



the voice of older Australians

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Preamble

COTA Over 50s welcomes the Rudd government's initiatives on affordable housing, and in particular the establishment of a **National Rental Affordability Scheme** (NRAS). COTA Over 50s has produced a Statement and Issues Paper on Affordable Housing for Older Australians. Our response to the NRAS Technical Discussion paper is grounded in those documents. (See Appendices A & B)

As the nation's peak body representing the interest of older Australians, and as coordinator of national policy on behalf of nine COTA organisations across the country, COTA Over 50s is well placed to convey advice and information about issues affecting Australia's 6 million older citizens. While COTA Over 50s is particularly concerned to promote and protect the interests of our more vulnerable and disadvantaged seniors, its policies attend to the broader wellbeing of Australian society and are informed by a strong intergenerational perspective.

On current trends, within 20 years there will be more than 400,000 older Australians looking for rental accommodation (AHURI *Rental Housing Provision for Lower Income Older Australians* Final Report No.98 May 2007) and a significant program to boost the supply of affordable rental accommodation for the population generally and particularly for senior Australians on lower incomes is long overdue. Such a sustained program will be needed for many years to come.

Summary assessment of NRAS

NRAS is a valuable response to the crisis in the availability of affordable rental accommodation, and if successful on the scale anticipated by the government, will make a significant difference to the supply of rental housing stock in Australia and enhance the accommodation prospects of low to moderate income earners. There must be no diminution, however,

of governments' efforts to increase the supply of public housing stock, which will continue to be of fundamental importance to the housing of lower income older Australians.

COTA Over 50s believes it is vital that the Commonwealth government continue to demonstrate strong leadership on housing issues, and endorses the role and responsibilities set out at 2.1.1 regarding the setting of policy parameters, approvals and compliance processes, and the provision and administration of the refundable tax offsets and grants.

The Commonwealth's capacity to secure the ongoing commitment of state and territory governments to meeting or exceeding the \$2,000 per annum per dwelling contribution will be vital to the sustainability of the Scheme. There should be rigorous and transparent mechanisms established – possibly through COAG – to monitor and report to the Commonwealth parliament annually on the contributions and effectiveness of the state and territory governments' efforts.

COTA Over 50s applauds the paper's encouragement of non-profit organisations to develop and lead consortia, as well as take on the role of tenancy managers. We believe that the community housing (non-profit) sector has the capacity to punch well above its weight in delivering the outcomes that the government is seeking.

While the opportunity for private sector project proponents to participate is clear, we retain some doubts as to whether the incentives available are sufficient to attract substantial private sector engagement, while at the same time achieving affordable rents for lower income households.

We also have concerns that labour and land supply issues, along with extra demand, will drive up prices and the cost of construction. Land and labour supply initiatives are crucial to the success of the program.

Success of the NRAS program may also require, as a supplement to the tax incentives and grants on offer, some innovative approaches to making government land available for affordable housing development – approaches which reduce the overall land cost to project proponents.

Without such strategies to improve the land supply, it seems unlikely that extensive private developer interest will be stimulated. Perhaps the optimal arrangement would involve the Commonwealth making land available (via state and territory governments) for affordable housing, but retaining an interest in the land in perpetuity, thereby encouraging the

sustained availability of the dwellings built on that land as affordable rental accommodation.

Financial institutions such as the superannuation funds and property trusts seem to be well placed to participate in NRAS, both in terms of funds volume and as a means to realising both long-term income streams and their broader social responsibilities as good corporate citizens.

KEY ISSUE

COTA Over 50s notes that the key goal of NRAS is to provide rental accommodation to low and moderate income households at 20 per cent below market rates. While the goal is admirable, there is a serious risk that, even at that reduced rental threshold, many Australians – and notably older Australians, particularly age pensioners – will still not be able to afford the rent.

It is imperative that the Eligibility Requirements and Assessment Criteria make provision for expressions of interest targeted at rental accommodation for older Australians, and that development packages be supported that may involve, for example, cross-subsidisation options that enable even cheaper rentals. For example, such a development proposal may be structured so that, while overall rents may average 20% below market rate, individual dwellings may be available at, say, 30% below market, and others at only 10% below market rate, with the cheaper dwellings available to the most disadvantaged renters.

On this account, the NRAS must be complemented by serious commitments to the provision of more public (government) housing. NRAS alone, while an excellent initiative to draw key players such as private developers and financiers into the housing sector, will not meet the requirements of those most in need and those who are least able to pay.

Responses to particular questions in the NRAS Discussion paper

Question 1 - The aim of this Scheme is to stimulate institutional investment in affordable rental housing. Do these provisions strike the right balance between flexibility for investors and achieving long term supply of affordable rental housing?

From our consultations with relevant players in the housing / finance / development arenas, we suspect that a higher level of support

may be needed to achieve rent levels 20% below market rents. We RECOMMEND that if there is inadequate response from the early Expressions of Interest, the level of support be adjusted to achieve the target objectives of 100,000 dwellings. We also RECOMMEND that supplementary support be considered for project proponents who offer longer term leases, particularly in the community housing sector.

Question 2 - Do these timelines provide the right amount of time for proposals to be developed?

If effective consortia are to be established, the timelines, at least for the initial round of EOs, seem tight. Especially if a mix of private developers, large financial institutions and community housing groups are to collaborate, negotiations to establish such consortia will not be as quickly conducted as consortia involving parties that have a history of collaboration. This will be new territory for many players, and those involved will no doubt wish to act with prudence and diligence in putting their proposals together. This is not an occasion for 'quick-and-dirty' arrangements. The nature of the eligibility and assessment criteria which are to be released in June 2008 may also impact the appropriateness of the timelines and cost to business (Question 3).

Question 3 - Will this process allow for expressions of interest to be made without excessive costs to business?

This question is best answered by potential participants in development. However, on the face of it seems that principles upon which the process is built are quite clear and straightforward, but to the extent that time is money, the concerns expressed in Question 2 above suggest that the cost of assembling EOs may be an issue.

Question 4 - The aim of this Scheme is to increase the supply of affordable rental housing to singles and families on low and moderate incomes. Do the current eligibility criteria sufficiently allow access for this group?

We have stressed at the beginning of this submission our concern that, while the goal of NRAS is admirable, there is a serious risk that, even at the reduced rental threshold, many Australians – and

notably older Australians, particularly age pensioners – will still not be able to afford the rent. It is imperative that the Eligibility Requirements and Assessment Criteria make provision for expressions of interest targeted at rental accommodation for older Australians. The 100,000 dwelling target has no geographic or sector sub-targets. It is vital that both metropolitan and regional Australian towns and shires benefit equitably from the program.

We RECOMMEND that the government set some sub targets for specific disadvantaged groups - and especially for older Australians and age pensioners. In particular, NRAS funds should be earmarked for affordable housing for older Australians at a level commensurate with the proportion of older Australians in the population of persons potentially eligible to take up rental accommodation under NRAS.

Question 5 - The aim of the Scheme is to improve housing outcomes for tenants. How should tenancy managers be regulated to ensure quality outcomes for tenants in the Scheme?

The program clearly sees the non-profit sector playing a major role as tenancy/property managers. The capacity of community-based housing associations to increase supply to older people has not been anywhere near realised.

Many associations are currently limited in what they can do because they do not have a solid asset base. They simply manage housing on behalf of government housing authorities. Other larger associations, with stronger assets, could do more if they received additional financial support, either from governments or through attracting private sector investment.

To overcome the difficulties of governments and investors trying to deal with a plethora of small associations, models currently exist whereby a large association acts as an umbrella organisation for smaller operations. Efficiencies are achieved in financial and contractual arrangements, and the economies of scale deliver benefits to all participants.

There is evidence for capacity for growth in the social NFP housing sector but it requires government leadership to build the capacity of both the social housing and private market in tandem to create

an integrated, multi-sector approach to meeting the rental housing needs of low-income older Australians. Community housing developments have considerable potential to meet older persons' needs, not only through the provision of suitable accommodation, but by involving them in design and development decisions, and in tenant-led groups to help ensure sustainability through effective management. Local governments are well-placed to joint venture with NFP housing associations, especially in regional areas.

We RECOMMEND that the Commonwealth broker an educational program to lift the quality and quantum of property/tenancy management skills for the non-profit sector. Consideration could be given to enabling a suitable peak body of community organisations, supplemented by independent advisers, to establish a self-regulatory mechanism for quality assurance, training and development, and complaints handling for community housing associations in their role as tenancy managers.

Question 6 - The aim of the Scheme is to provide affordable rental accommodation at 20% below market rents. Do these provisions strike a balance between the need for administrative simplicity and the need to ensure benefits of the Scheme are passed on to tenants?

Determining market rents by independent valuers seems appropriate, but the timing of the valuation (i.e. "when the property becomes available for rental under the scheme") may be problematic because rent levels may need to be known at the project feasibility stage rather than when the properties are ready to rent. COTA over 50s acknowledges that in a program of this nature there will need to be a careful balance between administrative simplicity and program accountability objectives.

For those tenants in receipt of CRA or HCC the onus of monitoring income increases of tenants and their ongoing eligibility for CRA or HCC should rest with Centrelink not with the property tenancy manager as suggested in paragraph 7.2. The tenant's responsibility should be to report to the tenancy manager if they no longer are eligible for CRA or HCC.

We RECOMMEND that eligibility for NRAS housing rentals not be restricted to households "looking to rent a property for the first time"

but rather at any time as long as they are currently entitled to CRA or HCC.

Attached to this submission are two documents prepared by COTA Over 50s to inform discussion about affordable housing for older Australians. They will provide the reader with a background to the discussion and recommendations made in this response to the NRAS Technical Paper.

Signed:

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for

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