

8 November 2023

The Director  
Housing Australia Future Fund Unit  
Housing Division  
Treasury  
Langton Crescent  
PARKES ACT 2600

**By email:** [housing@treasury.gov.au](mailto:housing@treasury.gov.au)

Dear Director

## Amendments to the Housing Australia Investment Mandate Direction

Thank you for the opportunity to make a submission with respect to the proposed amendment to the Housing Australia Investment Mandate Direction.

### Background

Local is a Melbourne based build to rent housing platform established in 2021 by Matt Berg and myself, in conjunction with a joint venture managed by Macquarie Asset Management Real Estate. We believe in strengthening communities by using our homes to deliver positive change.

To this end, Local is committed to incorporate within its projects at least 10% of housing to create positive social impact, into each of our communities. Local works with registered housing providers across three groups to supply homes to people who need them; women over 55 who are at risk of homelessness, key workers who are vital to our communities, and people in need of specialist disability accommodation.

Local has a pipeline over 1,300 apartments under construction in Melbourne, across sites in Kensington, South Melbourne and Box Hill, and is aiming to have at least 5,000 completed around Australia by 2026.

In addition, I was the founding CEO of Summer Housing Ltd (now Liverty Housing), a national not for profit specialist disability accommodation provider which secured over \$300M in capital from institutional funders to create best practice accommodation for people with disability.

### Sections 28F and 28S – Eligible Proponents for HAFF and NHAF projects

To provide the best opportunity for the ambitious goals of the National Housing Accord and to ensure that the resources of the Housing Australia Future Fund Facility (“**HAFF**”) and National Housing Accord Facility (“**NHAF**”) are allocated in the most efficient manner, the pool of eligible proponents should be drawn as widely as possible.

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To this end, Local considers that the scope of 'Eligible Proponents' under sections 28F and 28S should be expanded to include:

**(a) Constitutional corporations registered with the ACNC that have the primary purpose of owning or managing social and affordable housing**

In Local's view, the field of proponents should include constitutional corporations which:

- provide affordable and social housing; and
- which meet the requirements for a GST-free supply under section 38-250 of the A New Tax System (Goods and Services Tax) Act 1999 (Cth) ("**GST Act**") including charities endorsed by the Australian Charities and Not for Profit Commission.

Whilst we note that the field of eligible proponents includes Community Housing Providers ("CHPs"), we note that:

- not all CHPs are charities; and
- not all charities which provide social and affordable housing which meets the criteria of section 38-250 are registered as CHPs.

Given the inherent level of regulation and governance required under both the GST Act and ACNC legislation and the contractual agreements which will be prescribed by Housing Australia, we see limited downside in expanding the field of proponents to include charities which meet the requirements of section 38-250 of the GST Act.

We note that section 28F(g) and (h) appears to contemplate that entities which provide indigenous, or defence related housing would be eligible proponents and in this regard, it appears logical to us to expand the field at a minimum to charitable bodies to ensure that potential intended proponents are not falling within the cracks.

**(b) Constitutional corporations which provide Build-to-Rent (BTR) housing**

The scale of investment contemplated by the Housing Accord is significant and will require overseas investment in addition to our domestic funds. Indeed, we believe that the overwhelming majority of institutional equity investment into housing in Australia over the past year has been made by overseas investors supporting the BTR sector.

Further, we note that the Commonwealth Government announced reforms to the withholding tax rate for managed investment trusts in April 2023 which invest in build to rent housing which when legislated, is expected to further accelerate such investment. We strongly believe expanding the category of HAFFF and NHAFF eligible proponents to include such bodies would be in Australia's national interest to maximise the extent of social and affordable housing contained within overseas funded BTR developments over the next decade.

Importantly from our experience, most overseas institutional investors will be reticent to fund structures whereby they are providing investment into structures whereby they do not own the underlying real estate. Compelling structures into which the assets will be owned by CHPs or charities where the investment opportunity is a structured participating debt instrument will inherently limit the potential field of investment in Australian social and affordable housing from overseas investors.

From a governance and auditing standpoint, we believe that contractual frameworks could be established to ensure appropriate controls and oversight for Housing Australia. To this end, we draw attention to the Queensland Government's Housing Investment Fund which has not been limited to CHPs and similar bodies and will result in significantly increased proportions of



affordable housing within BTR developments.

Ultimately, the most competitive and compelling proposals should attract the support of Housing Australia and the HAFF and/ or NHAFF and therefore expanding the field of eligible proponents should be embraced by Treasury.

Thank you for the opportunity to provide this submission and please do not hesitate to contact me if you require any further information.

Yours sincerely,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Dan McLennan  
Co-CEO, Local