



# **NATIONAL AUSTRALIA BANK SUBMISSION**

National Housing and Homelessness Plan  
Issues Paper

20 October 2023

## **Introduction**

National Australia Bank (**NAB**) welcomes the opportunity to respond to the Department of Social Services consultation on the development of a National Housing and Homelessness Plan.

NAB's response and focus is guided by the seven focus areas detailed in the Issues Paper and responds thematically to the questions in these areas.

NAB welcomes the development of a 10-year national plan for housing, building on the work of existing state and territory plans. Greater consistency and alignment of policy objectives across jurisdictions is critical to assist with the flow of capital to provide scalable solutions.

Underscoring the challenge, NAB Economics research in April 2023 found that if the formation of new households is in line with the current average household size of 2.57 persons per dwelling (based on the 2021 census), and assuming population growth of 2.3%, Australia will require an additional 230,000 dwelling completions per year to house the growing population.<sup>1</sup>

The urgency to solve this problem impacts individual, community and economic wellbeing, and is particularly acute for people with disabilities, essential workers, younger Australians, and those on lower incomes.

## **Overview of NAB support for affordable and specialist housing**

In relation to improving access to housing, NAB acknowledges that it is not just a matter for Governments to solve but is an area where banks, private capital providers, community groups and the property and development sector all have an important role to play. NAB is working closely with community organisations, property clients and governments to deliver solutions to the social and affordable housing challenge in Australia.

Social and affordable housing is a critical issue for customers and communities and is a focus area of NAB's long-term sustainability pillar to provide commercial responses to societal challenges. NAB is using its understanding of the housing market and financing expertise to help build more social, affordable, and specialised housing.

In November 2022, NAB announced a target to lend at least a further \$6 billion by 2029 to support more Australians to access suitable housing, including specialist disability accommodation, social and affordable housing. This commitment built on NAB's previous \$2 billion target set in 2019, which was exceeded in achieving a total of \$3.6 billion in lending by the end of 2022.

The provision of finance is a critical input to either building or buying housing and NAB is seeking to partner with all stakeholders along the value chain, from not-for-profit organisations to superannuation and property developers, to help get more Australians into homes.

This NAB financial year (1 October 2022 to 30 September 2023), NAB financed the construction of more quality specialist homes for people living with a disability. This included finance to the

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<sup>1</sup> NAB Economics, The Forward View Australia, April 2023

Australian Disability Accommodation Projects Trust 2 for their portfolio of new build, recently constructed modern and purpose-built dwellings to accommodate up to 400 people with a disability in Victoria, New South Wales, Queensland and the Australian Capital Territory. Working with Lighthouse Infrastructure and a consortium of lenders, this is NAB's largest commitment in the Specialist Disability Accommodation (SDA) sector to date, and the first social loan for SDA in Australia.

NAB is working closely with the Federal Government's major housing financing body, Housing Australia (formerly the National Housing Finance and Investment Corporation), to help create the right financing conditions to build scale in social and affordable housing. This year NAB helped to finance social, affordable and community housing including build to rent, land lease, and mixed tenure models.

NAB is committed to working with Government to deliver affordable housing solutions, as demonstrated by the Home Guarantee Scheme (formerly the First Home Loan Deposit Scheme) which NAB was a founding participant bank in. NAB's affordable and specialist housing target includes a subset of loans provided via the First Home Guarantee (FHG), for loans where applicants have a total taxable income under the national median, and for properties priced under the national median. NAB is proud of its role as a founding bank of this scheme and in 2023, has financed loans in this subset of housing for approximately more than 5,000 people.

The growth of this scheme shows how government, business, and community providers, all play a key role in making home ownership more accessible. NAB continues to consult with the Federal Government on their new shared equity Help to Buy scheme, for low-income earners ahead of the intended launch of this scheme in 2024.

### **Focus areas 1 and 2: Homelessness and homelessness services**

NAB considers that the level of homelessness in Australia, more than 120,000, is an issue of serious national concern and more must be done to reduce homelessness levels.

NAB last year became the banker for the Salvation Army, the largest provider of homelessness services in Australia. This partnership has offered NAB additional and real-time insights on the rising challenge of homelessness in Australia. NAB Executives, [REDACTED], visited the Foster House accommodation complex in Sydney earlier this year, meeting clients, and Salvation Army staff who provide welfare support, counselling, and health services.

NAB is also working closely with Good Shepherd, NAB's longest community partner, which is building a new purpose-built facility in inner-western Sydney for women aged over 55. NAB is supporting Good Shepherd on this project, which will create 40 new dwellings for a group at growing risk of homelessness.

These community engagements have highlighted to NAB the planning, policy, and resourcing challenges in successfully delivering affordable housing projects.

Given the generally limited access to capital of not-for-profits operating in the homelessness sectors, NAB is encouraging the trial of innovative financing solutions to challenge the prevailing construction risk paradigm. Government supported construction facilities combined with availability payments (made regardless of occupancy) is one of the ways NAB can support lending for accommodation supporting homelessness.

Increasing supply could be amplified through targeted Government support for social and affordable projects during the construction phase, enabled by the deployment of contingent grants. Such grants would decrease the cost and increase the amount of funding banks could provide for projects during construction whilst simultaneously increasing the velocity of supply against a pipeline of pre-agreed projects. Co-contribution with grants from the states and territories would complement the long-term funding supports available once construction is complete through Housing Australia, the Accord and the Housing Australia Future Fund.

### **Focus area 3: Aboriginal and Torres Strait Islander Housing**

NAB is a long-term supporter of Indigenous business and understands the growth potential of this sector. Through its Elevate Reconciliation Action Plans (RAP) since 2013, NAB is committed to leadership in Indigenous employment, financial inclusion, and leadership in corporate Australia.

NAB's RAP recognises our leadership in Indigenous employment, financial inclusion, and role in leadership across corporate Australia. This focus has highlighted the need to rethink solutions for housing in regional and remote communities where workforce and construction issues are exacerbated. Furthermore, it has reinforced the need to consult and collaborate on solutions.

Innovation is needed in financing structures to test and understand the best combination of structural supports to deliver more housing into Aboriginal and Torres Strait Islander communities. NAB is developing structural ideas which leverage a combination of state head leasing and commonwealth availability payments. These financing solutions have the potential to help address a range of unique challenges, such as the provision of suitable housing on native title land.

NAB believes that modular housing has great potential to contribute to a useful and scalable solution in a range of remote and regional geographies where traditional construction processes are even more challenging. This emerging asset class has the added flexibility of being funded in a way that can deliver housing even where the land is not owned or has complex overlays (such as Native Title considerations). Construction takes months in most cases, not years to complete with transport and assembly into regional and rural communities requiring less resources in the regions.

NAB is currently working with Indigenous community groups and regional employers on developing tripartite rental agreements with state and local governments that would provide much needed housing for local workers and families.

NAB encourages all levels of Governments to expand joint pilot projects of this kind. Affordable housing solutions require cooperation, across business, government and community, and innovative and dynamic ideas where the risk, and reward, is shared.

#### **Focus area 4: Social and affordable housing**

As noted above, NAB has significant appetite to lend to social and affordable housing but there are some structural and policy challenges which act as barriers to deploy more of this available capital.

From NAB's experience, Australia does not yet have a deep asset class in social and affordable housing, unlike the UK which enables stronger bank and capital market facilitation. There can also be challenges on both the certainty of returns and the absolute levels of return that social and affordable housing can deliver for private sector financiers (particularly for social housing). This is most challenging for Community Housing Providers (CHPs) who, due to their current size, don't have the same credit standing relative to housing associations in the UK which are able to raise funds directly in, and from, capital markets.

To increase the supply of social and affordable housing, NAB believes the following ideas could be explored at a national planning level:

- Offering incentives for organisations to release, sell or at least partly develop large parcels of unused or underutilised land to create more affordable housing supply. This could include offering capped incentive-based payments directly to these landholders if they choose to work with providers to allow the land to be at least partly developed into affordable housing or made available to essential workers. The exact incentives offered could be informed by advice from an expert body, such as the National Housing Supply and Affordability Council.<sup>2</sup>
- Align more closely with the UK funding model for a sustainable CHP sector which provides certainty of rental payments to the Housing Associations (effectively 'de-linking' this payment from the individual renter's ability to make payments).
- Changes that could enable or facilitate more bank lending to CHPs at a lower interest rate, via actions such as:
  - Additional Commonwealth Government support for CHPs to help meet their debt servicing costs, through an entity such as Housing Australia.
  - A preparedness by state and territory governments to commit to supporting CHPs in the event of a CHP default via a positive obligation. NAB's experience of current practices is that in the event of a failure by a CHP, a state or territory government will generally step-in and transition the provider to new management or transition the assets to a new CHP. This would therefore formalise a process that often occurs in practice.
  - In conjunction with prior Housing Australia support for post construction funding, NAB encourages the trial of state support during the construction phase through the application of 'contingent grants', as noted above. These contingent grants would help CHPs access a higher proportion of construction funding from banks at rates reflective of each state's respective credit rating. Post completion of the pre-agreed developments, Housing Australia senior ranking debt and other funds sourced from programs (such as equity, grants, or availability payments from the Housing Australia Future Fund), the grants would be converted to fund any remaining gap.

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<sup>2</sup> See 'NAB lending more to affordable and specialist housing solutions', 27 November 2022, available at <https://news.nab.com.au/news/nab-lending-more-to-affordable-and-specialist-housing-solutions/>

## **Focus area 5: Home ownership and private rental market**

As the Issues Paper highlights, home ownership provides the security of long-term tenure. It creates social opportunities and can support better economic outcomes.

As noted in the Consultation Paper, there are a wide range of Government programs that can help to encourage greater levels of home ownership.

NAB has been pleased to partner with the Federal Government to help deliver the Home Guarantee Scheme (formerly the First Home Loan Deposit Scheme) since its launch on 1 January 2020. NAB has been the largest lender by number of loans as part of the scheme, with over 20,000 customers supported to date. As noted above, NAB's affordable and specialist housing target includes a subset of loans provided via the First Home Guarantee (FHG), for loans where applicants have a total taxable income under the national median, and for properties with a price under the national median. NAB considers that the program serves a helpful way for first and other select home buyers to reduce the time they need to save for a deposit and enter the housing market sooner.

With respect to the Federal Government's Help to Buy shared equity scheme, NAB continues to engage with Government on scheme design. This is from the perspective of a first ranking mortgage provider and to ensure that the proposed Help to Buy scheme delivers the equity treatment intended for the qualifying participants in the scheme. We welcome the opportunity to share insights from our UK operation where models of shared equity are more mature.

## **Focus area 6: The importance of planning, zoning, and development**

The consistent feedback NAB receives from customers across the property, development, and construction sector, as well as CHPs and institutional investors, is around the challenge of receiving timely planning, and approval requirements, for land development and residential construction.

NAB welcomes outcomes from the August 2023 National Cabinet meeting including the commitment to develop a National Planning Reform blueprint. The overarching aspiration should be to develop faster, consistent, and simpler planning and approvals processes across Australia and seek to align these requirements across state and territory jurisdictions where possible.

One specific item which National Cabinet committed to consider was the 'phased introduction of inclusionary zoning and planning to support permanent affordable, social and specialist housing in ways that do not add to construction costs'.<sup>3</sup>

NAB has previously supported State Governments to consider introducing Mandatory Inclusionary Zoning (MIZ).<sup>4</sup> MIZ can be mandated when land is rezoned so that a portion of a development is required to i) include a certain number or percentage of social and or affordable housing dwellings as a condition of rezoning and development of the land or ii) a cash contribution to a CHP for the building of additional social and affordable housing. NAB believes the adoption of such a requirement across Australia would encourage the creation of more social and affordable housing.

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<sup>3</sup> See 'Meeting of National Cabinet – Working together to deliver better housing outcomes', available at <https://www.pm.gov.au/media/meeting-national-cabinet-working-together-deliver-better-housing-outcomes>

<sup>4</sup> See August 2020, NAB submission to NSW Housing Strategy Discussion Paper

NAB continues to work with the Constellation Project who have advocated for this policy reform for some time.

Government is encouraged to consider innovative approaches to planning such as the use of generative artificial intelligence to streamline workflow processes around property development and planning.

### **Focus area 7: The impact of climate change**

NAB's Climate Growth Strategy aims to maximise the economic benefits of climate transition for customers and help to achieve emissions reduction targets consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100. In addition to emissions reductions, improving the energy performance of housing can provide ongoing energy bill reductions. It is therefore increasingly necessary to ensure the housing sector can adapt to the risks of climate change.

As part of NAB's Climate Growth Strategy, NAB has developed propositions to support the purchase of more energy efficient homes by first home buyers through lower interest rates and reduced lenders mortgage insurance premiums, as well as investment in pilot programs to increase resilience and adaptation to climate change. For example, in October 2022, NAB announced lower variable rates for home loan customers (up to 100 bp discount, and a 5% reduction on lenders' mortgage insurance) for a customer purchasing a property with at least a NatHERS (Nationwide House Energy Rating Scheme) 7-star rating or a Green Building Council of Australia Green Star Rating.<sup>5</sup>

A further example includes a partnership with the Bushfire Building Council to develop the Bushfire Resilience Rating System. This program provides an appraisal of a property's vulnerability to bushfire as well as discounted lending to participating households in a bushfire resilience ratings retrofit pilot in bushfire-impacted areas of New South Wales and Victoria.

In addition, NAB is working with select partners who are developing energy efficient properties (7-start NatHERS rating and above) to offer discounted lending that recognises the improved energy performance of these properties.

NAB welcomes Federal Government initiatives to support home updates that improve energy performance. NAB is pleased to be consulting with community sector groups, including Australian Council of Social Service, Community Housing Industry Association, and the Clean Energy Finance Corporation on ways to sustainably finance energy performance retrofits for (public and private) social and affordable housing.

### **Conclusion**

Thank you for the opportunity to provide comments on the Issues Paper. NAB is more than happy to discuss any aspect of this submission, and consult on this critical issue, with the Department of Social Services.

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<sup>5</sup> See 'Home buyers to benefit from NAB's energy efficient incentive', 17 October 2022, available at <https://news.nab.com.au/news/home-buyers-to-benefit-from-nabs-energy-efficient-incentive/>