

RENT MODEL REVIEW

Why the CEHL Housing Program needs a new rent model . . .



The CEHL Board identified issues that significantly affect the CEHL Housing Program that need to be addressed to ensure the Program continues to provide affordable housing.

Board Requirements for a New Rent Model

- **Remain Financially Viable** - the National Rental Affordability Scheme (NRAS) a government subsidy of around \$1.5 million will start reducing in 2022, and end in 2026
- **Maintain CEHL's registration as a Housing Association and a charity** - our charitable status provides a significant tax benefit to the CEHL Housing Program. The Australian Charities and Not-for-Profit Commission has questioned why higher income households in our Program receive a rent subsidy
- **Ensure sufficient income to maintain our assets** increasing our maintenance budget
- **Meet our obligations as a custodian of community assets**, including growing to meet the changing housing needs of co-op members
- **Support a Housing Co-op Program** that provides long term, secure, affordable housing

The Rent Model Advisory Group

The CEHL Board appointed the Rent Model Advisory Group (RMAG) in October 2017 to:

- ✓ consult with the CEHL Housing Program participants
- ✓ recommend a revised rent model that aligns with the Program Principles and addresses the issues outlined above

What is the Rent Model?

The Rent Model is the method CEHL uses to calculate rent for all households in the CEHL Housing Program.

ABOUT RENT IN THE CEHL HOUSING PROGRAM



Rent makes up 95% of revenue for the CEHL Co-op Housing Program.



Rent for the CERC & CMC co-op models is assessed differently. The intention was to reflect the different contribution of labour between the co-op models, but this has not proven to be accurate.



The CEHL Housing Program has received significant investment & benefit from the Victorian and Federal Governments to be able to provide affordable rent to low income households.

<i>The difference in rent setting</i>	CMC	CERC
Income assessed	Before tax (Gross)	After tax (Net)
% of main income	25%	25%
Supplementary income	13%	10%
Commonwealth Rent Assistance	100%	100%
Maximum Rent	No discount for labour	25% discount for labour

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RECOMMENDATION - 1

RMAG recommends that the value of labour provided by co-ops should remain within the Program rather than be paid as rent reductions to individual households.

RMAG recommends that the maximum rent for CERCS and CMCs should be the same.

RMAG recommend the Board urgently establish a review of program service offerings, costs and benchmarks to accurately understand service options and constitute an advisory group to develop a company rent model that enables co-ops to have more choice in the range of services they deliver or request from CEHL.

RMAG recommends that all funds raised through this change stay with each co-op as an interim arrangement until a review of program costs and services is completed.

RMAG seeking co-op feedback on:

- What challenges do co-ops believe might occur as a result of these recommendations, and how might they best be managed?
- What transition arrangements would enable co-ops and members to adjust to these changes?
- What should be included in the review?
 - Eg: The range of services and choices that co-ops would like to have available? Co-op resources, such as access to advice from a CDC or Property officer? Costs modelling for those services?

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RECOMMENDATION - 2

Calculating household rent. RMAG recommends that CEHL adopts the community housing sector benchmarks for income assessment and setting maximum rents. This would mean that:

1. All income would be assessed as gross income (before tax)
2. Rent would be calculated on an affordable benchmark (as described below) of base income, 15% of supplementary income and 100% of CRA received
3. Maximum rent would be set at the actual market rent of the relevant property
4. Minimum rent would be set by assuming the household receives the maximum Centrelink entitlement for a household of that composition and circumstance, ensuring that the households Commonwealth Rent Assistance entitlements are maximised.

RMAG recommends that the Program affordability benchmark be set at 25% of main household income, until Program service offerings, costs and benchmarks have been developed and agreed.

A review of the affordability benchmark should be undertaken once this work is complete to ensure it is adequate to support ongoing Program sustainability.

RMAG recommends that the Board acknowledge that any future affordability benchmark should not exceed 30% of household income due to the Program's commitment to housing low income households and CEHL's obligations as a Housing Association.

RMAG seeking co-op feedback on:

- Do you support bringing the assessment of supplementary income (family payment, youth allowance), defined by the current rent manual, into line with public housing and community housing approaches?
- Are there any alternatives other than setting maximum rent at market rent that would meet the requirements of RMAG?
- How should we determine market rent? E.g. by individual property assessment, DHHS guides, suburb averages etc.?
- What transitional arrangements should be considered?

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RECOMMENDATION - 3

RMAG recommends that households be allowed to choose to have additional bedrooms.

RMAG recommends that where a household requests an additional bedroom beyond bedroom eligibility then additional rent should be charged. No household should be required to pay additional rent, however, unless they have refused an offer of an appropriate alternative property that matches their bedroom eligibility. Where a household chooses to remain in a property with additional bedrooms after an appropriate alternative has been offered, the additional rent charged should not exceed the market value of the additional bedrooms.

RMAG recommends that households be able to nominate how many bedrooms they would like to have at the start of any new tenancy, or when offered a transfer to meet changing household circumstances, provided that the rent reflects the market price of any bedroom beyond the household's bedroom allocation eligibility.

Note:

These recommendations do not change the provisions within the Appropriate Use of Property Program Policy.

RMAG seeking co-op feedback on:

- What level of relocation assistance is required from the program, where a household chooses to move?
- Should members be able to choose to pay for extra bedrooms:
 - on the beginning of a new lease?
 - when requesting a transfer?
 - if they don't wish to be offered an appropriate alternative property?
- How should the market price for each bedroom be calculated?