



COMMUNITY HOUSING
LIMITED

Manager
NHFIC Act Review Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam,

**Statutory Review of the National Housing Finance and Investment Corporation
(NHFIC) Act 2018
Submission by Community Housing Ltd.**

Community Housing Limited (CHL) is a not-for-profit company delivering housing for vulnerable and very low to moderate income people who are unable to secure long-term affordable housing in the market. Established in 1993, CHL has a quarter of a century of leading-edge experience working in partnership with national and state governments, local government authorities, social support agencies, and community groups to address local housing affordability problems. In Australia, CHL is a Tier 1 provider under the National Regulatory System for Community Housing (NRSCH), delivering end-to-end affordable housing development and long-term housing and tenancy management. This includes engagement with communities where there is housing need, project conception, securing finance, land acquisition, project design, construction supervision, long-term management of rental housing, and community development initiatives. In some locations CHL also provides services to people who are homeless or at risk of homelessness. At 30 June 2020, CHL had a portfolio of 10,892 properties under rental management in Australia across six States, making it the largest and only truly national community housing provider in Australia.

This submission by CHL is in response to the Independent Statutory Review of the National Housing Finance and Investment Corporation (NHFIC) Act 2018 required under section 57 of the Act. As an active member of the Community Housing Industry Association (CHIA) both nationally and in each jurisdiction, CHL has participated in the preparation of the CHIA National submission to this review and endorses its recommendations and analysis.

1. The impact of NHFIC on the community housing sector

The establishment of NHFIC has already enhanced the operation of the Australian community housing sector. Prior to the creation of NHFIC, the sector had not been able to access long-term finance via capital markets. Bank loans market tenors available to community housing providers (CHPs) meet Australian market standards

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but are short (e.g., three to five years), creating refinancing risk and inefficient mismatch with the sector’s asset life. Loans are predominantly entity-wide lines of credit, rather than specific to a project. There has traditionally been a lack of CHP knowledge from within the banking sector resulting in heightened risk, a perceived lack of security and under-valuing of CHP security assets. Those smaller bank financiers, who share a brand footprint with the CHP sector, are constrained by APRA cap limits regarding their lending profile to the sector. The creation of NHFIC has opened access for the CHP sector to capital sources that reduce price and increase tenor when compared to commercial bank debt profiles. In turn, this provides a better alignment to the asset class and risk profile of the CHP sector.

Although to-date NHFIC lending to CHL has been largely for re-financing, CHL’s strong national project pipeline, stimulus and growth opportunities signify substantial demand for additional NHFIC lending now and in the future. The following table provides an extract of the current CHL project pipeline for which NHFIC lending is being pursued:

Program	No. of Properties	NHFIC Funding Requirement	Grant/Equity
South Australia – EOI Affordable Housing Program	134	\$20m	Gov. equity of 50% of development costs
South Australia – Aboriginal Elders Village	40	\$2.5m	SA Government Grant - \$4.0m Indigenous Land & Sea Corporation Grant - \$3.5m
Queensland – Queen & Pohlman	40	\$7.5m	Govt. grant funding of 50% of construction costs of social housing
Queensland - Miami	36	\$5.7m	Govt. grant funding of 50% of construction costs of social housing
Western Australia – Perth Portfolio Acquisition	200	\$47.5m	100% Debt Funded. Supported through additional security/cashflow from Gov owned properties
New South Wales – LAHC Redevelopment Project	96	\$22m	\$5m CHL cash equity contribution \$5m CBUS
Tasmania – Community Housing Growth Program	250	\$20m	Capital grant funding of \$135,000 per dwelling
TOTAL	796	\$125.2m	

NHFIC involvement in the Victorian Public Housing Renewal Program (PHRP) also represents an exciting opportunity both for NHFIC and the CHP sector. Public Private Partnerships (PPPs) such as the PHRP represent an opportunity to transform the landscape of public housing renewal and social/affordable housing development. Successful implementation of the PHRP will elevate CHP capacity as a trusted partner to Government to lead on future large-scale projects in a truly collaborative cross sector approach designed to generate integrated social/affordable housing supply at scale

International hedge funds and private capital providers are showing strong interest in partnering with Govt. and the CHP sector in new development opportunities. In this environment, NHFIC provides a sustainable

mechanism that facilitates a pipeline of private and institutional investment opportunities into the sector by building scale and a structure to attract domestic and international investors.

2. The impact of NHFIC on community housing tenants

The creation of NHFIC assists CHL to secure the finance necessary to provide more housing to vulnerable and very low to moderate income people. For example, the developments in Queensland listed above are targeted at older tenants who are currently under-occupying social housing dwellings which are no longer suitable for their needs. The new housing will both provide a home for older social housing tenants to age in place in a property which can be easily maintained and modified to suit their changing needs, and will free up their current properties for redevelopment or to be offered to a family in need on the waiting list.

Snapshot 1

“Julie” is a single woman aged 63 who has been living in a three-bedroom house for over 40 years, and who has seen her family grow up and leave to start their own lives. The house is 60 years old, is hard to keep cool in summer or warm in winter and has a large garden that is difficult to maintain. Julie is less mobile than in the past and getting in and out of the house is becoming more difficult for her, however modifying the house is unpractical and expensive. Recently the look and feel of the neighbourhood has changed, and Julie now feels isolated and disconnected from the community. She has read about the high demand for housing for families struggling on the Gold Coast. She believes her house would be better suited to a family, and would be happy to move, if only there was somewhere suitable for her to move into. One of the new CHL properties on the Gold Coast will be ideal for Julie, as they are purpose built for over 55s, in a supportive community.

NHFIC financing of CHL’s PHRP bid will assist to house vulnerable people from the Victorian housing register, where waiting times are very lengthy especially for single people. While waiting for suitable social housing, people live in a variety of insecure or unaffordable housing situations, including: couch surfing, boarding houses, rough sleeping, or transitional accommodation. Without stable, affordable housing it is difficult for people to take care of themselves and their families, and to make plans for the future.

Snapshot 2

“Michael and Sarah” used to be private tenants. An accident left Michael with severed tendons in his arm, meaning he could no longer work as a bricklayer’s labourer. Sarah is in the late stages of pregnancy. When the couple applied for social housing, they were living in the lounge of Michael’s father’s one-bedroom rental unit. Once they have found somewhere to live, Michael plans to enrol in TAFE and retrain as a forklift or truck driver.

The finance sought by CHL's subsidiary Aboriginal Community Housing Ltd (ACHL) from NHFIC for the Elders Village listed above will support the provision of new accommodation for 40 Aboriginal Elders in Adelaide. The village features culturally appropriate units to facilitate independent living, plus a variety of indoor and outdoor community spaces. ACHL will work with its partner organisation to make the units available for people who are currently either homeless, living in inappropriate social housing and experiencing social isolation, or living in remote regional areas with poor access to healthcare and other required supports. Drawing on the group's community development framework, ACHL will also work closely alongside tenants and their families to identify initiatives to sustain a strong sense of community. These could include continuation of cultural practices such as art, weaving, storytelling, caring for country, or performing ceremony and healing traditions.

In NSW, NHFIC finance for CHL's bid under the Land and Housing Corporation's Community Housing Redevelopment Program will facilitate new supply of at least 40 social housing units. Tenants will be drawn from the social housing register, focusing on young families, and young people – either singles or couples – in need of priority housing assistance. Typically, people on the waiting list are: living in unaffordable private rental housing; staying temporarily with extended family; experiencing overcrowding; sleeping rough; or living in very insecure accommodation such as nearby caravan parks. To be able to offer these households the security of long-term housing with CHL, they will benefit from our in-house experience and resources to support them to integrate and thrive within their community. Living in a mixed tenure development will ensure tenants are not stigmatised as social housing tenants.

Snapshot 3

"Sofia" has been couch surfing for over two years, staying at various friends' places since her previous real estate agent put the rent up and her share house could no longer afford to stay. In her early 20s, she is looking for work but finds it hard as she has no stable address to give to would-be employers. One of the new CHL properties in south western Sydney will be ideal for Sofia, as they are located in established suburbs with good transport systems to assist her to find and keep her first full time job. A realistic ambition will be for Sofia to move within three years out of social housing into one of the build-to-rent units in the same development.

3. Proposal to amplify NHFIC's capacity to work with the community housing sector

NHFIC's board-mandated requirement for security in the form of a general security agreement (GSA) has hamstrung full embracement of lending opportunities by CHL. Whilst appreciating the relationship formed with NHFIC, CHL has an ongoing strategy to develop financing partnerships with a range of financiers. A GSA makes lending unattractive to other financiers and is therefore not an option for CHL. This then

creates an environment of complex and costly security structures, with a separate Special Purpose Vehicle (SPV) company potentially being required for each CHL development that NHFIC finances.

CHL proposes that, in-line with other commercial financing arrangements, NHFIC allows lending to occur where security requirements are limited to a first registered freehold mortgage over appropriately sufficient pools of residential properties, enabling all CHL net earnings to be available to service all lenders on an equal basis. This would support the community housing sector in two ways: directly, by enabling providers such as CHL to continue to seek finance from NHFIC; and indirectly, by facilitating other lenders to continue to enter the sector on reasonable terms.

CHL is available to provide further advice on any matter raised in this submission. For further information, please contact Steve Bevington, Managing Director, at steve.bevington@chl.org.au

Yours sincerely,



Steve Bevington
Managing Director