

## 22/92 Investment in Low Income Housing

(A report from the Standing Committee)

### Membership and Terms of Reference etc

1. This report is based on a report from a committee comprised of the following persons –

*Nominated by the Standing Committee*      *Nominated by the Glebe Administration Board*

Mr W.G.S. Gotley

Dr L.A. Scandrett

Dr K. Hawtrey

Mr R. Tong

Archdeacon G.R. Huard

Mr R.H.Y. Lambert

*Nominated by HMS*

*Nominated by ARV*

Archdeacon A.F. Donohoo

Mr N.K. Brunson

Mr E. Putt

2. The committee was asked to consider part (a) of Synod resolution 22/92 which urged the Standing Committee to –

"..... report on how a percentage of all future discretionary investments of the Sydney Anglican Diocese might be restructured with a view to assisting the provision of low income housing, with the long-term goal of achieving 1% of the total investment portfolio by the year 2000"

### Clarification of Terms

3. The Standing Committee sees its role as reporting on how the proposal in part (a) of resolution 22/92 might be implemented. The phrase "future discretionary investments of the Sydney Anglican Diocese" can be interpreted both narrowly and widely. Ultimately it is impossible to define, but Archdeacon Huard and Dr Hawtrey were parties to the Synod-Committee report and, after consultation, for the purposes of this report we agreed to interpret the target as \$1M, being about 1% of the investments of the Diocesan Endowment at 31 December 1992. The Glebe Administration Board ("GAB") is the trustee of the Diocesan Endowment.

4. Archdeacon Huard and Dr Hawtrey interpreted "assisting the provision of low income housing" as being investment in "clear, simple, safe high-yielding investment in housing bonds", not the building by the Church of flats, houses or units for people with low incomes. We accepted this interpretation for this report.

### Object of GAB

5. Clause 2 of the GAB Ordinance 1930 says –

"The object of the Board is to act as trustee of church trust property vested in it ..... in a way which both:-

- (a) preserves the real value of that property; and
- (b) provides a reasonable return therefrom."

6. The Diocesan Endowment produces income for the Synod to apply for diocesan purposes. This income is dispensed through annual Diocesan Income and Expenditure Ordinances to achieve numerous objectives. Poor investments affect the income-stream and the preservation of capital.

### Investment Powers of GAB

7. The investment powers of GAB may be summarised as a slightly amplified version of the powers of a trustee under the Trustee Act 1925, but restricted by the diocesan policies on investments in leases and shares, debentures etc.

### Separation of "Earner" from "Spender"

8. The GAB, as trustee, has a duty to earn a reasonable rate of return on the funds and preserve the real value of the Diocesan Endowment. This duty could be incompatible with investment in the provision of low-income housing.

9. Current policy is that the trustee or "earner" of the income of the Diocesan Endowment should not be the "spender" of that income. This helps the trustee to focus on the production of income which can be used to do "good works".

10. The achievement of policy objectives has been the role of the "spender" of the income (the Synod). A policy requirement for GAB to place 1% of the portfolio in low-income housing investments will modify this distinction.

### **Housing Bonds**

11. The promoters of resolution 22/92 see investments in housing bonds as fulfilling the "social requirements of the Diocese of Sydney" by helping with housing for people with low incomes, and also meeting the financial objectives of GAB.

12. The National Housing Securities Limited ("NHS") was established to raise funds by issuing bond and securities to investors and reinvesting the proceeds in State Bonds issued by State Government sponsored home loan schemes. It is a Victorian Company and as at October 1990 the shareholders were –

Sixty Martin Place (Holdings) Pty Limited  
Bank of Melbourne Limited  
Merrill Lynch (Australia) Pty Limited  
The Federation of Housing Societies of Victoria  
National Mortgage Market Corporation Ltd  
SFV Nominees Ltd.

13. NHS has bought State Bonds from the State Governments of Victoria and Western Australia.

14. The committee was advised that on a risk adjusted return basis, the return from such investments was competitive with other investments.

15. It might be possible for an investor to negotiate for any investment made in NHS to be reinvested in low income housing within the Diocese of Sydney. Otherwise, under the present structure, the benefit would go to people in Victoria or Western Australia.

16. An alternative would be for an investor to selectively buy State Bonds issued for State Government sponsored home loan schemes.

17. An investor, who is a trustee, will need to be satisfied on such things as interest rates, maturities, issue price, the status of the investment for trustees, etc.

18. The making of investments for the provision of low income housing could present the Church with another opportunity for ministry. But the investment in State Bonds etc restricts this opportunity as the end recipients are far removed from the investors, and may not be the people the investors would choose to help.

19. We have excellent ministry vehicles in our Diocese to take advantage of ministry situations through the provision of assistance in low income housing. (Parishes, HMS, ARV, Moore Theological College, etc are all helping people with low income housing.)

### **Ways and Means**

20. If the expected return on an investment in State Bonds to assist in the provision of low-income housing is equal to or better than the return on other investments which meet the criteria in the GAB Ordinance 1930, there is nothing to stop the GAB so investing if it chooses.

21. If the GAB does not so invest, it is open to the Synod or the Standing Committee to request the GAB to consider this type of investment.

22. If the GAB declines to act on such a request, the Synod or the Standing Committee could by an ordinance direct the GAB to so invest.

### **Other Options**

23. Should it be desired to implement such a proposal, there may be other more satisfactory ways of implementation. For instance –

- (a) The Synod or the Standing Committee could vary the trusts and appropriate \$1M from the Diocesan Endowment by the year 2000, appoint the Property Trust as trustee, direct the Property Trust to invest in assisting the provision of low-income housing, and apply the same distribution provisions to the net income as those which apply to the Diocesan Endowment.
- (b) The Synod or the Standing Committee could allocate \$1M progressively from Diocesan Income and Expenditure Ordinances by the year 2000 for the Anglican Home Mission Society to apply in assisting the provision of low-income housing.

**Conclusion**

24. The Standing Committee advises the Synod that there are basically 2 options –

- (a) Synod allocates funds each year from the Income and Expenditure Ordinance for low-income housing; or
- (b) Synod directs GAB to invest specific funds in low-income housing.

25. In view of the other pressing claims on the Diocesan Endowment, the Standing Committee believes it is inappropriate to allocate specific funds from the Income and Expenditure Ordinance, and it would be imprudent to invest in these types of projects as part of a general investment policy.

For and on behalf of the Standing Committee

W.G.S. GOTLEY  
*Diocesan Secretary*

31 August 1993