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# National rental affordability Scheme (NRAS)

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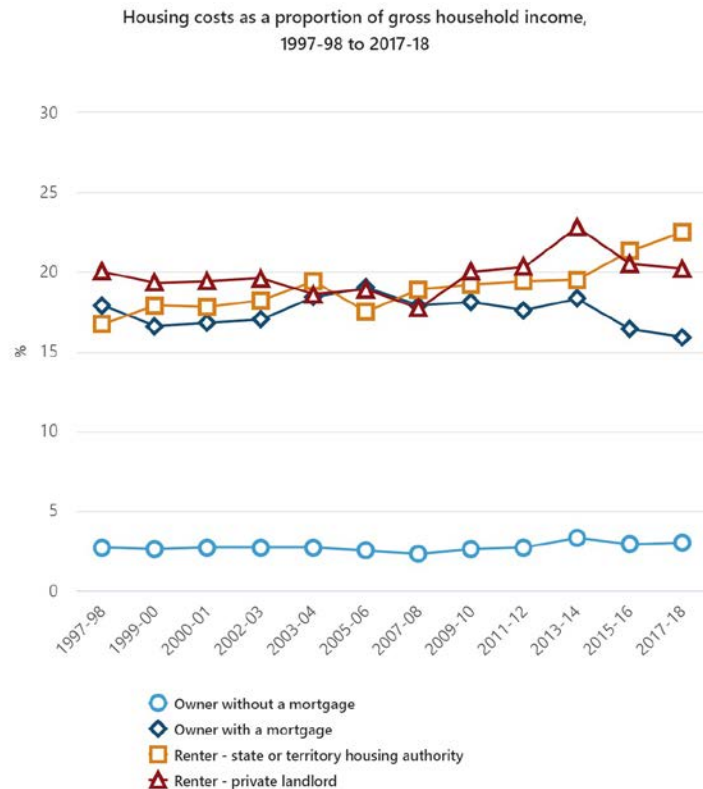


# Structure

- What was NRAS?
- For whom?
- What did it achieve?
- What were the shortcomings?



# Housing affordability

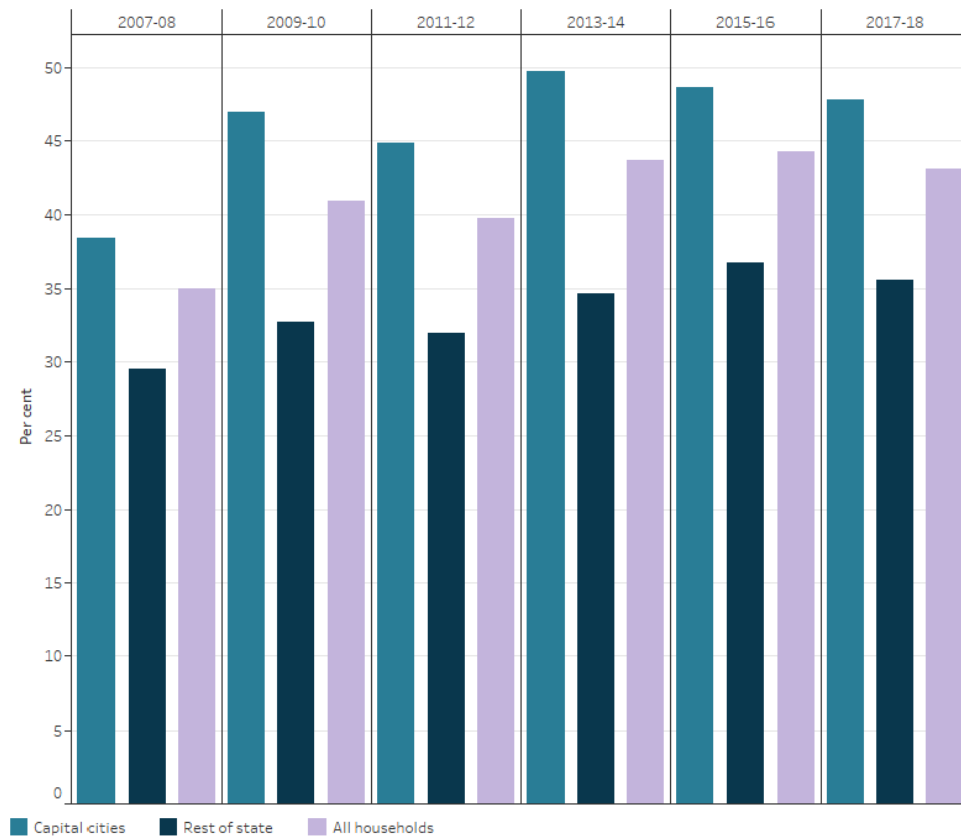


Annotation(s): Note: Survey not run in 1998-99, 2001-02, 2004-05, 2006-07, 2008-09, 2010-11, 2012-13, 2014-15 or 2016-17. Values have been interpolated for these years.  
Source(s): Survey of Income and Housing  
Source: Australian Bureau of Statistics, undefined 2017-18



## Rental affordability

Proportion of low income households in rental stress, by household location, 2007-08 to 2017-18





## NRAS

- Introduced in 2008
- Supply of affordable rental dwellings by about 50,000.
- Reduce rental costs for low and moderate income households
- Leverage private investment in the provision of affordable housing
- Mix market approach
- Discontinued in 2014



## What does scheme comprise?

- Supply side intervention.
- An Australian Government contribution per dwelling per year, for up to 10 years, as either a tax offset or cash.
- Additional state and territory government contributions, which could be offered to approved participants per dwelling per year, as a direct payment or as payment in kind.



## Who are target beneficiaries?

- Tenants must meet eligibility criteria based on gross income by household composition for the preceding 12 months.
- If the household income of a tenant exceed these limits by 25 per cent for two consecutive years, they will no longer be deemed eligible.



## How tenants can apply?

- Prospective tenants apply for a lease by approaching an approved NRAS tenancy manager.
- In Queensland, tenants must be registered with the Department of Housing and Public Works' One Social Housing Register before they can apply to rent an NRAS dwelling





## How were the proposals assessed?

- New supply
- Dwellings comply with the landlord, tenancy, building, and health and safety laws of the relevant state or territory and local government.
- Rent is at least 20 per cent less than the market value rent
- Dwellings be rented to eligible tenants.

Assessment criteria	Set 1	Set 2	Set 3	Set 4	Set 5	Set 6 subset 1	Set 6 subset 2	Set 7 subset 1	Set 7 subset 2
There is a demonstrated need	●	●		●	●	●		●	
<p>The proposal delivers accessibility and sustainability outcomes, including the following:</p> <p>Proximity of dwellings to transport, schools, shops, health services and employment opportunities.</p> <p>Types of dwellings and proposed household compositions that facilitate a balanced social mix.</p> <p>Use of universal design principles or other measures that make properties more accessible to people who are ageing or live with disabilities.</p>	●	●		●	●		●		●
The Applicant has demonstrated capacity and experience	●	●		●	●				
The proposal is financially viable	●	●	●	●	●				
The applicant has demonstrated capacity and experience to comply with the scheme requirements, or capacity to comply with the scheme requirements into the future						●		●	
The applicant's proposal demonstrates compliance or prospective compliance with the scheme requirements and appears reasonable and viable						●		●	
<p>The proposal details or forecasts, for each dwelling:</p> <p>the energy rating of the dwelling; and</p> <p>the extent to which the dwelling incorporates efficient lighting, environmentally friendly hot water systems, ventilation and water tanks.</p>	●	●	●	●	●		●		●
<p>The Commonwealth has agreed with the state or territory in which the land is located, that the land on which the dwellings are being built or will be built is suitable for mixed residential development, and either:</p> <p>was previously owned by the state or territory and released on or after 1 July 2008 for mixed residential development by the private sector</p> <p>is currently owned by the state or territory and is in the process of being released for mixed residential development by the private sector.</p>			●						

Assessment criteria	Set 1	Set 2	Set 3	Set 4	Set 5	Set 6 subset 1	Set 6 subset 2	Set 7 subset 1	Set 7 subset 2
<i>Priority areas of interest</i>									
Proposals for which an application for funding under the Social Housing Initiative has been made by the 30 June 2009					•				
The relevant state or territory supports the proposal						•		•	
Proposals involving 100 or more rental dwellings	•	•	•	•	•		•	•	
Smaller proposals of not less than 20 rental dwellings, where those proposals deliver dwellings in areas of especially high rental stress or deliver innovative and affordable rental housing solutions	•	•	•		•	•			
Proposals consisting of dwellings that comply with the soundproofing requirements of the state, territory or local government area in which the dwelling is located	•	•	•	•	•		•		•
Proposals that are consistent with state, territory or local government affordable housing priorities	•	•		•	•				
Proposals that include rental dwellings for tenants with special needs (including people with mental and physical disabilities, older Australians and Indigenous Australians)	•	•	•	•	•		•		•
Proposals which maximize affordable housing outcomes for tenants, including building and design features that reduce the overall costs for tenants	•	•	•	•	•		•		•

Source: Adapted from Australian Government 2008b.



## Role of governments

- Federal government adopted an administrative role responsible for the parameters of the scheme, maintaining guidelines, developing links between the scheme and other affordable housing initiatives, and making decisions on the allocation of incentives.
- The state and territory governments to ensure that the scheme was delivered effectively, identify land for affordable housing developments, provide cash or in-kind contributions, act as brokers between other scheme participants, and support not-for-profit organisations involved in the scheme.



## NRAS incentive amounts and contributors (2008–15)

NRAS year	Federal government (\$)	State/territory government (\$)	Total (\$)
2008–09	6,000	2,000	8,000
2009–10	6,504	2,168	8,672
2010–11	6,855	2,285	9,140
2011–12	7,143	2,381	9,542
2012–13	7,486	2,495	9,981
2013–14	7,763	2,587	10,350
2014–15	7,996	2,665	10,661
2015–16	8,188	2,729	10,917

Source: .



## Discontinuation of NRAS

- The Minister for Social Services, released a statement indicating the reasons for the scheme being discontinued, citing that it was ‘poorly designed, with multiple flaws, ambiguous legal requirements and red tape ... plagued by the late delivery of dwellings, trading of incentives, multiple changes to agreed locations and leasing to international students’.



## Discontinuation of NRAS

- Institutional investors were slow to sign up to the scheme. Rather, the main proponents were consortia involving community housing organisations and developers.
- The timing of the scheme in relation to the GFC and the flow-on impacts this had on lending.
- The uncertainty for investors caused by proposed cuts to the scheme.
- Senate Economics Reference Committee Enquiry.



## What did NRAS achieve?

Performance report quarter								
Incentive status	Sep 2012	Dec 2013	Mar 2014	Jun 2014	Sep 2014	Dec 2014	Mar 2015	Jun 2015
<b>Total incentives</b>	40,151	38,115	38,041	38,163	37,858	37,523	37,563	<b>37,583</b>
<b>Allocated (available for rent)</b>	10,112	17,645	19,802	21,911	23,664	24,766	25,666	<b>27,603</b>
<b>Reserved (not yet delivered)</b>	<b>30,039</b>	<b>20,470</b>	<b>18,239</b>	<b>16,252</b>	<b>14,194</b>	<b>12,757</b>	<b>11,897</b>	<b>9,980</b>

Source: Rowley et al. (2016)





# NRAS Distribution - Melbourne





## Sydney metropolitan region suburbs where households with eligible NRAS incomes can rent an affordable house

Household type (affordable rent)	Initial household income limit	Metropolitan Sydney suburbs with affordable median rent (%) n=62	Metropolitan Sydney suburbs with affordable subsidised rent (%) n=56
One adult (\$272.8)	47,289	1.6	3.2
Two adults (\$377.2)	65,378	9.7	56.5
Sole parent with one child (\$377.4)	65,423	9.7	56.5
Sole parent with two children (\$467.9)	81,108	53.2	72.6
Couple with one child (\$467.7)	81,063	53.2	56.5
Couple with two children (\$558.2)	96,748	69.4	85.5

Source: Rowley et al. (2016)



## Spatial distribution of NRAS dwelling

- The majority of dwellings are being delivered in suburbs with mid-range socio-economic characteristics, typified by median rents between 80 and 100 per cent of the average metropolitan rent, and median dwelling prices within 10 per cent of the metropolitan median purchase price.
- Approved providers are developing NRAS stock in suburbs with mid-range and slightly higher than mid-range investment potential.



## What did it achieve?

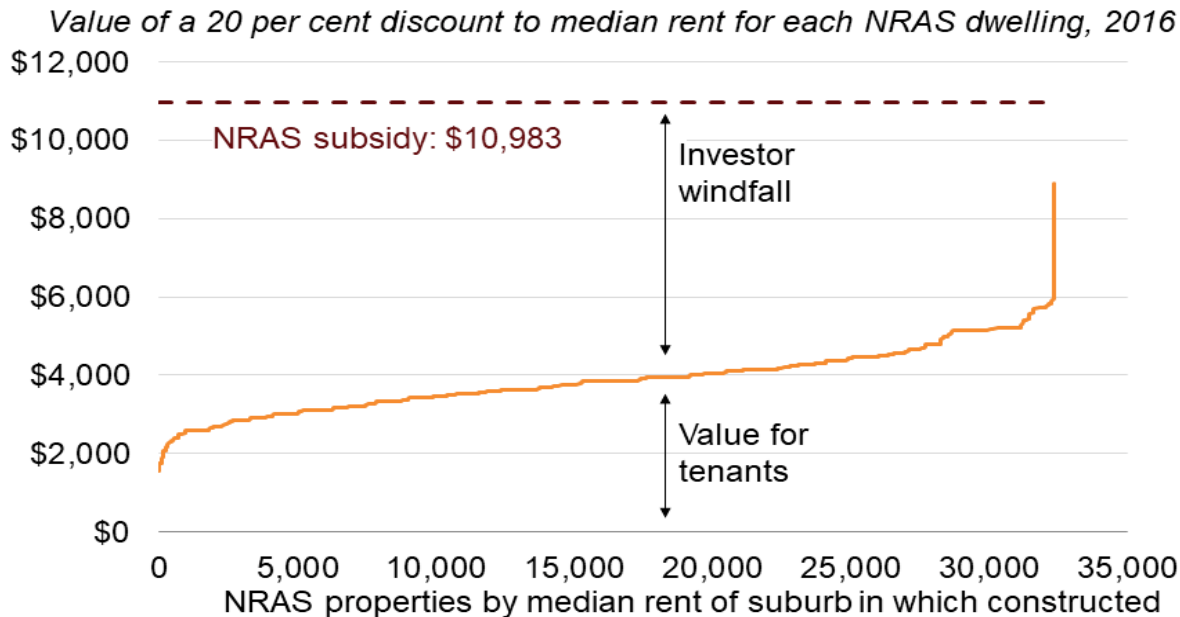
- Ability to combine subsidies from a variety of sources
- Engagement from the community housing sector and from private investors
- Variety of dwelling types and sizes delivered
- Innovation within the industry
- Integrate affordable rental accommodation within wider market developments



## What were the shortcomings?

- Administration and lack of longevity
- Planning mechanisms to deliver land for affordable housing
- Measures to build the capacity of the community housing sector

## NRAS was more valuable for investors than tenants



Notes: Assumes a landlord incentive of \$10,983 for a 20 per cent rent subsidy in each suburb. Incentive for the 2016 calendar year is an average of incentives for the 2015-16 and 2016-17 financial years. Assumes that each allocation would have market rent equal to the suburb median. Some suburbs are unable to be matched up, given different naming between the ABS and DHS, however the analysis captures more than 98 per cent of all NRAS allocations. Because NRAS dwellings were new, their market rent might have been higher. But even if an NRAS property were among the 10 per cent of most expensive properties to rent in its suburb, the investor still would have received over half the subsidy as additional profit. It's more likely that NRAS properties had rents lower than the median for their suburb because they had fewer bedrooms than is typical for Australian housing. Sources: DHS December 2016 NRAS Quarterly Report. ABS Census 2016.

QUESTIONS?

THANK YOU!

