



20 October 2017

The Housing Policy Unit Manager
Social Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: HousingConsultation@treasury.gov.au

Dear Housing Policy Unit Manager

Re: National Housing Finance and Investment Corporation Consultation Paper

The Southern Sydney Regional Organisation of Councils (SSROC) is an association of eleven local councils in the area south of Sydney harbour - central, inner west, eastern and southern Sydney. SSROC provides a forum for the exchange of ideas between our member councils, and an interface between governments, other councils and key bodies on issues of common interest. Together, our member Councils cover a population of about 1.7 million, one third of the population of Sydney.

The SSROC Secretariat appreciates that the Australian Government Treasury has called for submissions on the National Housing Finance and Investment Corporation (NHFIC) Consultation Paper for feedback on the structure and governance of the corporation. Feedback is also requested on the operation of the National Housing Infrastructure Facility and affordable housing bond aggregator.

The SSROC Secretariat is pleased to offer the following comments on the Consultation Paper.

1. NHFIC Board

The skills-based Board proposed for the NHFIC is supported. However, there is need to recognise that some of the expertise for the Board should be experienced in management or governance in the local government and the community housing sectors. This is important because, the NHFIC will work with local governments and the community housing sector. Where possible, two board positions could be designated, one for local government sector and the other for the community housing provider sector. They could bring useful perspectives at the governance board level that would assist in shaping strategic directions of NHFIC to meet target objectives.

2. Collaborative engagement with the local government sector

It is important that the investment mandate for the administration of the National Housing and Infrastructure Facility (NHIF) is developed through effective engagement with the key stakeholders, including the local government sector. This is important as part of the key role of the Board is to ensure that NHFIC and bond aggregator comply with the NHFIC investment mandate.

In Sydney, SSROC and its member councils are pro-active in their resolve that cities of the future will require more effective, open-minded collaborative partnership between state governments and local councils. A coordinated and collaborative approach to infrastructure development and funding is important in achieving liveable, accessible and productive cities.

We would suggest that NHFIC investment mandate could be brokered through a stakeholders' summit or collaborative engagement on issues, priorities and pathways. A stakeholder-engagement approach to resolving infrastructure and financing options for raising complementary funds by the tiers of government, business and community such as value capture and section 94 infrastructure contributions (in NSW) will be helpful. Evidence-based international adaptable models for initiating and progressing local infrastructure development enablement in cities can inform this process.

3. NHFIC and the liveable city

NHFIC can be used to promote liveable cities. SSROC member councils' concept of liveability refers to the well-being of a community and represents the characteristics that make a place into somewhere that people want to live now and in the future. Liveability is seen as the sum of the aspects that add up to the quality of life of a place, including its economy, amenity, environmental sustainability, health and wellbeing, equity, education and learning, and leadership.

SSROC advocates that urban intensification should result in a measurable improvement in the liveability of the district and renewal precinct. The quality of public spaces, sustainability, walkability, access to transit and a functioning retail, entertainment and community services centre are very important at the precinct scale. These are important issues for Sydney and major Australian cities.

We would urge that principles that guide urban intensification and liveability should be taken into consideration in designing funding criteria and priorities for NHFIC. For example:

- Infrastructure capacity for improved amenity – a consideration for urban renewal precinct and corridor settings.
- Developments that incorporate benchmarks for affordable housing, education, health, community services, open space and place making as elements of the capacity of an area to accommodate growth.
- Improving walking, cycling and active transport as key elements of the sustainability, accessibility and liveability improvements expected alongside urban intensification.
- Commitment to planning and infrastructure provision for employment growth in centres.
- Innovation in energy supply and waste management to reduce community costs and environmental impacts.
- Strengthening centres as hubs for local services.

4. Local Government infrastructure responsibility and state programs

The NHIF, while retaining its key investment mandate and operational focus, may need to be adapted, to be responsive to the local infrastructure arrangement and systems in each jurisdiction. This is because, the local government infrastructure responsibility and state programs and infrastructure facilities vary from one jurisdiction to another.

5. Eligibility for infrastructure funding

One size does not fit all. The range of factors that could assist to unlock housing potentials, could somewhat or significantly vary from one region or state to the other. It is important to understand the local priorities and dynamics relative to these factors, and allow these to shape specific funding criteria and priorities different cities. For example, in areas of urban intensification, liveability, as articulated by SSROC member councils, is a key priority for new residential development, and could become one of the regional specific criteria or considerations for NHFIC infrastructure funding.

NHFIC proposes to focus on new or upgraded infrastructure services such as water, sewerage, electricity, transportation and/or site remediation works. SSROC is of the view that “infrastructure” goes beyond the long-held norm of “essential infrastructure”, and should include the new essential infrastructure – placemaking and liveability infrastructure, including schools, health and community facilities and public domains services.

Acceptance of applications from individual and multiple local governments is supported. The use of cost-benefit analysis approach to assessing project funding proposals is also supported.

Consideration should be given to the potential catalytic impact of proposed infrastructure funding on housing and other infrastructure development in local or regional areas.

There is also need for a robust evidence-base to demonstrate and accurately assess the infrastructure gap and the local and regional significance of the proposed infrastructure.

6. Funding affordable housing related infrastructure development

SSROC strongly supports the stakeholder suggestion that the NHFIC fund be used to fund infrastructure for new housing development, with the requirement that a certain proportion of the new housing be set aside for affordable housing and/or key worker housing. This is in accordance with SSROC’s position of an affordable housing target of 5% to 15% of all new dwellings created – whether private or non-profit, purchase or rental, and including a diversity of housing types and be adopted in district plans, local governments and priority urban renewal precincts.

It is also in accord with SSROC’s position that the NSW State Government should investigate and develop appropriate mechanisms to ensure that an affordable housing target is achieved across all urban renewal precincts, large redevelopment sites and government land. The NHFIC could be one such mechanism.

Funding of infrastructure to unlock housing development that have affordable housing and standard housing components is supported. This could be particularly relevant in urban renewal precincts and corridors in Sydney’s inner, central and eastern suburbs.

There is need for better coordination between NHIF and state housing delivery units, such as the Housing Delivery Unit and the NSW Department of Planning and Environment. The unit is working on infrastructure and housing supply blockages and approaches to increase supply.

7. Innovative financing and partnership arrangements

SSROC supports the Consultation Paper’s stakeholder suggestions to explore potential innovative financing and partnership arrangements such as special purpose vehicles (SPVs) or groups of councils. Funding could be directly provided to SPVs or Regional Organisations of Councils (ROCs), rather than the state government, in cases where the infrastructure or the impact span a number of local government areas.

8. Infrastructure funding to Community Housing Providers

The option of providing infrastructure funds to Community Housing Providers (CHPs) for developments that offer both market-rate and affordable housing options is supported. This should be in liaison or collaborative partnership with local governments to ensure that community needs and priorities are met.

SSROC, in a submission to the NSW Government’s Greater Sydney Commission, urged the State Government to investigate and develop appropriate mechanisms to ensure that an

affordable housing target is achieved across all renewal precincts, large redevelopment sites and government land. One of the mechanisms supported by SSROC was a shared-equity program that the NSW Government could develop in conjunction with the NSW Federation of Housing Associations to make genuinely affordable purchase housing accessible to low income households, and moderate income families with children. The NHIF could explore this mechanism, in coordination with CHPs, state and local governments.

9. Value capture and infrastructure funding

An option suggested in the Consultation Paper is that NHIF could partner with local governments and that value capture can be used to recoup some of the gains of housing and infrastructure. This is worth closer consideration. Regional Organisations of Councils, such as SSROC, would welcome discussions on this as member councils are already exploring value capture and local infrastructure funding opportunities and options.

A number of Councils either have or are looking to implement a value capture policy linked to an incentive or bonus scheme. For example, City of Sydney has the Green Square “Community Infrastructure Floorspace” scheme. This was introduced when the area was rezoned to mixed uses from primarily industrial land in the late 1990s. This scheme provides that additional development floorspace up to a specified maximum may only be achieved where community infrastructure is provided. The scheme, a partnership between the City and private developers, has been successful in delivering important infrastructure at the time of development such as parks, streets and incremental drainage upgrades. In 2015 alone, \$52 million worth of public benefit offers have been made and are being negotiated or secured by the City under this scheme in the form of voluntary planning agreements.

This and similar value capture related mechanisms can be collaboratively negotiated by councils, state governments, NHIF and developers.

The Australian Government’s Smart Cities Plan’s intention to improve value capture mechanisms is also important in this context. Value capture is an important source of local government infrastructure. We look forward to a future Australian Government discussion paper on value capture and to engaging with state and local governments to work out the mechanisms and frameworks for the use of value capture to fund local infrastructure and smart city initiatives.

10. Finance arrangements

Partnership and complimentary finance arrangements with CHPs, state and territories or local governments that would involve NHIF equity injection deserves consideration. This will require transparent and evidence-based insight into mechanisms and options. Such arrangements should give particular consideration to infrastructure that span local governments, local and regional economies.

11. Eligibility for Bond Aggregator funding

The current proposal is that only Tier 1 and Tier 2 CHPs are eligible for the Bond Aggregator loans. SSROC supports this proposal and would also like NHIF to consider other stakeholders, including arrangements where local governments that already have a housing portfolio managed by Tier 1 or Tier 2 CHPs can enter into partnership with the CHPs to apply for the bond aggregator loans.

12. Purpose of Bond Aggregator Loans

The current focus of the bond aggregator loans on housing maintenance and turn-key purchases is too restrictive. It should be expanded to include construction finance. If there are any concerns about the inclusion of construction of new houses, they should be worked through

with stakeholders. It should also allow scope for CHPs to work collaboratively with local councils on liveability-related services such as community facilities.

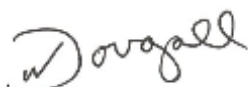
Conclusion

SSROC appreciates the opportunity to comment on the Consultation Paper. We hope that our comments are helpful and constructive and will be given due consideration.

In order to make this submission within the timeframe of the review, it has not been possible for it to be reviewed by councils or to be endorsed by the SSROC. I will contact you further if any issues arise as it is reviewed.

If you have any queries please do not hesitate to contact me or Vincent Ogu, SSROC's Strategic Planning Manager, on 8396 3800.

Yours faithfully,



Namoi Dougall
General Manager
Southern Sydney Regional Organisation of Councils