

**Property Owners Association of NSW Inc.
PO Box 329, Bondi Junction NSW 1355**

Submission Contact
Rick Banyard 0419993867
cdc@hunterlink.net.au

Parliamentary Inquiry

Inquiry into the Allocation of Social Housing

Property Owners Association of NSW

**SUBMISSION TO THE PUBLIC BODIES REVIEW COMMITTEE
INQUIRY INTO THE ALLOCATION OF SOCIAL HOUSING
March 2006**

Introduction

The Property Owners Association POA welcomes the opportunity to make this Submission on the Allocation of Social Housing in New South Wales.

We note your terms of reference are

- Current levels of funding for the development of new housing stock
- The effectiveness and appropriateness of housing allocations
- Role of community housing in meeting the demand for social housing
- Social housing allocation systems in other jurisdictions
- Any other related matters

We make this submission also on behalf of our Members who are located in all parts of the State. We believe our views would be supported by the vast majority of private property owners in NSW.

The POA fully is self funded.

POA members and other private rental property owners provide rental housing in virtually every street in New South Wales. The range of housing covers all styles including flats, units, villas, houses, penthouses and boarding houses. Rentals range from very low to very high.

Landlords who are part of the rental property industry are in the main very compassionate and caring of their tenants. Landlords encourage long leases and contented tenants.

The allocation of social housing is only one of several different means by which housing assistance is delivered to the community.

The principal forms of housing assistance are:

- • Social housing, allocated to eligible persons and households by the Department of Housing (DoH), community housing associations (CHAs) and Aboriginal Housing Office (AHO) etc.
- • Rent Assistance, paid by Centrelink to recipients of other Centrelink benefits
- • Deductible tax expenditures, paid through the tax system to home and property owners including those who are purchasing and those who own outright.
- • Special purchase concessions including programs such as the First Home Owners Grant (FHOG), and provisions for tenants to purchase from the DoH
- • Housing packages or assistance as part of a salary package for employees. This includes nursing quarters, student accommodation through to penthouses.
- • Aged and Health Care funds. This includes nursing quarters, aged care facilities and the provision for handicapped.
- • Emergency housing and support funds provided by including sources such as the DoH, Lifeline and Father Chris Riley.
- • Special programs such as the Affordable Rental Housing Program providing homes for rent by people on low or medium incomes
Affordable housing in Australia is funded from many different sources. Some government funds have already been dedicated to providing affordable accommodation, however the private and not-for-profit sectors are also finding that affordable accommodation can be a part of a new development, providing sufficient return on their investment to make it financially viable.
- • Emergency Housing provisions. Eg Refuges, DOCs hosts etc.

Social housing

The 150,000 properties owned and or operated by the DoH are principally funded by the taxpayers and in the order of 90% of those tenants receive pensions or benefits.

The asset value of this housing stock represents in the order of \$300,000,000,000m or about \$30,000 per head of population.

The Doh also requires considerable funds in each budget to cover the shortfall between rents received and operating costs.

Local government also makes major concessions because public housing properties are not rateable. This represents a contribution to social housing of about \$1000 per year per household. This concession is funded by the ratepayers via higher rates.

The state government also does not charge land tax to public housing. Most private landlords pay land tax. This commonly represents \$1000 per property per year.

Clearly the cost of public housing is a major impost on the tax and rate payers of the community.

Rentstart, which provides a contribution to start-up costs of private tenancies for eligible persons, and the Special Assistance Scheme (SAS), through which eligible persons who have a disability or who are receiving treatment for HIV/AIDS receive a rent rebate while renting privately.

A total of 55,700 allocations of Rentstart and SAS were provided by the DoH in 2004/05. These allocations were only possible because POA members and other private housing landlords were capable of providing rental property.

It is of grave concern to the POA that about half of the people who are Rentstart recipients are on the DoH waiting lists. This is a major destabilising factor to the stability of tenants. Using private renting accommodation as a "motel" until DoH housing is available should not be tolerated.

The POA members acknowledge that they have a social responsibility to contribute reasonable levels of funding. In order to meet that commitment they must remain viable and they must have sufficient income to pay tax.

Rent Assistance

Rent Assistance is the primary form of housing assistance paid to eligible private tenants.

Rent Assistance is tied to eligibility for certain Centrelink payments, including Family Tax Benefit Part A.

Rent Assistance is paid directly to the eligible tenants as part of their other Centrelink payments. It is considered by tenants to be "part of their pay"

The vast majority of public housing tenants also receive a form of "rent assistance". This is achieved often without tenants, their advocacies and the public realising it.

It is estimated that in the current year the average rent rebate for each dwelling under DoH management will be about \$3,757 per annum. That represents about \$72.25 per tenancy per week. This figure is likely to rise significantly as the DoH moves towards market rents.

Whilst the Commonwealth Government provides major funds to cover Rent Assistance on a per tenancy basis this is much lower than for public housing. The maximum Rent Assistance is currently just under \$100 per week. The maximum rate is paid to only a small proportion of tenants.

Rent Assistance gives the recipients greater security as they can afford the major benefits of tenancies in the private rental market. These benefits include choice of housing, choice of location, individual choice and freedom from being allocated to DoH complexes. This is the desire of 95% of all households.

Rent Assistance is very important in making the recipient's rent affordable.

There are three major problems with rent assistance.

Firstly Rent Assistance is paid to the tenant and not the Landlord. Most tenants and Centrelink consider this money is a part of their "pay" and can be spent as they see fit.

Secondly tenants compare rent payments in the public housing sector with the private rents. This illusion shows public rents as cheaper. This encourages people to seek public housing. The facts are both public housing and private housing rents are at market value.

Thirdly where Rent Assistance tenants do not use the benefit to pay the rent and are instead used for car payments, drugs or other purposes the rent arrears often becomes a major burden on the tenant. This can often result in eviction for rent arrears. This is certainly not desirable

Rentstart and SAS are also forms of rent assistance provided to those who are unable to provide for themselves.

Home Owner Assistance

By far the biggest and most efficient form of meeting the need of social housing is to encourage the private ownership of housing.

Private ownership requires the owner to fund the capital and maintenance costs. It also encourages stability and responsibility.

Home owners and prospective home owners receive a number of forms of assistance and incentives. These are both direct and indirect.

The First Home Owners Grant is an example of a very worthwhile direct incentive.

Land Tax exemption to owner occupiers is an example of an indirect incentive.

In gross terms, the value of housing assistance for home owners delivered through tax expenditures is far greater than other housing assistance expenditures. In New South Wales it is suggested that each homeowner received an average benefit of \$4 300 per annum.

On the other side of the coin the occupiers and owners of those homes provide a major proportion of the states tax revenue.

This include taxes paid by occupants on their earnings and GST on their expenditure. This is very significant as owner occupiers have higher employment levels and higher incomes that those lucky enough to be able to benefit from public housing options.

Home buyers and owners also pay very considerable levels of tax. These taxes include stamp duty on purchase, Capital Gains Tax on sale and Council rates.

Home owners have to pay for their water supplies. Until recently most public housing tenants have not even paid for their water use and the owners still pay the standing charges.

Clearly the funds provided by government to home owners should be seen as a sound commercial investment. For every dollar invested the home owners respond with a major investment of capital and the provision of ongoing maintenance funds.

By contrast the huge levels of funds provided to public housing could be considered as a donation to the humanity needs of the community. The funds to meet the public housing "donation" are in the main provided by the home owners.

Landlords

Every person in this State needs housing.

That housing needs to be of a reasonable standard.

The housing has to be established and maintained and this costs money.

The funds required are huge and has to be provided by the taxpayers or the occupants.

Clearly the funds are finite.

Owner occupiers have their own reasons and justifications for their expenditure.

The DoH has a budget it work within. The fact that housing stocks are not increasing indicates that the DoH is probably having serious funding problems.

Landlords have the criteria of making a profit from their endeavours.

The Committee needs to recognise there are three types of private landlords.

Firstly the Rental Property Owner is a person or partners who are actively in the business of providing medium to long term rental accommodation to those people who choose or can not afford to be owner occupiers...

Secondly there is the investor who has the prime purpose to make money out of real estate buy buying and selling normally in the short to medium term. Real estate investment is akin to share trading.

The final group is the Developer who has the prime objective of purchasing real estate and to carry out work or works to change that property with the view of making a profit.

The first group is the major provider of rental housing and provides more than twice as many houses than the DoH.

Landlords have very special needs and investment by governments in considering these needs would be a very sound cost effective activity

Tenant Advocacy organisations should seriously consider the benefits of working with rental property owners.

We urge your committee to examine the role of and activities of rental property owners. (as defined above)

Recommendations

- That the major role of private landlords be formally recognised at all levels of Government.
- That funding be provided to organisations such as the POA to assist them with fulfilling their role in social housing.
- That the NSW Government develop a state housing strategy to enable fundamental policy directions across the total rental housing industry. That strategy should considered the issues facing public and private landlords and their tenants and inturn the ability to meet the needs of social housing.
- • The value of social housing rent rebates paid to the DoH should be well publicised and a very transparent component of public housing tenants rent.
- • People receiving Rentstart assistance should be removed from the DoH waiting lists as their housing needs have been met.
- • Rent Assistance be paid direct to the Landlord to ensue that scarce social housing funds are used for the intended purpose.

- • Tenants rent payments in the public housing be expressed at the gross rent and not the rent after the rent subsidy. This will remove the illusion that indicates public housing rents when in fact both public housing and private housing rents are at market value.
- • All tenants should be made fully responsible for the water service provided to a property. This will be similar to gas, electricity, phone and other services. This will encourage a social responsibility to water conservation, eliminate an anomaly and apply the user pays principle.
- • The exemption to land tax for property housing low income tenants be expanded from one small specific area of Sydney to all areas of NSW.
- • That properties used for providing long term rental accommodation be exempt from land tax. **If this is not acceptable then** the DoH be required to pay Land Tax on the same basis as other rental property owners.
- • That the properties owned and operated by the DoH be required to pay Council Rates as their tenants utilise local infrastructure.
- • That long term rental property owners be provided with a range of specific tax treatments and recognised for their important roll in providing housing and especially low income housing for the community. Farmers receive special consideration to feed the community. Housing is also a very special need. This could include lower Capital Gains Tax rates, land tax exemptions, lower council rates, GST allowances etc, rental property purchase grants etc.
- The issue of rental bonds be examined. This review should consider the adequacy of the bonds, the ability of tenants to pay and the practice of the tenants using the bond money to pay the last few weeks rent. The POA considers that all tenants should pay a bond and that where a bond is provided by a third party that provision should be independent to the tenancy.
- The role and actions of the Tenancy Tribunal be examined. The Tribunal was established as a simple cost effective way of settling disputes by independently interpreting the Residential Tenancies Act and guidelines. It has now become a complex court of law based on precedents. The current process is not assisting social housing needs and wants.

Summary

Private landlords like the members of the POA provide a major proportion of the States rental accommodation.

Their contribution to social housing greatly exceeds the contribution made by the DoH.

The landlords do a very good job with the proportion of complaints very low and the vast majority of tenants totally satisfied.

The provision of housing by the private sector is very cost effective for the government and the community.

Currently severe pressures on the private housing sector is severely impacting on its ability to provide and operate housing stock at a profit.

Unless these pressures are addressed the private sector will, like the DoH, be unable to increase housing stocks. This will have a major impact on tenants.

The social housing question is not a question of how to allocate available houses to the waiting tenants.

The social housing question is about how to maintain and increase housing stocks in both the public and private sectors.

The cost efficiencies and return for government investment in private housing indicate that encouraging long term private rental accommodation is the way forward.

We commend the POA recommendations to the committee.