

# SENATE SELECT COMMITTEE ON AFFORDABLE HOUSING



## A Northern Territory Perspective

### 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 number,
- the largest proportion of Indigenous households
- the highest rate of homelessness
- land supply constraints, sometimes due to Native Title claims
- the highest rate of overcrowding and the 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.

Aboriginal people and communities in the Northern Territory particularly face the highest proportion of disadvantage in terms of housing, health, education and social and economic inequality and opportunity.

In response the Northern Territory is currently in an environment of massive change- some of which will come into effect from July 1 this year and include;

- The Federal Government Intervention in 73 prescribed Indigenous communities
- An injection of new funding into Indigenous remote communities for housing and other social development functions
- A change from Indigenous Community management of remote area housing to a public housing management model
- The reform of local government which will reduce the current 59 Community Government Councils to 8 Shires
- The NT Government's 'Closing the Gap Strategy' which recognises the basic need to address Indigenous housing, education, health and the resulting lack of employment prospects and opportunity.

## **Taxes and Levys imposed by the Territory Government**

Along with the Australian Governments First Home Owners Grant the NT Government offers a quite generous package of home ownership concessions to home buyers through;

- HomeNorth Xtra Standard Variable loan- offering a low deposit loan
- HomeNorth Standard Equity Loan- partnering low income home buyers
- HomeNorth Xtra Fee Assistance Loan with stamp Duty concessions and up to \$1500 toward whitegoods
- HomeNorth Xtra Public Housing Sales Program for existing tenants

This range of products aims to encourage home ownership, less transience and a more stable population base to build the economic resources of the Territory and reduce reliance on government for housing assistance.

The details of these products are outlined below and includes an overview of the increases in housing caps and concessions as the housing market has increased.

### **Home Ownership**

The majority of Australian households (71% of Australia's 7.7 million) either own or are purchasing their home.

The home ownership rate for households with Indigenous persons was 36% - half the rate of other households. (Indigenous Business Australia July 07 in ABS 1301 Year Book Australia, 2008)

In the NT only 47% own or are purchasing their own homes and only 7% of these are Indigenous households or only 3.6% of the NT's 56,000 households.

We are therefore we are well behind the national average.

In the NT, housing prices have been increasing exponentially above both CPI and income levels in the last 8-10 years. The NT government has therefore adjusted the housing price caps that apply to the incentives in its home buyer products. This is generally done annually through the NT Government Budget process.

The NT Government offers quite a good range of home ownership products however our market is quite small and there has been little analysis of the effect this has had on increasing market prices. As outlined below, in the Darwin area, the current maximum house value which attracts the Stamp Duty Concession is currently \$100,000 below the median house price.

Interest rate rises –10 interest rate rises in the last five years - and 6 since the 2004 federal election, are impacting most directly on low to moderate income home buyers with each rise adding approximately \$30 per month to repayments on a home loan of \$200,000 over 25 years.

NT Shelter estimates the number of home buyers in the NT experiencing housing stress is now around 6,500 which is 36% of our 18,000 home buyers.

Interest rate rises are also impacting on those renting in the private market.

## HOME OWNER ASSISTANCE PRODUCTS

### HomeNorth Xtra Standard Variable Loan

Assists with deposit to enter home ownership and stamp duty concession

YEAR	Max market value before duty is payable	Max Stamp Duty Concession	Income & Asset Limited depending on h'hold
2000 - 2002	\$ 80,000	\$ 3,640	
Aug 02- May 05	\$125,000	\$ 3,640	
May 05- Jun 05	\$200,000	\$ 6,800	
June 05- April 07	\$225,000	\$ 8,015	
May 07- current	\$310,000*	\$10,000	

\* Market value from 2007 refers to median price within the region  
(ie Darwin region \$310K, Alice Springs \$240K, Katherine \$180K, Tennant Creek \$85K)

### Principle Place Of Residence Rebate

Rebate applicable on the stamp duty payable on the conveyance of residential property other than first homes - not means tested and no purchase price limit.

Aug02- June 05	\$1500
July 05- present	\$2500

### Shared Equity

The Shared Equity Loan offers the option to purchase 70% or 99% of a property with the NT Government purchasing the remainder. Territory Housing's maximum share is limited to \$70,000 or 30% of the property value.

## MARKET HOUSE PRICES

Median House prices (REINT RELM Analysis) (expressed in \$'000)

	Darw	Palm	Kath	TC	Alice
December 05	328	300	170	90	280
December 06	370	342	225	100	281
December 07	412	380	268	102	312

## Private Rental

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.

Vacancy rates have plummeted and private market rents in the NT have reached unaffordable proportions especially for those on low to moderate incomes and those not eligible for public housing or able to enter home ownership.

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

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

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

As identified above the private rental market accounts for only 0.4% of Indigenous households.

Indigenous families and individuals are generally excluded from the private rental market and with rents escalating and landlords and agents 'auctioning' rental properties, people on benefits or who seem less likely to be preferred as tenants are excluded on price and rent history criteria and discrimination.

Indigenous people however must have education and jobs to access this part of the housing market.

### **Social Housing**

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

Another 4,700 NT Indigenous households are housed by community housing providers. Community housing accounts for 8% of all NT households and Indigenous households make up 92% of the proportion housed in this tenure type.

Most do not access Commonwealth Rent Assistance as rents are low and many Indigenous Community Housing Organisations calculate rent on a poll tax basis.

Due to the lack of capital investment over the past 10 years in new public housing, 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.

In the past 2-3 years Territory Housing has funded a range of Life Skills Programs delivered by non-government organisations and aimed at assisting Indigenous households sustain and manage their tenancies as well as deter housing damage.

Stocks of public housing continue to fall due to the sale of stock- some to existing tenants, some because it was provided as Government Employee Housing and some just to the private market. Reducing stock numbers and increasing need for public housing have increased wait times in all areas and created bottlenecks for crisis services and other housing and support services in moving and supporting people out of homelessness and crisis.

The only public housing stock developed in the NT over the past 5-10 years is a result of upgrade and renovation.

The welfarisation of public housing has led to a tightening of eligibility criteria, increasing wait times for both priority housing and other eligible clients, the introduction of Anti-Social Behaviour regulations, and limited term and trial tenancies.

NT Shelter is concerned about the proposed reform of remote Indigenous housing under the management of Territory Housing from July 1 this year and how standard housing policies such as Anti Social Behaviour Agreements and eviction will be implemented as there has been little consultation with the communities and the management model has not yet been made available.

<b>PUBLIC HOUSING</b>					
	2004/05	2005/06	2006/07		
<b>Stock numbers</b>	5542	5392	5361		
<b>Wait times in months</b>					
	(non-pensioner) 1 Bed	1 Bed	2 bed	3 bed	
Alice	49	29	25	39	Mar 08
	39	18	20	25	Jul06
	42	21	21	34	Nov 05
Drw/Cas	30	20	27	40	Mar08
	25	21	16	28	Jul06
	18	23	10	25	Nov05
Palmerston	33	33	28	28	Mar08
	27	23	14	2	Jul06
	22	21	9	18	Nov05
Katherine	14	5	9	12	Mar08
	8	4	3	6	Jul06
	6	2	3	5	Nov05
Nhulunbuy	65	0	57	53	Mar08
	44	4	39	32	Jul06
	37	37	31	25	Nov05
Tennant Ck	50	15	21	24	Mar08
	29	13	24	25	Jul06
	23	23	27	27	Nov 05

## Social Housing through the Not-For Profit Sector

The NT has never developed a non-government community housing sector apart from remote Indigenous community housing.

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*' A copy of our Report is provided.

NT Shelter continues to lobby Territory Housing to work in cooperation to address the recommendations of this report and it seems we now urgently need to position the Territory to align ourselves to take advantage of the National focus on housing affordability.

With new attention on affordable housing initiatives from the Australian Government,

- encouraging investment in the rental market and
- expanding options for new models to deliver social housing,

NT Shelter continues to recommend to Territory Housing that an Affordable Housing framework be fast tracked to encourage the operation of affordable housing 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 are integral to delivering more social housing options as well as affordable housing products for low to moderate income households

## LAND RELEASE

The NT Government does not own significant land resources in the Northern Territory although it does control its release. Land is currently identified for 3 new suburbs in Palmerston and 1 in Darwin but no headworks have yet been considered.

Servicing land is increasingly expensive and this has traditionally been done by government then the land made available to developers. In recent years budgets have not provided for these costs and the release of land is taking long periods of time.

In announcing the land release for a new Palmerston suburb (Bellamack) 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'.

(NT Government Media Release 4 September 2007 Minister Delia Laurie).

The slow and expensive rate of land release in the Territory 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 2007 and in the rural areas surrounding Darwin and Palmerston prices rocketing from \$89,000 in 2002 to \$262,000 in 2007

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

### LAND RELEASES

The REINT Real Estate Market Analysis report median land prices;

In Darwin	<600m2	\$215,000 in December 2005	and \$229,000 in December 07
Alice Springs		\$98,000 in December 2005	and \$230,000 December 07

#### ALICE SPRINGS

NTG land releases

November 04	Larrapinta Stage 4	40 blocks- announced as the first significant release in 10 years
April 07	Mount John Valley	70 blocks
November 07	Larrapinta Stage 4/ 2	45 blocks incl – 6 for FHO + 1 multi-dwelling for seniors public housing

Private land releases

May 07	North Edge sub-division	40 lots
	Ragonesi Road	256 lots in 6 stages - not yet commenced

#### DARWIN

NTG Land release

September 07	Bellamack	700 lots- 15% FHO + seniors public housing
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Private land releases

Start 2005	Lyons	700 lots over 5 years Joint venture - DHA & Canberra Investment Corp
2003-07	Roseberry (Darla)	237 lots
Complete 07	Farrar (Mitchell Ck & Riverview)	239 lots

## **Role of Governments in facilitating Affordable Housing – note not just home ownership**

Governments play an important role in the housing system in Australia and the Australian Governments new focus and leadership on Affordable Housing initiatives is very welcome.

NT Shelter believes that Governments need to work in partnership with both the private and Not for Profit sectors to grow the funds available for investing in housing.

Following Regional Housing Forums conducted in all major Territory centres in March this year, NT Shelter has made the following recommendations to the NT Government

That Territory Housing fast tracks the development of an Affordable Housing Framework including Policy and Guidelines for the NT 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 for Affordable Housing.

That the 20% Affordable Housing component of land releases be offered to Not-For-Profit housing developers to establish affordable and social housing as well as opportunities for joint ventures between government, the private sector and Not for Profit Companies.

That Territory Housing 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 affordable rental and home ownership opportunities for low to moderate income households of the NT.

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 deliver the outcomes the NT requires.

## **Effect on the market of Government intervention through Planning**

Planning powers in the NT are all vested in the NT Government rather than local government and is therefore consistent throughout.

Planning seems to be mostly concerned with Town Planning and zoning in urban centres. With the move to establish township leases in remote communities there is currently a lot of work underway to identify and chart these areas.

As referred to in our '*Levers to Promote Affordable Housing*' report- NT Shelter would like to see the Planning system deliver more outcomes for Affordable Housing by extending definitions of environment sustainability to include issues of social mix and housing diversity as 'planning matters' in town planning schemes and in the determination of development approvals

We have also recommended the preparation of an overarching planning policy to promote Affordable Housing featuring Inclusionary Zoning applied on a simple and consistent suburb or region basis plus a range of regulatory and land release reforms to support more cost effective housing development.

Also Planning must consider the impact on low income and (often) long term residents or households of the gentrification of city areas as at present there are no protections for the tenancy rights of such residents, nor any low cost accommodation options for them to move to.

### **The role of financial institutions in home lending**

From recent overseas experience related to the Sub-Prime Mortgage Crisis as well as the current level of credit card debt in Australia and easy to access home loan credit it is apparent that financial institutions have put many low to moderate income households in jeopardy.

The consequence of the deregulation of the banking sector has been an over emphasis of profit before social and moral responsibility.

The lending policies and independent ability to raise interest rates of many financial institutions has pushed many households into housing stress and again it is those who are low to moderate incomes, and particularly those who have been helped into home ownership.

Easy access to home loan credit is also a contributing factor on the demand side of the housing market, working to drive up prices and reduce affordability but do nothing to increase supply.

### **The Contribution of Home Ownership to Retirement Incomes**

There is clear evidence that retirees who own their own homes are better off than those who do not and there are very few opportunities for self funded retirees who do not own their homes to purchase low cost housing in the NT.

An ageing home however can place financial burdens on retiree home owners in terms of ongoing maintenance and the ability to replace broken fixtures and fittings although several concessions such as rates are available.

A survey conducted by Council on the Ageing NT in 2007 identified that approximately 10,000 older Territorians may require alternative housing in the future.

Where to After Retirement? A Survey of Senior Territorians on their Post Retirement Intentions. March 2007 (Dr Graeme Suckling, Council On The Ageing NT and Dr Anne Pratt, City of Palmerston)

This is a significant number, given the current difficulties in meeting demand for land and new homes, particularly in the Darwin, Palmerston and Alice Springs areas.

A major concern linked to the findings in this study is the numbers of people identifying their preference to live in some form of retirement or lifestyle village.

This type of accommodation is in short supply throughout the Northern Territory, and the potential for developers to be able to supply suitable living units at a price that is affordable for Seniors is yet to be explored.

Nevertheless, in the Palmerston and Rural area, as one example, almost 50% of those surveyed own their own home, and of those who thought they would need alternative accommodation in the future, half could afford \$200,000 or more to purchase their retirement home.

It will be important that planners incorporate the diverse needs of Seniors into development plans for all of the Northern Territory's major population centres.