

## IPART REVIEW OF RENT MODELS FOR SOCIAL AND AFFORDABLE HOUSING

### 1a) How Should “safety net “and opportunity tenant cohorts be defined?

As a Community Housing Program, affordable housing program, we are funded to provide services for specific target groups. These are people experiencing Domestic Violence, homelessness in general or families in jeopardy of losing tenancy. Consequentially identification/defining of cohort groups for us flows naturally first and foremost based on needs.

The next criteria are household composition. For example, one of our offices only deals with single women, with or without children escaping Domestic Violence. Another branch of our services deals with homeless people in general (within a defined age group) and another office works with “families” in risk of homelessness (within a defined age group)

The last criteria that was flagged for defining cohorts was source of income assessment. For our service technically this is not a defining tool, as we are not restricted to low income clients wholly and solely. Some DV clients work and are not in receipt of a government allowance. Rents are adjusted to type of financial situation and do not exceed median rental price of each property.

So in summary our services use several forms of defining the opportunity cohorts that we are legislated to work with are used. I.e. Needs, family structure and in some instances income. There is no one criteria to generalise our clients because of the nature of our funding.

### 1b) Are there additional cohorts or sub cohorts with distinct characteristics and needs.

Most assuredly there does exist sub cohorts within the opportunity group as previously discussed above. This is reflected by the variety of different types of SHS providers here in NSW.

- 1) Single woman and children escaping DV
- 2) Youth homelessness male or female up to 25 yrs old . No children
- 3) Families at risk of homelessness
- 4) Homeless single woman
- 5) Homeless single men

All of these groups have distinct characteristics and needs

In addition to this list of sub cohorts in the opportunity group, within each sub cohort there is a sliding scale as to the degree in which they are capable of becoming independent and then no longer require social housing / government allowances. Additional needs / wrap around services/time add to the complexity of each individual case. Instances of post traumatic trauma, mental illness, addictions, poor education, can disaffect a client from achieving the required goal of independency. Yet their situation does not qualify them for the Safety net group. In essence they fall part way between the two designated cohort groups.

2) [Are there any other issues for affordable housing system in NSW that are relevant to designing eligibility criteria and rent setting framework?](#)

I believe that there has been a good coverage/understanding and implementation to date in addressing the issues in areas such as incentives for workforce participation, inequities between households and balance between supply and demand.

There is an area in closing the gap between social housing and the private rental market that may need to be addressed. In particular, to secure tenure in private rental. For example, we have seen on several occasions where a client who would be able to afford private rental of sorts, but is unable to even apply. The reason for this being that a client who has say previous private rental history, and has been black band on the "tica" system for various reasons is unable to apply for private rental for up to 2 years. This is a temporary barrier; however, it forces the client to have no other option than to enter into the public housing system. Perhaps if there was some sort of government backed guarantor (bond)/ incentive for private rental companies to "take a risk" and disregard the "tica" status, then the client can remain within the private rental area and not transition backwards into public housing. Clients may even be asked to pay brokerage on this bond to sustain their tenancies.

Also, there is a concern that Clients have done "the right thing" and achieved employment, moved on to private rental and due to unforeseen circumstances lost their job, and private rental. There is no fall back security of tenure in public housing. These people go back to square one on the general waiting list and this as you know can be up to several years. Perhaps this group who have

in all honesty done the right thing should have a fall back plan so that they are bumped up further on the waiting list.

In the area of financial sustainability of social housing, as it stands it will slowly worsen in my opinion due to increasing maintenance costs, age of properties, declining average rent and declining grant funding. It's important therefore that the implicit subsidy or "short fall" between rent and market rent be shortened. Delivery of grants should be based on actual statistical needs of numbers in social housing in a specific regional district and not a general % of the NSW population.

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

Yes. It is a very broad and wide ranging and encompassing review of all aspects that influence social housing

4) Are some criteria more important than others and why?

Yes, some criteria are more important but in saying so it depends on what particular aspect one is looking from.

a) from a social perspective

b) functional work delivery model or

c) financial sustainability of the public housing system in general.

If we look from a social prospective then the criteria of high importance I would say is workforce participation incentives. I think that this area is a natural process in which the progressive transition away from public housing can occur. In addition, by aiding people to help themselves they create a situation in which lead to positive impacts on their lives and wellbeing on many emotional levels as well. There has been a number of incentive packs/ideas so far. Any further moves in this area would be very beneficial.

From a functional work delivery model then the criteria for affordability for tenants would be a high priority

In the area of financial sustainability, from a property managers point of view, I believe of all the criteria this ranks the one of highest needs to be reviewed. As things stand now it is extremely difficult to run affordable housing for opportunity groups on a business model. The concept of rent going towards

maintenance, tenancy manager salary, council rates, water rates is good in theory. But not all SHS services are playing on an even playing field here and as such some will be more disadvantaged than other agencies.

Demographics of clients differ for each SHS service. For instance, higher rents can be charged for single woman with children and the number of children as they receive PPS and Family tax which is quite substantial. Then at the other end of the scale clients may only be on Newstart which is significantly less. There is therefore no consistency in rent generated from tenants.

Outgoing expenses such as Council rates and water usage charges are different from region to region. If one's service is close to or in a major city council rates can be significantly higher as opposed to remote rural areas. We have had to pass on the water usage charge to all properties that are not crisis. This aspect is sustainable but rates are quite high in our region and a significant portion goes to paying this. As a result our service is left with the struggle to maintain basic maintenance and minimal working hours for a tenancy manager. Slowly over time there will be a decline in the properties themselves and considerable stress to workers to deliver an effective and sustainable business model.

If this major variable in outgoing expenses between SHS was eliminated or a flat levee of some sort charged for council rates and subsidized by FAC's it would go a long way to rebalancing a sustainable working model.

Once this is achieved not only will basic maintenance occur readily but slowly additional improvements over time to the properties will happen. As properties improve this has a flow on effect to tenants. Peoples frame of mind improves which then cycles to improved optimism, attaining jobs etc. and eventual transition out of social housing.

5. Is it appropriate to more narrowly define the eligibility criteria for social housing to target people with the greatest needs for social housing?

Yes I believe so.

6. What alternative assistance would be most effective for those applicants who meet the income threshold but are not on priority?

There are already a number incentives/ packs/aids to aide general status social housing applicants to break to break into private rental market.

However additional help could come from implementation of a Poverty Pack, for people of low income i.e.. Newstart who can't financially afford to break into the private market.

Brokerage loans for some of these packs ask at present for 100% repayment. This should be assessed on a case by case basis by case workers as they are privy to relevant information which may place clients in financial distress.

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

Yes, there should be regular reviews. From my experience households change for a number of reasons. Criteria for review

1) Changes in income either started working or changes in benefits given by Centrelink

2)The number of people residing on the property i.e. Children decide to live with other parent, removed by DOCS or move away for any reason. Changes that would again reflect Benefits received by household

3)Commitments to transitioning out into independent living, in other words are the clients actively looking for private rentals. More often than not a form of complacency sets in and tenants need to be motivated. Or sometimes circumstances effect the tenants emotional frame of mind (depression/ mental illness). On set of physical illnesses can effect tenants actively participating in search for private rentals. These conditions although not effecting income eligibility it does affect their eligibility for criteria for SHS services as crisis and transitional housing are on strict timeframes for tenancy / turn over.

4) Demographics / needs are another criteria. There needs to be a review of rental affordability in the designated area of the SHS service. For example, median rental prices near or in big city areas will be out of client's capability to rent and may need to consider moving into a regional area with cheaper rent.

In regards to needs some clients made need to access specific professional services and may need to move into areas where these are available.

Currently with rent reviews in general on income basis these are done every 6 months. Not sure if this is an adequate time frame. Reason being clients are not always forthcoming in letting services there has been a change to income by starting work. They are not always knowledgeable of the work incentive packages of 26-week reprieve of increased rent. Perhaps a quarterly review may be more necessary and tenants should be provided with a detailed list of services / package/ aides/exemptions

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

Primarily a combination of household demographics/income and primary needs. (availability of wrap around services such as specialist schools, availability of modifiable accommodation for disabled tenants.

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

When one looks at the statistics provided on face value it would seem that the current exit threshold is set to high. In some areas this money could go towards private rental or better towards paying off a mortgage. By dropping the threshold there may well be a negative trade off in discouraging uptake of work on the grounds that a) security/long tenancy in private rental is not good and 2) first home buyers loan is insufficient for this group exiting to consider purchasing a home. They may well be able to afford the regular repayments for a mortgage but the ability to save for the deposit is out of reach.

Perhaps an additional grant in conjunction to the first home buyer bonus could be offered as an incentive to public housing tenants to exit the system.

A flat rate drop across the board would not be appropriate. There would need to be a sliding scale to the actual drop of the exit threshold as region to region rental rate/ house values vary significantly. Since there already exists a median weekly rental and house price for all suburbs/regions it would not be difficult to apply this sliding scale of exit thresholds.

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

Yes, in theory I believe that rating order in housing list into priority and general is an effective measure. It is taking care of that section of the population that are in greatest need / high risk.

However, having said that, the actual implementation of assessing people for priority is not always simple or straight forward. In fact, on numerous occasions our services have been frustrated by the flow of vital information going into housing. Information that has been sent to be processed has gone simply missing. This adds to the delay in the process of being put on priority listing. Considering the urgent needs of these clients any delays are not acceptable.

There needs to be a better inter agency liaison, increased times/workers dedicated to efficiently processing applications for priority in Housing.

For the majority of our clients that come to access our services they fall into the high risk group and need to be placed onto priority housing. Having said that we have come across a small target group that have no service dedicated to aide them in helping them be housed. This group encompasses both males and females of the age group 18 to 25. There needs to be an agency available to help house this target group so they do not continue to slip through the cracks.

11. Is the prioritization policy the most efficient given the current supply and demand imbalance?

Yes. Considering the circumstances, I believe it to be a fair and in fact only viable process available.

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

There should be more assistance for people who have severe mental, physical and intellectual disabilities. The assistance they have in place is inadequate and targeted at them incorrectly. In some instances, this particular clientele is not even aware that such assistance is available. For people trying to access these programs, there tends to be a lot of hurdles these people need to jump through.

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

The current assistance is worded easily enough, it's just the process applying for housing is a long winded process that's involved could be more simplified.

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

One thing I would like to see change is when a person and or persons have been approved for priority they should not be made to look for private rentals. Especially if they do not have access to transport.

In Queanbeyan we have more than 10 Real Estates situated all over this big town. FACS/Housing expects people with no transport, heavily pregnant and in some cases have a physical injury or disability for them to look at private rentals although they have been approved for Priority.

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

Yes. A segmented framework in which applying different rent models to different tenant cohorts is a fair and equitable system for public housing. This could also be applied to the affordable housing scheme.

16) Could 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?

Yes. A tapered subsidy model would work well. My only concern is, for example a transition property where the max stay is 12 to 18 months' tenancy, one can only apply one effective 20% increase in rent during the term of the tenancy. As such this cuts our services ability to maximise rent as we do not have 5 year (long term) tenancies.

This puts us as a service at a disadvantage over other services who provide long term housing. Crisis and transition properties will never be able to fully increase their revenue over time.

But in general a tapered subsidy is a good system. Firstly, it is an encouragement for the tenant to move out of public housing. And also it increases the revenue and therefore the sustainability of housing services.

The disadvantage is that the benefits are not evenly distributed over the different types of SHS services.



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

Yes, social housing properties should be able to transition to affordable housing rent and vice versa, as a safety net for tenants who are concerned that any unforeseen changes in their financial circumstances (ie. Loss of work) could leave them homeless. However, this model could only work well with a large service. Smaller SHS services would find this impractical with a small pool of properties and with defined short terms of tenancy due to high demands for housing.

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

It would be good to apply all or certain combinations of all types of rent models over time of the tenancy. However, this can only apply to broader encompassing services such as public housing.

For smaller SHS services the two rent models where rent is based on the characteristics of the tenant household and on income is perhaps the only practical model.

This type of model forms the **base rent model** that encompasses all tenant cohorts.

The other two models as previously mentioned can be applied to Public Housing, and from a financial sustainability perspective it would be extremely beneficial from a tenancy managers position.

From a social viewpoint it would also be more fair and equitable system as there is a diverse range of tenants in a cohort. Ranging in differences in circumstances, income, property types etc.

Further work is required on the elements of rent calculations specifically for smaller SHS services. The underlying reason being they are unable reap the benefits of the last two rent models. Perhaps a review whether the CRA component subsidy is enough for self-sustainability. A view should also go beyond this concept and provide towards future property improvements.

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

I think all are worthy of assessing as it opens up opportunities in the financial management of the properties as well as addressing equitability between tenants

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

If smaller SHS services are to maintain sustainability on a business level, then yes, the percentage of household income used to calculate rent should increase. However, this should be left to the service itself to implement the increase or not based on client circumstances i.e. Outgoing expenses such as medical bill, repayments of debts to sustain tenancy etc.

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 for other sources?

I feel that these benefits should be assessed at 25% instead of 15%.

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

I believe there is a wide range of benefits most people are being assessed on already. Exemptions of other certain benefits are well founded

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

No I think it is more applicable to look at gross income as people salary sacrificing for tax purposes gives a false assessment if done on net salary

24) if an income based rent model is retained, what other possible improvements to the current rent model should we assess?

As previously mentioned CRA valuations should be kept up to date and regularly reviewed and increased. This would help towards smaller SHS services struggling with

- 1) small property portfolio

- 2) property type ( crisis or transitional)

- 3) area/ council region variation of rates, so as to assess changes in CRA in real time and improve income for self-sustainability.

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

The **concept** of automatic deduction of rent from welfare entitlements is a good one. In this way rent, **one of the major financial priorities in a household is met**. Budgeting responsibly with what is left is made easier for the client to allocate towards food, gas/electricity, water, car etc. This streamlines things considerably for tenants, especially those with poor budgeting skills.

However, the **reality** of implementation of this system can be a complete nightmare for tenancy managers. The reason being Centrelink with its view of customer rights and mobile apps has created the scenario of rent being cancelled, suspended and or varied at the customer's discretion. Tenants as a result can accumulate arrears in rent and valuable time is lost for tenancy managers to chase up these tenants and then wait for re application of deduction to take place again. Many tenants have made this poor judgment call simply because they were unaware of additional services for brokerages to help them sustain their tenancy during difficult times. Some tenants simply wish to play the system and try to get away with paying little or no rent. Some have no budget capabilities at all and do not realise they can be compounding their housing issues.

The ability for a client to cancel rent so easily should be addressed by Centrelink. If rent is being cancelled the housing service should be notified by Centrelink prior to cancellation becoming effective and the client given counselling as to best financial move forward and or other alternative services to get client out of financial difficulty.

In addition, the length of time to set up Centrelink deductions can vary anywhere up to a week and a half at times. If the current DAPA app, that Centrelink provide for business services to use to aid in management of deductions for their clients, also **included** the initial set up for deductions as well this would be greatly beneficial. This would reduce the time waiting for rent to start and clients (not of their own fault) would not run the risk of falling into arrears.