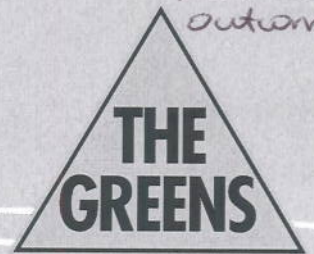


Convert to rent

A creative sustainable solution to the rental crisis



The Greens Convert to Rent Initiative will increase the amount of affordable rental housing, increase the availability of private rental accommodation and revitalise local neighbourhoods and economies.

The Greens initiative provides financial assistance to property owners to help convert vacant or unused space into rental units to provide affordable housing to low income households. The program was successfully introduced in the City of London, Canada in 2008 and could be readily and cost-effectively implemented in Australia. In 2006, there were over 167,000 unoccupied buildings, residential and commercial, in Melbourne and Sydney alone. This initiative turns them into affordable housing opportunities.

Convert to Rent will:

- Encourage landlords to provide dwellings to people on low-moderate incomes, and set rents accordinglyⁱ
- Provide incentives to property owners to convert their unused buildings/empty spaces above shops etc to affordable rental properties (\$21,000 per dwelling maximum loan)
- Provide additional funding of \$5000 for buildings and spaced to be modified for people with a disability
- Set a 20 year caveat for the program and give the federal government first option to purchase the property in the event of a sale
- Cost: \$115 million would fund 5000 conversions including a minimum 15% funding to be available for modifications suitable for people with a disability.

The crisis in affordable private rental properties

Across Australia there is a significant undersupply of affordable rental propertiesⁱⁱ. Around one in three people (29% or 1.7 million households) rent from private landlords. The 2010 *State of Supply Report* estimates the shortage of affordable private rental properties for

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people on low incomes to be 493,000. The report found there was a shortage of 311,000 dwellings in capital citiesⁱⁱⁱ.

The long waiting lists for public and social housing across Australia also increase the pressure on the private rental market. Nationally, there are around 230,000 households on public and social housing waiting lists in 2009^{iv}.

Making use of empty buildings

When empty buildings are taken into account, estimates of real vacancy rates are much higher (and usually double) than 'official' property industry rates. For example, the 2009 *I Want to Live Here Report* found 1 in every 15 Melbourne properties vacant, and 1 in every five commercial properties vacant, making a total of 44,753 vacant properties just across Melbourne's inner, western, and south eastern suburbs^v. In Sydney, 122,211 unoccupied residential dwellings were recorded by census workers in 2006, with the highest number found in the inner city. That does not include the thousands of empty warehouses, pubs, churches and shops^{vi}.

The Canadian example

The national program introduced in 2006 by the Government of Canada to rehabilitate and convert empty properties to affordable rentals has been successfully adopted in many other provinces and cities across Canada. In 2008 the City of London in Canada implemented a convert to rent program. In the past two years, the program has invested \$1.9m to successfully house 170 people (singles and couples of all age groups) in 112 new units across 13 different sites. The federal government made co-contributions totalling \$7.7 million. The program has had a default rate of less than 1%.

How the Convert to Rent Program works

The financial assistance offered by the program is a fully forgivable loan, which does not have to be repaid provided the owner adheres to the conditions of the program. The maximum amount to be loaned is \$21,000.

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Eligible clients could be private entrepreneurs, community housing corporations and co-operatives owning and converting non-residential properties to create genuine affordable rental accommodation. Eligibility would be limited to properties that are structurally sound, that can feasibly be converted to residential accommodation, and that will be viable based on agreed post-conversion rents. The range of properties suitable for the program includes studios or one to four bedroom apartments to house families, older people and young people.

Selected conversions would be tied to a 20 year Operating Agreement which establishes the rental price which can be charged during the life of the Agreement. The Agreement will specify the Maximum Affordable Rent that can be charged, which will be no more than 75% of the market rent valuation, based on median unit rental prices of equivalent size (number of bedrooms) in the same suburb (local government area statistical division).

The program would be administered by self-nominated community housing providers in each State and Territory. \$1.7 million has been allocated for these services (1.5% of the package).

End notes

- i Convert to Rent Program is a City of London (Canada) initiative. The City provides funding and technical assistance while the program is administered by the Canada Mortgage and Housing Corporation. See http://www.cmhc-schl.gc.ca/en/co/prfinas/prfinas_009.cfm or <http://www.housing.london.ca/NewAffordableHousingProgram/2008CTRRehabDetails.pdf>
- ii Analysis of 2006 Census data, in the Australian Government National Housing Supply Council (2009) State of Supply Report 2008 (p.xvii). Full report at http://www.fahcsia.gov.au/housing/national_housing_supply/exec.htm
- iii Shortage of rental dwellings which were affordable to lower income households and available to those households.
- iv National Housing Supply Council, State of supply report 2010, 2010, Table 5.4, p. 105, as at 2007–08 (households with gross incomes below the 40th percentile) at http://www.nhsc.org.au/state_of_supply/2009_ssr_rpt/SoSR_ch5.htm#ch5_1
- v Note the Report states in 2007 - 08, there were 1,410,000 private rental dwellings affordable to the 814,000 private renters with incomes in the bottom 40 per cent of the income distribution. However, 1,089,000 of these rental dwellings were occupied by households in higher income groups, leaving a shortfall of 493,000 dwellings that were both affordable and available to those in the bottom 40 per cent of the income distribution.
- vi Australian Institute of Health and Welfare (2010) Public rental housing 2008–09. State and territory housing authorities managed 336,464 public rental housing dwellings at 30 June 2009, approximately 98% were occupied. <http://www.aihw.gov.au/publications/hou/218/11420-sum.html> with over 200,000 on the waiting list at January 2009 at <http://www.abc.net.au/news/stories/2009/01/28/2475747.htm>
- vii <http://www.earthsharing.org.au/2009/11/25/i-want-to-live-here-report-2009/>
- viii <http://www.smh.com.au/national/bempty-dwellings-in-a-city-desperate-for-places-to-liveb-20080525-2i42.html>



CONVERT TO RENT INITIATIVE

Conditions of the Agreement

A ceiling (maximum income) would be placed on the income of households that are eligible for the units based on the income levels specified in the NRAS program, with one exception: Under the NRAS program the income limit for a one adult household is \$42,386, but for a 2 person household is \$58,596, for a 3 person household is \$74,808, and for 4 persons is \$91,048. This means each additional adult is only allowed to earn a maximum income of \$16,210 before they are excluded from NRAS eligibility, or for example in a four person share house each adult is only allowed to earn around \$22,700¹. This reflects an assumption by the Australian government that households with more than one person are – or should be - financially dependent on each other and benefit by combining their incomes.

However people living in share houses have the right to economic independence from each other. We therefore propose the same income limit *per adult*.

To facilitate this each adult would be placed on an individual tenancy agreement under the scheme.

The tenant income levels are as follows:

Household type	Initial income limit \$	Upper income limit \$
1 – 4 adults	42,386 <i>per adult</i>	52,983 <i>per adult</i>
Sole parent with 1 child	58,638	73,298
Sole parent with 2 children	72,695	90,869
Sole parent with 3 children	86,752	108,440
Couple with 1 child	72,653	90,817
Couple with 2 children	86,710	108,388
Couple with 3 children	100,768	125,960

Household income limits would also be indexed annually in accordance with the NRAS tenant income index. Eligible tenants' income must be equal to or less than the **initial** income limit when they become a tenant of an NRAS dwelling but their income may increase up to 25 per cent (the upper income limit) before their eligibility is affected. The Tenants are required to sign a document verifying household income.

A more effective housing subsidy program

There is therefore a strong precedent for providing subsidies to get people into a secure dwelling of their own. The federal government's First Home Owners Boost (FHOB) program in 2008-09 allocated direct grants of \$14,000 to buyers of new properties *in addition* to the \$7000 First Home Owner Grants (FHOG) first homebuyers received from the state government. It is worth noting that a **total of \$13.1 billion** has been

¹ For example, one adult (\$42,386), sole parent (\$58,638 - \$86,753 depending on number of children), or couple with children (\$72,653 - \$100,768 depending on number of children). NRAS program information at http://www.fahcsia.gov.au/sa/housing/progserv/affordability/nras/Pages/nras_info.aspx

spent on these schemes between 2000-01 to 2009-10, with the total expenditure of the First Home Owner Grant and the First Home Owner Boost estimated to be \$10.5 billion and \$2.6 billion respectively².

The City of London *Convert-To-Rent / Rehabilitation Assistance Program*

In 2006 a national program was introduced by the Government of Canada for rehabilitation and conversion of empty properties to affordable rentals. The 'Residential Rehabilitation Assistance Program' (RRAP) was administered through the Canada Mortgage & Housing Corporation (CMHC) and \$9.5 million was allocated in Ontario for 2006-07.

In response, the City of London (population. 353,000) introduced its own *Convert to Rent* program in 2008 in an effort to directly address both the chronic shortage of affordable rental accommodation in the city and the number of empty buildings (particularly second and third floors) in its Downtown areas that stood testament to the flight of retail and commercial tenants to shopping malls and new subdivisions in outer suburbs. The program was initially introduced as a way to start momentum in revitalizing local neighbourhoods and economies, and make better use of existing infrastructure. It has been far more successful than originally anticipated and is described as having a "a snowball effect" on the revitalisation of the City.

The scheme has also inspired a number of unexpected programs in the vital area of supported housing, including:

- Conversion of a church to 12 units for people with intellectual disabilities
- Conversion of an office to 20 accessible units for people with brain injuries
- Conversion of a shopping mall into a library and 72 units

The broader federal initiative (the CMHC's *Residential Rehabilitation Assistance Program*) has been successfully adopted in many other provinces and cities across Canada. Examples of conversions include:

- An unused school into 19 affordable housing units in Quebec (funding of \$81,000)
- An old rope warehouse into 28 affordable one-bedroom rentals in Brantford, Ontario (funding of \$672,000³)
- A former medical office building to 30 independent living rental units for formerly homeless singles with a history of mental health issues in Toronto, Ontario (funding of \$632,000⁴).
- An unused wing of a health centre into 58 affordable and accessible rental apartments for seniors and people with disabilities in New Market, Ontario (funding of \$1.04 million⁵)
- Two almost derelict buildings into 34 new apartments and a child care centre for children at risk in Prince Albert, Saskatchewan (funding of \$1.43 million⁶)

² Parliamentary Library of Australia (2010) 'Expenditure on first home owner schemes'. Memorandum of 30 July 2010

³ <http://www.cmhc.ca/en/inpr/afhoce/prpr/loader.cfm?csModule=security/getfile&pageid=212359>

⁴ <http://www.cmhc.ca/en/inpr/afhoce/prpr/loader.cfm?csModule=security/getfile&pageid=224018>

⁵ <http://www.cmhc.ca/en/inpr/afhoce/prpr/loader.cfm?csModule=security/getfile&pageid=164463>

⁶ <http://www.cmhc.ca/en/inpr/afhoce/prpr/loader.cfm?csModule=security/getfile&pageid=212353>