

INITIATIVE 3: PRE-BUDGET SUBMISSION 2024-25

ESTABLISH AN AFFORDABLE RENTAL HOUSING SCHEME

Commitment sought

This proposal is for the WA Government to set up an affordable rental housing scheme in Western Australia, to maintain and grow the availability of affordable rental homes.

Current need

There is an urgent need for investment in affordable rental housing in Western Australia. Anglicare WA's latest *Rental Affordability Snapshot*³⁰ highlights that rentals have never been less affordable or available, with no properties affordable for a single person on JobSeeker, and only one per cent were affordable for people on other income support payments.³¹

At the same time, there is a chronic undersupply of social housing and at September 2023 there were over 19,000 households on the social housing waitlist.³²

Affordable rental housing³³ is a critical link in the housing continuum between social housing and the private rental market. There is estimated to be a shortfall of at least 32,000 affordable dwellings in Western Australia.³⁴ This shortage will be compounded by the loss of 3,766 affordable rental dwellings between 2023 and 2026 due to the discontinuation of the Commonwealth's National Rental Affordability Scheme (NRAS).

The NRAS is an Australian Government initiative that aimed to increase the supply of affordable rental dwellings. NRAS provided an annual financial incentive for up to 10 years for new affordable rental supply to renters on low to moderate incomes at a rate at least 20 per cent below market rent. The scheme was ended in 2014, and dwellings have been dropping out of the scheme as they reached the maximum 10-year involvement. The final round of dwellings will exit in 2026.³⁵

With the ending of the NRAS, most of these dwellings are returning to the private market. Some of these tenants may be able to stay on, if the dwelling is owned and operated by a CHO. However, most dwellings are owned by private investors, with only about 20 per cent of all NRAS dwellings both owned and operated by CHOs. It is estimated that **at least 73 per cent of the remaining NRAS dwellings** in Western Australia will return to the private market and the competitive market conditions as they come off the NRAS scheme.

The return of these dwellings to the private market removes a substantial number of affordable houses and undermines WA Government investments in addressing the housing crisis.

From 2021 through to the end of the scheme, an estimated 13,782 tenants will be (or have already been) impacted in Western Australia. Figure 1 below shows the rate of expiration and the number of tenants (cumulatively) affected.

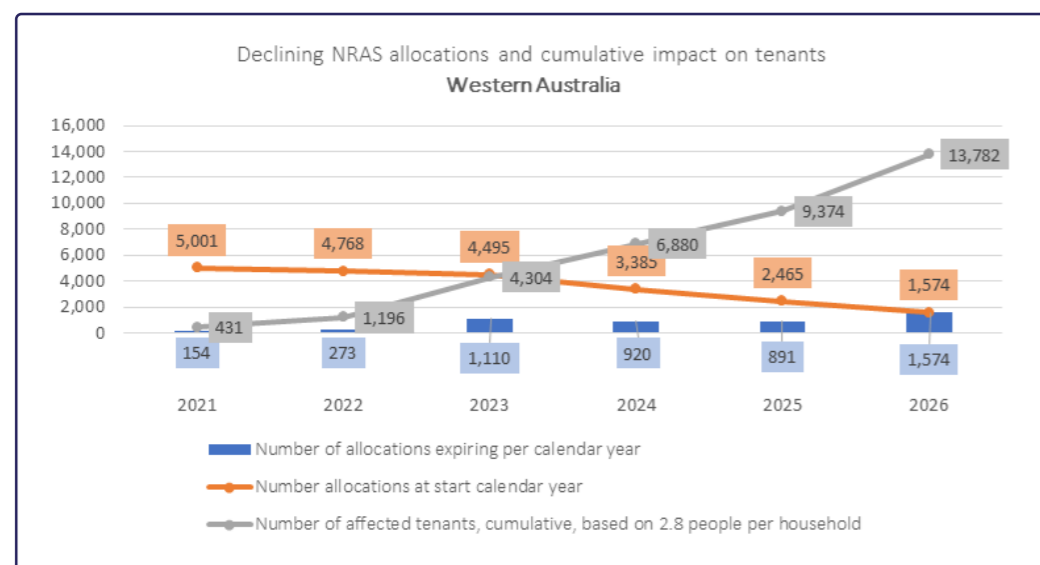


Figure 1: Declining NRAS Allocations and Cumulative Impact on Tenants (Source: National Affordable Housing Providers Ltd)

Details

In addition to the ending of NRAS, there is a critical gap in investment and policy relating to affordable rental housing in WA, a critical element in the housing continuum. It is proposed that the WA Government create a new affordable rental housing scheme in WA, to maintain and grow affordable rental housing supply and ensure security of tenure for current tenants. There are a few ways this could be achieved:

1. WA Government purchases the remaining NRAS properties and provide as affordable rental stock in perpetuity, with management transferred to CHOs;
2. WA Government creates a new affordable rental housing fund;
3. WA Government creates a new affordable rental housing fund limited to preserving the remaining NRAS dwellings.

Option 1 could mirror the Queensland Government's initiative which has partnered with a CHO to purchase 121 homes across Queensland and recently announced it is 'open for business' to purchase and retain additional dwellings exiting the NRAS scheme.³⁶

For **Options 2 and 3**, the new affordable rental fund would operate in a similar way to the WA Government's Social Housing Investment Fund, but would be targeted towards increasing supply of affordable rental housing. In effect, it could also operate similarly to the Commonwealth's NRAS scheme. While the Commonwealth NRAS subsidy is \$11,000 per dwelling per year (for 10 years), it is Shelter WA's understanding that a subsidy of around \$8,500 per dwelling per year would be sufficient to incentivise NRAS participants in a new scheme. Further research is needed to identify the optimal length of a new subsidy scheme. For the purposes of this submission Shelter WA has used an indicative timeline of ten years for Option 2.

Cost

Option 1: To purchase the remaining NRAS properties over the final 2.5 years of the program would cost \$1.7 billion.³⁷ There is a net nil balance sheet impact for the government as the \$1.7 billion assets are owned by the government.

Option 2: An affordable rental housing fund for WA would require \$8,500 per dwelling per year.

- \$476 million for 5,000 affordable rental dwellings over 10 years
- \$952 million for 10,000 affordable rental dwellings over 10 years
- \$1.9 billion for 20,000 affordable rental dwellings over 10 years³⁸

Option 3: To continue the existing NRAS dwellings on a similar WA subsidy would cost \$25 million per year. Further research is needed to determine optimal length of the proposed scheme. This is essentially Option 2 above, but targeted at preserving the remaining NRAS dwellings as affordable rentals.

Impact and benefits

This initiative would help to maintain, and ideally grow, the supply of affordable rental housing in WA. If existing NRAS dwellings are included in the scheme, it will prevent existing occupants from losing their existing homes and needing to seek out private rentals, if they can afford it, or social housing.

How will this help government deliver on its commitments

This initiative could be progressed through the newly announced Housing Supply Unit, and will assist the WA Government meet its commitments under the *WA Housing Strategy 2020-2030*, in particular Focus Area 1: Supply.

Supported by

This initiative is broadly supported by the WA CHO sector, CHIA, National Shelter and WACOSS.