



## **IPART**

### **Review of rent models for social and affordable housing**

Submission from The Property Owners Association of NSW Inc

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The Property Owners Association of New South Wales is pleased to have the opportunity to contribute to the review by IPART of social housing rents and affordability.

The POAnsw is the peak body for private landlords in NSW and via the Property Owners Association of Australia for National issues.

Landlord's house about half the States residents with about one third of the States residents covered by the Residential Tenancies Act and the Boarding House Act.

The POA was formed in 1947 and thus has amassed considerable expertise. The current committee has a wide range of skills and expertise in rental property ownership and management.

The POA believes that the responsibility for social housing goes far beyond just the clients serviced by the State housing departments and contracted community providers.

Only about 140,000 households in NSW are government social housing tenants. As a comparison, NSW Corrective services house about 14,000 people.

With this in mind we ask the Tribunal to consider the role private landlords play in the provision of housing for low income people and those that cannot (or choose not to be) be accommodated in social housing, community housing and Aboriginal housing.

The POA would like the Tribunal to note that Private Landlords are the largest social housing provider in NSW.

Private Landlords both formally and informally house

- about 10 times the number of people than formal social housing.
- all the waiting list (60,000) and the latent waiting list (200,000)
- all those evicted from social housing properties
- all those in emergency housing
- a very high percentage of students
- almost all in caravan parks
- almost all retirement villages

Private Landlords house huge volumes of single people and probably have a ratio of higher than the 55% catered for by public housing.

The financial sustainability of all Landlords, not just public social housing providers, is of critical importance to all tenants. No viability = no home = no tenancy! The share market and term deposits house no one.

It is very important for the Tribunal to recognise that the private rental sector is in competition for social housing clients. The bottom line is that the tenant should be the one to make the housing choice.

With social housing tenants being highly subsidised as explained in the IPART draft report (Figure 4.2) the Tribunal needs to consider if it is fair and reasonable to continue to subsidise public housing. It is a fundamental understanding in IPART determinations that monopolies cannot be favoured unreasonably in IPART decisions.

It is claimed that FACS is underfunded and has been so for quite some time. The reality is that the level of subsidy provided by State and Federal governments to social housing is huge and commonly exceeds 60% of the tenancy charge. The POA considers that if this funding was channelled to private landlords then the situation may be quite different. Whilst Private landlords are only making meagre returns on capital invested their viability is not fuelled by large funding subsidies.

Much of the losses incurred by landlords are offset by the hope of capital gains and asset value increases. Housing owned by government does not seem to take into account potential capital gains or asset value increases.

The POA considers there are many types of social housing and these include:-

- Department of Housing property
- Community Housing Property
- Aboriginal Housing Property
- Private Landlords
  - Private leases
  - Boarding houses
  - Granny flats
  - Family occupants
  - Friend stays
  - Air BnB
  - Squatters

IPART should acknowledge that there are a large number of low income tenants who are comfortably housed in normal market rent units, apartments and houses.

The POA provides the following example of a sole parent with one child who is privately housed. The basis of her survival is:-

Income    Centrelink payments

Week 1    \$380

Week 2 \$445

Average \$412

Outgoing

Rent \$315

That's about 75% of income just to pay the rent.

This person has not had social housing for about 12 years.

IPART has recommended that there be a link between income and rent payments. The issues paper and draft recommendations have made some comments however it would seem to the POA that IPART has not done sufficient to determine the income of social housing tenants.

The POA believes that the assessed income for social housing tenants should include:-

- All Centrelink payments
- Other government department payments and rebate values
- Employment payments
- "Cash" employment payments
- Gifts from charities
- Food vouchers
- Third Party energy payments
- Proceed of crime
- Gifts from family and friends
- "donations" from house hold visitors
- Sub letting
- Illegal occupants eg working partners.
- Etc

The concept is that all funds entering a household should be considered as income. 25% of the total household income would probably double or triple the rent that should be paid by a major percentage of tenants.

The Tribunal needs to note that alcohol consumption, smoking, drug use, and gambling involve considerable funds from a household. Certainly social housing tenants are sizable spenders on these activities. This expenditure diminishes the funds available to the tenants to fund housing, education and health.

It is of real concern to the POA that these "recreational" expenditures often have a higher priority to rent.

When the Tribunal is considering where the 39% “gap” can be funded from the Tribunal needs to have an accurate knowledge of the “real life situation” of household income.

**The POA considers that all tenants should pay market value for all properties and that the subsidies provided to individuals by government should be determined on a case by case basis.**

For the government to simply pick up the tab in order for LAHC and CHP’s to operate on a financially sustainable basis is an unsound concept.

It is essential that the rules and regulations that govern and manage tenants such as the Residential Tenancies Act are uniform no matter who the landlord is. Tenants, academics, researchers, the media and IPART just to name a few all make comparisons. It is imperative therefore that “apples” are compared with “apples”.

The POA is concerned with the assumptions used for market value calculation.

The issues paper, draft report, presentations and discussions talk of “market value”. The documentation reports that not all properties are valued and that market value is simply a crude sample assessment.

It needs to be noted that in NSW there are probably no two properties alike and therefore assessing market value based on a simplistic sample is highly inaccurate.

Basing market value on what other tenants are paying is also highly inaccurate especially in times of rapidly rising rent levels.

The value of a property is not just its physical attributes and state of repair but also include choice items like colour schemes, floor coverings and the garden landscape. Public transport access, local shops, parking and a host of other off site factors also contribute to the property value.

Market value is a measure of what people are prepared to pay for a property.

The POA is adamant that there is a strong case with public social housing that prospective tenants should competitively bid for the property. This would generate the best return for the tax payers that own the property and give the tenant a quality option to match availability to their needs.

Market value rents should be charged to all social housing tenants and should be the basis of all rent model recommendations from IPART. The POA supports this concept for the following reasons:-

- Fairness and equity to all tenants in public and private rentals

- It assists in making sure that the Residential Tenancies Act and Boarding House Act are common and applicable to all tenants. One set of rules for one group and another set of rules for another group is disruptive and confusing for the education of tenants, complicates management practices of housing administrators and compromises the Tribunal process and determinations.
- The need to provide quality and accountability for the expenditure of tax payer dollars
- To overcome the potential for monopolistic activity of one of the housing sectors. It is simply not fair and reasonable that private landlords cannot offer tenancies to social housing people of an equal footing.
- To overcome the perception in the community that social housing rents are cheaper than public housing rents. The POA would suggest that private rentals are cheaper because of the efficiencies of operation from private rental operation and management.
- Private rents are post subsidies and public housing is a pre subsidy rent. The POA believes that it is important to clearly spell out the subsidies being paid.
- All private property leases are ongoing (as set out in the RTA).

The POA wishes to remind the Tribunal that the rent subsidies paid to government based social housing is a direct payment to the provider however the rent assistance paid to private social housing is paid to the tenant who can spend that money on other items. That is wrong.

Housing affordability for low income housing tenants can only be assisted in three ways.

1. Increase the share of funding tenants allocate to housing.
2. Increasing housing stock availability
3. By reducing costs

The rent model selected by IPART should be based on a rent per bed basis and not a rent per house basis.

Car spaces and storage facilities should also attract a charge.

Where a tenant chooses to reside solo in a three bedroom house then the first bed should be charged at the subsidised level and additional beds at market value.

The performance of public social housing providers should be evaluated on a room occupancy basis. This should be as close to 100% as possible whilst ever there is a waiting list.

## Recommendations

1. That IPART recommend that private landlords be recognised as major providers of housing to low income households in NSW.
2. That IPART recommend that the Residential Tenancy Act be uniform to all tenants.
3. That IPART express concern that social housing has moved away from assisting low wage earners to the point that social housing is now simply a form of Centrelink payment.
4. That IPART place before government a rent model based on using the rent subsidy funding to act as a further incentive to private landlords to expand housing stock.
5. That IPART's rent model be based on a \$ per bed basis
6. That IPART recommend that social housing in public property be on a bidding process by interested applicants.
7. That IPART recommend to government that the supports services from various agencies currently provided to public social housing and community housing providers be also provided to private landlords housing low income tenants with social needs.
8. That rent assistance paid by the government to private tenancies should be paid directly to the Landlord.
9. That all forms of rent assistance provided to tenants be clearly itemised on statements and leases provided to tenants in order to promote transparency and awareness of the funding provided by government.

## Conclusion

The POA thanks the Government for engaging IPART to review the rent models and affordable housing arrangements that underpin social housing in NSW.

The POA thanks IPART for allowing and facilitating engagement with the public and stakeholders in the process of their review.

It is clear that private landlords play a major role in assisting low income earners meet their housing needs. It is also clear that the private sector offers far more spaces than to the government housing providers and community housing groups.

It is also very clear that the private providers are at a major disadvantage to the public sector providers due to the lack of transparency of the subsidies paid.

Providing a financial shelter to public housing is very expensive to the taxpayer as it is clear that private providers are more efficient and more cost effective.

The ability of the private sector to offer a greater range of property and in more locations is unquestioned.

The role and activity of the private sector should not be undermined in any way by the report and recommendations of the IPART review. Rather the potential of the private sector should be bolstered.