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EXPOSURE DRAFT - NATIONAL HOUSING FINANCE AND INVESTMENT CORPORATION BILL 2018

The Community Housing Industry Association welcomes the opportunity to provide comments on the exposure draft of the legislation which will frame the National Housing Finance and Investment Corporation. We are pleased to see that this draft legislation is not over-prescriptive and focuses principally on the authorising environment for the entity. Our comments are confined to the matters arising directly from the Bill itself, noting that some of the concerns raised below may be resolved once the Investment Mandate for the NHFIC is released.

Objects and functions

We endorse the objects expressed in the Bill, including the reference to increasing overall housing supply as well as increasing the supply of social and affordable housing. While the term 'affordable housing' is not defined or elaborated in the Explanatory Memorandum, we expect that the Investment Mandate will clarify that the funds raised through the 'affordable housing bond aggregator' will be directed towards housing available for below market rents for households on low to moderate incomes. We are particularly pleased to see that a specific object of this Bill is 'contributing to the scale, efficiency and effectiveness of the community housing sector'.

We agree that it is sensible to frame this legislation in a way which would enable the NHFIC to take on other housing functions in the future, as outlined in paragraph 2.7 of the Explanatory Memorandum. We assume that the description of the NHFIC's functions (clause 8) is sufficiently broad to cover raising debt by issuing bonds, since this is dealt with later in clause 53 although not mentioned in clause 8 itself.

Investment mandate

CHIA looks forward to the opportunity to provide more detailed feedback on the Investment Mandate once it is released and to test it with a selection of providers. In the interim, clauses 12-14 appear to be appropriate in scope and in the balance struck between enabling government (through the Minister) to provide the NHFIC with broad direction without interfering with the board's discharge of its responsibilities.

The NHFIC Board and advisory committees

The draft legislation provides for five-year terms for board members, which seems long. In practice, staggered terms of appointment would balance continuity with periodic refreshment of the board. In relation to the skills of board members, we suggest there would be merit in ensuring the board has access to expertise and knowledge of the affordable housing sector specifically (clause 18(2)(c)). Provision for the board to establish advisory committees is sensible and we are happy to assist the board in establishing a reference group / advisory committee with expertise in affordable housing.

Dividends

CHIA agrees with the suggestion in the Explanatory Memorandum that once the NHFIC has amassed a sufficient capital reserve it will not need to keep accumulating capital. We welcome the restriction in the Bill that any dividend payable must not exceed profit for a particular financial year. While we hope that the NHFIC is eventually in a position to pay a dividend to the government, we expect that fees and charges imposed by the NHFIC (particularly in execution of the bond aggregator function) will not be pitched at levels above cost recovery.

Other matters

We welcome the government's decision to provide a guarantee and support the simple, unequivocal language used in the Bill. In relation to the three-year review of the NHFIC, neither the NHIF nor the Bond Aggregator will have a significant impact on housing supply at the end of the three years because of the long lead times in housing development and construction. We would however encourage the NHFIC Board to commit to regular and reasonably detailed public reporting on its operations in the first few years as part of its strategy to build a market for investment into affordable housing.



Peta Winzar
Executive Director
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