for additional loan security to be provided over and above using the assets to be acquired or built as security. This is important to enable CHP's to maximise the new supply possible. If BA funding is limited to the scale of the current unrestricted balance sheets of CHP's this will significantly limit the scale of new housing development possible. CHP's are in a growth phase and this growth can be accelerated through BA rules that are not overly restrictive.

- BA funds should be accessible by CHP's as part of the development phase as well as in the post-completion operational phase. This will encourage developers seeking to partner with CHP's to deliver new projects that incorporate affordable housing components.

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- The BA directly improves housing affordability by lowering the cost of supply.

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