

Submission

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Community Housing Rent Setting Policy

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Shelter WA

Shelter WA is the peak body for affordable housing and homelessness in Western Australia. It was founded in 1979 as an independent community based organisation committed to accessible, affordable and secure housing for every Western Australian. Shelter WA provides a link between government and the community, through consultation, research, systemic advocacy, policy advice and development. Our role is to provide an independent voice on housing rights and options in the state along the housing continuum, and our work focuses on promoting the development of appropriate affordable housing options for people on low to moderate incomes, or those who are otherwise disadvantaged in the housing market.

Shelter WA promotes a diverse range of affordable housing options including social housing, housing within the private rental market and affordable home ownership. Shelter WA also provides community education, and advice to governments on housing policy issues. Our development of policy recommendations is based on sound research and consultation with housing consumers and community based organisations working on housing and related issues.

Introduction

The purpose of this paper is to provide a formal written response to the Department of Housing's *'Community Housing Rent Setting Policy. Proposals for change – for comment'* (Department of Housing, 2013) . Shelter WA welcomes the opportunity to comment on this consultation paper and believes there is scope to improve the rent setting policies which are currently in operation.

Shelter WA does not manage housing and therefore questions relating to how our organisation applies rent setting policies to tenants have not been addressed in this response. This paper is structured to respond to each of the four proposals within the discussion paper. We believe there is also another issue relating to rent setting and its application for community housing which hasn't been presented in the discussion paper. This supplementary issue is included after our responses to the proposals outlined in the paper.

We look forward to the next phase of this process and hope to have the opportunity to provide further input into the Department's rent setting policy for the community housing sector as the process of review continues.

Shelter WA's response

PROPOSAL 1: Broaden the definition of 'assessable income' to include all income from occupants of a household which is of a continuous nature.

Shelter WA supports the proposal to broaden the definition of 'assessable income' to include all income from occupants of a household which is of a continuous nature, with some important exceptions. Shelter WA believes that given the joint waiting list and the potential for existing public housing tenants to transfer to community housing tenancies, it is imperative for the definition of assessable income to be the same as that of the Department of Housing for Band A tenants. Shelter WA believes it is important that tenants are not disadvantaged in terms of rental payment amounts if they choose to be housed within a community housing tenancy under Band A as opposed to a public housing tenancy.

On another note, broadening of the 'assessable income' to include all income from occupants with a continuous nature also has the potential to disadvantage some tenants, and needs to be treated carefully. Any rent setting policy must ensure that essential ongoing supplementary payments are not included where they are linked to a disability or illness. For example, tenants with a severe illness or disability may be provided a supplement to assist them with certain additional costs related to their disability or illness. Including this supplement within the rent calculation effectively erodes the recognition that these households have higher household costs. In these cases, changes to the definition of assessable income could work to disadvantage tenants who are already struggling to cope financially and emotionally, and for this reason essential supplementary payments should be excluded from the definition of 'assessable income'.

PROPOSAL 2: Allow CHOs to make commercial supplies by removing the 75 per cent constraint. Provide that no rent may exceed the market related rental value for a property.

Shelter WA supports the proposal to allow CHOs to make commercial supplies by removing the 75 per cent constraint, but only where these supplies relate to Band B tenancies. Shelter WA also urges the Department of Housing to conduct more research into the impact to Community Housing Providers' charitable status of raising the 75% ceiling.

The AHURI research paper quoted in the '*Community Housing Rent Setting Policy. Proposal for change - for comment*' states that currently very low income households are being excluded from some social housing tenancies even at the current 75% ceiling. The paper states ... "In some of the case study projects, this problem was being addressed by excluding tenants for whom the market-related rent was not considered affordable... this stance discriminates against access to affordable housing by very low income households, smaller households (such as single aged people, or youths on benefits or low wages) and single income households." (Weisel, Davidson, Milligan, Phibbs, Judd, & Zanardo, 2012).

For this reason, Shelter WA proposes that the Department conduct more research into this matter, to ensure 'social outcomes' are achieved.

Shelter WA supports the growth of the community housing sector, but not at the expense of the social outcomes which are expected from the sector in relation to social housing tenants. Therefore, should the constraint of 75% be removed, it should be for Band B tenancies only. As a part of the formulation of this policy, Shelter WA urges that a target be placed on achieving a certain percentage of Band A tenancies by each CHO, following robust economic modelling, where households are paying less than 75% of market-related rent.

Shelter WA believes that ensuring that a percentage of properties managed are accessible and affordable to very low income households in Band A, while also giving CHOs the opportunity to build capacity through better market-related rental determinations in Band B will provide the best outcomes for low income housing consumers and CHOs alike.

PROPOSAL 3: Base rents on 'gross' rather than 'net' assessable income.

Shelter WA strongly opposes the proposal to base rents on 'gross' rather than 'net' assessable income.

Whilst the discussion paper indicates that the proposed change would have a negligible effect on the majority of households, especially at the lower end of the income spectrum, where 'gross' income and 'net' income are very similar, it does have the potential to increase the rental costs for households at the higher end of the income spectrum in Band B.

Shelter WA supports the views of the Community Housing Coalition of WA in relation to this point. An extract from the Community Housing Coalitions response to this consultation paper is provided below. This indicates that rents would increase significantly, and have the ability to make households in Band B more financially vulnerable. This proposal could also have the potential to cause considerable backlash from tenants towards their community housing provider.

"A simple tax calculation indicates that there is a significant difference between rent based on 'gross' rather than 'net' assessable income for the higher Band B Income Eligibility Limits. This does not take into account any of the tax deductions or offsets for which a household may qualify based on its individual circumstances. However, those concessions do not counteract the inequity of compelling community housing tenants, especially those at the higher end of the income spectrum to budget their rent payments according to their 'gross' income rather than their 'net' income." (Community Housing Coalition of WA, 2013, p. 7).

PROPOSAL 4: Base rents on market-related rental data using a measure which reflects market values e.g. REIWA data or Landgate data.

Shelter WA supports the shift to base rents on market-related rental data by using a measure which reflects market values eg. REIWA or Landgate data.

In adopting this proposal however, the department should consider the following;

1. Ensure a consistent data source is adopted across the sector, given the significant differences in market rental figures offered by different sources.
2. In some regions, particular in rural or remote areas with highly inflated rental markets this presents difficulties in determining affordable or social rents. Regions where there are only limited rental properties available may experience the same difficulties in market rent calculations. It is therefore necessary that an alternative way of calculating rent to reasonable accuracy must be devised for those challenging areas.
3. In calculating market rent, the policy must stipulate a specific measure of central tendency to be used, such as either median or average. This will ensure consistency across all community housing providers.
4. Another potential area of consideration when finalising this policy relates to amenities and location. Households in metropolitan community housing housed from the joint waiting list have some, albeit limited, choice in terms of location of properties. Hence, amenities and location can be taken into account in determining market rent in metropolitan areas. For rural and remote areas where choice is highly restricted, Shelter WA suggests that property amenities *should* be taken into account, however location should not be a factor in determining market-related rent.

Supplementary Issue

Commonwealth Rent Assistance

Commonwealth Rent Assistance is a form of income support provided to low income private renters to assist them to meet additional household costs associated with renting in the private sector. It is also used to add rental income to Community Housing properties. Shelter WA supports the financial assistance the CRA brings to the community housing sector, however it also creates confusion for tenants, who believe this payment is provided to assist them to meet their housing costs. Further Shelter WA has had input from some community housing tenants who consider this way of calculating rent is an abuse of the system and stealing from the commonwealth coffers. Whilst Shelter WA does not support these particular views, we do consider that the use of CRA for community housing tenancies as it stands is confusing and erroneous. Shelter WA believes the funds provided through CRA by the Commonwealth government for this purpose should instead be set aside and distributed directly to community housing providers in accordance with household size, under another name, for instance social housing subsidy.

Shelter WA would urge public housing authorities and community housing providers nationally to promote this change, which has the potential to separate this payment from the tenant and instead associate it directly to the provider in relation to provision of social housing.

Conclusion

Shelter WA welcomes the opportunity to comment on rent setting for community housing. We agree that the community housing sector needs to be developed, and this can be facilitated through more appropriate rent setting calculations, particularly for Band B tenancies. We strongly consider that tenants and service providers alike require better clarity when it comes to rent setting, although 'social outcomes' for Band A tenancies need to be met. Shelter WA promotes this in view of the joint waiting list, and the push to grow the community housing sector as well as encouraging public housing tenants to transfer to community housing.

References

Community Housing Coalition of WA. (2013). *CHCWA submission on proposed changes to the Community Housing Rent Setting Policy*. Perth: CHCWA.

Department of Housing. (2013). *Community Housing Rent Setting Policy. Proposals for change - for comment*. Perth: Government of Western Australia.

Weisel, I., Davidson, G., Milligan, V., Phibbs, P., Judd, B., & Zanardo, M. (2012). *Developing sustainable affordable housing: a project level analysis*. Sydney: Australian Housing and Urban Research Institute.