



ACOSS Submission | May 2008

Australian
Council of
Social Service

Response to the National Rental Affordability Scheme - technical discussion paper

ACOSS, May 2008

Introduction

The Australian Council of Social Service (ACOSS) is the peak council of the community services and welfare sector and the national voice for the needs of people affected by poverty, disadvantage and inequality.

Consistent with this mission, we are concerned to ensure that low income and disadvantaged people are able to access safe, secure, appropriate and affordable housing.

As the peak representative body for the community and welfare services sector, we also seek to protect and enhance the viability and sustainability of the community sector. In the context of the National Rental Affordability Scheme (NRAS), this means that we are concerned to ensure that the participation of non-profit community housing providers is encouraged and that these providers are not disadvantaged by the operation of the Scheme.

ACOSS is a member of the Housing Summit Group and broadly endorses the Group's Joint Response to the NRAS Technical Paper. We welcomed the Government's announcement of the NRAS Scheme and are pleased that an expansion of the Scheme is proposed beyond the initial 50,000 dwellings. We have also welcomed the other housing initiatives announced by the Government including the Housing Affordability Fund, the Housing Supply Research Council and the commitment to construct an additional 600 houses for those experiencing homelessness.

ACOSS has taken the opportunity to prepare an independent submission to provide more detailed input on certain aspects of the Scheme, particularly in relation to low income access to NRAS dwellings. In this submission, we raise issues under the following headings:

- Rental stress;
- Tenant eligibility;
- Allocation of incentives;
- Setting rent levels; and
- Regulation of tenancy managers.

Rental stress

ACOSS released research last year which showed that an estimated 2,210,000 people, or 11.1% of Australians, are living below the poverty line.¹ These Australians are currently excluded from the benefits of national prosperity, missing out on adequate housing, education and health care and often excluded from the employment market.

The housing affordability crisis has had a severe impact on low income Australians, with research suggesting that nearly 30% of low income households (or 800,500) are

¹ Australia Fair, *Australia Fair: Update on those missing out*, 2007, published on behalf of Australia Fair by the Australian Council of Social Service.

experiencing housing stress². Those experiencing the most acute stress are those in the private rental market with 65% of low income private renters currently experiencing housing stress.³ This is consistent with the distribution of low to moderate income households in housing stress, 52% of whom are private renters compared to 36% who are home purchasers.⁴ At its most severe, rental stress can push people into homelessness. A St Vincent de Paul study reveals that private renters make up 50% of those seeking crisis accommodation services.⁵

The current stress on the private rental market is attributable to a number of factors. The decline in public housing stock and the increase in house prices have both played a role. Public housing stock has diminished from 365,000 dwellings in 1995 to 341,000 dwellings in 2006, resulting in tighter targeting and shorter tenure periods in many states and territories.⁶ As a result of these factors, many low income earners have been forced into the private rental market. For a significant number, this is likely to be a long-term prospect, with exit into home purchase or public housing unlikely.

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 important that the NRAS is linked to other Commonwealth, State and Local Government subsidies and incentives to maximise its value. There is also a need for greater clarity about the interaction between the NRAS Scheme 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 to bring it to a minimum benchmark of 6% of national housing stock;
- 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).

² AHURI, Yates J and Gabriel, M. (2006) *Housing Affordability in Australia*, February 2006 and Yates, J (2007) *The polarization of housing affordability*, August 2007. We note that this is even higher than the 685,000 figure revealed by NATSEM research cited in the Technical Paper. In this paper, we use the generally accepted housing affordability measure of 30 per cent of household income allocated to housing costs for households in the lowest 40% of income distribution.

³ Yates, J and V Millegan, *Housing Affordability: A 21st Century Problem*, National Research Venture 3: Housing affordability for lower income Australians, for AHURI at 19.

⁴ Yates and Gabriel, *Housing affordability in Australia*, February 2006.

⁵ St Vincent de Paul Society, *Don't Dream its Over*, 2007 at 7.

⁶ Australian Institute of Health and Welfare, *Australia's Welfare 2007*, at 237.

Tenant eligibility and the allocation of incentives

Question 4 – The aim of this scheme is to increase the supply of affordable rental housing to singles and families on low and moderate incomes. Do the current eligibility criteria sufficiently allow access for this group?

ACOSS' primary concern is to ensure that the needs of low income and disadvantaged households are adequately and equitably addressed by the Scheme, in combination with other supports such as public and community housing, while ensuring the Scheme's viability. ACOSS endorses the Summit Group's recommendations that:

- The maximum income limits for initial eligibility are set at or above the top of the second quintile of equivalised household income for the different household types;
- Assessments of continuing eligibility are undertaken only in relation to annual income, not shorter term fluctuations;
- After the twelve month transitional period, tenants are entitled to remain in the dwelling provided that they pay market rent (and the NRI remains payable for up to, say, three years at the end of a ten year allocation, whichever occurs earlier).

In addition, we suggest that income should be assessed net of any Commonwealth Rent Assistance (CRA) entitlement. Finally, we note that it is not clear whether asset tests will apply. In our view, these could play an important role in safeguarding the Scheme from being accessed by those with relatively low incomes but access to significant assets or resources.

ACOSS also recommends that other mechanisms be employed to ensure that low income households have priority access to dwellings under the Scheme. On our understanding, this could be achieved through the National Assessment Criteria (which may include criteria on the profile of tenants, especially their income levels) and through Calls for Expressions of Interest which may include additional eligibility criteria in addition to those specified in the National Eligibility Requirements and National Assessment Criteria. The Technical Paper suggests that 'characteristics of tenants' might be a 'particular area of housing need' to be given priority in a particular Call. This approach would not, however, guarantee priority access across the NRAS Scheme and there may be other mechanisms by which this might be achieved, for example, by inclusion in the new National Affordable Housing Agreement of some benchmarks relating to low-income households. These might include guarantees that:

- An increase in the supply of affordable rental dwellings should include a minimum number of dwellings for which rent must be kept below 25% of residents' incomes for a minimum period in addition to a minimum number of dwellings for which rent must be kept at least 20% below market rates; and
- A designated percentage of new affordable rental dwellings should be occupied by low-income and/or high needs households.

There is some suggestion in the Paper that the Scheme is designed to provide housing for key workers in areas closer to employment opportunities. However, it is unclear whether this is intended to be included in eligibility requirements or Calls for Expressions of Interest.

As indicated above, ACOSS is concerned to ensure that low income and disadvantaged households are able to access dwellings under the Scheme on an equitable basis. We are cognisant of the benefits of social mix in particular developments and acknowledge the broader social benefits of housing 'key workers' in proximity to places of employment. However, we would be concerned if the Scheme enabled property managers to discriminate against low income or high needs households in favour of 'key workers' or higher income earners in selecting tenants. Criteria which designate a specific proportion of the dwellings to low-income households, as suggested above, could address these issues. The regulation of tenancy managers will also play an important role in ensuring that the interests of low income households are protected. This aspect of the Scheme is discussed below.

In addition to criteria relating to the proportion of dwellings to be allocated to low-income households, ACOSS suggests that the National Assessment Criteria and Calls for Expressions of Interest should also include criteria relating to disability access, energy efficiency and proximity to employment opportunities and health and social services.

ACOSS notes that the Scheme does not provide tenants with longer leases or additional rights beyond those required by relevant landlord and tenant legislation. However, the Technical Paper states that managers may choose to offer these options and those may be beneficial to the Scheme. ACOSS suggests that a better means of achieving secure and affordable long-term rental would be to develop a general policy and legislative framework to strengthen tenancy protections across all sectors of the rental market. ACOSS believes that such protections are necessary given that:

The role of the private sector has moved beyond one of acting mainly as a transitional tenure and pathway into home ownership or public housing ... labour market changes and other factors have resulted in rental housing now becoming a long-term tenure for many low-income, low-wealth households, whether by choice or by necessity.⁷

The criteria for continuing eligibility must be carefully devised so as to balance security for tenants with maintenance of the stock of affordable (subsidised) dwellings. This might be achieved, for example, by transfer of the NRAS incentive to another dwelling once the original dwelling becomes ineligible due to an increase in household income.

Finally, the Technical Paper does not explore the interaction between the NRAS scheme and continuing eligibility for Commonwealth Rental Assistance. We assume that the Scheme has been developed with CRA taken into account, however stress that the effect of the Scheme on tenants' entitlements should be carefully modelled. In particular, we would be concerned if access to reduced rents through the NRAS scheme meant tenants were ineligible for CRA or received such reduced payments as to be worse off under the Scheme. We would welcome additional information about the impact of the Scheme on payment levels.

⁷ *Housing Affordability: A 21st Century Problem* at 44.

Setting rent levels

Question 6 – The aim of this scheme is to provide affordable rental accommodation at 20% below market rents. Do these provisions strike a balance between the need for administrative simplicity and the need to ensure benefits of the Scheme are passed on to tenants?

The Technical Paper states that rents for dwellings under the Scheme must be at least 20 per cent below the market rents for equivalent dwellings in the same location. We share the concern expressed in the Summit Group joint response that the proposed system of valuations raises the potential for manipulation or inconsistency. We also suggest that 'market rents' should be set by reference to area median rents defined appropriately so as to be neither too broad nor too narrow. There is a need for careful thinking about how rent levels in cities with very high rents are to be assessed.

Regulation of tenancy managers

Question 5 – The aim of this scheme is to improve housing outcomes for tenants. How should tenancy managers be regulated to ensure quality outcomes for tenants in the Scheme?

The Technical Paper states that non-profit housing providers, private sector property managers and State or Territory Governments may be housing managers under the Scheme. Tenancy managers play an important role in assessing initial and ongoing tenant eligibility, determining market rents and reporting to the Department.

ACOSS supports the Summit Group position that all eligible managers should be subject to the same requirements relating to the management of tenants under the Scheme. Given the absence of regulatory frameworks for non-profit managers, we also support the position that tenancy management be limited to non-profit housing managers, at least during the establishment phase.

The Technical Paper suggests that non-profit providers will be preferred tenancy managers, at least during the establishment phase of the Scheme, and that those with a 'track record' of maintaining longer tenures will be viewed as 'highly desirable'. ACOSS emphasises the importance of the role of experienced and skilled housing managers in the Scheme, particularly in managing dwellings occupied by very disadvantaged or high needs households. These households are more likely to need support to sustain their tenancies. Without that support, even if low-income and high needs households are given priority access to housing, they may be unable to sustain tenancies for extended periods.