

11<sup>th</sup> May 2017

Review of rent models for social and affordable housing  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop NSW 1240

## Review of rent models for social and affordable housing

The Illawarra Forum is the peak body working for community services and organisations in the Illawarra and the Shoalhaven. We support community organisations, promote expertise and innovation, foster industry development and promote social justice.

As a peak body, we represent the approximately 300 non-government community services organisations which provide support to vulnerable people in the Illawarra and Shoalhaven.

We consult with our members regularly, and homelessness and the lack of affordable housing is regularly reported by our members as the most significant issue impacting vulnerable communities in the Illawarra. Having a safe, stable and affordable place to live is fundamental to addressing other issues such as mental illness, domestic or family violence, substance abuse, or unemployment.

### *Draft Report*

Illawarra Forum welcomes the Draft Report and congratulates the Independent Pricing and Regulatory Tribunal on the thought and consideration which is evident in the attention paid to recommendations in submissions received, and in the recommendations developed. We also thank you for the opportunity to attend the hearing of the Tribunal, and participate in a discussion on the Draft Report.

Some observations:

- We welcome the recommendation that all social housing leases be issued as continuous leases. This will encourage tenants to view their house as a home, to maintain it in good condition, and to build connections and supports within their community. The benefits will extend beyond individual households to the community as a whole.
- We welcome the recommendation that long term contracts are extended to social housing providers. This will enable them to plan strategically for the future, including planning for stock replacement and portfolio increase.
- We also commend IPART for dispensing with the classification of social housing tenants and applicants as 'safety net' and 'opportunity' groups. This will address the notion of 'deservingness' and remove judgement of ability to change circumstances.

## *Draft findings and recommendations*

The Illawarra Forum makes the following comments on draft findings and recommendations:

1. *That social housing tenants will income over the eligibility threshold pay market rent plus 5% to reflect the security of tenure provided by social housing compared to private rental.*

Illawarra Forum recognises that a review of circumstances is understandable, and that rent increases may be part of this review. However the review should not impact the sustainability of tenancy for the tenant. Furthermore, tenants paying the 5% premium should not be subject to three-yearly review. Our argument is that market rent plus the 5% premium should offer security of tenure for the property.

2. *That FACS revise its Tenancy Charges and Account Management Policy Supplement to assess income supplements.*

Illawarra Forum rejects the inclusion of income supplements in the calculation of rent payable for social housing. Income supplements are a recognition of the extra costs which impact on some welfare recipients. It is unconscionable to assess supplements which are intended to ensure people have access to life-saving or life-improving pharmaceuticals, or to assist will necessary living or transport requirements.

3. *That the maximum increase in weekly rent contributions payable by applicable tenants associated with assessing benefits and assessable income be capped each year at \$10 per week.*

Illawarra Forum therefore does not agree that rents will be increased through the inclusion of supplements into the assessed household income. However, should increases be applied, any increase should be capped in order to minimise hardship.

4. *To support a financially sustainable social housing system, the NSW Government provide an annual explicit subsidy.*

While we concur with the explicit subsidy as opposed to the current implicit system, we query the estimation of the \$955 million dollar funding gap. The premise for the calculation is the difference between market rent and 'funding' comprised tenant contributions, Commonwealth Rent Assistance, and NSW Government funding. However, we argue that hypothetical market rent is not the correct instrument of measurement. Instead, we recommend the gap should be calculated against the actual cost of managing and maintaining properties. By basing the gap on operational costs, the additional activities which community housing providers undertake to support their tenants can be properly recognised.

5. *That the explicit subsidy per property to be paid by government vary by location (as market rents vary by location).*

We would argue against the notion that market rent is impacted only by the socio-economic status of its community. Market rents are impacted by locational characteristics including amenity, attractiveness, and access to services.

We caution against the variance in subsidy due to geographic locations being used as a tool to force disadvantaged people to lower cost, poorly serviced, and difficult to access regions.

- 7. That a purchaser–provider framework be implemented for social housing in NSW, with FACS responsible for policy, planning and allocation functions for social housing, and contracting tenancy management functions with housing providers.*

The purchaser-provider framework, in principle, makes sense. However this would depend on all the management of the housing stock currently owned and managed by NSW Family and Community Services (FACS) being transferred to housing providers. The Illawarra Forum is concerned that viability under this framework is highly dependent on the Australian Government extending Commonwealth Rent Assistance (CRA) to all social housing tenants – apart from those with a household income over the threshold of \$1,400 per week. Under the current arrangements, the availability of CRA is limited to 35% of social housing stock. We therefore strongly recommend that assurance is sought from the Australian Government that CRA will be extended or the model as proposed will be unsustainable.

The report also fails to identify whether housing providers under the purchaser- provider model will be limited to not-for-profit community housing providers. We strongly recommend that management of social housing must not be extended to for-profit landlords.

- 8. To get the right housing stock in the right place to meet demand from those in need of assistance, that FACS develop and publish a Social Housing Strategy, updated annually, detailing the number of dwellings to be delivered across NSW over the next three to five years by location, size and type.*

We strongly support the development of a Social Housing Strategy which is updated annually. We argue, however, that rather than being solely the responsibility of FACS, NSW Government should adopt a more holistic ‘whole of government’ approach. In this way all relevant NSW Government departments would have input and ownership of the strategy, and responsibility for outcomes.

- 9. That FACS develop performance indicators for the Social Housing Strategy and report on these annually as part of its Annual Report.*

We support the development of annual indicators, but as per our previous recommendation, annual reporting on the indicators should be the responsibility of all relevant NSW Government departments.

14. *That FACS retain the current weekly income thresholds for social housing eligibility at entry and revise the way it assesses income in line with draft recommendation 2.*

We agree that current thresholds be retained, but believe the current method of calculating income to be fair and equitable.

15. *If the scheduled evaluation of the current time-limited private rental subsidy programs demonstrates this form of assistance is both beneficial to clients and cost-effective for government, that the NSW Government extend these programs to other appropriate clients.*

We strongly agree that the current program of private rental subsidies should be extended. We caution, however, that lack of appropriate properties, and discrimination against tenants on welfare or low incomes, limits access to private rental for many social housing applicants.

18. *That tenants with positive exits from social housing to private rental be permitted to retain their original 'application for social housing' date for up to two years.*

We strongly support this recommendation, with the stipulation that this period should be extended to five years for special needs groups, including people aged over 50, people with disability, and people with episodic mental health issues.

19. *That an increase in household income due to an increase in employment-related income be exempt from assessment for tenant rent contributions for the first six months it is received.*

We strongly support the six month rent freeze.

20. *That, following the 6-month rental contribution freeze, if the tenant's household income is over the threshold for a subsidy, that the tenant be offered alternatives.*

In recognition of the discrimination faced by many social housing tenants, especially young people, Aboriginal and Torres Strait Islander people, people with disability, and people with mental ill-health; we recommend that one-off private rental assistance be supplemented by a head-leasing program which would overcome discrimination and provide more incentive to move to private tenancies.

We further recommend that if the tenant elects to remain in the property and pay market rent plus the 5% premium, that this should offer security of tenure for the property. This reflects that tenants are effectively paying above market rent because they want to secure a home, not just a house.

21. *That FACS redesign the waiting list prioritisation and allocation processes to better match current housing stock to tenants' needs and characteristics, including their capacity to benefit from employment, education and training opportunities.*

We are concerned that the priority status proposed first seeks to re-house tenants which are living in housing which has been assessed as no longer suitable. Our concern here is that the 'lag' period while properties are being refurbished will mean applicants who are on the priority category and in urgent need will spend longer in temporary accommodation. Temporary accommodation is not an appropriate solution for applicants who are often vulnerable and in great distress. Temporary accommodation solutions are frequently unsuitable to the applicant's needs, and often place vulnerable people, particularly women and children, in danger of assault or abuse.

Furthermore the application process must accommodate the capacity of tenants to submit expressions of interest (EOIs) and to self-advocate for a property. Tenant advocates and other supports must be in place to facilitate the process, and these people must be skilled professional who are able to recognise when people need support and advocacy, as many applicants will not ask.

It should also be noted that assessments for the waiting list are made at time of application, however, if conditions deteriorates, or episodic issue reoccurs, this could potentially allow people to fall through cracks in the system.

We are also concerned that where a number of people are matched to a property, if all aspects are equal, the property will be allocated to the person who has been on the list the longest. If however, things aren't equal, that person may continually fail to be successful in receiving an allocation. The impact of this can be devastating to an individual, particularly if they have pre-existing vulnerabilities.

Finally, we recommend the removal of the current two-strike policy . Even though people have to be matched to a property, there are many cases under the current system where people are matched to inappropriate properties.

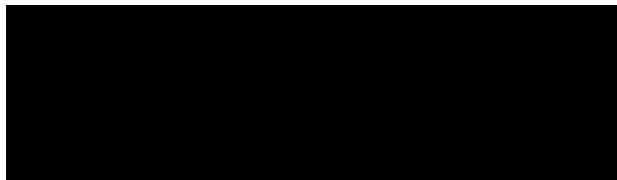
We have not provided comment on those recommendations specific to Aboriginal tenants and applicants, and to Aboriginal Community Housing providers. We recommend that IPART consult directly with these providers, applicants and tenants in order to develop strategies and policies which provide the best, most culturally appropriate housing outcomes.

Finally, we recognise that social housing is part of a continuum of housing which should include homes which are affordable for private rental and for purchase. We therefore recommend that measures be considered which increase both social housing stock and the availability of affordable housing, including:

- Prioritising the building of social housing as an investment by government in the future of communities; investment that will save money across other portfolios including justice, health (including alcohol and drug dependency) and mental health. Exploring policies which increase affordable housing supply through incentivised investment in affordable housing and inclusionary zoning policy. For example, the NSW Government could work with the Federal Government to develop tax offsets for people investing in affordable housing – either as developers or landlords. The Australian Government could better direct the negative gearing offsets so that they were only available to landlords who provide affordable housing. NSW Government could work with local government to offer concessions for developers to encourage affordable housing. Such concessions could include reduction in or exemptions from Section 94 contributions, loosening of restrictions for parking requirements, or greater floor space ratio allowances in mixed tenure developments that include affordable housing.
- We strongly recommend that, given the growing surplus in rental bonds, which currently stands at approximately \$66 million, the interest generated should be used to build more social and affordable housing stock.

Thank you for the opportunity to respond to the Draft Report. If you require any further information please do not hesitate to contact us.

Sincerely,



Nicky Sloan

**CEO**  
**Illawarra Forum Inc**

