

**Submission
No 44**

TENANCY MANAGEMENT IN SOCIAL HOUSING

Organisation: Property Owners Association
Name: Mr Rick Banyard
Position: Committee Member
Date Received: 27 August 2014



Property Owner's Association of NSW Inc.

PO Box 329, Bondi Junction NSW 1355 Ph: (02) 9363 3949

www.poansw.com.au

info@poansw.com.au

Date 27th August 2014

To Tenancy Management in Social Housing Inquiry

From Rick Banyard POA Committeeman [REDACTED]

RE Submission to Inquire

The Chair

Tenancy Management in Social Housing Inquiry

Dear Chair

Thank you for the opportunity to make a submission to the Tenancy Management in Social Housing inquiry.

The Property Owners Association of NSW is long standing organisation based on assisting Landlords operate and manage their rental properties in the State of NSW. The POANSW is affiliated with The National body of the Property Owners Association of Australia.

The POA in NSW represents landlords who collectively provide about 75% of the states non owner occupied housing. A very large proportion of this number is occupied by tenants who could be considered as having social housing needs.

The POA represents all styles of properties and modes of rental housing.

The POA notes the terms of reference for the Inquire include:-

- The cost effectiveness of current tenancy management arrangements in public housing, particularly compared to private and community housing sectors;
- The range and effectiveness of support services provided to tenants in social housing;
- Outcomes for tenants from current tenancy management arrangements; and
- Possible measures to improve tenant management services.

To support our submission the POA would be prepared to address the Committee.

Points and Issues

1 Current Arrangements

- Social housing is not related to the ownership of the rental property

Whilst a large quantity of housing (140,000) is provided via government owned properties it is likely that privately owned properties house far more. Some of this property is subsidised in various ways when occupied by people in need. The assistance includes rental assistance, affordable housing grants, loans and grants to group and community housing.

- There are four main models of ownership and management

Government owned property is provided to the tenant via number of government departments with the principle one being the Department of Housing

Privately owned property is provided to the tenant by the owner directly or by the owner via a managing agent (funded by the owner)

Nursing and retirement homes and alike funded by “private” enterprises including cooperatives, companies, joint ventures and government agencies

Community Housing

Each of these four models of ownership generate four variants of management that provide social housing clients and operators with confusion and a lack of uniformity.

The POA assumes that this inquire does not include short term housing such as boarding houses, private hotels, refuges, holiday accommodation, granny flats, retirement homes or caravan parks.

- The “rule books” are varied

Tenants occupying Department of Housing properties are generally regulated and managed via a well documented publically available "Manual"
(www.housing.nsw.gov.au/forms+policies+and+Fact+sheets/policies/)

Private rentals are generally regulated and managed by the Residential Tenancies Act.

Community housing and aboriginal housing just to name a few have their unique regulations and management processes.

There is considerable inconsistency with all these management policies.

Many of the Policies are not consistent with the core item of legislation. Namely the Residential Tenancies Act.

- The Tribunal

There used to be a Tribunal that only dealt with Tenancy matters.

Now we have an all encompassing consumer Tribunal.

- Management Structure

Owner managers

Self managed rental property managers have a widely varied style of management as a huge range in skill level. Despite these limitations the vast majority try extremely hard to meet the needs of their tenants and provide them with the highest standard of accommodation possible within their resources. It should be noted that social housing type tenants are usually chasing the lowest possible rent and that low level of rent in turn gives the landlord low levels of revenue and net investment return. With a median house value in Sydney of \$800,000 a rental property investor could earn \$600 a week in bank deposit. Land tax on an \$800,000 rental property could be \$3000 (depending on the owners circumstances) Council Rates say \$3000 and then there is insurance, repairs, maintenance and zero rental periods when tenants skip or the vacant periods between tenants. With a **gross** rental of \$600 a week this extremely low level of return is a major constraint.

Managing Agents

A sector of the real estate industry is geared to provide property management services to landlords. These agents may be part of a chain, franchise, working group or sole operator. In most cases the rent roll plays a minor part of the agents operation. Frequently rentals are considered as a catalyst to feed the far more lucrative property sales activity. Frequently the property management staff have limited skills and training however in the main handle the social housing demands very well. Property management

can be very time consuming and frequently social housing clients can be very stressful to all. Agents fees are basically a commission with fees of between 5% and 10%. Agents and landlords receive no remuneration for assisting tenants with social support needs. The agent fees further reduce the landlord's revenue.

Government Departments

Major providers like the Housing Department are full funded by the government and staffed by reasonably trained officers. Tenants frequently pay rents that are far below market value.

Tenants evicted by the Housing Department invariably become tenants in the private housing sector. Frequently with little support from other agencies.

Social Housing agencies

In the market place are a considerable number of organisations that manage social housing. Examples include Compass Housing, Catholic Care, and various Aboriginal Land Councils. Many of these bodies have their own "management structures and policies. These are frequently outside the main stream rules and regulations such as the Residential Tenancies Act

2 What is the future?

- Rental housing supply is likely to further contract as:-
 - Private people find a rental property likely to often produce a less viable investment opportunity.
 - As government policies change eg affordable housing
 - As subsidised agencies take up an increased market share
 - As the job market and spare funds contracts and as rules and regulation continue to make the ownership and operation of rental properties "all too hard". Eg the new boarding house rules.
- Rules and regulation will tend to be in house. Eg Department of Housing Manual
- As the knowledge bank to all parties increases (eg Internet) the level of dispute will increase
- Higher rents and a reduction in ability to pay will cause friction and stress.
- As the capital cost of building and maintaining housing rises the ability to fund declines.

3 What can be done

The Property Owners Association believes that:-

- The management structure needs to be more unified.
- That the rules and regulations need to be applied to all long term rental housing in a uniform manner.
- That the rules need to be simplified.

- That the rules need to be published in an easy to read and comprehend style.
- That the rules need to give the property owner greater powers to manage their investment. This would assist in stimulating the availability of properties for rent.

The Property Owners Association strongly believes that one way of significantly increasing the management of Social Housing is to provide far greater incentives to investors to invest in this important sector. Some **examples** include:-

- The removal of Land Tax from all rental properties that accommodate low income and disadvantaged tenants. ie extend the current exemptions.
- Privately owned rental property could be made exempt from Income Tax and Capital Gains Tax.

As no doubt the Committee is aware there are a number of substandard tenants. This class of tenant is a disincentive to people to become Landlords, consume very considerable time of rental property managers, add significantly to the cost of ownership of rental properties, are a risk to safety and compromise the duty of care of Landlords. This class of tenant also makes renting much more difficult for tenants that conduct themselves well. The issues could be addressed by requiring tenants to undergo formal training before being permitted to enter a tenancy agreement. This training would require tenants to formally recognise their obligations under the lease. This training could be of low cost and probably less than a day in duration. It would be like the building industry induction "green card". (<https://www.nswgreencard.com.au/>)

An aid to management practices would also be a requirement that tenants upon entering a lease provide insurance to cover their obligations of a tenancy agreement. (eg damage to the property, failure to pay rent and actions of their guests).

The Committee should also consider the operation of the tenancy registers. The POA suggests that the rental Bond Board should manage the tenant default register and that these lists should be expanded to keep track of the quality performance not only of the tenant but also the agent and landlord. The aim should be to identify good tenants, good agents and good Landlords by drawing attention to the better people and not focusing on the "black lists". Obviously every tenancy should have a bond.

The POA strongly believes it is very important that landlords and tenants work harmoniously as a team in order that a social housing tenancy meets the needs of both the Landlord and the Tenant.

The POA would be prepared to meet with the committee if required.

Please contact me if you require further information or clarification.

Rick Banyard

POA Committee Person

[REDACTED]

[REDACTED]