

CHFV has prepared this guidance note in order to explain how community housing rents are calculated as the detail of the variety of options is not widely understood.

The State and Commonwealth Governments provide assistance (in the form of capital grants, transfers of properties, management contracts or service agreements) to Community Housing Organisations (CHOs) to build and supply low cost rental accommodation to people on very low to moderate incomes and people with additional needs.

Assistance is provided for a range of programs, including social housing, co-operative housing, transitional housing, rooming houses and broader affordability programs such as the National Rental Affordability Scheme (NRAS). Therefore, a range of rent setting policies may apply, reflecting the different policy initiatives.

CHOs, who receive assistance from DHS, must maintain registration under the *Housing Act 1983*. Under this regulatory framework, CHOs are required to:

- set rents which are *affordable for tenants while maintaining financial viability for the agency*; and
- have in place policies and strategies to deal with tenants in financial difficulties and with arrears of rent.

On 30 June 2012 there were 17,769 properties in the community housing sector. These properties fall into two main categories, 8,290 owned and 9,479 managed under the Housing Provider Framework (HPF), Transitional Housing Management (THM) and other programs.

Most properties **managed** by CHOs under the THM system or under the HPF are required to adhere to DHS policies in those programs. For example, rents are calculated in accordance with the Public Housing rent setting policy. For properties managed under a head lease from DHS, the CHOs also include a tenant's entitlement to Commonwealth Rental Assistance (CRA) in rent (and payment of CRA received to the CHO).

Properties **owned** by CHOs are subject to an organisation's own rent policies. Where DHS has provided capital funds for the acquisition of the property (which for properties owned by CHOs is most of them) then the approach to rent-setting must be consistent with DHS's published guidelines for rent-setting and eligibility¹.

These policies are similar to those used by the public housing system; however there are some important differences.

- Community Housing rents are mostly income based rents between 25% and 30% of assessable gross household income (primary payments, such as Age pension and wages), while Family related payments, including Maintenance, are generally calculated at 15 per cent. In addition to this, CHOs also charge 100% of CRA (if the tenant is entitled to CRA).
- In other cases, for example NRAS or other affordable housing programs, some CHO rents are set based on a discount to the market rent for the property.

Under the DHS guidelines, tenants whose income at the commencement of the tenancy is less than a defined cut-off (based on the maximum income eligibility limits for CRA, currently \$604pw for singles) the net rent (i.e. exclusive of CRA) cannot exceed 30% of assessable household income².

Registered CHOs are required to report to the Housing Registrar on the rent charged for low income households.

¹ Guidelines for Registered Housing Agencies, Policies for tenant eligibility, allocation and rent setting for community housing properties funded by the Department of Human Services, DHS, March 2013, Page 4

² Ibid

If a household's income changes:

- For income based-rents, the rent charged changes accordingly; and
- For market-based rents, the rent charged does not automatically change, however depending on the policy of the CHO, hardship provisions³ can allow for measures such as discounted rent for set periods or a transfer of property or tenancy to an income-based rent.

Under the Housing Act 1983, a registered housing agency is required to:

- establish a complaints procedure
- maintain a register of complaints
- take all reasonable steps to resolve a complaint within 30 days

The Housing Registrar monitors complaints management within community housing organisations, in particular procedures and registers and also investigates complaints referred by tenants. The Registrar has the power to appoint external agents to review and investigate complaints falling within the Housing Registrars jurisdiction.

Below is the Housing Registrar Performance Standards relating to affordable rents:

The agency must offer properties for occupation at affordable rents.⁴

1. The agency has policies and strategies to deliver housing services at affordable rents to low income tenants. The Registrar will monitor the extent to which rent charged is below 75 per cent of market rent and exceeds 25 per cent and 30 per cent of tenant income.
2. Policies developed by the agency under the preceding paragraph detail the method of assessing affordability, the treatment of Commonwealth Rent Assistance in the assessment and the treatment of additional service charges if applicable.
3. The agency regularly reviews its rent modelling and the impact of its rent policies on its tenant population and on its financial viability. Where appropriate, adjustments to rent policies are made.
4. The agency has policies and strategies to deal with tenants in financial difficulties and with arrears of rent.
5. The agency has policies and strategies to ensure that service and other charges do not exceed fair market or actual charges.

Guidance

The agency's business must be geared to low income tenants, and will be expected to incorporate the tenant's entitlement to receive assistance such as Commonwealth Rent Assistance (CRA) into its rent modelling.'

Affordable rent means rent set within the parameters applying to rents determined from time to time by the Director of Housing.

**This is a guidance note describing how rents are calculated by most community housing organisations. These methods are not necessarily followed by every community housing organisation.*

³ Ibid

⁴ Performance Standards for Registered Housing Agencies, Housing Registrar, Page 11