

Submission on Housing Legislative Package

Personal and Indirect Tax, Charities and Housing
Division, Treasury

11 January 2023



SGCH customers in our community garden
at Artarmon apartment complex.

Submission on Housing Legislative Package



SGCH submission to Treasury

Housing Legislative Package – Housing Australia Future Fund Bill, National Housing Supply and Affordability Council Bill, and Treasury Laws Amendment Bill

Introduction

SGCH welcomes the opportunity to provide feedback on the exposure drafts of the; Housing Australia Future Fund Bill 2023, National Housing Supply and Affordability Council and Treasury Laws Amendment (Housing Measures No.1).

Founded in 1985, SGCH is a for-purpose community housing organisation that reinvests the income received from rents to increase housing supply for people on low and moderate incomes. Our vision is great places, thriving people, connected communities. We are a registered charity and a Tier 1 community housing provider (CHP) under the National Regulatory System for Community Housing.

We own, manage, and deliver services for 11,500 people in over 7,000 homes across Greater Sydney. Our operations consist of tenancy management services, support coordination, place-based community development, asset management, development, and construction. SGCH is entrusted with a significant amount of community resources as we work to fulfil our purpose of providing sustainable, safe and affordable housing as the foundation for opportunity for our customers. We work with the support of our partners to help customers access the services they need to address health and mental health, domestic and family violence, financial counselling, employment and training services, and pathways to other forms of secure housing.

SGCH manages a portfolio of property assets with a value of approximately \$3.7 billion, including \$1.3 billion total assets on our balance sheet. We are recognised for our innovative approaches to partnerships, bringing together multi-layered financing and the combined resources of governments, private and community organisations, investors and financiers, to put keys in doors of new social and affordable homes. Over the past five years, SGCH has partnered with the National Housing Finance and Investment Corporation (NHFIC) and investors to attract over \$860 million to deliver the largest non-government pipeline of social and affordable housing in Australia. These investors, including [AXA IM Alts](#) and [Lighthouse Infrastructure](#), appreciate the stable economic return and incredibly high social return available from this emerging asset class.

The role and responsibilities of CHPs

SGCH appreciates that there will be submissions from a wide range of interested parties on the Housing Legislative Package including peers in the community housing industry and peak bodies.

As for-purpose organisations, CHPs exist solely to provide social and affordable housing and alleviate housing stress for those in need. As a not-for-profit and registered charity, SGCH reinvests surplus to increase the supply of new homes. We operate in the submarket space and focus on social and affordable rental homes.

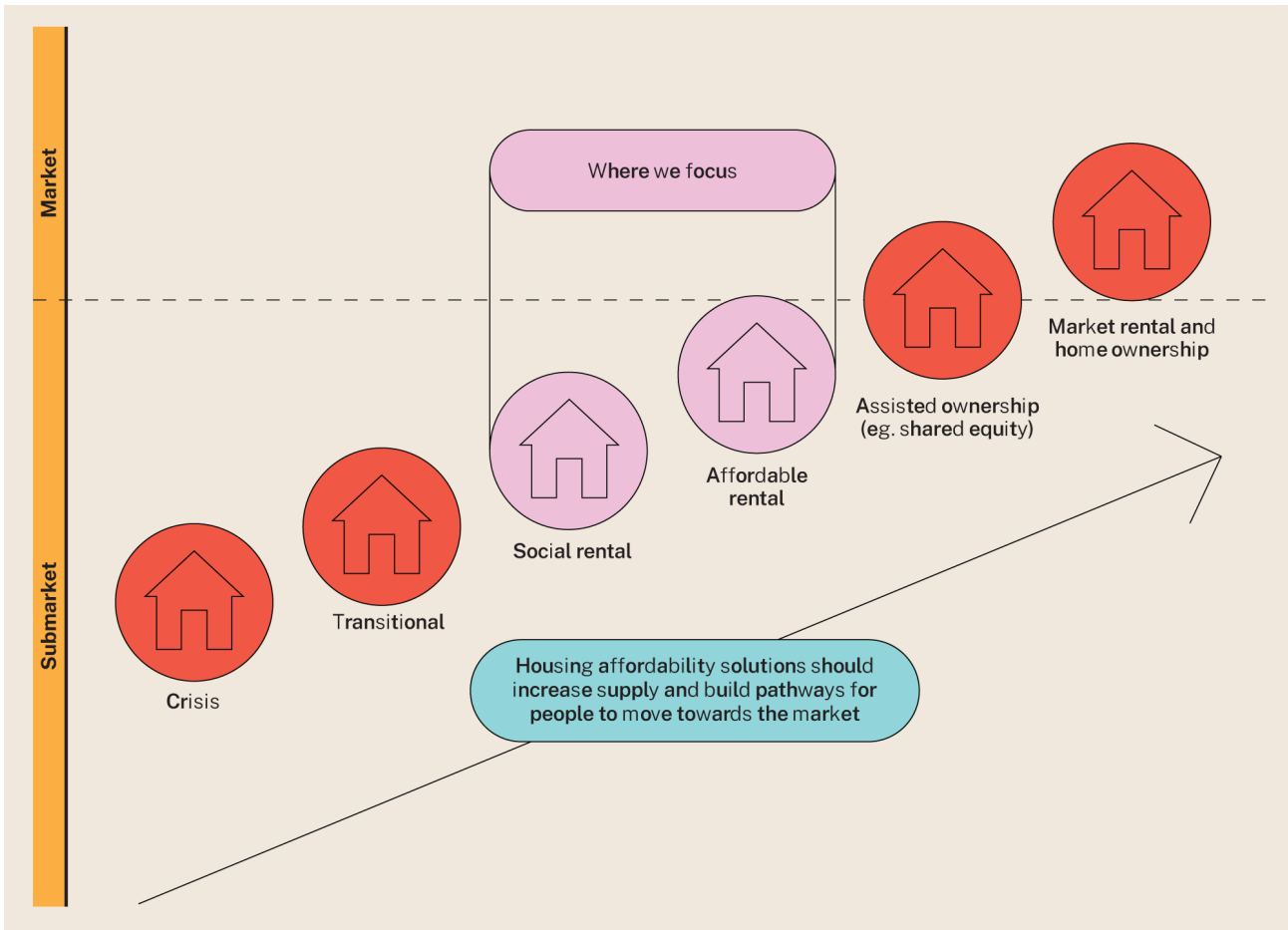


Illustration 1, Housing continuum

The long-term economic and social benefits of investment and growth in community housing is evidenced by the Nation Building Economic Stimulus Plan (NBESP) Social Housing Initiative, introduced in 2008 as part of a Rudd government package during the Global Financial Crisis. Through the NBESP, our organisation was granted 1,184 properties in 2010 on the condition the homes were leveraged to deliver a further 400 new homes. In 2014, we announced a sector first debt financing agreement with Westpac of \$61 million which would fund this leveraging program; we have now grown to attract \$860 million in financing. With 2,882 properties in 2010, SGCH now has 7,068 properties. We have developed 960 new homes in this period, delivered to a minimum 7-star NatHERS rating.

In 2010, the total community housing dwellings across Australia was 42,500. In the 2021 census, there were 108,509.

This illustrates the former Labor government seeded the growth of the community housing industry to reduce the call on public resources and deliver local and responsive service delivery in communities across Australia. The Housing Legislative Package and associated funds are of material interest to many organisations; but for community housing providers it is core purpose. We have grown in scale, capacity and capability and are ready to play an even greater role in ensuring strong housing outcomes for Australians. Providing certainty within the legislation of the position and importance of CHPs as recipients of support through Housing Australia will signal another step change for the sector that will encourage consolidation and expansion for the benefit of communities across Australia.



Submission Responses

SGCH commend the Government's initiative to provide national leadership and coordination of housing policy and funding initiatives of which the Housing Legislative Package is a crucial foundation. We recognise the urgency of action to deliver homes for hundreds and thousands of Australians whose unmet housing needs are compounding social and economic challenges across the country. On this basis we appreciate the imperative to move forward with the governments Housing Legislative Package in a timely manner.

We strongly agree with the objective of the draft Housing Australia Future Fund Act i.e., *"to provide a funding mechanism: (a) to address acute housing needs including the acute housing needs of Indigenous persons, women, children and veterans; and (b) to enable support to be provided to increase the availability of social housing and affordable housing."* We further note that the Government's objective, as stated in the Housing Legislative Package and per the 25 October 2022 media release issued by The Hon Julie Collins MP, commits to invest \$10 billion in the Housing Australia Future Fund (HAFF) and generate returns to build 30,000 new social and affordable homes in the funds' first five years.

This will be best achieved if federal, state and local governments work with registered CHPs and the private sector, in particular the development and construction industry and institutional investors. To meet the objectives of the Act and ensure the successful delivery of the 30,000 new social and affordable homes in the five years, all parties will require a high degree of certainty and consistency to ensure efficient use of resources. We recognise that aspects of program design may be intended to be set in regulations or the Investment Mandates. However, in the absence of drafts of these for comment and noting the greater uncertainty about these instruments, we have focused our comments on aspects that may strengthen the certainty required to ensure successful delivery of much needed social and affordable homes. We submit the following responses to the Housing Legislative Package for consideration:

1. Competitive returns and certainty are required to attract the private capital to support \$500m per annum over five years to deliver 30,000 new homes.

Delivering 30,000 social and affordable homes will require institutional scale private investment to leverage government contributions. The HAFF provides a mechanism for subsidy to complement the financing options available.

To attract private capital, competitive returns need to be demonstrated along with a high degree of certainty about the term and form of government commitments underpinning these returns. For example, AustralianSuper Chief Executive, Paul Schroder has publicly stated (AFR, 8 November 2022) that superannuation funds must earn returns between 6% and 11% to invest in residential housing and won't accept less under Federal Government plans to enlist institutional investors to boost housing supply. We appreciate the responsibilities superannuation funds have to their members to invest funds and generate returns, and that there is interest in investing in social and affordable homes in Australia; as some funds do in other countries - if the conditions are suitable.

The current draft Housing Legislative Package does not provide superannuation funds or institutional investors with the required certainty about the availability and quantum of government distributions. Competitive returns and certainty are required to attract this support.

Our view is that one-off grants totalling \$500 million per annum over five years falls short of providing 30,000 homes.



Recommendations

- Add clarifying language that contracted payments to investors will not be subject to annual budget processes during contract term and will be underwritten by the government. Assurance that any shortfall in funds available for distribution in any given year of a contracted term that this will be met by government provides certainty.
- Remove the cap on distributions from the *Housing Australia Future Fund Act* and address any limits in the Investment Mandate. Provide institutional investors greater certainty by guaranteeing annual payments over a 25-year period. This should be sized, taking into account institutional investors return expectations.

2. Greater clarity on Grant Governance, Approval and Allocation Process

The National Housing Affordability and Supply Council's (Council) role appears limited to reporting to the Minister on matters relating to housing supply and affordability. There is no stipulation of using the Council's expertise for advising on grant allocation/priorities either directly through HAFF or via Housing Australia (aka NHFIC). We consider the Council to be well placed to advise on these matters and the appropriate allocation of the 30,000 homes nationally, noting the waiting list for social housing is over 50,000 in the state of New South Wales alone.

As currently read, there are various avenues grants can be made with multiple Ministers and government bodies potentially involved. While this provides flexibility, it may also lead to multiple and competing priorities resulting in various and inconsistent programmes being offered. This will create further confusion in the sector and general marketplace and may deter potential investors to invest in the sector.

Recommendation

- Further detail the Council's role to include the development of program level guidelines and advice to the Minister on HAFF priorities based on State and Territory based research. This will then inform Housing Australia's programs and priorities.
- Grants to be centrally coordinated by Housing Australia.

3. Define the role of CHPs

The draft Housing Legislative Package Exposure Draft Explanatory Materials notes the importance of regulation of recipients of support provided by Housing Australia. It does not articulate the intended entities, which should be defined as community housing providers. Regulation establishes a mechanism to ensure a well governed, well managed and viable community housing sector that meets the housing needs of tenants and provides assurance for government and investors as the natural partner for delivery.

Innovative solutions and the flexibility and responsiveness that CHPs can provide must be a key consideration to deliver at least 30,000 social and affordable rental homes. CHPs have decades of experience in long-term tenancy and asset management which can be leveraged to create more opportunities to move people through the housing continuum (see diagram Housing Continuum pg 3). As an example of innovation, SGCH has partnered with Lighthouse Infrastructure on two sites in Western Sydney that is providing key worker housing, supported by a total \$120m funding. SGCH applies the benefits of its' scale, portfolio management, and



the charitable status of entity SGCH Keys to access unique and efficient financing that enables key workers to rent a new high-quality affordable home with no direct subsidy from government. Our first project with AXA IM Alts and NHFIC in November 2022, will see SGCH manage both private market and affordable housing.

We consider that the requirement for participation of regulated community housing providers as essential to tenant, community and stakeholder confidence. Setting out this intent in the legislation will create greater certainty and confidence.

Recommendation

- CHPs are clearly defined in the draft legislation as the regulated entities envisaged to receive support from Housing Australia.

Conclusion

SGCH appreciates the opportunity to provide feedback and express its support for the initiative shown and the foundations that will seed solutions to address the housing crisis. With Infrastructure Australia projecting the need for almost 730,000 new social housing properties over the next 15 years¹, solving the challenges of our housing system requires both public and private participation, and requires innovation and ideas from different industries. We need structural reforms that will bring together capital and capability, the HAFF represents the opportunity to create this change. The scale of the challenge requires that government leverage contributions from an expanded pool of private investment, utilising the capability of community housing providers. Stimulus and one-off grants are much needed but lasting reforms which are sustained through political cycles are key to providing the certainty to attract ongoing investment. We recognise and support the intent of the HAFF to establish this certainty and create more homes for Australians.

¹ https://www.infrastructureaustralia.gov.au/sites/default/files/2021-09/2021%20Master%20Plan_1.pdf
