6 September 2024

The Director
Social and Affordable Housing Unit
Housing Division
Treasury
Langton Cres
Parkes ACT 2600
Email: housing@treasury.gov.au

Dear Sir/Madame

National Housing Infrastructure Facility (NHIF) - $1bn for crisis social housing (NHIF Funding Proposal)

Thank you for the opportunity to provide our recommendations on the NHIF Funding Proposal.

UDIA National is a strong champion for improving the diversity of housing across the continuum from at-market to affordable, social and crisis housing. It is critical that Government fund solutions across the continuum so that supply and affordability imbalances in one sector do not push up prices and undermine other diverse housing needs in other sectors. It is the same land, same builders and same product across the entire housing space, so any imbalances have linked impacts.

The Urban Development Institute of Australia (UDIA) National is the development industry's most broadly representative peak body with more than 2,000 member organisations - spanning top tier global enterprises, consultants, small and large-scale developers and local governments.

The development and construction industry delivers 9% of Australia's GDP and creates jobs for 1.307 million Australians. Every dollar invested into housing construction delivers $2.90 in broader economic activity.

Our members deliver the majority of affordable market housing across Australia. Most housing created by our members is sold near or below median house prices.

The issue

UDIA National supports the provision of $1bn for crisis housing however, the proposal and its inclusion within the NHIF, require some simple, but material changes to ensure it operates effectively:

1) **Rethink the definition of crisis housing to open it to both sexes** – Many men live in fear of domestic violence/homelessness like women similarly situated, and it should be open to them.

2) **Consider a stand alone program for crisis housing** - the NHIF was originally for grants funding to enabling infrastructure and expanded to social housing (to put the existing money to use faster) – this is a separate funding stream of $1bn and should ideally have a separate program.

3) **Eligibility should be expanded to other groups to maximise housing diversity** – we should be vehicle agnostic – if the organisation can meet the outcome for supported and viable crisis/transitional housing, limiting eligibility only limits opportunities for housing.

UDIA National
GPO Box 2279 Brisbane QLD 4001
www.udia.com.au

4) **The program may be optimised through grants alone** – Crisis housing has limited and unpredictable income which make concessional loans more of a burden and potentially an unused pool of funding.

5) **Time limits are optimal but need to be tuned to market factors and set at 18 months.**– including ensuring there is enough time to generate a project that can take advantage of the funding and also ensure we do not perversely incentivise the market to put forward already existing projects for funding.

6) **Ongoing state reporting of funding is needed to ensure limited funding is efficiently deployed**.

In the interests of brevity, we have directly answered the questions posed in the paper below with some illustrative detail:

Question 1:

What are the merits of targeting additional funding towards crisis and transitional accommodation as part of the broader mix of acute and social housing?

There is always merit in more funding towards crisis and transitional services – previous work done by the (then National Housing Finance and Investment Corporation (NHIFIC, now Housing Australia) indicate that affordable and social housing alone needed $290 billion over 20 years to keep up with needs. This was 45,000 additional houses a year with the lions share (30,000), in the social housing space which included crisis housing.

Creating a funding stream specific to crisis housing and transitional arrangements as a part of acute and social housing under the NHIF is useful, however not all providers of crisis housing or transitional arrangements are currently involved in social or acute housing, so some thought should be given to the types of eligible participants (see below).

We note that the NHIF was originally for grants funding to enabling infrastructure and expanded to social housing to put the money to use faster. This delay in funding deployment was in part due to the fact that by far the greatest user of enabling infrastructure is private housing providers, who were not able to participate in grant funding under the NHIF. The inclusion of acute and social housing was really to deploy the existing funds.

Now that there is a new, separate stream of $1 billion, it would be optimal to put it within a separate program. Equally, enabling infrastructure is still a chronic issue for housing and should be funded where possible under the NHIF. Equally separating the extra $1 billion will enable acute housing needs to be funded without competing for the existing funding earmarked for enabling infrastructure nor other social housing needs under the NHIF.

Recommendation: Consider a stand alone program for crisis housing

UDIA National
GPO Box 2279 Brisbane QLD 4001
www.udia.com.au

Question 2:

Are the definitions for crisis and transitional accommodation in the draft Investment Mandate amendments appropriate, and separately, are the definitions of the cohorts of women and children, and youth appropriate?

The majority of definitions are suitable however, crisis and transitional housing has been defined with reference only to women, youth and children. We are not certain why men would be excluded from the definition since the qualifier is suffering family/domestic violence or experiencing/at risk of homelessness.

The data bears out that men can be at risk of family /domestic violence and experience homelessness like any other of the defined groups.

Given that the housing needs will be different for all the potential cohorts, we cannot see a logical reason for excluding men from the definition.

If there is a need to target limited funds, we suggest inserting a further qualifier rather than excluding a worthy in need group.

Recommendation: Rethink the definition of crisis housing to open it to both males and females.

Question 3:

Is the existing list of eligible project proponents for NHIF (Critical Infrastructure) and NHIF (Social and Affordable Housing) appropriate for the expansion of the NHIF for crisis and transitional accommodation? Are there any other project proponents that should be considered?

The approach of any investment should be vehicle agnostic where there are clearly defined outcomes that can be reached by the possible vehicles contemplated. We should be vehicle agnostic – If a private or for purpose organisation can meet the outcome for supported and viable crisis/transitional housing, limiting eligibility only limits opportunities for housing. Certainly, the concept of community housing providers is not sufficiently broad to encompass even all the existing organisations that are proficient in servicing/establishing crisis and transitional housing.

We specifically also note:

a. There are many domestic violence and youth service providers beyond those who are familiar with or have experience with Housing Australia/Bond Aggregator/NHIF. All not-for-profit organisations, charities, government departments and service providers should be eligible.

b. Domestic violence and transitional Housing is about much more than bricks and mortar. Operational wrap around services and considerations need to be assessed and funded in addition to the housing itself.

c. Tenderers (as individual organisations or partnerships), need to have demonstrated capability managing domestic violence/transitional housing and not just Community Housing Providers.

The differences in services are distinct and acute and this must feature in communication relating to the program and any requests for tender.

Recommendation: Eligibility should be expanded to other groups to maximise housing diversity and opportunity for development

Question 4:

How could project proponents use this funding mix, and how could project finance be structured to draw on both grants and concessional loans?

Crisis and transitional accommodation has at best, very slim revenues associated with it and more expansive operating expenses than traditional affordable and social housing. Equally, there is no ability to predict revenues or stabilised income.

This means grants are the more likely to present less of a burden and a simpler proposition for eligible organisations. If concessional loans are being considered for non-state organisations, there is a concern the financial complexity and difficulty for predicting repayments may discourage good organisations from participating.

We understand that to some extent, state agencies may be more able to pay a concessional loan however, even with the majority of money in grants there is a risk a proportion of the pool of loan funds will be unused.

Recommendation: The program may be optimised through grants alone – Alternatively, like the time limits, there should be a time limit on the pool of concessional loan funding that enables it to be converted to grants funding after a period of time if it is not taken up earlier.

Question 5:

What impacts would a time limit for state and territory funding allocations have on project proponents or projects that would come forth for the funding. What are the benefits and unintended adverse consequences?

Time limits are good and necessary thing to ensure money does not sit idle and immovable.

Importantly however, given organisations are tendering in a complex process required for a NHIF submission, it will take time and effort to generate new projects that meet the criteria. We would expect that many projects may not yet be conceived yet – encouraged by the availability of specific funding (like any successful incentive).

A new project has a "gestation period" with a subsequent announcement to market, then presumably a ranking of worthwhile projects whereby if one doesn't go to contractual/financial close, the next one can be called up immediately.

The risk is that the time limit being relatively short, would make it difficult for new projects to be created and instead result in existing projects being put up to obtain money in the time available.

The logic being, a project competing within a state has a finite pool of competition which (after 12 months), opens up much wider nationwide. If the proponent cannot get the project up for evaluation in 12 months, they will opt to obtain the funding for an existing project or not compete at all.

Similarly, as a related issue, reporting by the States for any funding must be ongoing, concise and transparent to allow Federal Government and the public see the money is being used as effectively as possible. This not only promotes confidence in the program but also the state and Federal Governments.

Recommendation: Time limits are optimal but need to be tuned to market factors and set at 18 months.

Recommendation: Ongoing state reporting of funding is needed to ensure limited funding is efficiently deployed.

Please do not hesitate to contact the UDIA National Head of Policy and Government Relations - Andrew Mihno on 0406 454 549 to discuss this further.

Yours sincerely

Col Dutton
UDIA National President

UDIA National
GPO Box 2279 Brisbane QLD 4001
www.udia.com.au