



**Aged & Community
Services • Australia**



ACSA Submission

NATIONAL RENTAL AFFORDABILITY SCHEME

Submission to the Senate Community Affairs Committee

OCTOBER 2008

ACSA is the leading national peak body for aged and community care providers and represents around 1,100 church, charitable and community-based organisations providing housing and supported accommodation, residential and community care services to over 700,000 older people, younger people with a disability and their carers.

ACSA members make up about two-thirds of Australia's rapidly growing \$7 billion aged and community care industry. They provide over 40,000 retirement village units across Australia, making ACSA the largest industry body representing the retirement village sector.

The Federal Government acknowledged that the success of NRAS will be significantly influenced by the commitment, capacity and innovation of the not for profit sector response to the scheme. Consequently ACSA was funded as a NRAS Partnership Facilitator to ensure that the aged care sector was an active participant in the scheme. This submission is informed by the series of NRAS workshops that ACSA recently completed with members across the country as part of this facilitator role.

This submission will address the three principal issues that caused the referral of the Bills to the Senate Community Affairs Committee.

Is the program targeted to deliver affordable housing to those in greatest need?

Housing affordability has been at an all time low in Australia with supply issues at the heart of the problem. While much of the current focus on housing affordability is on first home buyers, a significant number of older people are facing a housing crisis of their own. The scarcity of affordable housing is becoming a serious contributor to poverty and disadvantage among older Australians. Prime Minister Rudd acknowledged the housing affordability problems among older people when he quoted the NATSEM estimate that in March 2008 112,000 households headed by a person aged over 70 were in housing stress, compared with 56,000 in 2004, a 100% increase in four years.

The underlying causes of the housing problems particular to older people are set to worsen, as the size of all the age cohorts of older people is expected to increase dramatically over the next two decades. AHURI has projected that the number of people aged 65 and over in low income rental households will increase by 115% from 195,000 in 2001 to 419,000 in 2026.

The aged care industry is not only growing but undergoing structural change with older people entering residential care with increasingly higher levels of need. This is a result of the ageing in place policy, funding changes and the greater use of community care service options. Low income older people who would previously have accessed low level residential aged care now either chose not to do so and/or have difficulty finding a place.

Public housing has not been able ease the strain on renters due to the chronic lack of investment in upgrading and developing new stock and increased targeting to those with complex needs. Our members are well placed to provide housing for older Australians if they are supported to do so.

ACSA understands that the Federal Government is addressing the affordability issue from a number of fronts, with NRAS being just one, albeit a major funding initiative. NRAS does not purport to target those in greatest need. The guidelines state that "the scheme aims to help address the shortage of rental housing and rising rents by facilitating the supply of new lower-rent homes..." and this is demonstrated by the level of income allowed by tenants.

ACSA eagerly awaits the announcement and introduction of the new National Affordability Housing Agreement (NAHA) which will capture public housing, homelessness and other forms of social housing, including NRAS. We are looking for the NAHA to also deliver considerable growth in the

quality and quantity of public housing. We support this segmentation of housing support with deeper subsidies for those in greatest need and shallower subsidies for those with a greater capacity to pay. Such a system allows for mixed developments where people with complex needs are not grouped together in quasi “ghettos.” Shallow subsidies can also support key workers on low incomes, such as many aged care staff, to live closer to their jobs.

In summary, ACSA supports the current targeting of NRAS:

- **as part of a package of housing affordability programs including similar financial support to public housing and other social housing programs through the NAHA; and**
- **with older people as a special needs group.**

Is NRAS an efficient and effective way to deliver increased affordable housing?

ACSA is not in a position to evaluate NRAS as a model against other housing models. However we understand that similar schemes in the USA and United Kingdom have been highly successful and therefore should be tried in Australia.

Do the Bills facilitate investment in social housing by not for profit community housing organisations?

Much of the discussion about not for profit providers participating in NRAS has centered around the Community Housing Sector. While they have a legitimate and important role to play the same can and should be said about the aged care industry. ACSA members operate over 40,000 retirement or independent living units (ILUs). They come in many forms. They can be part of villages where residential aged care facilities and community care also operate to support older people or they may be a part of a small cluster of units that operate independently in the community, particularly in rural and regional areas.

The industry contains many large organisations with strong balance sheets and robust organizational infrastructures. The current credit problems facing housing developments will favour these types of organizations with significant assets including well located land and capital assets which can be leveraged. The strength of our industry’s claims was recognized by the Minister of Housing, Tanya Plibersek, when she funded ACSA to be a NRAS Partnership Facilitator.

Our sector has been conservative in its assessment of NRAS and many are working towards applications for the later rounds. The current scheme would benefit from some enhancements to ensure that it is attractive to providers, complements the current seniors housing models in Australia and promotes innovative models. The enhancements we suggest do not all require legislative amendment but are presented for completeness. Also ACSA recognizes that the housing situation is critical and would not want to see the program delayed unnecessarily when enhancements may be able to be made administratively.

Tax Status

There is currently confusion about whether NRAS is considered as a legitimate “charitable” activity and we understand that discussions are currently in train with the ATO to clarify the matter. Our members will not participate in NRAS if there is any question of a threat to their PBI status so this needs to be resolved urgently, whether legislatively or by other means.

Independent Living Units

AHURI (2004) estimates that the non government sector currently holds 34,700 Independent Living Units that were developed under a Commonwealth Government, capital subsidy program that ceased in the early 1980s. Many are old and not suitable by today's standards and AHURI believes the community risks losing much of this social housing for older people. Currently they provide 27% of the social housing for older Australians. Some of these providers have significant tracts of land suitable for affordable housing and have existing ILUs in desirable and expensive metropolitan locations. It could be argued that the Government has some obligation to assist with upgradings to todays standards given that they contributed to their original construction.

The current NRAS guidelines state that "FAHCSIA will also consider approving the National Rental Incentive for rehabilitation of dwellings where those dwellings would otherwise be closed" and appropriate evidence must be provided eg builders report and Board decision. Such a proposal must be part of a bigger project that increases the total number of dwellings. If there is no increase in nett numbers then the proposal will be afforded a lower priority. Some State Governments have indicated that they would not recommend any of these upgrading projects.

This policy regarding ILUs also ignores the realities of many ILU developments. Many were built 40 to 50 years ago and have aged with the residents of the suburbs and are therefore ideally positioned in areas where older people live and want to continue to live. If ILUs are forced to close in order to attract funding, our members tell us that it can be difficult to build at the same density in some capital cities so some housing numbers can be lost.

ACSA is aware of a number of providers who are planning on closing their ILUs because of a lack of capital for upgrades. We believe that NRAS is an appropriate vehicle for the ILUs to be rehabilitated and believe they should be afforded the same priority as new projects. It seems counterproductive to develop new rental properties while watching old, usually well located, units close. The nett effect is no increase in stock.

Subsidy Levels

The level of subsidy is a problem for many of our members. Even when a provider is able to contribute the land to the scheme the figures do not necessarily work. Some providers can only arrive at a breakeven position if they sell some or all of the properties at the end of the 10 years of subsidy. This does not sit well with their mission, which generally means providing ongoing housing at low rents, and may not be possible given the other developments and constraints on their land. We understand that NRAS is an incentive that is designed to attract other investments or grants. Some state governments have made additional funding available for NRAS but have specifically targeted this to their Community Housing Providers and excluded aged care providers. At a minimum we believe that aged care providers should be treated in the same manner as Community Housing Providers.

Of greatest concern are our rural, remote and indigenous providers where incomes and rent levels are low. If NRAS can not be made to work in these locations then alternative funding arrangements need to be developed to ensure an equitable distribution of affordable rental housing.

Compliance

Overall the subsidy levels are small so reporting and accountability requirements need to be kept to a minimum to preserve the value of the incentive. In some jurisdictions aged care providers are preferred or required to be registered as community housing providers to gain NRAS support. The aged care industry is highly regulated already and imposing another set of requirements will add to compliance costs for no gain. The Commonwealth and States need to streamline compliance.

Project Size

The guidelines state that 20% of places will be allocated to small projects of between 20 and 100 while the vast majority will support large projects above 100 but this will not necessarily be the case in later rounds. Many aged care providers will have smaller projects, particularly those in rural and regional areas where there may not be demand for large scale projects. ACSA believes that small projects should be supported and that applications should be judged against need and the appropriateness of the response and should not be vetoed on size.

Creative uses of NRAS should be encouraged. While these suggestions are not as urgent they warrant investigation:

- The models of accommodation for older people can operate in ways that are not entertained by NRAS. For example it often suits an older person to pay charges in a lump sum or to pay an ongoing contribution in order to maximise pension levels and benefits. Models where tenants pay lump sums may suit both tenant and provider;
- With the introduction of a new funding instrument for residential care it seems that low care facilities may not be viable. NRAS may have a role in turning these low care facilities into assisted living units; and
- Models should be developed and disseminated to the sector to demonstrate how mixed developments (such as a combination of for sale, rental and DMF) can operate either within or outside a village setting.

In summary, ACSA believes that it is an excellent time to engage aged care providers in the provision of affordable housing but that attention should be given to:

- **tax status problems;**
- **the redevelopment of ILUs;**
- **subsidy levels – particularly State Government contributions;**
- **compliance;**
- **project size; and**
- **innovative housing solutions.**