

Submission to IPART Review of Rent Models for Social and Affordable Housing

By Inner West Tenant Group

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1. How should the safety net and opportunity tenant cohorts be defined? Are there additional cohorts or sub-cohorts with distinct characteristics and needs?

The safety net cohort has been described in the Discussion Paper as tenants who are aged, have a disability, and have severe and/or persistent mental illness. Clearly, aged tenants without means to house themselves in the private market will require lifelong access to social housing. People with disability, whose disability is severe and permanent, will also require lifelong access to social housing, unless their housing needs can be better met by disability organisations that provide self-contained accommodation that promotes independent living. The definition of severe or persistent mental illness may include people who were diagnosed with a mental illness before the adoption of the contemporary recovery model. Social housing providers could work with mental health organisations to identify people in social housing with mental illness, even severe and persistent mental illness, who could benefit from transition to work programs.

The opportunity cohort has been identified in the Discussion Paper as jobseekers receiving Newstart, and young people living with their parents or other family members. As jobseekers transition to paid employment, their ability to house themselves in the private market has been identified as a factor contributing to living independently outside the social housing sector. However, many jobseekers, as identified in the Discussion Paper, live in areas where they face discrimination. Providing assistance to this group in the form of Rentstart and similar packages to access private rental in areas of greater employment opportunities may result in this group transitioning more quickly to independence in the private rental market without any form of

subsidized support. However, Rentstart assistance and similar programs are time limited, and a jobseeker's inability to find work, despite relocation described above, may result in significant social disadvantage when rental subsidies are withdrawn. Also, newly attained employment may not be sustainable, for a variety of reasons, leading to a risk of homelessness if social housing subsidies, in all their forms, have been withdrawn.

With regard to young jobseekers, this group is likely to enter the workforce on low pay that will not enable them to sustain a tenancy in the private rental market.

The Inner West Tenant Group would like social housing providers to allow a time period of at least 12 months, and optimally 2 years, after a jobseeker gains employment before social housing is withdrawn from this group.

2. Are there any other issues with the current social and affordable housing system in NSW that are relevant to designing the eligibility criteria and rent setting framework?

The upper income limit at which social housing tenants become ineligible for social housing needs to be increased. Social housing providers could implement eligibility criteria that take account of the variation of private rents and housing affordability in different geographical areas. This way, social housing tenants who have community ties in an area of lesser private housing affordability could retain their social housing and avoid disruption to the household by having to move a significant distance from their current social housing to find affordable accommodation after they exceed the current limit.

3. Do you agree with our proposed assessment criteria for the review?

Assessment criteria 4.1.5. – This criteria appears to link rent payable with location. Any proposal to charge more rent in areas where the market rent is more expensive will place tenants and applicants in those areas at a disadvantage compared to tenants in areas where market rent is less expensive. This policy already affects tenants in the inner west if they reach an

income where market rent becomes payable on the basis of income. Many tenants who reach this limit do not earn enough to live adequately while paying market rent in areas like Lilyfield, Balmain, Rozelle and Leichhardt. Any proposal to worsen this disadvantage by linking subsidized rents to market rent in different areas would create disadvantage. The Inner West Tenant Group supports income-based rent assessment.

Assessment criteria 4.1.10. – The Inner West Tenant Group does not believe that commercial sustainability is necessarily a benchmark of success for social housing providers. Given that 95% of public housing tenants receive Centrelink benefits, the provision of subsidized housing represents a significant plank of a social welfare system that ensures housing stability for the most vulnerable people in society. The provision of affordable housing by social housing providers would help providers by increasing their rental revenue but this provision should not be at the expense of social housing properties. The Inner West Tenant Group does not support the transfer of properties from social housing allocation to affordable housing allocation, but supports the acquisition of additional properties to provide affordable housing options for social housing tenants whose incomes exceed the income eligibility for social housing.

4. Are some criteria more important than others, and why?

The Inner West Tenant Group does not believe some criteria are more important than others. Each criteria has equivalent importance and, taken together, should demonstrate the need for social housing rent models that provide security and sustainability for social housing tenants.

5. Is it appropriate to more narrowly define the eligibility criteria for social housing to target people with the greatest need for this form of housing assistance? If so, how should the target group be defined?

The present system of prioritizing social housing applicants according to need for housing, for example giving priority to those applicants who are homeless or facing homelessness, already targets people with the greatest need.

Rather than defining the eligibility criteria more narrowly, the Inner West Tenant Group would like to see the eligibility criteria broadened, particularly the income eligibility threshold for the general wait list, to more accurately reflect the impact that rising private rents are having on people on low incomes. In addition, a locational 'loading' on the income eligibility limit for the general wait list would recognize the difficulties people on even moderate incomes are facing to maintain their links to their communities.

Currently, many people on low incomes, including those that are working, are facing unaffordability in the private rental market and experience housing stress. Paying 50% of income in rent, and even more in some cases, families are going without essentials and relying on emergency relief to make ends meet. Narrowing the current eligibility criteria for social housing might create an immediate gain for the most needy in our society but such a narrowing risks casting even more single people and families into a private rental market they can barely afford and likely cannot sustain over the longer term.

6. What alternative assistance would be most effective for those applicants for social housing who meet the income threshold but do not have a priority need for housing?

Private rental subsidies for up to 2 years would greatly assist those who meet the eligibility criteria but do not have a priority need. The State Government's announcement in its *Future Directions* paper of increases to these products is welcomed by the Inner West Tenant Group. However, it is anticipated that much of this increase will be absorbed by social housing tenants being temporarily relocated while their communities are redeveloped, for example at Redfern/Waterloo, and will, consequently, do little to reduce the general wait list.

7. Should people receiving housing assistance have their eligibility for assistance reviewed as their circumstances change? What criteria should be used?

The Inner West Tenant Group supports reviews of social housing tenants to determine their continuing eligibility for social housing. Assessing tenants' circumstances, including income, on a regular basis will ensure that social housing is directed towards those in most need, that is the 'safety net' cohort. However, some tenants' change in circumstances may only be temporary and losing social housing may result in future risk of homelessness. For example, a social housing tenant with an acquired disability may receive a one-off payment of damages. If this financial asset is deemed to qualify a social housing tenant as able to meet their own housing needs in the private market, a person with disability may face severe financial disadvantage when this payment has been spent on private rent. The person's continued eligibility for Disability Support Pension should be used as an indicator of social housing need and place the person in the 'safety net' cohort, not the 'opportunity cohort'. In these cases, alternatives to cessation of social housing tenancy should be considered, such as higher rent payments for a calculated period. By this method, a person with disability will contribute more rent while they can afford it but retain their social housing tenancy to maintain their housing stability when the one-off payment is diminished. In calculating rent payable, social housing providers should have regard for disability-related expenses a person with disability may need to make from the aforementioned one-off payment, for example medical and domestic support costs.

8. What are appropriate transfer policy settings that take into account the principles of equity, and costs of transfers as well as the benefits?

The present system, whereby tenants pay their own removalist costs if they initiate request for transfer and social housing providers pay in the case of management transfers, is an appropriate policy. With regard to both cases, transfer policies that recognize the effect of relocation on tenants, particularly loss of community, should be adopted. Such a policy could include welcome packs distributed by social housing providers.

9. Is the current income threshold for eligibility for public housing lease renewal set at the appropriate level? What are the pros and cons of reducing this threshold?

The current income threshold for eligibility for public housing lease renewal does not take into account the variability of private rents in different geographical locations. Maintaining community ties is important for a number of reasons, including maintaining employment, continuity of service delivery, school attendance for the household's children, and social supports. Currently, social housing tenants who lose their public housing because they exceed the current income threshold for eligibility may have to relocate a great distance to secure a sustainable private rental property.

The Inner West Tenant Group would also like the income eligibility threshold to be applied after a qualifying period. Currently, public housing tenants who exceed the income threshold for eligibility may have their tenancy terminated, for example where a public housing tenant commences employment that pushes the household income above the limit. For many of these tenants, their employment may not be sustainable, either because their employment is on a casual basis, or because a long-term return to work is unachievable as may be the case for people with disability who re-enter the workforce. A qualifying period of 1-2 years before a social housing tenancy is terminated would prevent public housing tenants who cannot sustain workforce participation spiraling into a cycle of rental debt and potentially homelessness.

10. Is the order in which clients are currently housed appropriate?

The current system of prioritizing applicants with the greatest need is both equitable and appropriate. Making applicants aware of areas with the shortest waiting time by methods other than online would assist applicants to indicate these areas.

11. Is the prioritisation policy the most efficient given the current supply/demand imbalance?

The current prioritization policy recognises the differing needs of applicants on the general wait list. The inadequate response to those needs, with applicants with priority waiting up to two years, is not the result of a fault with the policy of prioritization but is the result of inadequate stock to meet demand. Revising

the prioritization policy to accelerate the progress of one or other group of people at the expense of other groups only determines who remains homeless and who is housed, but does not address the key issue which is the number of social housing properties available.

12. Are the current assistance measures sufficient or are there additional assistance programs that could be offered? How can the assistance measures be targeted appropriately?

Current assistance measures are sufficient and could be augmented with the provision of funds to assist in reasonable moving and storage costs. Too often, the effect of housing insecurity is the loss of household goods because tenants do not have the means to move their goods, and/or pay for storage costs of goods.

13. Could the current suite of assistance measures be simplified?

One of consequences of simplification may be the loss of measures that recognise applicants' varied circumstances. If the application process for various housing assistance products could be simplified without compromising the variety of products on offer, this would be beneficial for applicants.

14. Are there any other options for changes to eligibility, prioritisation and wait list policies that could be considered for this review?

Including provision for applicants to consider offers outside of their preferred allocation zone could facilitate quicker take up of housing offers. For many applicants, a property a few blocks outside of their preferred allocation zone could be acceptable. Housing policy has varied on this issue over the years.

15. Is a segmented rental framework appropriate for social housing? Could it also be applied to affordable housing?

Any rental framework based on income of applicants and recognises and attempts to alleviate the disadvantage of low income earners is an appropriate rental framework.

16. Should a tapered subsidy model be considered for social housing and affordable housing in NSW? If so, should it only apply to a segment of the tenant cohort?

17. Should social housing properties be able to transition to affordable housing?

Yes. If social housing properties could be transitioned to affordable housing, tenants who gain employment could remain in their properties and pay more rent. This would result in increased revenue for social housing providers, who would be able to use the funds to create more social housing for those in the greatest need.

18. Which specific rent model options do you prefer and why? Does a specific option work for all types of tenant or only a specific cohort? How do the different options contribute to the financial sustainability of the system? What further work is required on elements of the rent calculation, including subsidies, for each option?

19. Do you think any of the rent model options are not worth assessing, and why?

The Inner West Tenant Group does not support rent model options that would result in higher rents for social housing tenants living in more expensive geographical areas. Calculating rents on the basis of area for social housing tenants would result in financial hardship for some tenants. Social housing properties in more expensive areas exist because social housing is part of the

history of those communities. Social housing tenants who live in these communities have significant ties to their communities, in some cases going back decades. For many of these tenants, the gentrified suburbs they live in were previously working class areas. These tenants already face financial disadvantage, with local pricing policies pitched at the more affluent members of the community. To increase the rents of social housing tenants in more expensive areas would place a financial burden on tenants whose incomes who do not differ from those in less expensive areas.

20. If an income-based rent model is retained, should the percentage of household income used to calculate social housing rent be changed?

The current model, increasing from 25% to 30% as income increases, is equitable. This model recognizes tenants' capacity to pay depending on their household income.

21. If an income-based rent model is retained, should payments such as Family Tax Benefits Part A and B be assessed at the same rate as income from other sources?

The Inner West Tenant Group does not support the assessment of Family Tax Benefits Part A and B as income for the purpose of assessing rent. This benefit is paid to families to assist them meet the costs of raising children and 100% of the benefit should be used for child-related costs, not rent. If 25-30% of the Family Tax Benefit was to be paid in rent, the result would be a financial disadvantage to children in the neediest of families.

22. If an income-based rent model is retained, should currently exempt income supplements be included in assessable household income?

The administrative costs of assessing income supplements may outweigh any increased revenue to social housing providers if income supplements were to be assessed. In addition, taking a percentage of income supplements may result in financial hardship for very low income households. For example, the

Telephone Allowance, paid quarterly, does not currently provide anywhere near the cost of maintaining a home phone. Assessing the Telephone Allowance as income for rent purposes would further reduce the amount a tenant has to contribute towards their telephone costs. Similarly, the twice-yearly income supplement of just over \$100 would only provide approximately \$50 per year to social housing providers, if this amount were to be assessed as rent, but would reduce the amount of income support going directly to the tenant.

23. If an income-based rent model is retained, should income from work be assessed on an after-tax basis?

An income-based rent model that assessed after-tax income would greatly assist working families. There is some merit in such a model. However, if an after-tax model was introduced, any tax rebate received by the tenant should rightly be considered as 'after tax income' and accordingly assessed. If this were the case, administrative processes would have to be put in place and the costs of such processes factored in to any cost-benefit analysis.

24. If an income-based rent model is retained, what other possible improvements to the current rental model should we assess?

Assessing after tax income, rather than gross income, would greatly relieve the burden on working tenants. Any move in this direction would need to include provision for assessing rent payable on a tenant's yearly tax return. In assessing the viability of this, administration costs need to be factored into the overall gain for sustainability of social housing providers.

25. What are your views on automatic deduction of rent? Are there other options to make rent collection more efficient?

Automatic deduction of rent is the most effective method of collecting rent. However, the current system, whereby social housing providers are authorized to increase the deduction from fortnightly Centrelink payments has resulted, on a number of occasions brought to the Inner West Tenant Group's

attention, in tenants' rental deductions being increased to take 50 – 100 % of tenants' Disability Support Pension. On one occasion, this was the result of error, on another the recovery of rent arrears. Regardless of the circumstances, a rental collection system that leaves tenants without money to live on is flawed. The Inner West Tenant Group would like to see a policy put in place that requires social housing providers to negotiate with tenants with regard to the total amount of fortnightly rent payable, and to have an upper limit of 30% of income set by the rental collection policy.