



**Response to the Senate Community Affairs Committee of the  
National Rental Affordability Scheme Bill 2008 and National Rental  
Affordability Scheme (Consequential Amendments) Bill 2008**

Colony 47 is particularly supportive of the Federal Government's NRAS initiative. The clients we see who are seeking accommodation are severely challenged by the lack of affordable properties. Increasing available properties *will* assist in reducing the bottleneck that has resulted from dramatically low vacancy rates. But, while the National Rental Affordability Bills do focus on the development of increased housing, there are a number of variables which could impact on the success of this initiative. Structural and systemic issues such as the current unique global financial situation has led to concern being expressed at the most recent NAHA discussion that some investors are getting 'cold feet'. This reaction to worsening economic conditions may now play a pivotal role in the outcomes of the NRAS initiative. Compounding this is the nationwide shortage in skilled workers to build the proposed developments under the NRAS scheme. This issue is a *real* problem which could hinder the aim of the NRAS scheme to increase housing supply across Australia.

Further structural issues which could detract from the Bill supporting those in greatest need, is the Residential Tenancy Act (RTA) under which the resultant properties will be situated. Currently the RTA is different in each State, but common issues with it include, security of tenure, minimal standards and rental increases. There is a myriad of research that confirms security of tenure is a vital component required for a person to be able to establish and develop their life. Yet we have noticed an increase in lease agreements within the private rental market being for 6 months (to allow for rental increases in line with each lease renewal) which leave individuals and families with little security from which to establish their lives. School stability for children becomes problematic as moving every 12 to 18 months often means a change in school location and a removal from supports and networks. It is therefore suggested that with the establishment of the NRAS bill, security of tenure be thoroughly evaluated and consideration be allowed for legislation and potentially, regulation to increase security of tenure within the private rental market. Historically, private rental was a temporary lifestyle for many Australians as they prepared for home ownership. But with the housing boom, lower income earners are now facing decades of private rental tenure and such insecurities detract from life goals and aspirations. Also, there is a lack of awareness and access for people in greatest need within the private rental market. Social housing (public housing and community housing) offers support services to assist individuals and families through difficult circumstances as

well as helping people find avenues to education, employment and training. Colony 47 would like to suggest that NRAS could be more effective if housing service providers within the Community sector were able to maintain the property and tenancy management of the properties yielded from the NRAS scheme.

While minimal standards will not be relevant to the NRAS scheme initially, as the properties will be new, over the period of time that the scheme will exist, it is worth consideration. Many properties within the private rental market are of a very low standard. This is largely due to the investment intention of housing investors. An AHURI research paper by Tim Seelig, on the 'Motivations of Rental Investors', revealed that 'less than half spent more than \$500p/a on repairs/property'. Australia, as a nation is now seeing a vast gap being formed between those that have and those that have not. This differentiation in housing quality between those that own and those that rent is becoming quite manifest. It is with this in mind that Colony 47 would like to suggest a closer examination of longer term issues pertaining to quality of housing stock resultant of the NRAS Bill.

Colony 47 works extensively with those in greatest need, and we understand that while increasing the supply of housing should reduce the pressure on the market, it will do very little to support those who have multiple needs and barriers. Such individuals and families require the affordability of public housing, with support services and access to facilities required. Public housing has been characterised as the response required to the market failure post Second World War (Atkinson & Jacobs: 2008). For the Government to rely too heavily on the market to assist in the production and management of private rental properties through providing financial remuneration may begin in a 'slippery slope' requiring increases in Government incentives in line with the business (profit) model of operation. A multi strategy approach is required for those with the greatest needs. Primarily this requires the affordability, support and security of tenure that public housing currently offers. It would therefore be imprudent to anticipate the NRAS scheme will engage in the required levels of holistic support needed to assist people with the greatest need. Also relevant the NRAS bill is the issue that subsidy schemes, while established with venerable intentions, are often subsumed by the market. Examples of this are the increased childcare rebate recently established, private health insurance rebates and of

course the Commonwealth Rent Assistance (CRA) rebate. All three of these subsidy schemes saw marked increases in the costs associated with the subsidy which made the rebate less effective and indeed have assisted the 'market' to justify increases in price. As the NRAS Bill refers to 80 % of 'market rent' which is a relatively arbitrary concept, the NRAS Bill may result in 'market rent' increasing by 20% and subsuming such a rebate. Therefore Colony 47 would like to see stronger regulation of the concept of market rent to hopefully reduce the potential of such an occurrence.

Within the Canadian Residential Tenancy Act, there are more stringent criteria which inform rental price increases, such as renovations which improve the property. This in turn removes some market factors from increases within the private rental market and place more onuses on private rental investors to justify rental increases. If the NRAS Bill hopes to support lower income earners over the long term, such criteria should be considered.

It has been suggested by Professor Julian Disney, the chair of the National Affordable Housing Summit that the NRAS scheme will assist in the production of houses which are required to resolve the current shortage in affordable housing stock in Australia. Colony 47 recognises this also and supports such a statement. He also said that the proposed package would help renters to save enough for a home deposit. Colony 47 would like to propose that for many of the low to moderate income earners that we support (with increasing numbers of the 'working poor' and moderate income earners seeking our support) that even while paying 80% of market rent, and taking into account increased food, transport and Aurora costs, many people will still be in housing stress and unable to consider saving on a weekly basis. If one looks at Public Housing, the rent to income ratio is 25% so for a person on Newstart this would amount to \$106 per fortnights. Within the private rental market, even for a person paying rent of \$100 per week will result in 37% of their income. With vacancy rates at historically the lowest ever in Australia and harsh bidding increasing the cost of the private rental market, 'market rent' is already way beyond what a lower income earner can afford. A reduction to 80% of the market rent will most likely take individuals and families from 'housing crisis' to 'housing stress' but will not support longer term aspirations and goals for such families.

It has also been recognised that, with the substantial shift in demographics within Australia, there is a greater need for more one and two bedroom flats to accommodate the increasing number single people. Many single people who are within the low to moderate income bracket who need to be close to training and employment opportunities would still find the 80% reduced market rent within the inner periphery regions of cities and connected communities, well beyond their affordability realm. As an example of this, the Colony 47 COSS service has been collating data on private rentals available within southern Tasmania over the past four months, from the rental sections of the daily newspaper. The results from 3256 properties collected are illustrated in the table below.

<b>Rent per week \$</b>	<b>Number of properties Available &amp; %</b>	<b>Rental amount under the NRAS scheme</b>
Under \$100	1 (0.03%)	\$80
\$100-\$150	90 (2.8%)	\$80 - \$120
\$150 – 200	397 (12.5%)	\$120 - \$160
\$200-\$250	610 (22%)	\$160 - \$200
\$250-\$300	859 (28%)	\$200 - \$240
\$300 and over	955 (34%)	\$240

Based on these current figures, many lower income earners, especially single households, would be unable to sustain 99.9% of the properties available to rent and most single parents would be within the definition of ‘housing stress’ for 83% of the properties. As can be seen in the above table, the reduction in rental prices through NRAS will be a lever to reduce housing crisis, but still, a single person would be unable to sustain 96% of the properties for rent. This will lead to lower income earners to continually be pushed to the margins of society. Such actions sit discordantly with other Federal Government initiatives, such as the expectation on employment and training, and the requirement and need to access services, support and employment that is most regularly located within the city boundaries.

Another necessity worth consideration is the evaluation of the NRAS scheme. Within Tasmania, under the Affordable Housing Strategy the Tasmanian Affordable Housing

Limited (TAHL) was formed. The aim of this initiative sits comparably to NRAS, with private investors receiving financial benefit for the production of new rental properties to be made available for people off the public housing wait list. The effectiveness of TAHL has been seriously questioned by many support workers within the Community Sector, but to date, no evaluation has been conducted. It is therefore with this foresight that Colony 47 recommends an evaluation framework of the NRAS scheme be developed prior to the commencement of properties being available for rent and the evaluation tool clearly detailing the milestones, measurements and overall outcomes.

Colony 47 support the provision of a system for lodgement of a short form application by not-for-profit entities as this does improve available options for not for profit organisations to engage in the NRAS scheme. What would also increase this potential would be for the Federal and/or State Government to support not-for-profit organisations within some form of shared equity scheme, as most community organisations do not have the available financial capacity to proactively engage in the development of NRAS properties, but recognise the need to source exit points for clients which, by being delivered by Community organisations, can offer the support and security many people in need will require to support both their present and future.

Colony 47 looks forward to the outcomes from all the proposed Federal Government housing initiatives and are keen to support and assist in their development and implementation to further improve the future of those experiencing disadvantage.