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To whom it may concern

**Review of the Operation of the National Housing Finance and Investment Corporation (NHFIC)**

We write in relation to the current Commonwealth review into the operation of NHFIC. Our response relates to Part 1 of the Review Terms of Reference, investigating the impact of NHFIC on the community housing sector. In particular, the impact that NHFIC financing has had on Bridge Housing's ability to maximise the funding available to develop more social and affordable housing.

**About Bridge Housing**

Bridge Housing is a Tier 1 Community Housing Provider (CHP) registered under the National Regulatory System for Community Housing (NRSCH). Our vision is to improve lives through affordable homes and quality services, which we provide to people on low to moderate incomes. Our vision is to be a dynamic organisation, recognised for excellence in meeting housing need, improving resident wellbeing and governing responsibly. We operate in areas most in need across Greater Sydney, which are characterised by high demand for social housing and private rental markets that are increasingly unaffordable.

Bridge Housing has been delivering high quality social and affordable housing services in Sydney for over 30 years. We provide safe and secure housing for 5,600 people through 3,500 properties we own or manage approximately across 20 LGAs in Greater Sydney - from Waverley in the east to Blacktown in the West and Northern Beaches.

Further information on Bridge Housing's scope, expertise and approach to the management and delivery of social and affordable housing can be found in the following relevant documents at the links below:

- [Annual Report 2020](#)
- [Places People Want to Live](#)
- [Design Guidelines](#)

**Accessing NHFIC Finance**

In 2019, Bridge Housing was able to refinance our Corporate Debt Facility of \$35 million through NHFIC. This allowed us to reduce our average cost of debt (after allowing for hedging costs) by 2.7%. With this type of funding savings, access to NHFIC financing represented a game changer for Bridge Housing and the community housing sector in Australia.

As a result of this lower cost of debt, we have been able to increase our debt to \$76 million to deliver additional social and affordable housing for low and moderate income households, that would not have otherwise been possible.

The 10-year, low interest loan has enabled Bridge Housing to refinance existing projects and fund new ones, including:

- 158 seniors' housing units in three buildings in Glebe, in partnership with the NSW Government;
- 65 affordable homes in Bungarribee in the Blacktown LGA, in partnership with Urban Growth NSW;
- 38 new apartments at Collett Parade in Parramatta on a site purchased from the NSW Government;
- A nine-dwelling development for older women at Ashfield in Sydney's inner-west;
- Purchase and refurbishment of eight units in Punchbowl, 15 units in Marrickville and 9 units in Ashfield; and
- Planning is also underway for a new development in Dulwich Hill in Sydney's inner-west to deliver at least 16 new social and affordable housing dwellings.

Over the life of the loan, it is estimated that NHFC's finance will save Bridge Housing as much as \$12 million in interest and other costs, compared to market rates, and significantly more if we were to factor in hedging costs. These interest savings, when layered with other Government subsidies, have enabled the acquisition or development of 32 additional units and will allow us to deliver at least a further 150 properties on top of our existing development pipeline.

### **Enhancing the scale and impact of community housing**

Bridge Housing is actively involved in the procurement and development of new high-quality affordable housing. In the past three years, we have delivered 250 new social or affordable housing properties across in Sydney. Our most recent development at Elger Street, Glebe involved the redevelopment of a former public housing estate into a high-quality mixed-tenure development comprising 158 social housing units, 99 affordable housing units and 235 private market units. Twenty-three units in the social housing unit component of the development were designed to be wheelchair accessible, of which sixteen meet the Improved Liveability standard under the National Disability Insurance Scheme's (NDIS) Specialist Disability Accommodation (SDA) requirements.

We have hosted a number of tours of our Elger Street development to showcase the benefits that secure finance play in enhancing the delivery of social and affordable housing. Minister Sukkar and Assistant Minister Howarth visited the site in July 2019 and were able to see firsthand the impact that low cost finance has had on Bridge Housing's capacity to deliver more housing. Mr Sukkar was able to see firsthand the impact that NHFC funding has played on the delivery of better housing and services for those in need:

*"That's what NHFC was created to do, to funnel low cost finance to community housing providers because we know a dollar less that they have to spend in interest is a dollar that they can invest in more housing or better services. I must say, I'm very impressed with the Elger Street site, it's a great looking building and to hear the stories of the residents who obviously are so happy with their relationship with Bridge Housing but also the quality of their home, is exciting to see." [Minister Sukkar doorstep interview, 18 July 2019.](#)*

There is an acute need for affordable housing across Australia and in Sydney, where we operate. Research by the City Futures Research Centre at UNSW estimates a current shortfall of around 125,000 homes which are affordable to households in the bottom two income quintiles. The analysis shows that, to meet our growing population and changing demography, we will need around a further 75,000 affordable homes or 200,000 to meet existing and projected need by 2036. While the COVID-19 pandemic and reduced immigration and student numbers may reduce the demand for housing in the short term, there is a longer term shortage of affordable housing that must be addressed.

NHFIC's housing research function and publications, such as the *State of the Nation's Housing 2020*, are important to assist the sector and Government to look beyond short term property cycles and take a longer term view of housing affordability trends. We believe that this function is particularly important to understand the impact that Government interventions, such as the establishment of NHFIC, play on the broader housing market.

Access to lower cost and long tenor finance is only one component of the solution in supporting the community housing sector to meet the need for affordable housing in our community. Finance must also be matched by State and Commonwealth funding. This investment, either through a land contribution and a subsidy or grant to meet the funding gap, is particularly important to ensure the development of social housing for the most vulnerable in our society on very low incomes. The need to address the underlying subsidy gap was reinforced both in the EY Report, Establishment of an Australian affordable housing bond aggregator, and in the Australian Government's 2017 Affordable Housing Working Group Report, Supporting the implementation of an affordable housing bond aggregator.

As the bond aggregator is purely a vehicle for achieving cheaper and longer tenor financing, the bond aggregator of itself will not lead to substantial growth in affordable housing. Reforms that address the funding gap (or the disparity between the cost of providing affordable housing, compared to the returns which can be generated) will help providers to increase the scale of their activities and create a pipeline of supply for the bond aggregator, and expansion of the community housing sector as a pathway beyond public housing. The most promising of these reforms, which draw on international experience, include the regeneration of social housing stock, better use of planning tools, affordable housing levies and government capital and operational assistance for the sector and build-to-rent and mixed rental or mixed tenure models (Page 1 Affordable Housing Working Group Report)

Bridge Housing has been developing new and innovative models to maximise Government investment to deliver more long term affordable housing. During 2019–20 we began a program to acquire capital properties utilising the funds available under the Community Housing Leasing Program (CHLP) funded by the NSW Government. These funds act as a subsidy to bridge the funding gap. Bridge Housing is able to link this funding to the reduced cost of finance delivered through NHFIC to acquire 30 properties as new social housing, with a further 45 targeted in 2020–21.

### **Affordable housing as an asset class**

Since its establishment in 2018, NHFIC has become an important part of the housing policy architecture is integral part of developing affordable housing as an asset class in Australia. In this regard, the existing government guarantee plays an important role in reducing the cost of funds available to community housing organisations, such as Bridge Housing, and attracting institutional investors in purchasing the bonds. Australian and international experience shows that asset classes take time to develop and find market acceptance. The market needs to be confident of the longevity and stability of NHFIC funding model so it is a viable long term investment option. Changing mid stream will only undermine confidence and this in turn will lead to increased costs for the sector.

We therefore support the continuation of the guarantee to 2023 and beyond. If the guarantee is withdrawn then it is imperative that the Commonwealth Government investigates other ways of reducing the cost of funds to community housing organisations to provide social and affordable housing.

Bridge Housing also believes that NHFIC should only lend into a regulated market. Loan recipients should be appropriately regulated, accredited, and audited. The community housing sector is subject to a number of regulatory and performance obligations. These include, the National Regulatory Scheme for Community Housing (NRSCH), contracts with Government authorities, reporting requirements to the Australian Securities and Investments Commission (ASIC) and Australian Charities & Not-for-profits Commission (ACNC), as well as bank and NHFIC credit requirements. In combination, these provide assurance to both government and investors that the community housing sector is well governed, well managed, financially sustainable and providing quality housing for their tenants.

NHFIC, in its two years of operation, has played an important role in building the capacity of the CHP sector. This occurs through NHFIC credit committee due diligence requirements, reporting and covenant obligations, and longer tenor of funds. In Bridge Housing's case, we refinanced our existing \$40 million facility with the National Australia Bank and hedging requirements associated with the loan. Our financial sophistication as an organisation has grown through our engagement with NHFIC. We are also building our Treasury capabilities to manage and deploy our debt.

#### **Conclusion**

We welcome the opportunity to provide a submission to the review. Bridge Housing is an example of the positive impact that NHFIC has played to enhance community housing sector's financial capacity and our ability to deliver more and better social and affordable housing for people in need. Bridge Housing is also a member of the Community Housing Industry Association and has contributed to this sector submission.

Thank you for considering our submission. Please do not hesitate to contact Ms Rebecca Pinkstone, A/Chief Executive Officer on 0431 292 046 or by email [r.pinkstone@bridgehousing.org.au](mailto:r.pinkstone@bridgehousing.org.au) to discuss the submission further.

Yours faithfully,



Rebecca Pinkstone  
**A/Chief Executive Officer**