Uniting Housing
ABN 69 134 589 745
Level 7, 130 Little Collins Street
Melbourne 3000
[redacted]

Members,
Senate Standing Committee on Economics
Parliament House,
Canberra

Honourable Senators,
Please find attached copy of Uniting Housing Victoria's Response to the proposed NHFIC Legislation currently before the Senate.

I have attached two documents, the first is a paper presented to Treasury during the exposure phase of this legislation, this was seemingly ignored at the time, and it certainly had no effect on the Bill.

The second is an extract – the Reader's Digest version – of the recommendations and rationale, submitted in the hope of enabling reading convenience as an enticement to the longer paper.

I urge Honourable Senators and indeed MHRs to give consideration to the recommendations made in our paper. They come from direct coal-face experience of working in the Social Housing Sector at a time of great need and challenge. They offset the presumptions underpinning the proposed legislation and propose realistic, workable ideas that are not based in ideology but seek to elicit an enhanced outcome from the Bill.

Sincerely,

[redacted]

IAN BRAIN
CEO
13TH APRIL 2018

Uniting Housing
ABN 69 134 589 745
Level 7, 130 Little Collins Street
Melbourne VIC 3000
info@uhv.org.au

National Housing Finance and Investment Corporation Bill 2018

Response to request for comment

Background and Introduction

The initiatives underpinned by this proposed Legislation are timely and will contribute to the significant challenge currently facing this Nation, of shortage of supply of Affordable and Social and Community Housing. This submission critiques the draft legislation with a view to further improving the response, from the basis of direct, field experience. It puts forward a number of recommendations that will enhance the legislation, and provides rationale for those recommendations.

Uniting Housing Victoria (UHV) is the trading name of UnitingCare Housing Victoria Ltd, a registered Housing Provider with The Victorian Housing Registrar. It manages some 500 tenancies annually; functions the Transitional Housing Program (THM) under contract to the Dept of Health and Human Services Victoria (DHHS); General Lease contracts for properties and rooming houses on behalf of DHHS, and when the opportunities arise, is a small scale property developer and property owner in its own right. Over the past four years in difficult times, UHV has constructed or purchased 18 additional dwellings for social housing purposes. It is currently constructing a further eight Specialist Disability Accommodation facilities, and is registered by the NDIA to function these, again a challenge of not insignificant proportion. UHV is also a Registered Charity, reporting to the ACNC, and an incorporated entity reporting to ASIC. As such, it would be considered a Tier 2 entity for NRSCH National comparison. UHV also contributed to National Treasury's Sector-wide consultations on the concepts underpinning this draft legislation.

In short, UHV is an active operator in the Social Housing sector, and positioned to offer considered opinion on the intent and legislation based on lived experience and expertise gleaned from the development, operation and sustainability management of Social Housing in Victoria.

Set out below is our critique of the Legislation, together with recommendations for consideration and rationale for these recommendations. These arise by overlaying the opportunities and challenges the NHFIC Act would provide onto that field experience.

We trust these thoughts will be considered in the spirit that they are made, which is to enhance the legislation and its subsequent outcomes with the aim of making it better fit for purpose, and contribute to building a working framework for a nationally coherent response to the current housing crisis our society presently faces.

Ian Brain
Chief Executive Officer
Uniting Housing Victoria
22 January 2018

Critique of the NHFIC Legislation, its intent and likely outcome as it presently stands.

Broad Intent of the Legislation

The intent underpinning the legislation is to support major housing construction initiatives and provide greater access and ease of attainment of capital for affordable and social housing and associated long term sustainability. It is purposed to focus this support effort into the Regulated Community Housing Sector, with a particular emphasis on provision being provided to the larger Tier One (T1) Not for Profit Community Housing entities operating in this realm. The intent appears to be oriented toward broadacre and high rise developments of some scale. There are provision for the making of (undefined, but by inference, small) capital grants, and possible opportunities for smaller scale activities created by pooling some Tier two (T2) and Tier three(T3) Community Housing Provider-initiated projects within the possibilities created by bond aggregation.

In short, its general thrust is a call for Developers, Land Banks and Financiers of some substance to get involved, to assist the larger community Housing Sector Tier 1 entities to participate in broadacre and high rise developments, and to enable other community housing providers to attach to these opportunities as and where they can. With two relatively minor exceptions, the capacity and willingness and potential of T2 and T3 Community housing Providers is largely ignored by the Act.

In broad descriptive terms, this approach can be termed as 'Top-Down'. By supporting large scale developments undertaken by big players, Social and Affordable housing will receive benefit derived from the activity. This approach, which has evolved from the underpinning thinking behind the design of the legislation, goes something like this:

*Social Housing, of itself, cannot self-capitalise as it has an insufficient income stream to do so.**
By undertaking a development of sufficient scale, a portion of the income generated from sales or equity uptake can be transferred within the development to provide Social and Affordable housing. This is known as cross-subsidisation. In order to provide a workable response to the housing crisis, initiatives of substantial scale will be required. The Act therefore also envisions support for infrastructure development in order (inferred) to make possible such larger scale broadacre and highrise developments.

While the aspiration is certainly welcome, it is a model that the Community Housing Sector is familiar with. It is not without its problems and challenges, and also potential for improvement by being transformed into a more thorough and comprehensive response to the Social and Community Housing challenges facing our nation.

** for a detailed explanation of the challenges of providing and sustaining social housing refer Annotation One, page 10. Suffice for the moment to explain it thus: The average rental income a Community Housing Provider receives for each and every Social Housing property it leases out is $180 per week. This is sufficient - prudently managed - to maintain and sustain a fully capitalised property long-term (40+ years). But there is no capacity within this budget to repay construction and land costs. Community housing providers additionally generally have no other source of income than this rental income stream for these purposes.*

The 'Top-Down', cross subsidisation model:

This model generally entails returns from some of the retail sales or equity offerings within the development to be put to the cost of construction of an element of Social and Affordable (S&A) housing within the development. In the mix can be some equity holding structures with rental subsidy offsets to accommodate this component. There are others. NRAS tax exemptions were an example of the application of a more sophisticated form, incorporating conditional tax offsets for subsequent owners. (the administrative burden for this program also has proved excessive). There is at times a sprinkling of a number of other sometimes mysterious algorithm-driven aggregated equity investment vehicles incorporated in business plans and financial analysis documentation purporting to enable capitalisation based on borrowing offsets or other means.

When applied effectively, it is a workable contributor. And to the degree that it does work it is well worthy of inclusion in the NHFIC strategy tool-bag. However it comes at a cost, one that the signatories to the legislation should be aware.

As an element of any project cross subsidisation of social housing, by its nature, results in creating a mindset of all participants that this component is a liability the project has to carry - a cost the overall project has to pay. This is so even when the purpose of the whole initiative was to plan and initiate the activity so social housing could be achieved in the first place. When developers and landbanks and financiers come to the NHIFC to partner, in their minds and possibly in the minds of all at the table, Social Housing will be seen as being 'tacked on' to the developments. A 'cost of doing business.' Contemporary experience at the coal face of social housing development tells us that this will be so.

As noted above Community Housing providers are familiar with the model. What UHV and our fellow community Housing providers find is that when taking such proposals to developers and financiers, a number of effects occur. The opportunity value of our proposal is always discounted. Always. Pressure is then applied to us to somehow "make up" for the profit passed up by the developer in them 'generously discounting' for the social housing proportion. The proportion of social and affordable housing is also always negotiated down, especially when budget overruns occur. Tax concessions are sought - "Yes we are a registered charity… Why?" is a common question and reply. On more than one occasion a social housing initiative we proposed that had retail rental properties and property sales incorporated as elements enabling the full funding of the development, received buy-out offers from the other partners. Their proposal was to spend this 'return' elsewhere.

Without desiring this to be seen as a generalisation of the entire sector, the frequency of it occurring means that the NHFIC will be faced with these issues. Given the size of the initiative, they will face them in spades.

As negotiations progress, pressure will be applied to NHFIC to reduce the proportions expected for quantity of social and affordable housing in the development. This will be exacerbated by any cost blow-outs in delivering the overall development. NHFIC will probably be requested for access to the current grant component to "offset these support/unforeseen costs" in order to achieve S&A targets. Most probably the NHFIC will comply, wanting to meet their goals, and arguing publicly if necessary that there is tangible benefit in doing so. This of course will mean a reduction of grant funds would be then accessible for T2 & T3 niche building of other social housing, but the targets for the big developments – the core measure NHFIC will be responding to under the current framework - will

have been met.
What just happened there? T2 and T3 Providers who had good, smaller project ideas just missed their opportunity. The developers won back all their profit, and the opportunity value of the project has disappeared. In the wash-up, Government pays, and Social Housing is the loser.

NHFIC will also face resistance to setting broader sector-wide targets for social and affordable housing. The infrastructure Fund in particular will experience this. A Social Housing goal will be set. It will be modelled by requiring S&A provision via cross subsidisation from within developments. Developers will still want some form of offset or subsidy because of it (as above). The NIMBY effect will also come into play, and further demands for compensatory measures argued on the basis of defraying cost/loss of sales value will be called for. Infrastructure initiatives will also be negotiated to be used to benefit full retail developments with no community housing components.

It is suggested there is a significant challenge for the NHFIC if it is to militate against such consequences.

Enhancing the Legislation from the 'Bottom-up'

The Act in its present form is, with two exceptions, focussed on broad brush, big scale responses in order to achieve grand targets on a National scale. As it stands, it no doubt will achieve some great outcomes. Its resources are directed at working with the big end of town.

Top-down responses tend to eventuate in a singular, rather than a multi-faceted approach, where implementation is generally handed to entities considered expert in creation of the global solution, but not necessarily with direct experience of the difficulties and challenges involved with the specifics of delivery to a challenging client-tenant population. They should not necessarily be criticised for this lack of a complete skill set, it is quite understandable that such broad-brush approaches receive support. Their intent is to endeavour to be all-encompassing, to provide a simplified, 'comprehensive solution' on the belief that this type of response is simpler and more cost efficient. The problem arises when the solution proffered does not result in the desired outcome due to that very lack of direct experience it overlooked in its gestation.

The abject, generational failure of Labour Market and Vocational Training policy to meet outcome targets for the long-term unemployed, indigenous communities and the disabled is testament to this shortcoming originating from this source. Remedy after remedy is applied, but the mindset was set, the infrastructure is locked, change is too hard, and the battle lost.

The T2 and T3 Social and Community Housing Providers have been generally overlooked by the designers of this legislation. This is a not untypical attribute of Top-down designed initiatives.

As this is an exposure draft, this is perhaps the only opportunity to consider elements of what might <u>not</u> be lost by enabling and better encouraging their participation.

Typically, T2&T3 are more focussed on Social Housing provision, and hold a higher proportion of their portfolio in this category. Many of the Church-based housing providers also are resident of this category.

For these agencies, undertaking this work evolves a significantly deeper empathy toward, and understanding of the function of the housing sector in relation to its client-tenants and their presenting needs. Elements of client-as-tenant are taken into account - wherein provision of housing is one component of a more comprehensive response to underpinning family live, or meeting and overcoming other life-challenges and difficulties in other ways. While there very well may be some, experience tells us - if not the sensationalist media - that there are very many more aspiring lifters than there are leaners. Appendix One provides a list of categories of client-tenants who are eligible for social housing provision.

Individual agencies operating as T2&T3, while generally smaller than T1 are no less competent at their tasks – indeed they are subject to the same level of accountability and regulatory compliance as all housing providers at all levels. They are generally extremely stable, understanding efficient practices through necessity, and are strongly committed to the well-being and growth of independence of their client-tenant populations They generally are closer and more readily available and responsive to crisis or other interventions.

Nor are these agencies without capacity for action on the property development front - many are attached to organisations with significant resources potentially accessible for housing construction purposes. It is just that in the main these resources are scattered - located within older established suburbs – former church tennis courts come to mind as an example. Individually small, but collectively potent, they also are resident of valuable and community knowledge – of their local communities, local resources that are useful to their client-tenant population, of local idle land opportunities that others may have overlooked, and of local builders who while also small, can if allowed, be proud of their work and can often build higher quality housing at nationally competitive pricing.

Any serious intervention in addressing the present housing crisis would be foolish to not give thought as to how to encourage this sub-sector of the community Housing Provider sector, to increase their housing portfolios and thereby contribute to the collective effort. From the big picture perspective, it is scattered, messy and inconvenient. It is also knowledgeable at the tough-end, and no less willing and just as ready and able to do their bit. More-so, probably if one considers provision of social housing of itself. T2s and T3s want to deliver social housing, and know how to do it sustainably.

If NHFIC can establish means and resources to engage with this sector, their outcome measures will be enhanced, as will their access to client-tenant management knowledge, and their connectedness to community resources.

A ‘Bottom-up Intervention Example (theoretical)

Provision of resource to address the collective housing crisis can be considered ‘Bottom-Up’ intervention. Here is a theoretical example of what could be achieved based on UHV internal modelling:

Uniting Housing Victoria’s modelling shows that, by utilising the resources that may be availed to us by the bond aggregator, and with judicious risk management and property sustainability practices in place, from our existing social housing stock income stream we could safely borrow and repay over 20 years adequate funds to construct an additional 10 social housing dwellings.
A commendable achievement perhaps. However I don’t think it will be enough.

If, however, we include in the modelling a direct grant for say, acquisition of 50 social housing dwellings and land, we could then leverage via the bond aggregator to construct a further 50 dwellings; Utilising the same risk management and sustainability principles and with the additional of some other internal resources that such an opportunity would open up, over the next ten years, we could also construct a further 100 dwellings, predominantly without further recourse to capital grant injection (site dependant).

200 then, rather than 10. And all of them long-term sustainable Social Housing. How many grand multi-million dollar developments will it take the current envisaged approach to reach a their 200 Social Housing developments? And we are but one of the many T2 and T3 entities with such capacity and capability that the legislation in its present form is overlooking.

This is what Bottom-up means: specifically problem-area targeted program development, intended to bolster the Top-down provision, without replacing it but certainly enhancing it. It brings specialists to the table where they are currently lacking, and this will always result in better overall outcomes.

Recommendations

The following 5 recommendations are intended to (a)militate against the inherent risk associated with elements of the Act as it presently stands, and (b), to support a more comprehensive response that will tap an available, wider community housing sector capacity to better meet the core object of the Act, vis:

The object of this Act is to establish the National Housing Finance and Investment Corporation to contribute to efforts to increase the supply of housing by:

(a) encouraging investment in housing (particularly in the social or affordable housing sector); and

(b) providing finance, grants or investments that complement, leverage or support Commonwealth, State or Territory activities relating to housing; and

(c) contributing to the development of the scale, efficiency and effectiveness of the community housing sector in Australia.

1. *Incorporate into the Act a legislated provision for a separate and distinct appropriation from the Commonwealth consolidated revenue fund for the purpose of providing grants for the direct acquisition of Social Housing dwellings.*

2. *Ensure that this appropriation is excluded from any expectations for the purposes of calculating a Dividend to the commonwealth (under Sec 52)*

3. *Ensure within the legislation that this source of direct capital funding for social housing be also accessible to Tier 2 and Tier 3 Community Housing Providers (corporations), and that applications for funds are to be considered based on merit.*

4. *Empower the NHFIC to place caveats on title for all properties delivered as social housing dwellings by its actions and individual funding activities, with the intent of preserving the inherent value of the acquisitions being retained for social housing provision into the future.*

5. *Enhance the provisions intended in Clause xx (Statistics) to ensure NHFIC has the powers and the directive to monitor, research, and make direct recommendation to Federal State and Local government instrumentalities in regard to but not limited to re-zoning activities, with a view do direct proceeds of such rezoning revaluations to be applied to the Social Housing Grant Fund.*

Rationale for the recommendations.

Recommendation 1:

> **Incorporate into the Act a legislated provision for a separate and distinct appropriation from the Commonwealth consolidated revenue fund for the purpose of providing grants for the direct acquisition of Social Housing dwellings.**

This recommendation is intended to firmly establish a means for capital injection specifically for the achievement of Social Housing outcomes. It addresses the impossible challenge of self funding of repayment of capital debt from such dwellings, and will ensure the delivery of a proportion of the proposed additions to social housing stock without the requirement to negotiate cross-subsidisation arrangements within development and borrowing budgets. It will enable leverage into access to the Bond Aggregation elements of the initiative with additional direct and specific social housing dwelling outcomes. It does not detract from quantitative achievement by other means existing within other elements of the Act, but it will have an additional beneficial outcome of enabling community housing providers to have seats at development planning negotiation meeting tables, rather than have them feeding off the crumbs that may fall off such tables.

Recommendation 2:

> **Ensure that this appropriation is excluded from any expectations for the purposes of calculating a Dividend to the commonwealth. (Part 5 Sec 52).**

As addressed in the above critique and Annotation One (p11), it is impossible for social housing to generate levels of income adequate to meet any debt repayment obligations. This is because rental payments by client-tenants is restricted as required by other regulation and legislation. It follows that this same liability should not be transferred to another entity, in this case the NHFIC's general requirement under Part 5 Sec 52 of the Act.

Recommendation 3:

> **Ensure within the legislation that this source of direct capital grant funding for social housing be also accessible to Tier 2 (T2) and Tier 3 (T3) Community Housing Providers (corporations), and that all applications for such grant funds are to be considered based on merit.**

As the draft legislation currently stands there are two lesser defined opportunities for T2 and T3 community Housing Providers to participate. – the provision for the making of (undefined, but by inference, small) capital grants, and possible opportunities for smaller scale activities created by pooling some T2 and T3 Community Housing Provider-initiated projects within the possibilities created by bond aggregation. Direction of these activities is presently limited to funds accessible by negotiation under a Ministerial Investment Mandate, and, by inference to be focussed predominantly *on Tier One (T1) providers. Any aspirations T2 or T3 entities may presently have in this regard may also be constrained by interpretation under Section 2.20 of the draft act. It is suggested these matters warrant clarification with a view to enabling a more comprehensive response to the opportunities enabled under the act, and to tap the capabilities of the smaller, but none-the-less competent and capable T2 and T3, generally specialist Social Housing providers.*

Recommendation 4:

> **Empower the NHFIC to place caveats on title for all properties delivered as social housing dwellings by its actions and individual funding activities, with the intent of preserving the inherent value of the acquisitions being retained for social housing provision into the future.**

The intent of this recommendation is to preserve the Commonwealth contribution – either via grant funding or by enhancement with negotiated social housing outcomes to be retained as an enduring resource for social housing. Such requirements are current s=with some state government grants, but in some cases state governments are challenged to appropriately structure such enduring liabilities without detrimental impact on CH Provider's balance sheets and effect on their ability to securitise assets. While the bond aggregator concept seeks to remedy borrowing limitations set against assets by provision of a loan guarantee, it does so without (seemingly) preserving the inherent investment in the social housing properties. Guidance and a clear structure for a means to achieve this desired goal will be a welcome contribution by NHFIC to the entire sector.

Recommendation 5:

> **Enhance the provisions intended in Clause 10 (1)(d) enabling *actions for the purposes of collection of statistics* to ensure NHFIC has the powers and the directive to monitor, research, and make direct recommendation to Federal State and Local government instrumentalities in regard to but not limited to such matters as re-zoning activities, with a view to directing proceeds of such rezoning revaluations to be directed toward the Social Housing Grant Fund.**

Applying regulation for proportions of social and affordable housing to be delivered in new housing development construction is a potential tool for governing instrumentalities in their endeavours to enhance the supply of social and affordable housing. Response by such authorities is disparate, and un-directed at either state or federal level. Some Local governments do so, many don't.

The NHFIC should not be silent on this issue. It will hold great regulatory potential to create mindset change and bring more mixed housing estates to reality. The draft legislation appears silent on these potential courses of action, and it may be argued, intentionally so. However, there is equally good argument why this instrument should be supported by legislation – namely it will give NHFIC some teeth in any negotiations they may engage on the issue. This is the vehicle to do so. Additionally, there is potential – where re-zoning for a development may be required – to use the opportunity to make provision to enhance the (above) proposed available grant funds. Presently in Victoria for example, when a re-zoning for residential purposes is proposed the developer is requested to pay to the Valuer-General Victoria's (VGV) current market value assessment of the difference in value between the restricted use and future use of the site for residential purposes. These funds are *significant, and could well be put to a better and more focussed use than simply the state's consolidated revenue – i.e. into the NHFIC's Social Housing Grant Fund (refer recommendation 1 above). This recommendation is intended to give the NHFIC the means to proactively pursue such opportunities.*

Conclusion

As it stands the legislation engages and empowers Tier1 Community Housing providers, and conceives incentives for developers and financiers to engage with addressing the big picture opportunities for a substantial top-down expansion of housing stock. This response to the draft legislation seeks to enhance these potential achievements by opening additional ways to effectively engage and empower Tier 2 & 3 social housing providers to participate - in our terms - from the bottom up - with specifically targeted additional initiatives.

To the authors and drivers of this legislation, can I say, on behalf of the Social Housing sector, that if it is your goal to create an enduring policy initiative, one that makes it possible for us all to work together on achieving solutions, it will only be by bringing both sets of perspectives and competencies and knowledge to the table, by drafting legislation that supports and taps all our potential and brings all our collective resources to the task - from the top <u>and</u> the bottom – that it will it be achieved.

Annotation One:

Social housing is by definition housing provided to a defined target group - of individuals and families experiencing necessitous circumstances and predominately with limited income. Categories of approved client-tenants eligible for social housing is attached.

Social Housing, again by definition, proscribes a weekly maximum rental payment by tenants based on 25% of their weekly household income plus rental assistance if they are eligible..
Over UHV's entire current portfolio of owned or leased social housing properties as at 31-12-2017, this equated to an average weekly income from rental, before costs, of $178 per week per property.
Community Housing Providers typically have no other source of income than rental income.
Utilising that income stream, it is possible for a community Housing Provider to meet all outgoings for a fully capitalised property (council and water rates, insurances, responsive maintenance, safety checks, regulatory reporting, and service provision and management) and create - over a 15 year period - a sustainability reserve (circa $20k per property). UHV presently successfully delivers social housing within these parameters, and generates a minor annual surplus for each property – around $885 per annum.
Our modelling again shows that it would be only by withholding cyclical maintenance expenditure and churning of the portfolio back into the negatively gearing market (a high risk presumption in itself) that a modest level of capital debt repayment can be achieved. These are both unsatisfactory options when looking to long-term sustainability, and risk decaying and diminishing of the portfolio.
A further implied opportunity contained in the act is that of utilising aggregated bonds to meet long-term maintenance liabilities. This option similarly only delays the inevitable; it requires portfolio churning to meet balloon repayments, and given the ongoing income limitations - carries significant dependence on presuming an ever expanding capital gains market to sell into.
Demonstrably, and in summary, Social Housing is not capable of repayment of capital acquisition cost - Infrastructure fund or bond aggregator notwithstanding. Churning of the portfolio can bring some expansion opportunities, taking advantage of capital gain and targeting sales into the negatively geared market while it exists, and while property sustainability seems less of a concern for potential buyers.

Appendix One: Social Housing Eligibility listing

Target Group Name	**Criteria**
Disability - general	Persons who fall within the General target group and who also have a disability within the meaning of that word under the *Disability Act 2006*.
Intellectual Disability	Persons who fall within the General target group and who also have an intellectual disability within the meaning of that term under the *Disability Act 2006*.
Developmental Disability	Persons who fall within the General target group and who also have a developmental disability within the meaning of that term under the *Disability Act 2006*.
Physical Disability	Persons who fall within the General target group and who also have a disability within the meaning of that word under the *Disability Act 2006* which is of a physical nature.
Sensory	Persons who fall within the General target group and who also have a disability within the meaning of that word under the *Disability Act 2006* which is of a sensory nature.
Mental Health	People who fall within the General target group and who also have a mental illness within the meaning of that term under the *Mental Health Act 2014*.
Drug and Alcohol	Persons who fall within the General target group and who also have a drug or alcohol dependency.
Single Parent Families	Persons who fall within the General target group and who are also single and who have children.
Families	Couples (whether married or in a relationship) who fall within the General target group and who also have children.
Indigenous	Persons who fall within the General target group and who are also of Aboriginal or Torres Strait Islander descent or who have a cultural affinity with Aboriginal or Torres Strait Islander people.
NESB	People who fall within the General target group and who were also born outside Australia and have a first language other than English.

Elderly	People who fall within the General target group and who are also aged 75 or more.
Older persons aged 55 years and over	People who fall within the General target group and who are also 55 years and over.
Homeless	People who fall within the General target group and who are also without permanent housing or who are exiting from the Office of Housing Crisis Housing Program.
Youth	Persons who fall within the General target group and who are also aged between 15 and 24 years (inclusive) and are without children.
General	Persons who are eligible for public housing according to the criteria set out in the Office of Housing Allocations Policy and Procedures Manual (as varied, amended and updated from time to time).
AIDS and HIV	Persons who fall within the General target group and who have also been medically diagnosed with HIV or AIDS.
Short Term Memory Deficit	Persons who fall within the General target group and who have also suffered a traumatic brain injury and as a result have been medically diagnosed with a short term working memory deficit.
Clients exiting Transitional Housing	Persons who fall within the General target group and who are also currently housed in accordance with the Office of Housing Transitional Housing Program.
Singles	Persons who fall within the General target group and who are also aged 25 years or more and are without children.

Uniting Housing Victoria
Response to the National Housing Finance and Investment Corporation Bill 2018 exposure draft. 220118

Extract from submission

Recommendations and Rationale.

Recommendation 1:

> **Incorporate into the Act a legislated provision for a separate and distinct appropriation from the Commonwealth consolidated revenue fund for the purpose of providing grants for the direct acquisition of Social Housing dwellings.**

This recommendation is intended to firmly establish a means for capital injection specifically for the achievement of Social Housing outcomes. It addresses the impossible challenge of self funding of repayment of capital debt from such dwellings, and will ensure the delivery of a proportion of the proposed additions to social housing stock without the requirement to negotiate cross-subsidisation arrangements within development and borrowing budgets. It will enable leverage into access to the Bond Aggregation elements of the initiative with additional direct and specific social housing dwelling outcomes. It does not detract from quantitative achievement by other means existing within other elements of the Act, but it will have an additional beneficial outcome of enabling community housing providers to have seats at development planning negotiation meeting tables, rather than have them feeding off the crumbs that may fall off such tables.

Recommendation 2:

> **Ensure that this appropriation is excluded from any expectations for the purposes of calculating a Dividend to the commonwealth. (Part 5 Sec 52).**

As addressed in the above critique and Annotation One (p11), it is impossible for social housing to generate levels of income adequate to meet any debt repayment obligations. This is because rental payments by client-tenants is restricted as required by other regulation and legislation. It follows that this same liability should not be transferred to another entity, in this case the NHFIC's general requirement under Part 5 Sec 52 of the Act.

Recommendation 3:

> **Ensure within the legislation that this source of direct capital grant funding for social housing be also accessible to Tier 2 (T2) and Tier 3 (T3) Community Housing Providers (corporations), and that all applications for such grant funds are to be considered based on merit.**

As the draft legislation currently stands there are two lesser defined opportunities for T2 and T3 community Housing Providers to participate. – the provision for the making of (undefined, but by inference, small) capital grants, and possible opportunities for smaller scale activities created by pooling some T2 and T3 Community Housing Provider-initiated projects within the possibilities created by bond aggregation. Direction of these activities is presently limited to funds accessible by negotiation under a Ministerial Investment Mandate, and, by inference to be focussed predominantly on Tier One (T1) providers. Any aspirations T2 or T3 entities may presently have in this regard may also be constrained by interpretation under Section 2.20 of the draft act. It is suggested these matters warrant clarification with a view to enabling a more comprehensive response to the *opportunities enabled under the act, and to tap the capabilities of the smaller, but none-the-less competent and capable T2 and T3, generally specialist Social Housing providers.*

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> **Empower the NHFIC to place caveats on title for all properties delivered as social housing dwellings by its actions and individual funding activities, with the intent of preserving the inherent value of the acquisitions being retained for social housing provision into the future.**

The intent of this recommendation is to preserve the Commonwealth contribution – either via grant funding or by enhancement with negotiated social housing outcomes to be retained as an enduring resource for social housing. Such requirements are current s=with some state government grants, but in some cases state governments are challenged to appropriately structure such enduring liabilities without detrimental impact on CH Provider's balance sheets and effect on their ability to securitise assets. While the bond aggregator concept seeks to remedy borrowing limitations set against assets by provision of a loan guarantee, it does so without (seemingly) preserving the inherent investment in the social housing properties. Guidance and a clear structure for a means to achieve this desired goal will be a welcome contribution by NHFIC to the entire sector.

Recommendation 5:

> **Enhance the provisions intended in Clause 10 (1)(d) enabling *actions for the purposes of collection of statistics* to ensure NHFIC has the powers and the directive to monitor, research, and make direct recommendation to Federal State and Local government instrumentalities in regard to but not limited to such matters as re-zoning activities, with a view to directing proceeds of such rezoning revaluations to be directed toward the Social Housing Grant Fund.**

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The NHFIC should not be silent on this issue. It will hold great regulatory potential to create mindset change and bring more mixed housing estates to reality. The draft legislation appears silent on these potential courses of action, and it may be argued, intentionally so. However, there is equally good argument why this instrument should be supported by legislation – namely it will give NHFIC some teeth in any negotiations they may engage on the issue. This <u>is</u> the vehicle to do so. Additionally, there is potential – where re-zoning for a development may be required – to use the opportunity to make provision to enhance the (above) proposed available grant funds. Presently in Victoria for example, when a re-zoning for residential purposes is proposed the developer is requested to pay to the Valuer-General Victoria's (VGV) current market value assessment of the difference in value between the restricted use and future use of the site for residential purposes. These funds are

Extract from submission

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significant, and could well be put to a better and more focussed use than simply the state's consolidated revenue – i.e. into the NHFIC's Social Housing Grant Fund (refer recommendation 1 above). This recommendation is intended to give the NHFIC the means to proactively pursue such opportunities.

Conclusion

As it stands the legislation engages and empowers Tier1 Community Housing providers, and conceives incentives for developers and financiers to engage with addressing the big picture opportunities for a substantial top-down expansion of housing stock. This response to the draft legislation seeks to enhance these potential achievements by opening additional ways to effectively engage and empower Tier 2 & 3 social housing providers to participate - in our terms - from the bottom up - with specifically targeted additional initiatives.

To the authors and drivers of this legislation, can I say, on behalf of the Social Housing sector, that if it is your goal to create an enduring policy initiative, one that makes it possible for us all to work together on achieving solutions, it will only be by bringing both sets of perspectives and competencies and knowledge to the table, by drafting legislation that supports and taps all our potential and brings all our collective resources to the task - from the top and the bottom – that it will it be achieved.