



79 Constitution Avenue
Canberra ACT 2612
Tel: (02) 6245 1300
Fax: (02) 6257 7635
www.hia.com.au

24 October 2008

Australian Senate
Community Affairs
PO Box 6100
Parliament House
CANBERRA ACT 2600
community.affairs.sen@aph.gov.au

Elton Humphrey
Committee Secretary

Dear Mr Humphrey,

National Rental Affordability Scheme Bill 2008, National Rental Affordability Scheme (Consequential Amendments) Bill 2008 and National Rental Affordability Scheme Regulations 2008

HIA notes the terms of reference of the Senate Committee – Community Affairs to consider the following in respect to the National Rental Affordability Scheme Bills 2008. Provided below are HIA's comments in respect to the draft legislation, including reference to the draft Regulations.

Determining market value rent

HIA recommends that the *Regulation 17 Determining market value rent* be extended to allow providers who have 100 or more properties in the private rental market (currently rented) to make an assessment of the market rent based on rent currently charged. To ensure that abuse of a 'self assessment' process does not occur, periodic assessments by a suitably independent valuer may be authorised by the Secretary.

In addition, HIA recommends that *Regulation 15 Statement of Compliance sub regulation (5)* be amended as follows:

(5) The approved participant may review the rent that applies to an approved rental dwelling:

- (a) upon entering a new lease; or*
- (b) for an existing lease – no more often than at 6 monthly intervals from the date of entering into the lease.*

Eligible Tenants

HIA proposed that eligibility be extended as follows to cover:

“Joint tenants in addition to a couple as defined with subsection 4 (2) of *the Social Security Act 1991*.”

Increasingly, key workers form group households to afford rent payments, particularly in capital cities and higher density areas. HIA proposes that there should be an additional household type:

Item	Household Type	Income limit \$	Upper income limit \$
5	Shared household	\$70, 000	\$85, 000

It is also recommended that income eligibility be increased as follows:

Item	Household Type	Income limit \$	Upper income limit \$
1	Single person no children	\$39, 351	\$60, 000
2	Couples or sole parents with up to 1 child	\$55, 991	\$85, 000
3.	Couples or sole parents with 2 children	\$69, 423	\$90, 000
4.	Couples or sole parents with 3 or more children	\$82, 855	\$103, 569
5	<i>Shared household</i>	<i>\$70, 000</i>	<i>\$85, 000</i>

Whether the Bills facilitate investment in social housing by not for profit community housing organisations, as well as private investors

The intention of the NRAS incentive set out in *Regulation 25 Full incentive amount for standard dwelling* is to provide investors a contribution of \$6,000 per annum from the Commonwealth and an additional supplement from State/Territory governments of \$2,000. In return, investors will be obliged to offer rental accommodation at 20 per cent below the ‘assessed’ market rent.

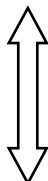
In HIA’s original submission on the NRAS Technical Paper, an alternate method of calling for expressions of interest was suggested. This proposal looked at an NRAS incentive band that would allow participants to identify the value of the NRAS requested to deliver accommodation in specific locations.

NRAS Incentive Band

HIA believes that a flat level contribution does not allow for vast differences in the supply price of new dwelling stock between cities and regions. For these reasons HIA proposes an alternative method for determining the amount of the incentive payable to investors.

The proposed alternative would not increase the budgeted outlay for the NRAS Scheme for either the Federal or State/Territory Governments. Importantly, however, it would increase the likelihood of achieving responses to the Expression Of Interest (EOI) process and potentially improve the financial viability of NRAS supported proposals.

HIA believes that consideration should still be given to a sliding NRAS incentive within the EOI process. An NRAS Incentive Band could for example establish an upper limit of \$12,000 comprising contributions of \$8,000 and \$4,000 from the Federal Government and State/Territory Governments, respectively. The EOI process would require proponents to stipulate (on a competitively assessed basis) the incentive required to deliver a 20 per cent reduction in the market rent for a given city or specific location.

NRAS Incentive Band					
State/Territory	Federal	Total NRAS Incentive	Location	NRAS Incentive Sought	Rate of Return
4,000	8,000	12,000			
3,500	7,500	11,000			
3,000	7,000	10,000			
2,500	6,500	9,000			
2,000	6,000	8,000			

Source: HIA

Adoption of the NRAS Incentive Band may mean that the number of dwellings supported under NRAS Scheme (for the allocated funding commitment) may be reduced from the targeted supply of 50,000 new dwellings. However, the proposal would provide a market based assessment of the value of the incentive required to meet volumes of new rentals in locations throughout Australia and still lead to an increase in the supply of affordable rental dwellings.

The NRAS Incentive Band would establish the market's ability to offer affordable rental accommodation within a defined NRAS incentive band. Investors would make commercial decisions based on the required, risk-adjusted rate of return in specific locations and indicate the required incentive to offer a 20 per cent reduction in a nominated location for a specified quantity of residential dwellings.

In the event that the original NRAS incentive were sufficient to attract the required volume of new rental accommodation there would not be a requirement to amend the intended number of dwellings supported by the Scheme.

The risk of not providing scope for variations in the NRAS incentive may result in new rental stock being constructed in clustered zones or regions where the cost of construction is relatively low and/or where there are lower levels of demand. HIA understands that the intention of the NRAS Scheme is to spread accommodation across a number of areas and increase supply in areas experiencing critical shortages in affordable rental housing. Therefore, to achieve the stated purpose, HIA considers the NRAS Incentive Band is likely to be an effective means of increasing interest in the Scheme and delivering more affordable rental accommodation where it is most needed.

HIA would be happy to provide further information on the above to assist the committee.

Yours sincerely

HOUSING INDUSTRY ASSOCIATION LIMITED



Chris Lamont
Chief Executive Policy