

ADDITIONAL COMMENTS BY SENATOR LUDLAM

1.1 The National Rental Affordability Scheme (NRAS) is a welcome contribution to addressing the housing affordability crisis in Australia. It has potential to significantly increase the supply of rental stock, reduce the proportion of income that low to moderate income households are forced to spend on rent, and exert a deflationary influence on the rental market to the benefit of other renters who are not direct beneficiaries of the Scheme. As many submissions have pointed out, the NRAS alone will not resolve housing affordability and homelessness throughout Australia. But it will play a part alongside other initiatives that the community housing sector hopes to see included in the National Affordable Housing Agreement.

While I endorse the Committee's report, there are a few areas that I consider warrant further comment.

NRAS and housing sustainability

1.2 The NRAS as currently conceived does not afford a high priority to sustainable housing design in NRAS dwellings. Subclause (2)(f) of Schedule 1 of the draft *National Rental Affordability Scheme Regulations 2008* identifies 'proposals which maximize affordable housing outcomes for tenants including building and design features that reduce the overall costs for tenants' as 'priority areas of interest' that applicants are required to 'address' in their proposals. Sustainable design features, such as features that promote water and energy efficiency, meet this description, but applicants are only required to make comment on the priority areas. They are not required to deliver on them in the same way as the criteria listed at subclause 1(c) of Schedule 1.

1.3 Some submissions to the inquiry commented on the scope for sustainable design to feature in the NRAS, although in their submissions and their statements contributors were quick to make such considerations secondary to the primary goals of attracting investors to the scheme and ensuring that the scheme commences without delay. However, there is no need to choose between these important objectives. Many sustainable design features can be included in a dwelling without adding significantly to construction costs. Improvements in energy efficiency can be achieved at little cost through the orientation of a dwelling, the placement of windows, using insulation and energy efficient light fittings, locating the bathroom, kitchen and laundry close to the hot water system, and so on. Similarly, greater water efficiency can be achieved by installing water efficient tap and shower fittings, a rainwater tank, plumbing that enables grey water to be used on gardens. Other economical and effective examples could be listed. It should also be recognised that, as noted in the majority committee report, the NRAS provides benefits to landlords in excess of the rent forgone by renting dwellings out at 20% below market rates. If improving the

sustainability credentials of NRAS dwellings involved some minor additional expenditure, that would be perfectly reasonable in light of the public money participants in the Scheme will receive.

1.4 Giving sustainable housing design greater prominence within NRAS would serve two important purposes: it would contribute to ongoing housing affordability by reducing utilities expenses; and it would reduce the environmental impact of dwellings, which is particularly important in light of the urgent need to address climate change and water scarcity. In our present predicament, we should be seeking to promote greater environmental sustainability in all areas of public policy.

1.5 For these reasons, the NRAS ought to be amended to specifically require applicants to deliver sustainability outcomes. This should apply to future application rounds, to ensure that current proposals that have been developed on the basis of the current criteria are not delayed or abandoned.

1.6 There is a strong affordability argument for low-income housing to be constructed according to the highest standards of energy and water efficiency and close to public transport links so that ongoing living costs are kept as low as possible. With energy, petrol and water prices due to rise around the country, well-located energy and water efficient housing will prevent energy poverty and assist people on low incomes to manage the transition to a carbon-constrained economy.

The risk to the charitable tax status of non-profit participants in NRAS

1.7 The possible risk participation in the NRAS may pose to the favourable tax treatment many non-profit organisations enjoy was highlighted in virtually all of the submissions to the inquiry. Contributors have made it clear that many affected organisations will not participate if it will jeopardise their charitable tax status. With over half of the round one proposals coming from the non-profit sector, their withdrawal would clearly be highly disruptive. The provision of affordable housing under the Scheme would not only be reduced quantitatively, but also qualitatively. The non-profit sector had a significant hand in designing the Scheme from the outset and it has a history of innovative affordable housing provision. It also has a philosophical commitment to redressing poverty and disadvantage that can only benefit the low income households the Scheme is designed to assist.

1.8 The Government clearly recognises the advantage of securing the non-profit sector's participation in the Scheme. The provision for non-profit organisations to receive incentives by way of payment rather than tax credits demonstrates that their participation was always intended. To ensure that the Scheme operates as planned, the Government needs to act to conclusively eliminate the threat to non-profit organisations' favourable tax treatment.

1.9 The Government's guarantee toward the end of the inquiry that non-profit organisations' charitable tax status will be protected for the initial two years of the Scheme's operation is a welcome reprieve, but certainty in the longer term is required to prevent disruption to the Scheme once this period has expired.

Role for an independent expert advisory group

1.10 Numerous contributors to the inquiry spoke of the importance of refining and enhancing NRAS in various ways in light of evidence of the Scheme's performance. This is obviously an important element of effective, evidence-based policy. The National Affordable Housing Summit offered the following suggestion:

The group believes it is absolutely essential that an expert and independent group of advisers be asked to assist in detailed formulation of the Third Call and related aspects of the scheme. The group could include a person with high-level experience in business and finance, another with substantial experience in provision of low-rent housing and a third person with expertise in schemes of this kind.¹

1.11 This is a very sensible suggestion that would ensure that the Government had access to appropriate expertise to help it finetune the Scheme to achieve the best possible outcome for people in rental stress.

Continued consideration of proposals for smaller NRAS developments

1.12 Another common theme in submissions to the Committee concerned the desirability of continued inclusion of smaller (i.e. fewer than 100 dwellings) NRAS developments in the Scheme. I note that the Bills and the draft Regulations do not foreclose this possibility.

1.13 Smaller developments can play an important role in providing affordable housing in high density areas where larger developments may not be feasible, and in rural areas where there may not be a need for larger developments. It would be to the detriment of the Scheme if proposals for such developments were not afforded the same consideration as proposals for larger developments.

Recommendation 1

1.14 A housing sustainability criterion be included in subclause 1(c) of Schedule 1 of the *National Rental Affordability Scheme Regulations 2008*.

Recommendation 2

1.15 The Government acts to ensure the non-profit sector will not jeopardise their favourable tax treatment by providing affordable housing under the NRAS for the duration of Scheme.

Recommendation 3

1.16 The Government appoints a small group of independent experts to advise it on the future development of the NRAS.

¹ National Affordable Housing Summit submission, p.5.

Recommendation 4

1.17 Proposals for smaller developments continue to be considered for inclusion in the Scheme on an equal footing with larger developments.

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