

14 November 2022



Social and Affordable Housing Unit  
Personal and Indirect Tax,  
Charities and Housing Division  
Treasury  
Langton Cres  
Parkes ACT 2600

c-/ [Housing@treasury.gov.au](mailto:Housing@treasury.gov.au)

Dear Sir/Madam,

**The National Housing Finance and Investment Corporation Investment Mandate Amendment (Social and Affordable Housing) Direction 2022 (“New NHFIC Mandate”)**

Thank you for the opportunity to comment on the New NHFIC Mandate that broadens the remit of the National Housing Infrastructure Facility (“NHIF”).

The UDIA is the development industry’s most broadly representative industry association with more than 2,500 member companies – spanning top tier global enterprises, expert consultants, small-scale developers and local governments. The development industry is critical to the Australian economy, contributing 1,18 million jobs and \$360 billion in GDP annually.

The UDIA supports the New NHFIC Mandate amending the *National Housing Finance and Investment Corporation Investment Mandate Amendment (Social and Affordable Housing) Direction 2018* (“**Original NHFIC Mandate**”). There should however, be one moderating amendment that prioritises funding of critical enabling infrastructure (as the original NHIF objective) where a funding choice needs to be made between funding affordable housing or enabling infrastructure.

**The Issue**

UDIA agrees that the funds of the NHIF could and should be used to concurrently support critical infrastructure for new housing supply (“**Original Eligible Infrastructure Projects**”), and direct finance of social and affordable housing (“**Proposed Eligible Affordable Projects**”). Both are worthwhile, and capital in the NHIF should not sit idle for lack of infrastructure projects to fund. The broader mandate ensures this does not happen.

Importantly however, the original objective of the NHIF is to support critical infrastructure (such as water, sewerage, electricity, telecommunications and transportation infrastructure). This objective remains vital to overcoming pressures on housing affordability. We recommend that priority funding be given to Original Eligible Infrastructure Projects as the primary reason for NHIF funding. This would mean that direct finance of social and affordable housing would only be

funded out of the NHIF where there are no critical enabling infrastructure projects that need funding at that time. This financial decision would be at the discretion of NHFIC.

In most practical circumstances, there will be sufficient NHIF funding for both objectives, but critical infrastructure should be the priority given the original aims of the NHIF and the ongoing need for enabling infrastructure to unlock housing supply.

The success of Government housing initiatives is being jeopardised by the emergence of a perilously low forward-pipeline of developable land supply. This is being made worse by rising inflation and interest rates, with significant increases in many basic building costs (by up to 30-40% in the past 12 months), and with skilled labour shortages undermining capacity and productivity.

We are seeing the effects across the entire housing spectrum:

- At the close of the September quarter greenfield lot sales have declined by 67% from the peak of activity in the September quarter of last year, and is 35% lower than the long run averagedue specifically to a lack of land supply, fuelling price hikes.
- New apartment approval and supply is reaching near-decade lows.
- NHFIC predicts a housing shortfall of 20,000pa by 2025, and 727,000 social/affordable dwellings are needed over the 20-year period 2016-2036.

Shortages of developable land for new dwellings drives up prices and forces ordinary Australians are to rent for longer, at higher rates, inevitably pushing more into social and affordable housing that suffers the same scarcity. This increases costs for government – in rental subsidies, greater need for social housing, and additional burden on the pension system as fewer people can generate a savings “nest egg” through home ownership.

Affordability issues in regional/urban areas are largely the result of a chronic lack of development-ready land – land caught in regulatory systems which limit industry capacity to meet demand spikes. The causes are well known: a lack of enabling/major infrastructure, insufficient zoned land, clogged and politicised approval systems.

In many local government areas, housing developers find that as little as 50% of land zoned for housing can actually be used, primarily because of a lack of critical enabling infrastructure - but also from increasing environmental, heritage and technical constraints such as flood levels.

Resolving the infrastructure component is the precise problem the NHIF was designed to solve and significant effort should be employed to ensure NHIF funding clears this barrier.

This is an issue that needs coordinated effort from Government and industry. UDIA National, in concert with NHFIC and ABS, is designing a Development-Ready Land Pipeline Metric with the aim of identifying and monitoring barriers in housing supply. This will enable Governments around Australia to target, monitor and manage critical supply constraints like lack of enabling infrastructure.

## The Recommendation Detail

We recommend that priority funding be given to Original Eligible Infrastructure Projects.

Direct finance of social and affordable housing would only be funded out of the NHIF where there are no critical enabling infrastructure projects that need funding at that time. The return on investment (by way of enabling private development, much greater housing supply) would be much higher by an enabling infrastructure focus compared with the funding of dwellings themselves.

This can be easily achieved by amending paragraph 25(2), to ensure that, (in making a financing decision), the NHFIC must have regard to whether there are critical infrastructure projects that need funding, before funding is made available for affordable and social housing.

If you have any queries, or require further detail, please contact Andrew Mihno, Director of Policy and Government Relations on 0406 45 45 49.

A handwritten signature in black ink, appearing to read 'Maxwell Shifman'. The signature is fluid and cursive, with a long horizontal stroke at the end.

**Maxwell Shifman**

UDIA National President