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24<sup>th</sup> October 2008

Committee Secretary  
Community Affairs Committee  
Department of the Senate  
P O Box 6100 Parliament House  
CANBERRA A.C.T. 2600

Via email: [community.affairs.sen@aph.gov.au](mailto:community.affairs.sen@aph.gov.au)

Dear Sir,

**INQUIRY INTO THE NATIONAL RENTAL AFFORDABILITY SCHEME BILL 2008  
AND THE NATIONAL RENTAL AFFORDABILITY SCHEME (CONSEQUENTIAL  
AMENDMENTS) BILL 2008**

We welcome the opportunity to provide some views on these two very important Bills currently before the Senate. Our submission is comprised of this letter and is relatively short. Our principal focus here is to raise issues that are directly relevant to the interests of low income earners needing affordable rental housing accommodation.

**1. National Rental Affordability Scheme**

We warmly welcome the introduction of this measure that recognises the plight of low income earners in the private rental market. Whilst it is true that there are still some places in Australia where the private rental market is affordable, in the Australian Capital Territory the situation is extremely stressful for anyone on a low income. Later we will address the limitations of the scheme for A.C.T. citizens on low incomes, but this should not be taken as a general criticism of the Scheme.

**2. National Shelter Submission**

We endorse the submission provided by National Shelter and respectfully draw the Committee's attention to its contents.

**3. Regulations**

Our submission here relates to provisions that will affect "eligible tenants" and most of our concerns are raised by way of queries about the meaning behind certain provisions. All references here are to the draft Regulations [approved for exposure 14/10/2008] unless otherwise stated:

(i) The term eligible tenant appears to be tied to a specific property [18(1)(a) & (b), (3) (a)] and we ask if this means that eligibility is contingent on having been granted a tenancy? If so, this means that the right to pay a discounted rent is dependant on a lessor initially granting the tenancy. There are well researched barriers to people on low incomes obtaining private tenancies [Short P, Seelig T, Warren G, Susilavati C, Thompson A, Risk-assessment practices in the private

rental sector: implications for low-income renters, AHURI Final Report No. 117, May 2008] especially with respect to the level of income of applicants. Consequently it can be expected that lessors, even in respect of an approved rental dwelling [4, 11, 19], will tend to grant tenancies to prospective tenants who have levels of income in the upper range of the initial eligibility limits [18 (4) column 3]. This could militate against people on lower incomes, for example on income support, or receiving the minimum wage, becoming eligible tenants.

(ii) A further issue relating eligible tenants is that as it seems that their eligibility is tied to a specific tenancy, are there to be any protections against a lessor using tenancy laws that allow for unfair terminations, for example, no cause evictions? If not, this puts eligible tenants at risk of losing their eligibility through loss of their tenancy. They may still be eligible for another approved rental dwelling [11 & 19], but if their income has increased beyond the initial limits they will be ineligible. Even if their income still satisfies the initial income limit there is no assurance that they will become an eligible tenant again. As well, their chances of becoming an eligible tenant again will tend to diminish the lower their income is in comparison to other potential eligible tenants [see (i) above].

(iii) Again with respect to eligible tenants, is there to be any protection against a lessor terminating the tenancy through, for example, a no cause eviction, so that they can obtain a rent increase [15(5)] by granting a new lease? Further, if an approved participant is able to transfer an allocation to a different rental dwelling [19], are there to be any protections for an eligible tenant to prevent loss of eligibility and tenancy whilst they remain in the original approved rental dwelling?

(iv) Is it intended that loss of eligibility due to an increase in income [18(3)(c)] will become a trigger for an approved participant to terminate the tenancy, if so how and with what notice requirements?

(v) We congratulate the government for including proposed regulation 15(2) regarding compliance with, *inter alia*, state and territory landlord and tenancy laws. For greater clarity we respectfully suggest that real estate agent regulation laws be included.

#### **4. LEVEL OF INCENTIVE/SUBSIDY**

Although the matters raised here still relate to the draft Regulations we have identified them separately.

Our principal concern with the Bills and Regulations in their current form is that in markets where private rents are very high the Scheme is unlikely to generate affordable housing for people on lower incomes, for example, on income support or receiving the minimum wage. There are very substantial variations between local rental markets around Australia but only a single national level of subsidy so that tenants pay a maximum of 80% of the market rent.

Draft Regulation 17 which proposes the 'formula' for determining the market rent value for an approved rental dwelling appears to provide for a

process that is confined to the condition of the premises and whether they are furnished fully or partially. In our respectful view a valuation made under this regulation would not be confined to these two points, but would also take into account other matters such as those as outlined in the rent increase provisions in draft Regulation 15(6) because of the use of the term “market rent” in 17(1). For the A.C.T., as elsewhere, this will have the effect of market value rents conforming to local private rental market prices. A condition of allocation [principal Bill clause 7(2)(b)(ii)] is that the rent charged is to be at least 20% less than the market value rent, without regard to any unaffordability problem that might continue to exist.

The problem for A.C.T. citizens is that this will severely limit the Scheme’s efficacy to those who are at the upper end of the initial income limit. The following gives a very broad, and we stress broad, analysis of the impact of the Scheme:

- a. For someone receiving the minimum wage [\$543.78pw] in the A.C.T living in a one bedroom unit: Inner Central median rent [REIA, Real Estate Market Facts, June quarter 2008, p 11] is \$330pw, under NRAS \$264 pw is payable, giving an affordability level [proportion of income in rent] of 48%; Inner South median rent is \$250pw, under NRAS \$200 pw is payable, an affordability level of 36%; West and North median rent is \$290, under NRAS \$232 is payable, an affordability level of 42.7%. No median rents for one bedroom units are available to us for the Outer South. Note that Commonwealth Rent Assistance is only available to people who are already in receipt of a Centrelink payment or Family Tax Benefit.
- b. For someone receiving the Age Pension (single) and Commonwealth Rent Assistance (no dependent children) the comparable affordability levels under NRAS for a one bedroom unit are: Inner Central 79%, Inner South 60%, Central and North 69%.

We readily admit that the affordability levels listed above highlight some of the more, but not the most, significant housing stress problems continuing despite the Scheme operating in the A.C.T. Nevertheless, we give these analyses as an illustration that the Scheme will not have the same success in all markets, and arguably in those locales where private rental housing stress is at its worst because of extremely high rents it will not necessarily provide affordable housing. However, it must be stated clearly that NRAS will improve affordability for each of the people mentioned above, but unfortunately, it will not make their housing affordable.

For this reason we would urge the Committee to recommend two things. First, that the Scheme be adjusted so as to increase the level of subsidy for markets, and possibly sub-markets, where the operation of the Scheme is unlikely to ensure affordable housing for people in receipt of income support and/or receiving the minimum wage, or at those levels, because of very high market rents in those markets. Second, for the government to increase the level of funding for social housing so as to improve social equity outcomes derived from any increased Commonwealth housing funding, by ensuring that social housing is a

viable option for people who will still face severe housing stress despite the Scheme operating in particular markets.

### **CONCLUSION**

Our submission raises some important points for us and we recognise that the A.C.T. has some special characteristics that may make the picture starker than in other jurisdictions. Nor do we suggest that we have all the solutions to the problems outlined above. Nevertheless, we emphasise that the Scheme needs to be viewed as part of a broader housing affordability package that includes incentives to home ownership and improved funding for social housing. It will improve housing affordability, but there are some markets where it will have a more beneficial effect than others.

Once again we thank you for the invitation to submit our views to you.

Yours faithfully,

ACT SHELTER

Per: Jeffrey Dalton  
Executive Director.