

FREQUENTLY ASKED QUESTIONS

Rent Model Review

Rent setting

- *What does market rent mean?*
 - Market rent is the rent amount a landlord might reasonably expect to receive, and a tenant might reasonably expect to pay, in the private rental market. It is likely to be similar to the rent charged for similar properties in similar areas.
- *What does 'discount to market rent' mean?*
 - A "discount to market rent" describes any rent charged that is designed to be lower than the market rent.
- *What is CEHL's current Maximum rent set on?*
 - In 2008 CEHL calculated the typical market rent charged across 6 zones for properties of varying sizes. This has been adjusted by the general CPI increase in each subsequent year.
 - CMC households have been charged 100% of this rate as maximum rent.
 - CERC households have been charged 75% of this rate.
 - Because changes to the rental market have not been the same as CPI increases, the current maximum rent charges no longer relate to market rents.
- *What is CEHL's current Minimum rent set on?*
 - CEHL calculates the typical Centrelink benefits available to each household type, including the Rent Assistance a household is likely to receive, and sets a minimum rent based on the rent calculation appropriate for this household.
 - Any increase to minimum rent charges each year has also been capped by the general CPI increase.
- *What's the difference between the rent model for a CERC and a CMC?*

THE DIFFERENCE IN RENT SETTING	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

- *Who gets a rent reduction for labour?*
 - In the current rent model, CERC households pay 25% less in maximum rent than CMC households paying maximum rent.
 - CERC households paying assessed rent pay a lower percentage of supplementary income and rent is assessed against their net income instead of their gross income.
 - These reduced rent rates are offered to CERCs in order to recognise the labour provided by members to manage tenancies and property maintenance within their co-operative.

- *What does program subsidy mean?*
 - Program subsidy is the difference between the rent charged in our program and the amount of rent that could be charged for a similar property in the private market.

- *What does 'affordability benchmark' mean?*
 - An affordability benchmark is the percentage of income that might be spent on essential expenses (such as rent) that would commonly be affordable.
 - Government and Social Housing organisations apply an affordability benchmark to rent of between 25 – 30% of gross income.
 - The private market may also reference an affordability benchmark when approving housing loans, etc. This is often around 30% of gross income.

- *Property portfolio*
 - The phrase “property portfolio” refers to any group of properties assigned to an organisation.
 - Each co-op will have an assigned property portfolio described on their first schedule
 - CEHL holds a property portfolio comprised of all properties managed in our program.

- *Property allocation*
 - This is a Program policy that describes how properties in our program can be used. It can be found on our website here: [Program Policy: Appropriate Use of Property](#)

RMAG PROCESS

- *Who are RMAG?*
 - RMAG is the Rent Model Advisory Group, an advisory group made up of Co-op members, established by the CEHL Board to help facilitate a Program discussion on the adequacy and equity of our rent model.
 - The objectives of the Rent Model Advisory Group (RMAG) are to:
 - ensure that the review of CEHL’s rent model includes appropriate, accessible and timely opportunities for Program participants to input and provide feedback into the review process
 - make a recommendation of a revised rent model to the CEHL Board that reflects feedback from Program participants and aligns with the Program Principles and Board non-negotiables.

- *How was RMAG established?*
 - Members of the RMAG were selected through an Expression of Interest process that was launched at the 2017 CEHL Conference on 18 August 2017.

- Expressions of Interest (EOIs) were assessed against selection criteria by CEHL's Program Director and the RMAG Independent Chair.
 - The selection criteria that supported the EOI process had regard for the importance of the advisory group reflecting the breadth of the Program.
- *What is RMAG's terms of reference?*
 - Provide feedback on the design of the engagement activities to support the development of a revised rent model to ensure that they are appropriate and accessible for Program participants.
 - Participate in the recruitment of an independent technical expert to provide advice to RMAG and Program participants throughout the project.
 - Recommend to the Board a revised rent model and any related implementation and transition requirements, which reflect feedback from Program participants and aligns with the Program Principles and Board non-negotiables.
- *What are the Board requirements of RMAG?*

RMAG was required to recommend a revised rent model designed to:

 - Maintain CEHL's registration as a Housing Association and a charity.
 - Meet CEHL's obligations as a custodian of community assets, including an expectation of sustainable Program growth.
 - Be financially viable.
 - Have the provision of long-term, secure, affordable housing as its core purpose.
 - Support a Co-op Housing Program.
 - Ensure adequate resources to maintain the portfolio of assets.
- *What engagement has RMAG had so far?*
 - Nine regional workshops in Victoria with co-ops on what RMAG should consider with regard to developing a new rent model.
 - An online survey capturing the same considerations for those who were unable to attend the workshops.
 - Two conference workshops held with all attendees on the development of the RMAG rent model recommendations.
 - A survey on these recommendations for those who were unable to attend the conference.
- *Where to find information about feedback from engagement?*
 - All information on feedback from consultations can be found on <https://yourview.cehl.com.au/rent-model-review>
- *What resources are available to help my co-op respond to RMAGs recommendations*
 - Please see here <https://yourview.cehl.com.au/rent-model-review> for a document designed to assist co-ops to develop their response. You may also contact your CDC for any assistance in the process.

- *What if my co-op doesn't want to respond, but I do?*
 - Individuals are free to input their feedback to RMAG on the draft recommendations. While the board is looking for co-op feedback as whole individual responses will be considered. They will not carry as much weight, however, as a co-op response.

RELEVANT INFORMATION

- *How was RMAG data developed?*
 - Please see appendix 3 in the draft recommendations report.
- *Who are the ACNC?*
 - The Australian Charities and Not-for-profits Commission (ACNC) is the independent national regulator of charities. The ACNC has been set up to achieve the following objects:
 - maintain, protect and enhance public trust and confidence in the sector through increased accountability and transparency
 - support and sustain a robust, vibrant, independent and innovative not-for-profit sector
 - promote the reduction of unnecessary regulatory obligations on the sector.
- *How does the CEHL rent model compare to Public and social housing sector rent comparisons*

Income based rent models:

	Program Eligibility assessed on	Income assessment	Main income	Supplementary income	Rent assistance
Public housing	Gross household income limits	Gross (before tax)	25%	15%	Not charged - Tenant not eligible to receive CRA
Victorian community housing sector	Gross household income limits	Gross (before tax)	25- 30%	15%	100% of CRA received
CEHL CMC model	Gross household income limits	Gross (before tax)	25%	13%	100% of CRA received
CEHL CERC model	Gross household income limits	Net (after tax)	25%	10%	100% of CRA received