

Additional Comments from Labor Senators

1.1 Labor Senators support the legislation establishing the National Housing Finance and Investment Corporation (NHFIC), with a number of amendments that reflect submissions received by the inquiry. At the outset we reiterate that the Government's so called 'comprehensive housing affordability plan' is a sham. The plan is heavy on slogans, light on substance and many stakeholders and analysts have criticised the piecemeal approach to reform in this area. A housing policy that ignores the need to reform negative gearing and capital gains tax concessions cannot be taken seriously.

1.2 To make matters worse, the Government is now spending taxpayer money to advertise its sham housing 'plan' to everyday Australians while being slow or unable to action its inadequate policy measures. To date, and after much fanfare following the 2017–18 Budget, the Coalition has failed to reach agreement with the States and Territories on implementation of the National Housing and Homelessness Agreement (NHHA).

1.3 Labor Senators have supported the establishment of the NHFIC for some time and particularly, the operation of the affordable housing bond aggregator. The establishment of a bond aggregator was part of Labor's housing affordability package announced in February 2016, well before the Government announced this policy in the 2017–18 Budget.

1.4 While the NHFIC and the bond aggregator are welcome developments, stakeholders continue to strongly argue that the bond aggregator alone, without additional support from local, State and Federal Governments, will be insufficient to bridge the gap between achieving required financial returns and offering affordable housing to Australians in need. The Community Housing Industry Association (CHIA) stated that:

CHIA agrees that while the bond aggregator will reduce the cost of financing social and affordable housing, it will not be sufficient to address the funding gap between the operating costs and the rental income. This is because, by design, community housing providers (CHPs) charge rents below market rates to make housing more affordable for tenants.¹

1.5 The Australian Housing and Urban Research Institute (AHURI) concurred:

AHURI research has argued that there is a need to address a funding gap in the context of new finance:

Whether involving new finance or the redirection of existing housing subsidies, government financial support is essential to complement private financing of additional affordable housing supply. Inadequate government

1 Community Housing Industry Association, Answers to written questions on notice, received on 27 April 2018, p. 2.

co-funding is the primary capacity constraint that providers currently face in their efforts to expand affordable housing (Milligan et al, 2017:1).²

1.6 The National Affordable Housing Consortium continues to criticise the Government's approach in not linking various policy initiatives to achieve housing outcomes that are greater than the sum of the parts:

Sourcing the actual rent/capital subsidy, at scale, to apply to Bond Funded affordable housing projects, remains the biggest barrier to the desired policy outcome, hence proposed link to NHHA.³

It is essential that the Australian Government effectively join the dots across these policy and financing mechanisms. Whilst the two prominent financing mechanisms, the Finance Corporation and MIT might enable significant investment in affordable housing via [mainly] debt and equity respectively, without the necessary policy underpinnings through the NHHA Multilateral and the required subsidy provisions via NHHA Bilaterals and the Infrastructure Fund [along with other subsidy arrangements], failure is all but assured.⁴

1.7 Labor Senators note the absence of government policy or a funding framework designed to bridge the funding gap. Bridging the funding gap is identified in many submissions as essential in supporting additional affordable and community housing outcomes and increasing housing supply.

1.8 It is also important to note that once again, the Government and Treasury is unable to provide any detail on the additional housing supply that can be expected from its policies.

Q: What is the assumed increase in the supply of social and affordable housing that the [Affordable Housing Bond Aggregator] AHBA by itself will generate? Please provide by the following breakdown:

a) Affordable housing dwellings?

b) Social housing dwellings?

A: Treasury has not assumed an increase in the supply of social and affordable housing resulting from the AHBA. The report, Establishment of an Australian Affordable Housing Bond Aggregator, prepared by Ernst and Young for the Affordable Housing Implementation Taskforce presented scenarios on savings generated based on different bond issuances. The report noted that the AHBA could generate savings of around \$56 million in the medium term. The extent to which these savings translate into supply depends on many variables such as: how the funds are used (retire debt,

2 Australian Housing and Urban Research Institute, Answers to written questions on notice, received on 27 April 2018, p. 2.

3 National Affordable Housing Consortium, *Submission 13*, p. 1.

4 National Affordable Housing Consortium, Treasury consultation, p. 3, see <https://treasury.gov.au/consultation/c2017-222774/> (accessed 7 May 2018).

maintenance or construction); how such funds are combined with other funding sources; location; and the mix of social and affordable dwellings.⁵

1.9 Labor Senators also note concerns raised by the Housing Industry Association⁶ and the CHIA⁷ in relation to the \$2 billion limit on the NHFIC's loan book. Labor Senators believe that the current proposed three-year review in the legislation be brought forward to no later than 2 years and for this review to include whether it is appropriate to extend the loan book limit to greater than \$2 billion.

1.10 Labor Senators also note comments from stakeholders such as St George Community Housing Limited who recommend that someone with expertise in social and affordable housing be present on the NHFIC board:

On this basis we would suggest that it benefits the objective of the NHFIC to have a Director or Directors with experience and expertise related directly to social and affordable housing and the economics and social benefits of related projects...

The current appointment framework in the Bill does allow for such an appointment on the basis of 18 (2) (c), though this could be strengthened by requiring at least one Director with relevant skills and experience in social and affordable housing gained from the CHP sector.⁸

1.11 Labor Senators agree that such representation would strengthen the operation of the NHFIC by ensuring the experience of the community housing sector is reflected on the board.

1.12 The CHIA also request that any returns from the NHFIC be prioritised towards supporting affordable housing over returning dividends to Government.⁹ Labor senators endorse this principle and believe that, given the significant unmet demand for community housing increasing the capacity for community housing providers to build an increase stock must be the priority.

1.13 Finally, when it comes to a comprehensive plan for housing affordability, only the Labor Party has a plan that will deliver for all Australians. Labor's announcements on housing affordability include:

- Reforming negative gearing and capital gains tax concessions, resulting in the construction of 55,000 new homes and a boost to employment by 25,000 new jobs per year;

5 Department of the Treasury, Answers to written questions on notice, received on 28 April 2018, p. 1.

6 Housing Industry Association, *Submission 1*, p. 2.

7 Community Housing Industry Association, *Submission 8*, p. 2.

8 St George Community Housing Limited, Answers to written questions on notice, received on 27 April 2018, p. 1.

9 Community Housing Industry Association, *Submission 8*, p. 3.

- Improving the National Housing Affordability Agreement, re-establishing the National Housing Supply Council and appointing a dedicated Minister for Housing and Homelessness;
- Establishing a bond aggregator to increase investment in affordable housing;
- Working closely with the States and Territories on supporting and reforming the national housing agreement to strengthen benchmarks across the housing affordability spectrum such as housing supply, planning reform and inclusionary zoning;
- Providing \$88 million for a Safe Housing Fund to increase transitional housing options for women and children escaping domestic and family violence, young people exiting out-of-home care and older women on low incomes who are at risk of homelessness;
- Boosting homelessness support for vulnerable Australians;
- Facilitating a COAG process to introduce a uniform vacant property tax across all major cities;
- Limiting direct borrowing by self-managed superannuation funds; and
- Increasing foreign investor fees and penalties.

Recommendation 1

1.14 That the government develops, as a matter of urgency, a policy and funding framework that bridges the funding gap identified by numerous submitters and is essential in addressing housing affordability and securing better outcomes for Australians, particularly the most vulnerable. Failure to address this fundamental issue will mean that the objects of the bill will not be achieved and the bill will be insufficient to contribute to the development of the scale, efficiency and effectiveness of the community housing sector in Australia.

Recommendation 2

1.15 That the legislation be amended such that a review be conducted no later than 2 years after passage of the legislation and that the review include an evaluation of whether the \$2 billion loan limit is adequate to meet the objects of the bill and the cap of \$1.5 million for capacity building activities for registered community housing providers is sufficient.

Recommendation 3

1.16 That the legislation be amended to require at least one director on the Board of the National Housing Finance and Investment Corporation has relevant skills and experience in social and affordable housing gained in the community housing provider sector.

Recommendation 4

1.17 That the legislation be amended to remove the consideration of payment of dividends to the government unless the significant unmet demand for community housing for the vulnerable is adequately addressed and the

community housing sector has achieved the necessary scale and capability to deliver on the unmet demand.

Recommendation 5

1.18 That the Government adopt Labor's policy and establish a National Housing Supply Council to:

- **Provide advice on how state and national policies are tracking against housing policy objectives, including the National Housing Finance and Investment Corporation and the National Housing Infrastructure Fund;**
- **Provide better tracking and accountability of funds spent through the National Housing and Homelessness Agreement; and**
- **Provide advice on Commonwealth landholdings and opportunities for development, release to boost housing supply.**

Recommendation 6

1.19 Subject to the above recommendations that the bill be passed.

**Senator Chris Ketter
Deputy Chair**

**Senator Jenny McAllister
Senator for New South Wales**

**Senator Doug Cameron
Senator for New South Wales**

