



Students' Representative Council
University of Sydney

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Inquiry into National Rental Affordability Scheme Bill 2008 and National Rental Affordability Scheme (Consequential Amendments) Bill 2008

29 October 2008

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Executive Summary

The SRC welcomes the thrust of the National Rental Affordability Scheme Bill but is concerned that it will not deliver affordable housing to those in greatest need such as low-income students. The SRC believes that Centrelink payments must be increased in order to enable low-income persons better meet their financial costs. The SRC also believes that an increase in the stock of public housing and cooperative housing would benefit the community.

The SRC also raises some items for consideration in implementation, such as setting and monitoring the 'reduced rate' and the 'charitable purpose' of providing such housing. The SRC specifically identifies 'student housing' as a distinct category of housing that should be included in the NRAS.

The SRC encourages the Government to grant direct tax relief to low-income persons whose rental costs place them in financial stress. We believe that this meets the stated objective of the NRAS, to reduce rental costs for low and moderate income households and individuals.

Recommendations

- 1 Eligibility criteria for Youth Allowance should be changed – in particular the parental income test and the age of independence – so that more students can receive payments.**
- 2 Student Centrelink payment rates should be increased to the current rate of the Disability Support Pension.**
- 3 Rent Assistance should be increased after a review into actual rental prices.**
- 4 All Centrelink payments should be made non-taxable.**
- 5 The “reduced rate” must be clearly defined and calculated. This must be regularly monitored and enforced.**
- 6 That ‘student housing’ fit the criteria for the NRAS.**
- 7 All NRAS renters sign Residential Tenancy Agreements.**
- 8 ‘No competition’ clauses be disallowed in the NRAS.**
- 9 Government actively support co-operative housing initiatives through tax incentives and other measures.**
- 10 Government invest in public housing, by upgrading and increasing the total public housing stock.**
- 11 The not-for-profit provision of housing under NRAS be considered a charitable purpose and the tax benefits should flow through.**
- 12 Offer direct tax relief to low-income renters by deducting rental payments from taxable income. At a minimum this should be available for the component of rental costs that place the renter in financial stress.**



Introduction

The Students' Representative Council (SRC) is the representative body for the approximately 35 000 undergraduate students at The University of Sydney. Most of these students are either living in rental accommodation or with their parent/s. Many of these students are low-income earners with a substantial amount living below the poverty line. Some stories about student homelessness have hit the headlines in the past 12 months or so.

The SRC, Universities and other groups that work with students know that these are just the tip of the iceberg. There are numerous other stories, with students struggling to find accommodation, maintain accommodation and pay the bills. The SRC therefore welcomes the opportunity to offer some comments and recommendations about the National Rental Affordability Scheme for the Committee's consideration.

With student income support payments too low, many students experience financial instability. Managing a tight budget is challenging under the best of circumstances, let alone with the current tight rental market.

The SRC Welfare Survey 2008¹ gives some insight into the difficulties students have meeting costs and highlights signs of social disadvantage and exclusion. When asked about items, tested to be considered 'essentials' by the community, some alarming responses were given.

SRC Welfare Survey 2008

<i>Can you afford medicine when prescribed by your doctor?</i>	<i>19% No</i>
<i>Can you afford a dental check up every 6 months?</i>	<i>47% No</i>
<i>Can you afford a dental treatment (other than check ups) when required?</i>	<i>52% No²</i>
<i>Can you access warm clothes, bedding & heating during cold weather seasons?</i>	<i>3% No</i>
<i>Are there occasions when you can't pay your utility bills or rent on time?</i>	
<i>Overall (including students in the family home)</i>	<i>22% Yes</i>
<i>Renting in share houses or by themselves</i>	<i>38% Yes</i>
<i>Do you have substantial meal once a day?</i>	<i>5% No³</i>

Rents are too high for many students and competition is fierce. Students regularly report attending properties with dozens of other potential renters with some losing properties as a result of effective 'rental auctions'.

Case Study 1

'Amy' and a fellow student want to apply to rent a house in Marrickville. The Real Estate agent tells them not to bother as they are not employed. Amy explains they have stable incomes and due to budgeting skills can afford the rent. The Real Estate agent says 53 other people have applied and applicants without a full time job will not be considered.

¹ 208 online respondents to a survey about their welfare as undergraduate students.

² SRC Caseworkers believe those who can afford treatment are likely to be covered by their family's health insurance.

³ SRC caseworkers consider this a likely underestimate, with many students known to consider a bowl of instant noodles to be substantial.



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In the current rental market, many students are pushed to the bottom of the rental market, forced to live in substandard properties with conditions that often don't reach the requirements of the Residential Tenancies Act or basic health and safety standards.

Case Study 2

Mary is sharing a house with 4 other students. Mary has lived in the house for three and a half years, as have most of the housemates, and wishes to live there for one more semester until she graduates. The total rent for the house is \$320 and each student pays \$80 per week. Mary came to the SRC to ask for help getting emergency repairs done.

The rent is so cheap because they have had cracked windows in the lounge which have leaked rainwater for years leading to rotted window frames, carpet and possibly floor boards. There is also active termite damage to woodwork as the landlord only replaces damaged woodwork rather than tackling eradicating the termites. There is also a hole in the roof through which rainwater is also leaking significantly. The stove now has one working element and the oven does not work.

Mary says repairs have been limited and substandard in the past and have been accepted by the student tenants as they have wanted to keep the rent low.

Students are often reluctant to complain about the substandard quality of their accommodation or push for repairs because they fear their rent will be increased even further making it impossible for them to make ends meet.

Case Study 3

'Betty' suffered from Anxiety Disorder making it difficult for her to live with other people. She found a one-bedroom house in Alexandria that she could just afford. However, the wall in the kitchen was broken and replaced with a shelf. To get in from the outside you only had to push the shelf aside. When it rained, water came in from the ceiling, into the whole of the kitchen and lounge room. The power points had carbon residue around them indicating they had previously blown out.

Betty talked to the Real Estate agent about getting these things fixed. He explained that he understood that he had to fix things under the Residential Tenancies Act, but if she asked him to fix it, he would ask her to move out and avoid the costs by not doing the repairs. After all, he would have no trouble finding tenants in such a competitive market.

In New South Wales many tenants are defined as boarders and lodgers, giving them no protection from the Residential Tenancies Act. In the last year the SRC has had a significant increase in casework with distressed students in this situation. Due to the very tight rental market they have been forced into boarder 'contracts' in conditions not faced by other tenants covered under the Act, and with no recourse to an independent Tribunal. The students we see often pay very high rent, are forced to share crowded rooms, are evicted on very little notice and, when any problem arises, often lose hundreds of dollars in Bond and other payments incorrectly retained by unscrupulous landlords.

It is undeniable that Sydney housing is in crisis and that there must be more affordable housing stock and rent must be reduced for low and moderate income families. The criteria that housing will be rented at 20% of its market value would be a welcome help to some on medium and some low incomes. However, the SRC is concerned that the National Rental Affordability Scheme (NRAS), even with its amendments, will not sufficiently address rental costs and availability for those in greatest need. In particular, we are concerned that the situation for students on low income will not be adequately alleviated.

The current maximum Youth Allowance rate for students is \$355.40 per fortnight. If a student is renting in a share household they may also receive a maximum rent assistance payment of around



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\$73.47 per fortnight⁴. This maximum total payment of \$428.87 per fortnight, or \$214.44 per week, is only 70% of the Henderson Poverty line⁵. The median rental costs paid by students at The University of Sydney, as indicated by the SRC Welfare Survey 2008, is \$155 per week.

In this context, reducing the market rental rate by 20% will offer some relief to students but it will not in itself be enough to make housing affordable.

Students wishing to live near the University campus in Camperdown, assuming land and an appropriate organization can be found to build such a development, would be looking at 20% less than the market rate in an inflated rent market in Newtown (2042), for example. Reducing rental costs in such areas will not solve the situation for renting students. There needs to be an even closer linkage between rental costs and income when attempting to find a sustainable solution.

Complimentary approach: Increase income support payments

The SRC believes the NRAS can be complimented by other Government departments also working to address rental affordability. In particular the SRC recommends the Government review Student Centrelink payments.

Firstly, eligibility criteria for Youth Allowance should be changed – in particular the parental income test and the age of independence – so that more students can receive payments. Only 34% of respondents to the SRC Welfare Survey 2008 said they received a full or partial Centrelink payment. Four out of five of these were receiving Youth Allowance.

Secondly, the Government should increase the rates of income support across the board. Increasing student income support payments could potentially allow students to make better choices when selecting their accommodation situations and avoid sub-standard and inappropriate accommodation.

Student payments are below the Newstart Allowance yet students would have similar expenses and should therefore receive the same rate of pay – although current rates for both sets of payments are currently well below the Henderson Poverty Line. The maximum Pension payment, currently \$562.10 per fortnight (single person)⁶, represents a better target payment rate if the phenomenon of student and youth poverty is to be seriously tackled.

Rent Assistance is grossly inadequate, comparative to rental prices, and quarterly increases do not reflect those in the rental market.

The NSW Department of Housing recommends rent paid does not exceed 50% of income plus 100% of Rent Assistance. With the maximum Centrelink student payment as the only source of income plus the maximum Rent Assistance payment (shared), the most a student should be spending on rent is \$125.59 per week. As stated above, the SRC Welfare Survey 2008 indicated University of Sydney students were most frequently paying \$155 rent per week⁷ - \$30 a week over the recommended amount.

⁴ Centrelink, A Guide to Australian Government Payments, 20 September – 31 December 2008

⁵ The Henderson Poverty Line for a single person not working is \$308.35 (from Melbourne Institute of Applied Economics and Social Research (2008) Poverty Lines, Australia: June Quarter, <http://www.melbourneinstitute.com/labour/inequality/poverty/>)

⁶ Centrelink, A Guide to Australian Government Payments

⁷ Note this is slightly below the NSW Department of Housing Rent and Sales Report, Issue 84

<http://www.housing.nsw.gov.au/About+Us/Reports+Plans+and+Papers/Rent+and+Sales+Reports/Latest+Issue/> The SRC suspects this is because students are often pushed to the bottom end of the rental market and because there is a time lag as many students have lived in their share house arrangements for a while, and hence secured lower rents at the time when their tenancy started. Further, the NSW Rent and Sales report does not capture rental costs for boarders and lodgers who generally have higher rates.



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The SRC believes student income support should enable students to live above the poverty line without experience housing and financial stress. To this end, the SRC makes the following recommendations:

Recommendation 1

Eligibility criteria for Youth Allowance should be changed – in particular the parental income test and the age of independence – so that more students can receive payments.

Recommendation 2

Student Centrelink payment rates should be increased to the current rate of the Disability Support Pension.

Recommendation 3

Rent Assistance should be increased after a review into actual rental prices.

Some Centrelink payments are taxable. The SRC believes that this is an insult to its recipients. The Youth Allowance payment for example is only \$9,240 per year. Students contribute to the community through the GST they pay on the goods and services they consume. Youth Allowance is not a living income and should be taxed as such.

Recommendation 4

Centrelink payments should not be taxable.

Defining the 'reduced rate' for NRAS

The SRC can foresee the proposed system being exploited. As there is a benefit for investors to provide housing at a reduced market rate, there is a real possibility that the market rate will be artificially inflated. For example, The University of Sydney, in an attempt to address the housing shortage for students, made arrangements with private provider Campus Living to build Sydney University Village (SUV), initially called the Carillon Avenue Housing Village. The SRC understands that SUV receives a tax break because it offers accommodation at rates below the market rate. However, SUV remains one of the most expensive options for students with many simply unable to even contemplate living there.

The current cost of renting a room in a five-bedroom apartment at SUV is \$189 per week.⁸ The median cost of privately renting a 5-bedroom house in the middle of Sydney is \$918 or \$183 per room.⁹ Even if this were to be a "reduced" rate this is significantly more than students on Youth Allowance are meant to be spending¹⁰. Rental rates need to be in sync with the income support rates.

Recommendation 5

The "reduced rate" must be clearly defined and calculated. It must be regularly monitored and enforced.

Housing Models

⁸ Sydney University Village http://www.suv.com.au/site/html/the_village.php

⁹ NSW Department of Housing (2008) Rent and Sales Report, Issue 84

¹⁰ NSW Department of Housing recommends spending no more than 50% of income plus 100% of rent assistance on rental costs. For a Youth Allowance student sharing accommodation this is approximately \$125 per week, and \$143.50 when living alone.



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Student Housing

Housing costs are the single biggest and least discretionary costs students face when living outside the parental home. Many rural, regional, interstate and vulnerable students have little choice but to enter the rental market. Homelessness is not an unknown issue for students, with many tens of thousands eligible for Youth Allowance independence status on these grounds. The impact of high rental costs on students is poverty and failure in study because of the time devoted to paid work. Others drop out or do not entering study because of this barrier.

Recommendation 6

That 'student housing' fit the criteria for the NRAS.

Much student housing, whether provided by Universities or private providers, have inflexible periods of rental agreement. Sometimes this means that students have to agree to pay rent for 52 weeks. Even where a student knows they will be going back to their parents' home during semester break, they need to pay rent for the time they are not there. At other student accommodation, students are not allowed to stay in their rooms during the semester break, even if they have nowhere else to go. Neither arrangement offers the same flexibility of having an agreed term of tenancy that can be gained from a Residential Tenancy Agreement.

In order that all students, and indeed all renters are protected the SRC urges that Residential Tenancy Agreements become mandatory for all rental properties. It is worth noting that Residential Tenancy Agreements protect both the accommodation provider and the tenant.

Recommendation 7

All NRAS renters sign Residential Tenancy Agreements.

When SUV opened there was a "no competition" clause agreed to, preventing the University from building other student accommodation within a 5 year period, in order to ensure the viability of SUV. The SRC believes that the squeeze on the rental market is so severe, and the needs for lost cost housing so high (both for students and other low income persons) that there is should not be any room for 'no competition' clauses in the NRAS.

Recommendation 8

'No competition' clauses be disallowed in the NRAS.

Co-operative housing

The SRC would like to see more housing initiatives such as co-operative housing. The University of Sydney's STUCCO is an excellent opportunity for students on very low incomes to be able to live in safe, affordable housing. They learn, through participation, to take ownership and care of the premises and the surrounding community. In turn, when they leave and join the public rental market, become homeowners or landlords, they bring a better sense of community.

The SRC believes that with some minimal Government support The University of Sydney could be encouraged to set up more co-operative housing, bringing direct benefit to students. STUCCO is the result of a joint initiative by students, the University and the Department of Housing. Similar tax incentives could entice their further investments and benefit both students and the community with more co-operative housing.

Recommendation 9

Government actively support co-operative housing initiatives through tax incentives and other measures.



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Public Housing

The SRC would like to see a more direct approach to addressing the shortage of public housing. A progressive taxation system provides the Government with more opportunities to be able to upgrade and increase public housing stock. In a civilised society we should care for our most vulnerable citizens, not by leaving them at the mercy of private property investors, but by providing them with the housing they deserve.

This would be of most benefit to the most vulnerable in our society. These include people with chronic mental or physical illness, people who have just been released from prison, people who are unemployed, people who are illiterate or speak English as a second language, or people with bad credit histories. For these individuals it can often be difficult to compete in the private rental market because of their appearance in person or on paper. Further, many do not have the financial resources to be able to meet the demands of the rental market and are often relegated to boarding houses or lodging arrangements. They are left to the devices of the homeowner, often subject to rules that are not fair or reasonable. They are easily bullied into paying extra fees for things that are not legally allowed, for example, steam cleaning of the carpet for the whole house or cancellation fees and loss of deposit when they move out.

Importantly, increasing the overall supply of low cost housing through increased public housing will have flow on effects and benefits of keeping prices down in the low cost private rental market.

Recommendation 10

Government invest in public housing, by upgrading and increasing the total public housing stock.

Not-for-profit provision of housing

The not-for-profit provision of housing should be considered a charitable purpose. The SRC believes that this could be both through charities fulfilling their mandate, but also through other bodies, such as Universities, who through provision of truly low cost student housing would be advancing the social welfare of students (a distinct group of low income earners). Legislation should be enacted in such a way that the tax benefit of this 'charitable' purpose should flow through.

Recommendation 11

The not-for-profit provision of housing under NRAS be considered a charitable purpose and the tax benefits should flow through.

Direct Tax Relief To Low-Income Earners

The proposed legislation suggests building a property will give \$6,000 tax offset per dwelling per year from the Commonwealth, and State government support of \$2,000 per dwelling per year for 10 years. The total amount, after it is indexed to inflation, is around \$100,000.

At least in the interim, while such property is sufficiently developed, direct tax relief could be given to low-income earners paying rent that places them in financial stress. In essence this proposal would make the rent payments by low-income earners 'salary sacrificed' or tax-free.



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This could either be the entire rental payment, or the amount of rental payment that is above the level that would not put the renter into financial stress. For example, a student whose only income is a Youth Allowance payment and Rent Assistance currently receives a maximum of total payment of \$428.87 per fortnight. This student may pay \$190 dollars per week in rent. The student is in financial stress once s/he pays over \$125.59 per week. The rental costs over \$125.59 could then be deducted from the person's taxable income. In this case that would be \$64.41 per week.

Direct tax relief (along with an increase in income support payments) to renters is ideal at this point in time in order to help the most vulnerable help meet their accommodation costs without suffering more financial strains. (Guidelines can be designed to cover the types and levels of rent this would be applicable for.)

Recommendation 12

Offer direct tax relief to low-income renters by deducting rental payments from taxable income. At a minimum this should be available for the component of rental costs that place the renter in financial stress.