

Independent Pricing and Regulatory Tribunal (IPART)

Review of rent models for social and affordable housing – Submissions published

IPART has [published](#) the 30 submissions received following the release of its issues paper in November 2016. Responses came mainly from representative organisations, tenant and user groups, housing providers and academics. There is a remarkable degree of consistency in responses. Many of the issues raised go to the broader housing system design of which rent setting and rent policy is just one part. Respondents were concerned about the recognition of these interconnections.

The paper focuses on the views expressed by consumer and tenant representatives and academics, rather than those of service providers or their representatives. To summarise:

- Governments need to fix the shortfall in social and affordable housing
- Categorising households into cohorts is difficult and demeaning and on this basis there is little support for segmented rent models
- Both social and affordable housing can be for the long term
- Support for private rental assistance products useful in some circumstances
- Respondents did not support tightening eligibility criteria
- General support for an incomes based rents model with some modifications

More detail is provided below:

Governments need to fix the shortfall in social and affordable housing

The overwhelming shortage in social and affordable housing is widely recognised as constraining ‘attempts to restructure the social housing rent setting system to optimise utilisation of resources and to achieve other desirable outcomes’ (UNSW City Futures). The low levels of subsidy within the social housing system also place limits on reform options and there is general concern that reform may simply result in more targeting / rationing of a scarce resource and the possibility that some disadvantaged groups lose out. Shelter NSW points out that ‘no equity goal is served if it results in increased deprivation’. City of Sydney Council has suggested that IPART consider carrying out a cost benefit analysis into the merits of more social and affordable housing supply, as opposed to maintaining the status quo and the detrimental economic and social consequences this implies.

Categorising households into cohorts is difficult and demeaning and on this basis there is little support for segmented rent models

The Combined Pensioners & Superannuants Association (CPSA) describes the distinction between 'safety net' and 'opportunity' tenants 'as ' a crude one' and along with others shows that people can move between these with the right mix of supports and encouragement. The administrative headaches involved in making the categorisation are also flagged. There was also concern that social housing was being viewed as a support. UNSW City Futures echoed a number of respondents when they said 'Equating social housing with dependency unfairly demeans tenants. This characterisation is highly questionable since effective housing subsidies flow in larger volumes to owner occupiers and private landlords'. The People with Disability Association were particularly 'concerned that the outcome of this review does not punish the safety net group due to punitive treatment, often expressed as encouragement, of the opportunity group'.

Both social and affordable housing can be for the long term

Most submissions recognised that social and affordable housing can provide households with the security to pursue opportunities and thus designing a rent model that pushes households into the private rental sector if they secure a job may have perverse consequences. Shelter NSW highlights the type of income households would need to secure a private rental property i.e. 'until a household is earning incomes at around the middle quintile, they will have very little chance of finding affordable rental housing in the private market. The employment options for most of those in the "opportunity group" provide incomes well below this, in industries that do not generally provide a pathway to middle income or much above minimum wages'.

Furthermore forcing people to move away from their communities if they do secure employment both concentrates disadvantage in these locations and can have other negative consequences, as Inner West Tenant Forum explains, 'maintaining community ties is important for a number of reasons, including maintaining employment, continuity of service delivery, school attendance for the household's children, and social supports'. They wanted to see more flexibility introduced when someone got a job over the income threshold 'allow a time period of at least 12 months, and optimally 2 years, after a jobseeker gains employment before social housing is withdrawn from this group'. There was more support

for transitioning 'in place' by redesignating social housing properties to affordable housing so long as overall numbers of each type were maintained.

Support for private rental assistance products in some circumstances

Inner West Tenant Group believed these products could be useful in some circumstances 'Social housing providers could work with mental health organisations to identify people in social housing with mental illness'. AHURI in its response noted research that private rental support programs are not sufficient for those facing affordability and personal problems to sustain their tenancies. 'Prohibitive on-going rental costs, and lack of budgeting skills in managing rent were also thought to undermine the capacity of private tenants on low-incomes to sustain a tenancy' (Jacobs et al., 2005). The Tenants Union NSW (TUNSW) support the provision of alternative assistance products as a 'stopgap measure, taking into account the current lack of capacity and flexibility in the social and affordable housing portfolio'. City of Sydney was concerned at the long term costs of short term solutions such as these private rental products.

No support for tightening eligibility criteria

Respondents did not believe eligibility criteria should be tightened citing in particular the impact this would have on further residualizing the social housing sector and in the words of UNSW City Futures 'damaging the social diversity of neighbourhoods and (under the current income-based rent setting model) further eroding the financial sustainability of the social housing system'.

Inner West Tenant Forum wanted to see eligibility criteria widened 'particularly the income eligibility threshold for the general wait list, to more accurately reflect the impact that rising private rents are having on people on low incomes. In addition, a locational 'loading' on the income eligibility limit for the general wait list would recognize the difficulties people on even moderate incomes are facing to maintain their links to their communities.' Carers NSW suggested that if eligibility was narrowed it should only be considered where 'accompanied by greater protections and entitlements for private renters'.

General support for an incomes based rents model with some modifications

The PWDA sum up the general position when they say rent in social housing should 'be based on the capacity of tenants to pay rent'. In their submission UNSW City Futures illustrate an important advantage 'where charges are capped at market rent, this enables the withdrawal of subsidy as a tenant's economic circumstances improve, with no necessary requirement that the tenant must exit their home to enable this. A number of those making submissions did highlight specific issues with the marginal tax rate currently applied in the NSW public housing system, when tenants move to moderate income band and pay 30 percent across all their income and not just the proportion above the threshold.

There was little support to include other benefits in the calculation of income. Inner West tenants Forum noted 'Family Tax Benefits Part A and B is paid to families to assist them meet the costs of raising children and 100% of the benefit should be used for child-related costs, not rent.'

There were mixed views on assessing income after tax, rather than gross income, given the potential administrative burden. UNSW City Futures saw some advantages of switching from income-based rents to property-specific rents from landlords' point of view 'because it would create more certainty about future income streams, thereby providing a sounder basis for business planning. However, serious contemplation of such a reform would be difficult without incorporating consideration of social security settings under Commonwealth Government control.'

Perhaps the final word should also go to UNSW City Futures who noted the problems consequent on the review's remit excluding any consideration of the Commonwealth Government's social security policy i.e. 'This precludes any challenge to the unjustifiable status quo under which social landlords must effectively self-fund subsidies required to maintain rents at levels affordable to the least well-off tenants.'

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