



**AFFORDABLE HOUSING
ACTION PLAN 2007**

FOREWORD BY THE CHIEF MINISTER

Access to affordable and appropriate housing is a basic right, and the ACT Government has made upholding that right one of its highest priorities.

As a community, we are generally blessed with higher than average incomes, almost full employment and the best educational levels in the country. Taking our relatively high incomes into account, our housing is usually rated as affordable, by national standards.

But real barriers exist for some in our community. Young people in particular are finding it harder to achieve the great Australian dream of home ownership. Others struggle to get access to affordable and appropriate rental properties. Yet others require supported accommodation of one kind or another.

I established the Affordable Housing Steering Group to advise me on real, practical ways in which the Government could help increase the supply of affordable housing. I asked for options covering all aspects of housing affordability, so that all members of our community would be helped, whatever their income or personal circumstances.

I am pleased to present the Affordable Housing Action Plan. It is a far-reaching, innovative and comprehensive plan that provides options and solutions for those seeking to buy a home, for those renting in the private market, for those who use public and community housing and for those who require emergency accommodation.

It is a plan backed up by strong financial commitments from my Government, and its implementation will be a matter of priority.

I commend the plan to you and welcome you to more affordable housing in the ACT.

Jon Stanhope
Chief Minister

April 2007



INTRODUCTION

AFFORDABLE HOUSING STEERING GROUP

Establishment and Terms of Reference

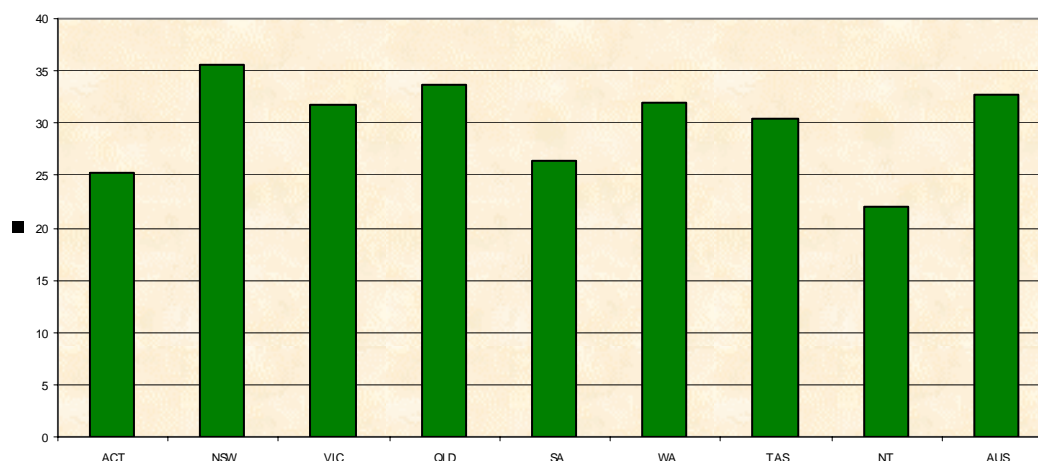
The Chief Minister announced the establishment of the Affordable Housing Steering Group on 15 August 2006. The Group was 'to advise the Government on initiatives to increase the supply of affordable housing in the ACT.'

The Chief Minister's Department chaired the Steering Group, with participation from ACT Treasury and the Department of Disability, Housing and Community Services.

EXECUTIVE SUMMARY

Key Findings

Percentage of household income needed to service typical monthly mortgage



Source: ABS Cat. No. 6523.0, 5609.0 and 6302.0

Aggregate affordability indicators suggest that house prices and rents in Canberra are among the most affordable in the country when the community's generally high incomes are taken into account.

Most households pay less than 25 per cent of their income in rent and are therefore not in housing stress. However for many low-income households, particularly those not accommodated by Housing ACT, there are indications of housing stress.

As at the December quarter 2006 the median house price in the ACT was \$398,000. This was exceeded only by Sydney and Perth house prices.

In the period between 2000 and 2003, as part of a national trend, the median house price in Canberra almost doubled. This price growth reflected strong demand for dwellings driven by a low unemployment, sustained wages growth, declining interest rates, competing investments and subsidies such as the first homeowners grant.

Strategic Approach – the solutions

Ensuring and safeguarding the supply of affordable accommodation will:

- Reduce the level of homelessness in the community;
- Increase community and individual wellbeing;
- Attract and sustain a diverse community with diverse housing needs;
- Enhance the ability of the ACT to attract essential workers; and
- Help stimulate the growth of the economy.

This strategy aims to support the supply of affordable housing and to ensure that all individuals, irrespective of circumstances, are able to access accommodation suitable to their needs.

The Strategy adopted by the Government is to:

1. allow the housing market to operate as efficiently as possible through ensuring sufficient supply of land and stabilise house prices in a period of growth;
2. maintain a planning and land release system that supports the delivery of an adequate supply of land and is responsive to changing demand;
3. ensure competition in the market to deliver cost efficiencies;
4. facilitate diversity in housing products and prices through the planning regime to deliver innovative, affordable house and land packages;
5. facilitate growth in the community and not for profit housing sector and encourage shared equity;
6. make efficient and effective use of public housing assets
7. support the delivery of adequate supplies of private rental properties to stabilise rental vacancy rates and prices; and
8. encourage industry cooperation in demonstration villages and estates and through advisory processes and through support of projects that complement the Government's affordable housing objectives.

A diverse range of public and private housing has been developed in the ACT and provides a continuum of accommodation options. As households change, they are able to move between the various forms of accommodation to meet their changing needs.

As different needs cluster around the various stages of the housing continuum, the strategy outlines initiatives to improve access to affordable housing at all levels.

Therefore it covers options for people accessing or eligible to access:

- Home Ownership;
- Private Rental;
- Community and Not For Profit Housing;
- Public Housing; and
- Supported Accommodation, including Emergency Housing.

HOME OWNERSHIP

Description: Around two thirds of the households have homeownership (outright owned or mortgage). Outright homeownership rates are generally the same across all income groups. Currently, the market delivers homeownership options for those on median and higher incomes. Housing choices range from established units, townhouses and houses to new homes in greenfields sites.

The number of first homebuyers ranges between 2,500 and 3,000 every year. There is evidence of further demand from households in the vicinity of Australian median income.

The Government released its land supply strategy for 2006-07 to 2010-11 in November 2006. The strategy provided for the release of sufficient sites to meet a demand for around 2,800 sites in 2006-07 and between 11,000 and 14,000 dwellings over the next five years. Included in the strategy was a trial engloba sale of 500 dwelling sites 2006-07.

Primary Goal: To ensure the healthy operation of the private market to allow it to deliver a range of housing options in locations across the ACT and to facilitate the goal that residents should not have to spend a high proportion of their gross income to purchase housing services.

Objective	Initiatives
<p><i>Land Supply</i></p> <p>Manage land supply to ensure that adequate land is available to meet demand for residential blocks in different geographic markets in a range of locations across Canberra.</p>	<ul style="list-style-type: none"> • Adopt the principles of the Land Supply Strategy 2006-07 to 2010-11 as the foundation for addressing housing affordability • Supplement the land release targets in the Land Supply Strategy by initiatives relating to community housing and institutional investment in rental accommodation • Introduce over-the-counter sales of land at a range of block sizes and prices, with particular emphasis on the release of land (prices from \$60,000 to \$120,000) that provides for dwellings in the price range of \$200,000 to \$300,000. Transitional arrangements should apply in the short term, but be in place for no more than 6 months

Land Supply continued

- Establish quarterly targets for over-the-counter sales, and implement monitoring systems to ensure performance against those targets
- To limit speculation in the land market, announce a program of regular englobo land releases, targeting two land sales annually with at least one third of land released by this means
- Urgently review the need for trunk infrastructure to meet land supply, community housing and private land release needs and ensure budget funding is provided to meet these needs
- Benchmark land development costs every two years through independent analysis

Land Supply Pipeline

Improve measurement, monitoring and management of the land development and house building pipeline as a means of enhancing the land supply process

Use the land development pipeline to develop a supply strategy that is capable of responding reasonably quickly to changes in demand

- Develop more robust mechanisms for calculating and monitoring the developers' and builders' pipeline and distinguish between the greenfields and the redevelopment pipelines
- In addition to the planning pipeline, adopt a four-year builders' and developers' pipeline (one year builders' and three years developers') maintaining inventory on the shelf at each stage of the pipeline to improve responsiveness
- Add an additional inventory to the pipeline of approved Estate Development Plans (EDPs) accounting for 8 to 12 months of current demand
- Progress with implementation and status of the pipeline be reported twice a year
- Review the practices, processes and delegations associated with land supply (including direct sale). This review should cover the financing, planning, land release and development approval aspects of land supply

Ensure ACTPLA and LDA's statement of intent reflects a greater balance of financial, social (including geographic needs) and urban design objectives

- Incorporate principles from the Land Release Strategy and Affordable Housing Steering Group report into the Statements of Intent for both ACTPLA and the Land Development Agency the. In particular, key activities for 2007-08 to 2010-11 should include clear, quantitative measures for delivering affordable housing outcomes
- Incorporate into the work plans of other agencies relevant elements of the Land Release Strategy and the Affordable Housing Steering Group Report

Compliance

Ensure compliance measures operate effectively to support the land supply strategy

- Increase the penalty for failure to develop on new land within the specified times to up to five times the rates applying to the block
- Introduce a hardship test for owners of individual blocks where financial difficulties may impact on completion of development, and set lower penalties for individuals and higher penalties for corporations

<p><i>Diversity of housing products</i></p> <p>Increase diversity in the market by incorporating new affordable house and land products</p>	<ul style="list-style-type: none"> • Increase diversity in the market by introducing a new, affordable house and land product • Ensure that the land released each year provides a range of appropriately priced block sizes in diverse locations • Require that 15 per cent of the blocks released each year target house and land packages within the \$200,000 to \$300,000 price range; (10 per cent for \$60,000-120,000 land) • Work with the industry to establish one or two demonstration villages showcasing affordable land and housing packages • Release two new demonstration projects with about 25 per cent of the housing targeted at households of median income or lower • Incorporate examples of highly sustainable and accessible housing in the demonstration villages packages • Work with the industry to enhance apprenticeship training and other skills development in the demonstration villages • Introduce an annual Excellence in Housing Affordability Award with a total prize value of \$20,000, to encourage excellence in affordable dwelling construction and design
<p><i>Planning and Building Regulation</i></p> <p>Ensure the planning legislation and requirements facilitate the achievement of key Government and community priorities such as affordable housing and aged care</p>	<ul style="list-style-type: none"> • As part of the ACT Planning and Land Authority Review reassess the impact of planning requirements on the cost of new dwellings

Other measures

Through a variety of mechanisms that do not unduly affect the market, implement initiatives to assist in increasing access to affordable home ownership

- Seek not-for-profit providers to participate in a shared equity scheme or schemes for low-income earners and eligible first homebuyers
- Continue to work through Housing Ministers' Council to explore a national approach to addressing housing affordability, particularly in relation to shared equity
- Introduce a land rent scheme
- Increase the Home Buyer Concession Scheme property value criteria to include median priced properties
- Provide conveyance duty deferral for first home buyers for up to five years
- Work with industry to consider whether there is an efficient and effective mechanism for charging stamp duty once during the initial development process
- Defer land payment (except for deposit) on affordable government house and land packages until a certificate of occupancy is issued
- Work, including through the Housing Minister's Council, to seek a review of the taxation regime to ensure equitable treatment of home mortgages

PRIVATE RENTAL

Description: Small investors dominate the private rental market, which provides approximately 26,000 dwellings in the ACT. The current rental vacancy rate in the ACT is very low, at around 1.6 per cent. Average rents in the ACT are currently also the highest in the nation. Access options for households just above the eligibility criteria for public housing have become limited.

Primary Goal: Support the effective operation of the private rental market to ensure a balance between supply and demand and the availability of a range of accommodation options to suit varying income levels and individual needs.

Objective	Initiatives
Increase the supply and range of properties available for private rental	<ul style="list-style-type: none">• Call for expressions of interest from institutional investors to develop and rent 200-400 private rental dwellings incorporating the potential for shared equity and on-sale to eligible tenants as part of a wider land release of up to 1000 sites• Support the introduction, through a non-government provider, a homeshare program to both provide accommodation for low-income singles or students and support older people to remain in their homes
Assist people in need to access private rental accommodation	<ul style="list-style-type: none">• Expand the provision of tenant information and advocacy services by providing an additional worker• Work with the Australian Government and other States and Territories to improve the effectiveness of Commonwealth Rental Assistance to reduce the stress levels of private renters

COMMUNITY AND NOT-FOR-PROFIT HOUSING

Description: Community housing is typically rental housing for low to moderate income or special needs households, managed by not-for-profit community based organisations whose operations have generally been at least partly subsidised by government.

The community housing sector provides 0.4 per cent of the total ACT housing supply and 3.2 per cent of affordable housing.

Primary Goal: Support the community housing sector to enable it to grow and to meet the accommodation needs of Canberrans, particularly those who do not meet the income criteria for public housing.

Objective	Initiatives
<p>The following objectives to apply to community housing:</p> <ul style="list-style-type: none"> • Enhance the capacity of the community housing sector to deliver innovative affordable housing solutions; • Focus community housing sector as a provider of affordable housing for people on low to moderate incomes, particularly those who are not eligible for public housing; and • Enhance the capacity of the community housing sector to deliver innovative affordable housing solutions 	<ul style="list-style-type: none"> • Establish Community Housing Canberra as a not-for-profit entity independent of Government • Increase the asset base of Community Housing Canberra by around \$40 million by transferring title to 135 dwellings and also provide a \$3 million capital injection • Provide a revolving finance facility of \$50 million to Community Housing Canberra
<p>Target the growth in Community Housing Canberra owned dwellings at 10 per cent per annum</p>	<ul style="list-style-type: none"> • Increase the supply of affordable rental housing by: <ul style="list-style-type: none"> ○ 250 dwellings within 5 years; and ○ 500 dwellings within 10 years • Increase the supply of affordable dwellings by: <ul style="list-style-type: none"> ○ 470 dwellings within 5 years; and ○ 1,000 dwellings within 10 years • Establish with CHC a program of monitoring of the delivery against targets, and evaluation of the business model • Renew 75 per cent of the assets transferred to Community Housing Canberra within five years, and 100 per cent of the assets within seven years

<p>Ensure the supply of land to enable community housing providers to meet future client needs</p>	<ul style="list-style-type: none"> • Implement with LDA a rolling program of land sales to Community Housing Canberra for affordable housing projects with the first three projects in Belconnen and Gungahlin to start in 2006-07 • Identify development sites throughout Canberra for a mix of housing development which enhances the provision of affordable and accessible housing
<p>Support the transition from rental accommodation to home ownership</p>	<ul style="list-style-type: none"> • Ensure that Community Housing Canberra incorporates a shared equity scheme for eligible tenants and home buyers, as part of its business model

PUBLIC HOUSING

Description: Both public and community housing are funded by the Commonwealth State Housing Agreement. Under the Agreement, the ACT and Commonwealth Governments jointly provide \$168 million over the period 2003-08. Housing ACT within the ACT department of Disability, Housing and Community Services currently manages around 11,500 dwellings. This is about 9 per cent of the ACT's total housing stock and has an asset value of around \$3 billion (of which \$2 billion is land value).

A number of reforms to the management and operation of public housing were announced in the 2006-07 Budget, including changes to eligibility criteria to ensure housing services are targeted to those most in need in the community. In particular, the income eligibility criteria for public housing was adjusted to 60 per cent of Australian Average Weekly Earnings for singles and 75 per cent of Australian average weekly earnings for couples. Other reforms include the amendment of the legislation to allow better matching of tenants and stock and the creation of a new priority allocation system. As part of this system, priority allocations are based on need, not chronological position on waiting list. Housing ACT and Treasury have also been tasked with examining the option of seeking private sector investment in 500 public housing dwellings as one approach to reconfigure public housing assets to better match tenant demand and need. The intention of the examination is to test whether a portfolio sale to a private investor would allow the proceeds to be directed to the purchase of more stock to meet current and future client needs.

The Government has also indicated that \$10 million a year over the next three years (2006-2009) will be spent on expanding public housing stock.

Primary Goal: Support Housing ACT as the provider of public housing to ensure Canberrans on low incomes or who meet entry criteria are able to be appropriately accommodated within appropriate timeframes.

Objective	Initiatives
Strengthen the role of Housing ACT as the key provider of social housing in the ACT	<ul style="list-style-type: none">• Housing ACT continue to provide housing support to households in stress on low incomes (below \$32,700).• Continue to examine the sale of up to 500 public housing properties with a tranche of sales to be to public housing tenants on moderate or high incomes• Housing ACT aim to house top priority waiting list applicants within three months

<p>Ensure the supply of sufficient stock to meet existing and future client needs</p>	<ul style="list-style-type: none"> • Continue stock restructuring program to increase proportion of two bedroom dwellings including the purchase of up to 20 of the new stand alone house and land packages • Continue to maximise the return to public housing in future joint ventures and redevelopments • Introduce a shared equity program for eligible tenants through enabling Housing ACT to retain equity in houses sold to tenants
<p>Ensure stock meets diverse client needs</p>	<ul style="list-style-type: none"> • ACT Housing to continue to better align stock to client needs
<p>Encourage the Commonwealth to develop a more effective and viable funding base for public housing</p>	<ul style="list-style-type: none"> • Work with other States and Territories to encourage the Commonwealth to fund public housing based on the realistic cost of managing the asset, including provision for managing higher complexity tenancies

SUPPORTED ACCOMMODATION

Description: The Supported Accommodation Assistance Program (SAAP), a jointly funded Australian Government, State and Territory Program, provides funding for homelessness services. The Australian Government has a policy leadership role and state and territory governments are responsible for the day-to-day management of the Program. Under the Agreement, the Commonwealth and ACT Government jointly provide \$11.7 million in 2006-07. In addition the ACT Government will provide a further \$1.3 million in 2007-08 to fund a range of homelessness accommodation and associated support services.

The ACT SAAP currently provides funding to 29 organisations to deliver 51 services which provide a range of support and accommodation services to young people, single men, single women, families including sole parents with accompanying children, and women and/or children escaping domestic violence.

A number of reforms were implemented as part of the 2006-07 budget in recognition that ACT housing and accommodation costs were well above the national average. The reforms are designed to support SAAP to provide a crisis response or intervention, with public and community housing providing longer term options.

Primary Goal: Maintain and enhance the role of supported accommodation providers to ensure that all Canberrans at risk of homelessness, on low incomes, with special needs or requiring emergency accommodation are able to be appropriately accommodated with no or minimal delay, and if appropriated, assisted to move to longer term accommodation.

Objective	Initiatives
Ensure the supply of suitable accommodation for people on low income or with special needs	<ul style="list-style-type: none">Expand the stairwell model of accommodation for key client groups
Enhance living skills of clients	<ul style="list-style-type: none">Continue reforms of the Supported Accommodation Assistance Program and expand outreach programs to assist in preventing evictions
Support the transition of tenants to longer term sustainable accommodation	<ul style="list-style-type: none">Strengthen the transitional housing program

AGED ACCOMMODATION

The Steering Group noted the Building for our Ageing Community strategy released by the ACT Government in 2004, which has succeeded in removing many obstacles to the supply of residential aged care accommodation in the ACT. The strategy noted the rapid ageing of the ACT's population and the need to ensure adequate aged care accommodation into the future. It placed an emphasis on establishing a rolling program of aged persons' accommodation sites and on identifying and removing unnecessary delaying in projects for aged accommodation by streamlining planning approval process.

The Steering Group notes a continuing need to ensure the availability of sufficient land suitable for aged persons accommodation and a need to address any impediments to the ability of older people to move into accommodation more suited to their changing needs.

Objective	Initiatives
Ensure the supply of sufficient land to meet the increasing demand for aged accommodation	<ul style="list-style-type: none">• Continue to identify development sites throughout Canberra for a mix of housing developments that enhances the provision of affordable aged housing

MEASURES THAT APPLY TO ALL SECTORS

Objective	Initiatives
<p>Skills</p> <p>Ensure the supply of sufficient skilled workers to meet current and future demand for housing construction</p>	<ul style="list-style-type: none"> • Ensure there is sufficient labour for the building industry to deliver the goals of the affordable housing strategy. This is to be achieved through the work of the Skills Commission; by working with the Australian Government and other jurisdictions on mutual skills recognition; and continuing the Live in Canberra campaign
<p>Ensure adequate accommodation for skilled workers, including short term residents</p>	<ul style="list-style-type: none"> • Develop accommodation options such as a caravan park and a 2-3 star motel in areas such as Stromlo to accommodate workers on short-term basis and to respond to peaks in industry demand
<p>Data</p> <p>Ensure the ACT has access to accurate data on which to base future land release and service projections</p>	<ul style="list-style-type: none"> • Ensure the ACT has access to accurate data on which to base future land release and service projections and continue to work with the Australian Bureau of Statistics to ensure the availability of high quality data • Implement an education campaign to ensure people who move to Canberra update their address with Medicare immediately

IMPLEMENTATION

As the Government's decision on housing affordability will involve a number of government and non-government areas, an implementation team will be formed to ensure timely implementation.

The Implementation Team will commence work immediately. This multifaceted approach is likely to require intensive effort over at least 18 months.

The Implementation Team will be supported by an in-house team located within the Chief Minister's Department.

Regular monitoring and coordination meetings involving Government agencies will need to be held to ensure the effective progress of implementation.

MONITORING AND EVALUATION

The implementation of the strategy will be monitored and progress reported to Cabinet and publicly. In particular, the Government will:

- Review the residential land release targets annually within the life of the Strategy to ensure they continue to reflect projected demand.
- Report progress with implementation and status of the pipeline twice a year.
- Review compliance with the pipeline strategy annually to determine whether there is an adverse effect on the balance of supply and demand.
- Monitor the market to ensure sufficient diversity of product. Monitoring in the first instance will focus on key milestones such as the trial englobo release, progress with the development of Molonglo and the outcomes of the Demonstration Housing Project.
- Monitor the development of other shared equity models under consideration for the broader community to test their suitability for the ACT.