



Introduction

The Community Housing Federation of Victoria (CHFV) is an active peak body working on behalf of community housing agencies in Victoria. These are not-for-profit organisations which develop, own and manage many forms of rental housing for low income Victorians. At present we have around 80 member organisations. CHFV regularly represents the views of members to government and other relevant bodies, as well as providing advice, resources and training to the community housing sector.

Victorian community housing agencies are in a rigorously regulated environment defined by the Housing Act, Schedule 7, Part V111 under which they are required to register this year. Ten agencies have done so to date, eight as Housing Associations which are registered as growth providers. Included in the requirements for registration are: constitutional, performance, tenancy management, probity, financial viability, housing management and maintenance, and risk management requirements.

Relevant to NRAS is the statement by the Housing Registrar for the Victorian Government that agencies registered as Housing Associations, 'need to have the skills, expertise and resources to manage and maintain a viable growing social housing portfolio' (2007).

This submission will provide material in response to the National Rental Affordability Scheme. In particular we have responded to the suggested questions of particular interest in the technical discussion paper.

Question 1

The aim of this Scheme is to stimulate institutional investment in affordable rental housing. Do these provisions strike the right balance between flexibility for investors and achieving long term supply of affordable rental housing?

The scheme is of real assistance and the ability for the Commonwealth contribution to be provided as a grant is beneficial. However the capital program grant of \$8,000 including a minimum \$2,000 from the State is not sufficient.



The technical paper correctly envisages more support will be required, such as from the States to 'gap fund' projects to stimulate institutional investment. In Victoria a substantial additional capital grant program providing title to registered community housing agencies is required to lever the growth numbers proposed under NRAS. It is submitted that this is a vital step for the national success of NRAS given the Victorian community housing sector is regulated and soundly placed to manage NRAS developments.

The Commonwealth will need to mediate/facilitate the required land-property transfers from the State Director of Housing to empower the scheme. Timeframes for the NRAS approvals from the Office of Housing appear to be tight so again the Commonwealth will need to facilitate this process. Land availability particularly in the urban areas for the development scale involved is an obstacle, as can be the Council planning processes. While the State has made some planning progress this year, this facilitation is limited to certain areas and activity centres. It also remains unclear how the State and Commonwealth contribution (and indeed any Local Government contribution) will be integrated and this needs to be clarified in the final technical paper.

The NRAS funds need to be paid in advance or at least quarterly and not in arrears, to make the scheme achievable, in particular to realize the returns required by investors. The State contributions to NRAS should be indexed to the rental component of the Consumer Price Index.

The reporting process should be effective and relevant, duplication and unnecessary compliance hurdles need to be avoided.

Question 2

Do these timelines provide the right amount of time for proposals to be developed?

Most institutional investors are at an early stage of developing NRAS models. Therefore the establishment phase housing



numbers and the staging of the number of households allocated should be reviewed. This is important to maintain and build the policy and practical momentum for this constructive scheme. It is unclear now how the environmental settings will crystallize, so the scheme needs responsive agility particularly over the next three years. This will enable a strong and measured NRAS program to be rolled out. Accordingly it is proposed that approvals are made on a six monthly or annual basis without a direct link to the number of units to be targeted ahead of their delivery.

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?

There are a significant number of low income people who rent in the private market but are ineligible for public housing or CRA. For these households, long term rental may be the only feasible option (Randolph and Holloway 2007).

CHFV recommends that tenancy eligibility is not directly linked to the requirement for eligibility to Commonwealth Rent Assistance or a Health Care Card. Instead CHFV recommends:

- That eligibility is at least extended to people at the top of the second quintile as defined by the ABS (2005-06). For a single person the 2005-06 annual income under this definition was \$41,548 gross. This sum should be indexed to 2008.
- OR
- Eligibility criteria targeted to income, such as 80 per cent of Average Weekly Earnings, or the top of the second quintile of equivalised household income for the different household types.

In particular it is noted that the eligibility criteria for singles is set too low to meet the needs of key workers and should be reviewed. Eligibility settings need to avoid the unintended consequences of acting as a work disincentive and an obstacle to an appropriate tenancy mix.



It is also noted that many community housing tenants cannot pay 80% of market rent and accordingly agencies have to charge lesser rentals to deliver social outcomes.

Measures of income eligibility should also allow flexibility for regional variations.

An assets test is prudent and it is proposed it should be simple so as to exclude eligibility for any person with an equitable interest in household property. However any assets test should not count superannuation savings as these sums are designed to compound and accumulate. If superannuation was included this would have a contradictory and negative affect on the long term financial security of lower income tenants.

The time period for any continuing eligibility adjustment should be extended to three years. This would maximize the goal of providing affordable secure housing and reduce housing stress by providing tenants a more reasonable opportunity to find appropriate alternative accommodation.

Question 5

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

The NRAS developments should meet the National Community Housing Standard (2003, Manual 2nd Ed).

Victoria has undergone housing sector reform aimed at regulating management by community housing agencies. Accordingly in Victoria only agencies registered under the State's Housing Act 1983, as Housing Associations or as a Housing Provider should be eligible to manage tenancies under the NRAS scheme. This does not detract from the scheme being delivered through a range of appropriate partnerships.



Question 6

The aim of the 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?

Household rents to be affordable will often need to be set below the maximum of 80% of the market rent particularly in inner urban areas. These localities where services and public transport are generally available for low income tenants should participate in the Scheme. Accordingly as noted above additional support is needed to ensure NRAS housing is delivered in such areas of need as development costs will be greater.

The market rents that are set should not be higher than for equivalent property in the area. Valuations in themselves are not sufficiently accurate to protect rental affordability in setting the market rent. Accordingly other factors should be considered where appropriate, and these should not be structured to act as an unnecessary compliance and cost burden. For example real estate bond data could be considered for areas where this is available.

References

Victorian Government, Housing Registrar (2007), "Our regulatory framework", Sovereign Press.

Randolph, B. and Holloway, D. (2007). "Commonwealth Rent Assistance and the spatial concentration of low income households in metropolitan Australia." AHURI Final Report No. 101.

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Victorian Office of Housing (2007). HPF (2007). Housing Provider Framework Lease and Property Management Agreement. Lease Annexures C, Part 2

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