

SENATE SELECTION OF BILLS COMMITTEE

SUBMISSION ON

NATIONAL RENTAL AFFORDABILITY SCHEME BILL 2008



An NT Shelter Perspective

22 October 2008

Introduction

While the Northern Territory represents only 1% of the Australian population, in comparison to the rest of the country we face;

- the lowest level of home ownership,
- the highest rate of public housing despite declining stock numbers,
- the largest proportion of Indigenous households
- the highest rate of homelessness at 248 persons per 10,000
- a private rental market that accommodates 19% of all households
- vacancy rates in Darwin at 0.3% and market rents amongst (if not **the**) highest in the country
- land supply constraints, sometimes due to Native Title claims but also due to the slow rate of land release
- the highest rate of overcrowding and an ensuing issue of mobility between remote and urban communities
- a high rate of population growth in Indigenous communities which do not have the same range, level and quality of infrastructure and service that is provided in towns of similar size in the rest of Australia
- wide geographic spread, small populations and limited infrastructure
- a steadily increasing and relatively youthful population - particularly in Indigenous populations
- and a relatively prosperous economy, buoyed even further with the impending Inpex Gas Plant investment in Darwin which will generate employment, require additional housing resources and possibly exacerbate the shortfall in the supply of affordable housing for low income tenants.

What is NT Shelter

NT Shelter is an independent community based incorporated body that works towards a just and fairer housing system by highlighting the needs of disadvantaged groups.

As the peak NT housing body, NT Shelter advocates for appropriate and affordable housing for all members of the community particularly low income housing consumers and those with special needs.

NT Shelter is funded by Territory Housing (NT Dept Local Government, Housing and Sport) to carry out our peak housing body role.

NT Shelter believes that appropriate and affordable housing is the **cornerstone** in achieving health, education, employment, family and relationship stability and other social outcomes desired in any sustainable and viable society.

NT Shelter is part of the network of State Shelters and a member of National Shelter. We have also been a participant in the work of the National Affordable Housing Summit Group who proposed a National Rental Affordability Incentive in its *Call to Action* in 2004. The proposal sits as a one response in a continuum of responses to affordable housing and homelessness that National Shelter would like to see within a comprehensive approach to affordable housing in Australia.

Background to the Inquiry

Australia is experiencing a housing affordability crisis with inadequate housing supply and increasing rents and house prices. This crisis is impacting severely on those in the private rental market, causing deprivation and forcing some into homelessness.

The lack of available affordable housing also means that many people have no exit options from homelessness, or are trapped in unsustainable or unsafe housing. Waiting lists for public and non-profit housing are long due to the high level of need. Tight targeting of public and non-profit housing means that only the most severely disadvantaged are eligible and undermines the social and economic sustainability of public and non-profit housing, where this exists.

The Commonwealth Government has acknowledged this crisis and the need for action. It has developed a range of policy measures designed to improve housing affordability, including the National Rental Affordability Scheme (NRAS) which is designed to;

- increasing the stock of affordable rental dwellings by offering a National Rental Incentive
- reducing rental costs for low and moderate income households; and
- encouraging large-scale investment in and innovative delivery of affordable housing.

Without substantial additional investment in public and non-profit housing to increase affordable housing supply for low-moderate income households, NT Shelter believes substantial improvements in housing affordability will not be achieved.

The Commonwealth, State and Territory Governments are in the process of negotiating a National Affordable Housing Agreement (NAHA) to replace the Commonwealth State Housing Agreement (CSHA) which expires in December 2008.

The NAHA will include base funding for public and non-profit housing, accommodation for the Supported Accommodation and Assistance Program (SAAP), the National Rental Affordability Scheme (NRAS) and Commonwealth Rent Assistance (CRA) among a number of other programs. The NAHA negotiations provide Governments with an opportunity to substantially increase the stock of public and non-profit housing as part of a broader strategy to address the acute shortage of affordable housing across the country.

Comments to the Inquiry

Whether the NRAS is targeted to deliver Affordable Housing to those in greatest need...

The NRAS is certainly designed to improve access to affordable housing for low-moderate income households. This is reflected in the eligibility criteria for dwellings under the Scheme. Part 2 of the *National Rental Affordability Scheme Bill 2008* provides for regulations to prescribe the Scheme. Most of the administrative details of the Scheme's operation are to be set out in regulations rather than the Bill itself to provide flexibility to adapt to changing circumstances.¹

These details include changes in determining market rent, tenant eligibility criteria, acceptable periods of vacancy and reporting requirements in support of eligibility for incentives² and the Government has estimated that up to 1.5 million households will be eligible to be tenants under the Scheme.³

While NT Shelter is certain the NRAS is designed to deliver affordable housing to some low income households, in a market such as that which exists in Darwin and other high cost areas it will fail ordinary working families and individuals in greatest need unless additional subsidies are incorporated and a community housing provider is able to participate.

As previously outlined, the housing market in the NT is very small and therefore we fear the numbers of properties which might attract the NRAS benefit will be minimal.

¹ The Parliament of the Commonwealth of Australia, House of Representatives, *National Rental Affordability Scheme Bill 2008* – Explanatory Memorandum, Circulated by the authority of the Minister for Housing, the Hon Tanya Plibersek MP, pg 5.

² Ibid.

³ Treasurer Wayne Swan, Joint Press Release with The Hon Tanya Plibersek MP, Minister for Housing, 'Government launches National Rental Affordability Scheme Prospectus', 24/7/2008.

With current median market rents in Darwin at approximately \$500 per week, the NRAS offer of a 20% reduction in rent is still well beyond the means of low income tenants.

Private Rental housing, houses just over 20% of Australian households and approximately 19% of all NT households. Private rental housing accounts for only 0.4% of Indigenous NT households who are excluded on the basis of price, rent history criteria and discrimination.

Vacancy rates in the NT rental market have plummeted and private market rents have reached truly unaffordable proportions for anyone on a low to moderate income including those not eligible for public housing or able to enter home ownership.

Vacancy rates from REINT June Quarter 2008

Darwin	0.3%
Palmerston	0.4%
Alice Springs	0.4%

There is now a growing population of working families and individuals as well as those on Centrelink benefits who are in rental housing stress. NT Shelter estimates this is approximately 6,000 households or 52% of our 11,000 private renters⁴.

Median Weekly rents- 3 bedroom home- REINT RELM Analysis			
	Darwin	Palmerston	Alice Springs
December 05	280	285	265
December 06	420	320	320
December 07	460	400	370
June 08	500	425	395

Social Housing that is owned and managed by government or non-profit organisations provides housing to about 5% of Australian households, mainly those on very low incomes or suffering high levels of disadvantage.

By contrast, public housing in the NT contributes 8% of the total household tenure type and Indigenous households represent 35% of those housed in public housing⁵. Due to the lack of capital investment in new public housing over the past 10 years, old stock has not been replaced and existing stock has become increasingly targeted to 'those most in need', as well as being expensive to maintain and manage.

Stocks of public housing also continue to fall due to policies aimed at reducing density and pockets of disadvantage. Some of the sale of stock has been to existing tenants, some because it was

⁴ NT statistics from ABS Cat No 2068.0 2006 Census Tables NT (State) Tenure Type and Landlord Type by Dwelling Structure by Indigenous Status of Household Table 1

⁵ (Nationally Indigenous households in public rental housing represent approximately 6% of the total number of households receiving public housing assistance AIHW 2005f).

provided as Government Employee Housing and some into the private market. Reducing stock numbers and an increasing need for public housing have increased wait times of more than 3 years in some cases and in all areas, have created bottlenecks for crisis services and other housing and support services in moving and supporting people out of homelessness and crisis.

The NT has never developed a Not-For Profit Housing Sector. Housing that is provided by urban based not for profit agencies has generally been head-leased public housing stock and provided for NGO client groups moving from crisis housing or as another form of transitional housing.

Community Housing Program funds through the CSHA has provided approximately \$600,000pa since its inception and with so little money there has been no scope for the sector to develop.

Last year NT Shelter launched our research on '*Levers to Promote Affordable Housing in the NT*' (available from our website). NT Shelter continues to lobby Territory Housing to work in cooperation to address the recommendations of this report.

With new attention on affordable housing initiatives from the Australian Government, NT Shelter continues to recommend that an Affordable Housing framework be fast tracked to encourage the operation of affordable housing associations or companies in the NT which could take the best advantage of the new National Affordable Rental Scheme.

NT Shelter strongly believes the development of the not for profit sector and joint venture projects involving the NT Government and private sector are integral to delivering more social housing options as well as affordable housing products for low to moderate income households in the NT.

The Summit Group and other have advocated for the NRAS to be complemented by other initiatives to improve the affordability of the Scheme for low income tenants. This assistance could take the form of an increase in the maximum rate of Commonwealth Rent Assistance (CRA), consistent with the recommendation made by a coalition of housing and welfare organizations, including ACOSS, at the National Housing Advocacy Day held in Canberra in September.

Whether the NRAS is an efficient and effective way to deliver increased Affordable Housing

NT Shelter believes the NRAS offers an efficient and innovative way to deliver affordable housing, especially where it can make use of the tax concessions enjoyed by not-for-profit community housing providers as partners in the scheme.

We understand however that there may be a conflict between the objectives of the NRAS in involving not-for profit housing providers or charity organisations in the provision and management of dwellings for which the NRAS benefit is applicable and the definition of charitable organisations and PBI status within the Australian Taxation Office - an issue that must be clarified before not-for-profits take up the scheme.

There is therefore a need for legislative reform to ensure that the charitable status of such organisations is not threatened by participation in affordable housing programs, by including the provision of affordable housing under the heads of charity.

NT Shelter strongly supports the capacity of the NRAS to promote a mix of **dwelling** types and a mix of **tenure** as well as promoting environmental sustainability, energy-saving housing and the delivery of affordable rental housing in areas where there are well located services including transport.

While most Australians are able to house themselves with little government assistance, such assistance remains a social safety net. Governments are heavily involved in directly helping disadvantaged people secure a place of residence, be it by providing public housing, assisting households with rent or mortgage payments through the Commonwealth Rent Assistance, or providing funding support to community groups involved in offering long term community housing or crisis accommodation for people at risk of homelessness.

Housing assistance interventions not only aim to meet housing needs, they also contribute to wider outcomes such as improved social inclusion, productivity, health and economic wellbeing. They are impacted by, and impact on, policies and outcomes across other portfolios such as employment, health and general welfare.

Housing assistance is undergoing considerable reform with the negotiation of the National Affordable Housing Agreement (NAHA), incorporating new approaches to the provision of housing assistance to those in need. Community housing is a growing sector that, in addition to providing affordable housing, offers ties to the community and links to local services such as disability support, home and community care and case management services.

NT Shelter is committed to the concept that if the NRAS is to be of greatest benefit to those in need of affordable rental housing, then the Scheme needs to be developed in partnerships between State/Territory Governments, the private sector and NGOs. Such partnerships offer innovative and new ways to bring capital, housing management expertise and State/ Territory Government subsidies together to increase the supply of housing and to meet the growing demand for lower rental accommodation by low income households.

As the Territory does not have the NGO expertise required in such partnerships, we urgently require support to establish a specifically created Housing Association to fill this vacuum and offer the effective delivery of new affordable rental housing stock.

Whether the NRAS will facilitate investment in social housing by not-for profit community housing organisations as well as private investors

NT Shelter is unaware of any NT investors who may be interested in investing in rental housing for the lower end of the housing market however the non-government sector is extremely interested in taking part in the Scheme.

With ongoing investment in high end apartments, especially in the Darwin city area, and the immanent investment coming to the Territory with the Inpex Gas Plant, NT Shelter fears that more and more low cost accommodation units will be lost for 'key workers' and others on low and fixed incomes.

The NT Government is proposing to again reduce public housing stock in the Parap area, dislocating long term public housing residents from their social networks and contact.

NT Shelter believes that all communities benefit from social, economic and cultural diversity however our city areas are being gentrified at an alarming rate and no new low cost housing is planned anywhere to replace lost guest houses or public housing and appropriately re-house low income tenants.

Again our market is small, we have no community housing sector to speak of and land prices are soaring, all of which mitigate against the provision of affordable rental properties.

The NT Government does not own significant land resources although it does control its release. Land is currently identified for 3 new suburbs in Palmerston and 1 in Darwin but no tenders or head-works have yet begun.

In announcing the land release for the first of these new Palmerston suburbs (Bellamack) in September 07 the Minister for Lands and Planning referred to the Government's land release policy being 'to avoid flooding the market resulting in plummeting property prices'.

The slow and expensive rate of land release in the Territory however is clearly not resulting in plummeting land prices with the average price lot;

- in Palmerston increasing from \$71,000 in 2002 to \$162,000 in 2007⁶, and now between \$200,000 and \$300,000
- in the rural areas surrounding Darwin and Palmerston prices rocketing from \$89,000 in 2002 to \$262,000 in 2007⁷
- and blocks in City Valley Estate in Darwin on sale at between \$268,000 and \$1.5m⁸ and Lyons from \$240,000⁹

Governments play an important role in the housing system in Australia and the Australian Governments new focus and leadership on affordable housing initiatives are very welcome however, NT Shelter believes that Governments must work in partnership with both the private and not-for-profit sectors to grow the funds available for investing in new housing supply.

NT Shelter has previously made the following recommendations to the NT Government and we reiterate them here;

- That the development of an Affordable Housing Framework including Policy and Guidelines and Regulation for the NT be fast-tracked in order to position the Territory to access new Federal Government initiatives through the National Rental Affordability Scheme (NRAS).
- That future land releases by the NT government mandate for 20% of the development for Affordable Housing.
- That the NT government adopts as policy that it retain ownership of 20% of all future land releases as a contribution/ subsidy towards affordable housing.
- That the 20% affordable housing component of land releases be offered to Not-For-Profit housing organisations to establish affordable and social housing as well as opportunities for joint ventures between government, the private sector and Not for Profit organisations.
- That the Territory Government supports and works to assist the establishment of Not-For-Profit Affordable Housing Companies in Darwin and Alice Springs which can deliver new social housing programs as well as affordable rental and home ownership opportunities for low to moderate income households of the NT.

⁶ NT Treasurer's Submission to Senate Select Committee on Affordable Housing April 2008).

⁷ ibid

⁸ Report from Alliance Data, NT News 20 October 2008

⁹ Online land sales research 23 October 2008

With no developed or a viable housing association sector in the NT, it is inconceivable that the Government or the private sector will have the expertise or capacity to take advantage of the NRAS incentives and deliver the intended outcomes or the outcomes the NT requires.

Conclusion

NT Shelter joins with National Shelter and the Australian Council of Social Services (ACOSS) in recommending the following;

The NRAS must be complemented by a broader suite of housing affordability measures;

The NRAS can play an important role in increasing the availability of affordable housing. However, it forms part, and not all, of the solution. It is essential that funding for NRAS by the Commonwealth and the States is not seen as a substitute for adequate investment in other forms of affordable housing, particularly public and community housing.

There is also a need for greater clarity about the interaction between the NRAS and other housing initiatives, including the Housing Affordability Fund, Commonwealth Rent Assistance, the National Affordable Housing Agreement and homelessness initiatives.

ACOSS has consistently maintained that a suite of measures is required to improve access to affordable housing, including:

- Increasing investment in public and community housing;
- Strengthening rental tenancy protections to provide secure, affordable long-term rental;
- Reviewing the Commonwealth Rental Assistance program to ensure that it best meets the needs of struggling renters; and
- Improving support for those experiencing, or at risk of, homelessness (including early intervention, prevention, crisis and post-crisis support).

ACOSS, National and State Shelters along with a coalition of housing and welfare organisations, recently made six key recommendations to Government to improve access to affordable rental housing for low-income households:

1. A Growth Target should be established involving an increase in the stock of public and non-profit housing by 30,000 additional dwellings by 2012;
2. An Affordable Housing Growth Fund should be established with funding of \$7.5 billion over 4 years strictly ear-marked for expanding the stock of public and non-profit housing, contributed on a proportional matching basis by the Commonwealth and the States/Territories;

3. An Operating Subsidy Program should be established, with funding of \$3.5 billion over four years provided by the Commonwealth;
4. These funding arrangements will require approximately \$5 billion above funding currently provided by the Commonwealth and State/Territory Governments through the Commonwealth State Housing Agreement (CSHA);
5. New stock should meet standards relating to dwelling quality, disability accessibility and energy efficiency;
6. Commonwealth Rent Assistance (CRA) should be reviewed to ensure that it best meets the needs of all low income renters. As a first step, the maximum rate of CRA should be increased by 30% (approximately \$15 per week) for low income households currently receiving the highest rate of CRA at a cost of \$500 million per annum.¹⁰

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¹⁰ ACOSS, National Shelter, Community Housing Federation of Australia and Homelessness Australia, *National Rental Housing Advocacy Day Position Statement*, 24 September 2008, available at: <http://www.australiafair.org.au/public/Publications.aspx?ArticleID=5184>.