



# **National Housing Finance and Investment Corporation Consultation Paper**

## **Submission**

**October 2017**

## Executive Summary

Darebin City Council is encouraged by the Commonwealth Government's acknowledgement of local government as a key partner in the delivery of community infrastructure for the purposes of promoting affordable housing and cautiously welcomes the creation of;

- the National Housing Finance and Investment Corporation (NHFIC) — a new corporate Commonwealth entity dedicated to improving housing affordability;
- a \$1 billion National Housing Infrastructure Facility (NHIF) which will use tailored financing to partner with local governments (LGs) in funding infrastructure to unlock new housing supply; and
- an affordable housing bond aggregator to drive efficiencies and cost savings in CHP's provision of affordable housing.

Darebin Council's submission can be summarised as follows.

### National Housing Infrastructure Facility

1. The one off 'kick start' investment is not proportional to the acute demand for affordable housing especially in Victoria and the Eastern States
2. That this is the only 'bricks and mortar' investment being considered by the Commonwealth Government.
3. There seems to be no direct provisions that any infrastructure funded from the NHIF must have affordable housing outcomes.
4. The partner expectations of local government are not clear especially with regards to any matching funding especially in States where rate capping applies.
5. That the Commonwealth Government endorse a new National Affordable Housing Agreement (NAHA) to provide a framework for better aligning Commonwealth / State objectives prior to calling for expressions of interest.

### Affordable Housing Bond Aggregator

1. To make affordable housing projects commercially viable, the Commonwealth Government must guarantee to bridge any gap between any returns required by the capital market.
2. The Community Housing Sector is not sufficiently mature ( Only 1% of housing stock in Australia) to operate in capital markets without a government guarantee.
3. A Commonwealth Government Guarantee would provide the necessary positive signals for capital investors.
4. Without a Commonwealth guarantee, the Bond Aggregator unfairly transfers all the risk to the Community Housing sector.
5. That without an national planning regulation framework that enables affordable housing (Inclusionary zoning), affordable housing bonds may be unevenly invested across Australia or forced off shore where regulations are more predisposed to affordable housing targets.

### National Housing Finance and Investment Corporation (NHFIC)

1. That the NHFIC develop a set of clear principles and objectives that does not disadvantage Council's due to the vagaries of State Government planning regulations
2. That the Commonwealth continue to fund the NHFIC so that all investments generated by the NHFIC can be used for affordable housing.
3. That the local government peak bodies from each state are represented on the NHFIC board.

4. That a community representative be nominated to the Board to ensure that the rights of the 'end users' are given consideration and weight.

### **Background**

The City of Darebin is an inner metropolitan suburb of Melbourne currently undergoing rapid gentrification. Affordable housing is the single most urgent and acute issue facing residents with many low income families being 'priced out' of the City.

Darebin City Council has a strong history of encouraging social housing and has provided Council owned land in partnership with the state Government and Community Housing Providers (CHP's) for the provision and management of social housing across the City.

### **Darebin Council's capacity to raise revenue for community infrastructure**

Darebin Council is responsible for the establishment, operation, maintenance and renewal of all the City's community infrastructure including local roads, storm water system, open space and various community facilities such as libraries leisure centres and pools that directly contribute to reducing housing stress.

The upfront capital costs for community infrastructure account for a small proportion of the overall infrastructure costs.

This has resulted in a significant infrastructure funding gap caused by a number of factors including;

1. A gradual diminishing of grants from the Commonwealth and State Government;
2. Developer contributions only meet partial costs; and
3. Capacity to increase revenue through rates has been diminished by the introduction of rate capping in Victoria.

In Victoria, this situation is exacerbated by the Victorian Government's withdrawal from the provision of public and social housing.

This brief description has been provide to give the NHFIC a flavour of the complexity it must address to meet the objectives of generating more affordable housing with local government partners.

### **Community Housing Providers**

Darebin Council recognises that CHPs are an important part of the Australian housing system. Although the community housing properties in Darebin have grown over recent years, the sector remains small and particularly fragile in relation to the burgeoning demand for affordable housing.

Although the Bond Aggregator is a useful model for addressing some of structural constraints faced, it is Council's judgement that the community Housing sector requires a the following preconditions to nurture the sector and ensure the success of the model;

1. The Commonwealth Government must gaurantee to bridge any gap between any returns required by the capital market.
2. The Commonwealth Government invest in direct bricks and mortar to increase the Community Housing Sector to at least 10% prior to introducing a bond aggregator.

3. That the Commonwealth continue to share the risks with the Community Housing sector.
4. That a national planning regulation framework that mandates affordable housing (Inclusionary zoning) targets.

### **A new National Affordable Housing Agreement (NAHA)**

One of the key limitations of this submission is that it is being presented with no broader Commonwealth public policy context for guidance.

There has been no Commonwealth capital funding program for affordable housing since the highly successful National Rental Affordability Scheme over ten years ago .

Darebin Council would strongly recommend that the Commonwealth Government endorse a new National Affordable Housing Agreement (NAHA) to (as a minimum);

1. Better understand the bricks and mortar commitments from the Commonwealth and State Governments;
2. Provide a framework for better aligning Commonwealth / State objectives; and
3. Provide an inter governmental instrument for regularising planning frameworks across Australia for the provision of affordable housing targets.

These pre conditions would greatly contribute to the meeting the objectives of the National Housing Finance and Investment Corporation (NHFIC).

### **Conclusion**

It is Darebin Council's strong view that prior to introducing National Housing Finance and Investment Corporation (NHFIC) or similar corporatized entity that

1. Housing is a basic human right and is equally important as health and support for people with disabilities.as such social and affordable housing should principally be funded through a hypothecated taxation framework similar to Medicare and NDIS;
2. The Commonwealth government maximise the amount of affordable housing stock using the current private capital taxation vehicle – negative gearing before introducing new and complex capital market loan instruments; and
3. Commonwealth Government endorse a new National Affordable Housing Agreement (NAHA)

### **Further Information**

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