

8 November 2023

Dr Steven Kennedy PSM  
Secretary to the Treasury  
via email: [housing@treasury.gov.au](mailto:housing@treasury.gov.au)

Dear Dr Kennedy,

**Re: Response to the Housing Australia Investment Mandate Direction released 25 October 2023**

BaptistCare are excited to continue our partnership with Housing Australia and to contribute to the ongoing effort to address the housing crisis through the HAFF. BaptistCare have attended briefings from Housing Australia and reviewed the Investment Mandate materials published on 25 October 2023. To ensure efficiency and effectiveness, we would like to seek clarifications on key aspects of the HAFF program. Our aim is to streamline the process and enhance our project proposals, thus benefiting both HAFF and the housing sector.

**1. Project Submission Frequency and Funding Rounds:**

The HAFF briefing on October 27th outlined a plan for annual submission requests and funding rounds over five years. While this structure has its merits, we propose a quarterly submission schedule for several reasons:

- It would create a smoother workflow for HAFF in assessing submissions.
- This approach would better accommodate the construction industry's demand.
- It would allow Community Housing Providers (CHPs) to secure land and explore development opportunities more efficiently without the risk of lengthy waiting periods. For instance, if a CHP secures land for housing but the submission doesn't receive funding, the land would remain unused for an entire year under the current system.
- The costs of procuring multi-year options over land and of holding undeveloped land for prolonged periods are not insignificant and would reduce the number of potential projects and the spend on the dwellings developed.

With quarterly funding rounds, CHPs could revise and resubmit their proposals, providing greater certainty in securing suitable land for such projects.

**2. Financing and Funding Arrangements:**

We request guidance on available financing options to strengthen our project business cases, specifically regarding:

- The criteria and the potential amount of upfront capital available at the project delivery stage, considering its impact on Net Present Value neutrality to availability payments.
- The criteria and range of ongoing service payments for social and affordable accommodations (referred to as "availability payments"). Earlier communications suggested a sliding scale of subsidies with a subsidy for social dwellings at \$25,000, but this paper indicates a subsidy of \$20,000 for social dwellings. Based on our initial modelling we believe a \$20,000 subsidy may significantly reduce the number of feasible projects. People in need of social housing are often at significant risk of

homelessness and may have complex needs. There is significant need for social housing in metro locations close to services. Without an increase in subsidy, social dwellings may require additional capital grants.

**3. Acceptable Level of Risk for Loan Repayment:**

It would be helpful to have a clear understanding of the risk assessment approach and qualification criteria for project finance.

**4. Value for Money Delivered by the Project:**

We would appreciate guidance on Treasury's expectations regarding what constitutes value in terms of the amount of housing delivered compared to the amount spent.

**5. Ownership of Social and Affordable Housing Property:**

We are seeking clarification on HAFF requirements for property ownership during the 25-year term and at its conclusion. Our experience suggests that developers tend to let CHPs manage affordable properties for a fixed term before selling them at market prices when the term expires, potentially creating a future housing crisis. Making HAFF funding contingent on CHPs with ACNC status owning the underlying properties would ensure the program's purpose of creating more housing stock and allow the properties to be managed on a social/affordable basis indefinitely. If the properties are sold, the CHP should be compelled to use the proceeds to create more housing.

**6. Criteria for Spot Buying Eligible for HAFF Funding:**

We seek clarity on Treasury's stance regarding 'spot purchases' of dwellings for social and affordable housing:

- Does the acquired property as a 'spot purchase' need to be new and not previously lived in, or is it acceptable if it hasn't been used for social or affordable housing?
- In cases where an existing dwelling is unsuitable due to its condition or previous usage, would refurbishing and repurposing the building for affordable and social housing qualify for HAFF financing?

**7. Definition of Affordable Housing:**

We seek a national definition of affordable housing that incorporates both a discount to market rate and a percentage of household income. This will ensure that HAFF funding is tied up with legitimate affordable housing for key demographics and not simply for expensive apartments in affluent areas to be sold on the open market at the completion of the program.

We greatly appreciate your assistance in addressing these important points. Our ongoing partnership with HAFF holds the potential to make a substantial impact on the housing crisis, and we look forward to a long and productive collaboration.

Yours sincerely,



Charles Moore  
CEO BaptistCare NSW & ACT