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## AN AFFORDABLE HOUSE RENT SCHEME MUST BE CONSIDERED IN HOUSING DELIVERY IN PAPUA NEW GUINEA'S CITIES AND TOWNS

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### Key Points

- Most housing delivery initiatives in Papua New Guinea (PNG) have focused on house ownership schemes.
- Low-income and middle-income households are restricted from benefiting from a house ownership scheme.
- Little attention has often been given to affordable house rent scheme in PNG.
- Affordable house rent scheme has the potential to provide housing for low-income and middle-income households.
- The rent scheme would work well if it is based on public-private partnership arrangement and a national mortgage bank established.
- Guidelines for identifying households targeted by the scheme should be provided and construction of high-rise multi-family apartments promoted.

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## AN AFFORDABLE HOUSE RENT SCHEME MUST BE CONSIDERED IN HOUSING DELIVERY IN PAPUA NEW GUINEA'S CITIES AND TOWNS

By Eugene E. Ezebilo

Most policies associated with housing delivery in Papua New Guinea (PNG) have focused on home ownership schemes. Little attention has been given to the delivery of houses for rent, which is an important form of housing for low-income groups. This article focuses on one of the findings from a study by Ezebilo and Thomas (2019) concerning house rent in formal and informal built areas of Port Moresby. The study reported that most residents cannot afford rent for houses in Port Moresby and that rent value is determined by location of the house and availability of basic infrastructure and services. The study was based on interviews conducted with residents of several suburbs of Port Moresby. This article emphasises strongly the need to incorporate an affordable house rent scheme in housing delivery in PNG. For this to work, it is necessary for the National Housing Corporation (NHC) to develop and implement the scheme in collaboration with private developers and municipal authorities such as the National Capital District Commission. It is also necessary to consider providing guidelines for identifying household groups that should benefit from the scheme, promoting the release of customary land that has bankable titles for housing development and establishing a national mortgage bank to provide loan facility at low interest rates to private property developers. The construction of high-rise multi-family apartments should be promoted and rent for houses under the affordable house rent scheme regulated.

### Planning and implementation of the affordable house rent scheme

In order for the affordable house rent scheme to work in PNG, it is necessary to consider several factors during planning and implementation of the scheme. The factors include the following:

*Economic factors.* For the affordable house rent scheme to work well, it is necessary to guarantee a continuous

availability of funds from the State, availability of land with proper titles and flexible design standards that incorporate the needs of affordable housing (Bosche et al., 2015). Zoning restrictions that might prevent developers from constructing high-rise multi-family apartments must be relaxed to allow developers lower costs associated with the construction of houses. Regulatory mechanisms that encourage private developers to participate in the delivery of affordable houses for rent should be promoted by the State.

*Social factors.* House owners and landowners often have the 'not in my backyard' sentiment, which restricts the construction of affordable houses for rent in some neighbourhoods. This is linked to the perceptions that the affordable house rent scheme might result in the devaluation of residential properties in the neighbourhood. If affordable houses for rent are provided in distant areas from the central business district, low-income groups might be pushed to live there. This might be far from jobs, social networks and infrastructure, which creates additional travel costs (King & Virsilas, 2016). In order to promote effective implementation of the affordable house rent scheme, it is necessary for all key stakeholders to be well informed on the benefits of the scheme and the houses constructed in areas that have necessary infrastructure and services.

*Environmental factors.* This includes the quest to meet environmental standards by the strict implementation of green building techniques or regulations (Bosche et al., 2015). This often increases the cost of building houses, which might, in turn, increase house rent. It is therefore necessary to consider strategies for using simple environmentally friendly techniques for constructing houses as a way of reducing house rent.

### Necessary policy interventions for the affordable house rent scheme to work

*Base the affordable house rent scheme on a public-private partnership (PPP) arrangement.* The PPP arrangement promotes the collaboration between key government agencies and the private sector to enhance effectiveness in the supply

of affordable houses for rent. In this arrangement, the NHC, in collaboration with the Department of Lands and Physical Planning, is responsible for providing land to selected private developers for free following established guidelines. The NHC, in collaboration with service providers such as Eda Ranu, Water PNG and PNG Power, is responsible for the provision of trunk infrastructure. The private developer is responsible for the provision of non-trunk infrastructure and the design, construction and maintenance of the houses. The NHC is responsible for providing guidelines for selecting potential tenants that would benefit from the affordable house rent scheme. Although the PNG Public Private Partnership Policy was launched in 2014 (Public Private Partnership Taskforce, 2014) it has not been implemented effectively in the housing sector. The Duran Farm housing project is an example of a PPP arrangement that has not worked well.

*Establish national mortgage bank to provide a loan facility to private developers at low interest rates.* Some private developers are willing to expand the scale of houses being constructed but they are often restricted by inadequate finance. Commercial banks are either reluctant to provide the financial assistance to developers or the assistance is provided at a high interest rate, which increases the cost of construction of houses. A national mortgage bank is likely to boost the supply of houses by providing loans to private developers at low interest rates, which lowers the cost of constructing houses for rent.

*Promote the release of customary land that has bankable titles for a housing development.* Land is one of the most important factors that determine the cost of construction of a house and rent value of completed houses. In PNG, a greater percentage of the total land is customarily-owned and does not have proper titles, which restrict developers from accessing the land for housing developments. Although Voluntary Customary Land Registration (VCLR) system has been developed to provide titles linked to customary land, commercial banks are currently not accepting such titles as legal documents for collateral. The State could address the problem associated with the VCLR by placing some money in a commercial bank specifically to provide a loan facility to property developers who have customary land titles. This has the potential to increase the supply of houses for rent to the housing market relative to demand, which should push down house rents.

*Provide guidelines for identifying target group of households that should benefit from the affordable house rent scheme.* It is necessary for the NHC to provide criteria for identifying potential beneficiaries of the affordable house rent scheme to avoid opportunists from accessing the scheme.

As high-income groups often have the financial power to afford houses of their choice, the scheme should target low-income and middle-income groups. Currently, there is no established threshold associated with various income groups in PNG. Thus, it is necessary for the Department of National Planning and Monitoring and the Department of Treasury to provide thresholds for classifying the different household income groups in the country.

*Promote the construction of high-rise multi-family apartments preferred by different potential tenants.* Considering that there is a shortage of land with proper titles for development in PNG, it is necessary to maximise the use of all available land. The construction of high-rise multi-family apartments will help to maximise the use of land. In order to meet the preferences of potential tenants, it is necessary to provide apartments with different numbers of rooms, ranging from self-contained one-room (one room plus kitchen, toilet and bathroom) to self-contained four bedroom apartments. The construction of high-rise multi-family apartments requires a technical know-how in construction technology. There are a number of private developers in PNG's major cities that have this capacity and could construct high-rise apartments if they are provided with the opportunity to do so. The State could encourage private developers by providing land with proper titles for free or at subsidised prices. This serves as the State's contribution to reduce house construction costs in the affordable house rent scheme. Trunk infrastructure should be provided by the State, while commercial banks should be encouraged to provide loan facilities to the affordable house rent scheme developers.

*Empower a government agency such as the Independent Consumer and Competition Commission (ICCC) to regulate rent for houses constructed under the affordable house rent scheme.* Considering that the houses will be constructed and managed by private developers and real estate agents, it is necessary to assign ICCC the power to regulate house rent to avoid opportunists from sabotaging the primary aim of the affordable house rent scheme.

## Conclusions

Several affordable housing initiatives have been introduced in PNG. However, most people, especially those in the low-income group, have not benefitted from the initiatives – in many cases they have become home ownership housing schemes. For people not able to benefit from home ownership housing schemes, the PNG Government should consider introducing an affordable house rent scheme. These would provide people with the opportunity to save money until they

have enough money to meet requirements such as upfront payment (equity) for a home ownership housing scheme. For an affordable house rent scheme to work well in PNG, it is necessary that it is implemented using a PPP arrangement, customary land titles are made bankable and a national mortgage bank is established to finance private developers that are involved in the schemes. The affordable house rent scheme should target particular household groups, especially low-income households, and rents for houses provided under the scheme must be regulated. The views expressed in this paper will assist policy-makers and planners in decisions associated with the delivery of affordable housing in PNG cities and towns by considering an affordable house rent scheme.

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