To Whom It May Concern

I was pleased to be invited to Federal Treasury’s Round-Table in Darwin on Tuesday, 17 October 2017, and wish to compliment Treasury on their approach.  Having sat through numerous Commonwealth-facilitated round-tables and workshops that have been conducted by those with only a nebulous connection to the subject matter and requiring me to respond to prescribed questions supporting a foregone conclusion, it was, indeed, refreshing to feel that I had been not only listened to but actually heard.  So my thanks to Nathan Dal Bon, Hussain Rajwani and David Crawford for their preparedness to truly engage and understand the specific complexities of the Northern Territory and be patient in the face of robust (but, hopefully, constructive) criticism and potential solutions.

Please find following a precis of the points raised as a formal submission:

         The NT is geographically vast, has extremely high concentrations of disadvantage – particularly Indigenous disadvantage – relative to its low population.

o   Some areas are not accessible for many months of the year

         Building costs are significantly higher due to distance (delivery/landed cost) and building code (cyclone/seismic)

o   But noting that CHPs are able to achieve significantly lower price points than Governments in the development of housing

o   Darwin is, nonetheless, extremely strategically significant due to its northern location~~s~~ (nearest city to Asia) and deep water port

o   Wear and tear on dwellings is significant due to climatic extremes and lack of tenant education in some cases (and poor follow up by NT Housing)

o   Millions if not billions of dollars have been poured into the NT in an endeavour to provide more housing. The price points are utterly ridiculous and are the result of ‘the review of the review of the reviewer who reviewed the consultant’s paper reviewing the review of a review conducted in 197?.

o   In short, there has been enormous consultation that has not resulted in a significant increase in social housing and current social housing stock is seriously degraded (and the writer makes this observation with the hardened eyes of someone who has live in 19 countries – many of them in emerging nations in very remote and often conflict stricken areas).

  It is a disgrace to have to state that government housing in Tennant Creek is of a significantly poorer quality than that on the Zambian border of the Congo – I know, I lived there.

o   Entrenched multi-generational cycles of disadvantage and welfare dependence are being strongly facilitated by overcrowded, degraded and often inappropriate housing (which is a primary need on Maslow’s Hierarchy and which results in budget blow outs in health, justice etc.)

o   There are nonetheless many young aspirational Indigenous people making the right decisions in often extremely challenging and distressing circumstances and who are not rewarded with either decent housing nor a national television platform

  For example, the writer is aware (and told in confidence) of a circa 19-20 year old young Indigenous woman in Tennant Creek who is a receptionist and also studies online from work after hours (note: working and aspirational) who pays **48%** of her disposable income in rent for a tin shed with a dirt floor with only a cold water tap.  She is articulate and well-groomed.  She left her family’s grossly over-crowed public house after being sexually assaulted.  She considers herself lucky as her (much younger) teenage cousin fell pregnant in similar circumstances – the cousin is also desperately trying to continue with her education.  These two young women are not drunks nor substance abusers (although they could be forgiven if they were).

  The writer’s question:  how does the current consultation paper propose to break cycles of disadvantage – particularly for those already helping themselves and making good decisions?

         The NHIF, Bond Aggregator and NHIF are only part of a proposed solution to a complex issue and do not, in themselves, address the funding gap (i.e. the difference between market rent and social rents) as raised by EY in their report (page 8).

o   The NRAS addresses this gap in Affordable Housing and it seems incredulous, now that it is working well and after the investment in its creation and improvement, that it will not be continued (noting that the writer acknowledges that there were some abuses by notably foreign investors but that these could be addressed).

o   The writer strongly supports the retention of the NRAS – which could be rebadged and more Community Housing Provider orientated

o   The Commonwealth (of all political persuasions) needs to be aware of the significant social unrest (and economic impact) that will result as the NRAS phases out and private investors increase their rents to market rates (or divest themselves of the properties)

         The mechanisms proposed are financing mechanism and are NOT grants.  They therefore assume:

o   The CHP has the cash flow and the balance sheet for cross-security

         The paper suggests a 10-year finance term (noting that Venture was only fully capitalised in the 2015-2016 FY when 76% of its stock were transferred to it and has entered into a more traditional mortgage arrangement with its financier, Bank Australia, for a 20-year term at low interest rates and low cross-security, for its first $4m development in Mitchell Springs that was officially opened by the NT Minister for Housing and Community Development on 13 October 2017) – please note in just a little over one year post capitalisation, Venture increased its portfolio by twelve (12) properties and has a pipeline for a further 25 dwellings ~~in Tennant Creek~~.  The properties at Mitchell Springs were constructed to a high standard for a (for the NT) very low cost point ($330,000 each) due to robust negotiation and strong partnership with the Developer and included the land component being gifted.

         Furthermore, when a CHP engages with a bank, it does its due diligence up front and then, as long as the loan is being repaid as agreed and required notifications (e.g. changes of Directors) are made, the bank basically leaves the lender alone without any huge compliance impost – it would be extremely important that the proposed Commonwealth finance arrangements are:

o   Able to be decided in a timely manner (CHPs are good at bringing philanthropists and gifts of land etc. to the equation – the patience of such individuals is quickly eroded (as well as the requirements of any of their Foundation’s Objects) if a ‘go forward’ cannot be determined in a reasonable (a few weeks not a few months) time frame.

  It was good to note the consideration of warehousing arrangements in this regard so as not to be locked into the Bond cycle.

o   The writer’s experience with Commonwealth initiatives that start with an “N” is that they generally commence with a 1800 contact number until the sector that engages with them becomes utterly exasperated.  It would be my suggestion that the NHFIC strongly considers the mutual benefit of dedicated liaison officers (well-trained ones!).

         The proposed Commonwealth financing arrangements are only available for **turnkey** projects.  This would be very problematic in the greater Darwin area (and any area where housing growth is flat or falling) as:

o   The big four banks are currently over-exposed in the greater Darwin area and will not lend to developers without at least 40% cash skin in the game and HUGE cross-security – think in excess of $20m to borrow $4m.  And this financing is not available to developers – ergo, no turn key projects will be available to CHPs to purchase.

o   It would make more sense to provide construction finance to CHPs (assuming that the CHP has both the cash flow – *think NRAS* – and the balance sheet to support it) – and it would be even more useful in this case if it was prepared to lower the cross-security requirements.

o   There was no information on what the NHIF considers to be a “viable” project – most private developer requires an ROI of at least 10% - most social housing is a negative number.

  The NHFIC should consider the following:

         Financing projects that produce significant social outcomes

o   Adopting an approach of a mixture of grants and finance in such cases

o   Financing through CHPs who are able to effect a much cheaper price point with developers than government

o   And doing so with the compliance upfront and in a timely manner – not imposing a compliance regime that negates the cost savings.

         The proposed repayments are interest only

o   You need equity to leverage (as cross-security) further development  - it is short-sighted not to allow capital repayments to those who wish to do so.

o   The financing covenants should not be more complicated than a Deed of Enforcement Priority or it becomes too complicated and expensive to enter into and add a huge additional administrative impost.

         The NHIF grants are only available to local government to assist with infrastructure costs (most particularly in urban renewal sites) – not much help for the CHP sector.  Although some tripartite arrangements have existed.

o   To shorten the funding gap, the CHP should be permitted to access a combination of grant and financing funds with merit being placed on social outcomes where grants are made.

o   The Commonwealth could also assist in identifying Crown Land and making grants of such land to CHPs.

         The Consultation talks to ensuring that new developments have sites made available for affordable and social housing – **this is good and not the current case in the NT**.

o   The writer’s recommendation is that 15% of all new developments should be made available for social and affordable housing (the developer gets a Stamp Duty incentive and potentially GST exemptions as compensation)

         The examples provided in the Consultation Paper relate to high density / high population areas in Australia and overseas i.e. it is very Sydney and Melbourne centric.

o   It tries to be ‘one size fits all’ but the situations in the NT, Northern Qld and WA, Tasmania and South Australia are completely different to those in Sydney and Melbourne.

o   It talks to Tier 1 and Tier 2 Registered CHPs but does not mention emerging and professionally robust Indigenous Corporations, nor sophisticated Aged Care providers (Australia’s ageing population is not getting any younger).

         It talks to the finance being able to be used to undertake maintenance, and whilst noting that this can be certainly necessary post a Stock Transfer – which is argument in itself to put Public Housing in the hands of Community Housing Providers - the writer does note that she would be seriously concerned  about the governance of a CHP that does not manage its properties under a strategic asset management program that includes a sinking fund for cyclical, responsive and long-term maintenance.  She also notes that doing so also does not increase housing stock (although it assists in ensuring that existing stock is retained).

         There are only two ways to ensure further social and affordable housing development

o   1. Having the Cash flow (keep the NRAS and place considerable pressure on the NT to undertake a Stock Transfer and thereby enable the CHPs to access the CRA)

o   2. Having the Balance sheet as cross-security

o   And noting that the CHPs return all surpluses to their social Objects – not to shareholders.

         In summary:

o   The currently proposed NHFICF, NHIF and Bond Aggregator might be useful in a Sydney or Melbourne (but would still require a third, cash flow generating arm) but needs considerable adaption to an NT context

o   Retain the NRAS (for CHPs)

o   Put pressure on NTG to facilitate a stock transfer so that CHPs can access the CRA

o   Put pressure on NTG to pass legislation to require developers to provide 15% of any development for social or affordable housing (and provide them with stamp duty and GST concessions)

o   Provide more information as to the degree of compliance and administration for borrowers

The Commonwealth, States and Territories also need to consider the huge social upheavals that will occur if/when the NRAS ceases and private landlords put up the rents to market rental level.

A considerable amount of housing can be constructed for the money that is being proposed in the hands of those that can get developers to sharpen their pencils!

Yours sincerely

Jill

**Jillian Ritherdon**

Chief Executive Officer | Company Secretary

**Venture Housing Company Ltd**

Level 2

66 Smith Street, Darwin NT 0800

GPO Box 3204, Darwin NT 0801

Direct Line: (08) 8919 4709 | M: 0419 665 397

Office: (08) 8981 9804

E: j.ritherdon@venturehousing.org.au

W: <www.venturehousing.org.au>

        

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