



nsw Federation of
Housing Associations inc

NATIONAL RENTAL AFFORDABILITY SCHEME

The NSW State election on March 2011 will set the direction for the State over the next four years. The NSW Federation of Housing Associations is calling on all Parties and candidates to commit to implementing a number of directions that will be essential to address the lack of affordable housing in NSW and to meet the housing needs of low and moderate income households.

Background – NRAS

The National Rental Affordability Scheme (NRAS) is an Australian Government initiative to stimulate the supply of new affordable rental dwellings by up to 50 000 by June 2012. The Commonwealth Government has recently proposed capping this figure at 35,000 dwellings by 2013-14 to provide \$240 million in flood relief funds¹.

After the Nation Building Economic Stimulus Plan, NRAS is the only significant program to support future investment in new supply of affordable housing.

New South Wales has the highest rate of rental stress of any state or territory. It is therefore crucial that the scheme is operating to its full potential.

NRAS is very different from any other form of social housing, in that it makes it attractive for private investors to invest in low cost and affordable housing. This is achieved through tax credits or incentives, which are meant to attract the developer's own capital or borrowings from banks or investment from institutions. In this way the government's dollar is spread further.

The Scheme offers annual Incentives for ten years. The two key elements of the Incentive are:

- A Commonwealth Government Incentive currently of \$6 855 per dwelling per year as a refundable tax offset or payment; and
- A State or Territory Government Incentive currently of \$2 285 per dwelling per year in direct or in kind financial support.

The tenancy arrangements in NRAS-housing are also different from traditional social housing in two ways. Firstly, the income-eligibility for tenancies in the dwellings is more liberal than for traditional social housing, encompassing some moderate income earners too.

Secondly, rents are not set on the income-based formula typically used in social housing, but must be at least 20% below the market rent. Tenants of NRAS housing may be eligible for Commonwealth rent assistance.

What has been done to date

Evidence to date suggests that there is a strong interest in this incentive in NSW. Community Housing providers have been particularly successful in securing incentives.

- At total of 2545 NRAS incentives were allocated in NSW in NRAS Rounds 1 and 2²

- Community housing providers in NSW were very successful in the first two rounds of NRAS, winning incentives for more than 1499 dwellings - representing two thirds of all available incentives in NSW³
- Of these incentives, 815 dwellings have already been built and are now operational⁴
- Results have not been fully announced for Round 3, however 5,469 incentives have been offered to date nationally (comprising 40% of what is nominally available from this round). None of these incentives are for developments in NSW.
- Applications for Round 4 closed on 14 December 2010. No announcements have been made to date about this latest round.
- Badged as NSW NRAS A, the state contribution specifically for Community Housing Providers under Round 4 is a pool of up to \$40 million in upfront capital grants⁵.
- In some area specific NRAS development sites, the state contribution for Community Housing Providers may include a mixture of both capital and land grants.

The Issues

NSW Federation and its members are very supportive of the NRAS scheme, as we believe that this is *the way* to grow low cost housing and to meet the need of low income households in NSW. However, the Federation has identified three shortcomings with the scheme.

1. While the NRAS incentive allows for a discounted rental rate of at least 20% below the market rate, this reduced rate is generally affordable to moderate income earners only. Many on low incomes could still remain in housing stress even with this discount. The more there are additional contributions to the cost of developing such properties, the greater the discount that can be offered.
2. Similarly, the scheme only requires properties to be offered at a discounted rent for 10 years. However, with additional contributions, they may become available for low cost housing into the future.
3. The NSW state government has failed to match the Commonwealth contributions for the incentives in rounds 3 and 4 and subsequently NSW is unlikely to secure its proportionate share of the incentives.

What the Federation is calling for

The Federation is calling for all parties to commit to:

- a) Further upfront capital investment, above the base incentive, (using NSW NRAS A model⁶) to make it financially viable for Community Housing Providers to offer NRAS dwellings to low income households and to continue to do so beyond the 10 year life span of NRAS.
- b) State matching of Commonwealth incentive to ensure that NSW secures its proportionate share of at least 30% of NRAS incentives nationally⁷.



For further information please contact:

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The NSW Federation of Housing Associations (the Federation) is the industry peak body for housing associations in NSW. The Federation's mission is to support the development of a not-for-profit rental housing sector that compares to any around the world, and makes a difference to the lives of lower income and disadvantaged households across the state.

Housing associations are not-for-profit community housing providers whose principal business is managing and developing long term housing for low and moderate income households.

¹ <http://www.alp.org.au/federal-government/news/rebuilding-after-the-floods/>

² <http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NRAS/>

³ *ibid*

⁴ Information supplied by Centre for Affordable Housing

⁵ National Rental Affordability Scheme NSW Program Requirements Round 4
http://www.housing.nsw.gov.au/NR/rdonlyres/1A177B1A-D173-4AD5-985A-2C05D099133A/0/NSWProgramRequirementsRound4_FINAL.pdf

⁶ NRAS A model involves mix of subsidy matching and an upfront capital grant from the NSW Government to the project's total capital costs.

⁷ NCOSS, Shelter NSW, NSW Federation of Housing Associations Fact Sheet: NRAS in New South Wales – fulfilling the potential. <http://www.sheltersnsw.org.au/docs/fly10factsheet-nras.pdf>