



# National Affordable Housing Providers Ltd.

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## **Submission on the National Housing Finance and Investment Corporation-Draft Legislation**

**January 2018**

Thank you for the opportunity to comment on the exposure draft of the National Housing Finance and Investment Corporation (NHFIC) Bill. Our comments on the Bill reiterate feedback we provided on the NHFIC consultation paper in October 2017.

The National Affordable Housing Providers Ltd (NAHP) is a representative peak body whose purpose is to represent the collective interests of NRAS Approved Participants, in the Constitutional Objective of assisting in the delivery of affordable housing across Australia. Our members hold responsibility for over 50% of all NRAS delivery. NAHP members are a mix of not for profit housing organisations, commercial and ASX listed entities, representing the broad interests of companies engaged in the field of providing private affordable housing in Australia, including NRAS and other State and Federal Government initiatives.

One of the questions canvassed in the consultation paper was whether there could be benefits to expanding the eligibility criteria for the bond aggregator to include other stakeholders involved in the provision of affordable housing. This issue is not addressed in the Bill. However, the matters to be covered by the Investment Mandate (Section 13) imply that this instrument may address the issue of expanding eligibility. Section 13 indicates that the Investment Mandate will include: direction about strategies and policies to be followed; and decision-making criteria and limitations on making loans, investments and grants.

NAHP believes that entities wishing to access financing through the bond aggregator should be assessed on their ability and capacity to deliver affordable housing rather than be assessed on their governance structure, i.e. assess applicants on the basis of the proposition.

As a result of the National Rental Affordability Scheme (NRAS) and other State-based affordable housing initiatives, there have emerged experienced, capable affordable housing providers who may not be community housing providers (CHP). They have the expertise and track record for delivering affordable housing products; NRAS alone has delivered over 34,000 new affordable housing dwellings. NAHP believes that eligibility for the bond aggregator should not be limited to CHPs and should allow other qualified entities (non-profit and for profit) to participate.

The Bill does not acknowledge nor indicate that some form of subsidy will be available to bridge the funding gap necessary for the success of the National Housing Infrastructure Fund and the bond aggregator.

Several places in the NHFIC consultation paper noted that the bond aggregator alone will not address the funding gap and other complimentary reforms must be implemented in order to address this issue. The Affordable Housing Working Group report made their top recommendation that the Commonwealth and State and Territory governments progress initiatives aimed at closing the funding gap<sup>1</sup>. NAHP strongly supports this view.

An adequate ongoing financial subsidy is necessary to enable the success of both the bond aggregator and the National Housing Infrastructure Fund, and to warrant the Commonwealth investment in these initiatives. Obviously, a subsidy or new funding initiative would require separate legislative action, perhaps at both the Commonwealth and State/Territory level. However, the NHFIC legislation makes no reference to such a subsidy, unless it will be addressed in the Investment Mandate.

Institutional investors will only be attracted to the bond aggregator if there is a robust and uncomplicated subsidy regime in place that will not only address the funding gap but will stimulate affordable rental housing construction. The lack of action on establishing such a subsidy is of great concern; without a means to fill the funding gap, the effectiveness of the NHIF and the success of the bond aggregator will be jeopardised.

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<sup>1</sup> Council on Federal Financial Relations, *Supporting the implementation of an affordable housing bond aggregator*, Affordable Housing Working Group Report to the Heads of Treasuries, September 2017, Page 2