



Affordable Rental Housing Program and Procedures

January 2019

1. Aims of the Affordable Rental Housing Program

This Program is one of a number of initiatives being implemented by Council to encourage the supply of housing that is affordable to households earning moderate weekly incomes or less.

The aims of the Program are to assist local residents or employees whose incomes exceed the eligibility criteria for public housing but are unable to rent locally without succumbing to housing stress.

It is designed to assist employed people on low to moderate incomes for a period of up to three years to give them a greater level of housing certainty and opportunities to enter the private rental market or home ownership by the end of that period.

It is also the intention of the Program to:

- Assist tenants on low to moderate incomes for a maximum period of three years;
- Provide future capacity to subsidise allocation of a portion of Council's housing portfolio to households on low incomes;
- Ensure the full cost of the Program, including day to day property and cyclical maintenance, tenancy management, administration fees and major upgrading works are fully covered by rent revenue collected by the Housing Manager; and
- Return any surplus income generated by the program to Councils' affordable housing account for future upgrading, new capital works or related purposes.

The three year maximum assistance period will give households a greater level of housing certainty, as well as an opportunity to enhance their capacity to enter the private rental market or home ownership by the end of that period.

A standard residential tenancy lease will be renewed on a twelve monthly basis. This gives the Housing Manager the opportunity to ensure that tenants continue to meet Council's affordable housing eligibility criteria.

2. Why Have An Affordable Rental Housing Program?

Housing has a vital role to play in developing sustainable local communities. Providing housing that is affordable and appropriate to the needs of the local community will also ensure a strong and stable labour force and sustain local businesses.

The lack of affordable housing for households on low and middle incomes is a critical and recurring theme in the Inner West Council: housing costs in the LGA are among the highest in NSW.¹

Many households on moderate or lower incomes cannot afford to rent in the inner west without experiencing housing stress or being forced into sub-standard housing in order to secure affordable rents.

¹ Inner West Council, *Affordable Housing Policy*, 28 March 2017 and *Appendix A: Socio-Economic Change Over Time*, 28 March 2017.

The consequences of poor rental and home purchase affordability are substantial with obvious examples being:

- Local residents with established ties being driven further away from the sub-region in search of more affordable housing. This has tended to undermine social bonds and diversity in the local community;
- Community sector and lower paid employees who have relocated further afield in order to find more affordable housing options. This adversely affects the operational viability of local services and businesses.²

In recognition of the important role affordable housing plays in our local community, the Council has developed an affordable rental housing program.

This, along with a range of other affordable housing initiatives adopted by Council, is designed to sustain a culturally vibrant and socio-economically diverse local community.

3. How Council Acquires Its Rental Dwelling Stock

Council obtains its rental housing stock from developers who have participated in a voluntary planning agreement process to transfer a proportion of built dwellings to Council's ownership, for affordable housing purposes. Upon registration of the strata plan, the developer transfers the dwellings to Council's ownership.

Council may also receive cash contributions for affordable housing purposes from developers as part of the negotiated planning agreement process. Funds accumulated in a separate account through this process are used to add to the supply of Council's rental housing portfolio.

Contact details of the Housing Manager (the Community Housing Provider) will be posted on Council's website, should the local community wish to find out more about the rental housing program.

4. Eligibility Criteria

A successful applicant will need to satisfy the following criteria,

- Must be permanently employed and earning a gross weekly household income not exceeding the median household income for the Sydney Statistical Division as established by the Australian Bureau of Statistics and advised by the Council from time to time or in keeping with income eligibility limits determined by the NSW Affordable Housing Guidelines (SEPP).
- Has a local connection (e.g. is an employee in the IWC local government area or has family living in the area);
- Does not own assets or property which could reasonably be used to solve their housing needs;

² Judith Stubbs & Associates, *Draft Affordable Housing Policy: Background Paper*, June 2016.

- Is an Australian citizen or permanent resident;
- Must not already be living in subsidised housing (Housing NSW or Community Housing managed accommodation);
- Is not a former tenant of Council's Affordable Rental Housing Program (ARHP).

Priority will be given to applicants working in the Inner West Council LGA and who are permanently employed in the following sectors in the Inner West Council or neighbouring regions:

- Health Services (including support and ancillary staff);
- Childcare;
- Public Primary or Secondary Education (including support and ancillary staff);
- Emergency Services (including support and ancillary staff);
- Public Transport;
- City of Inner West Council Employee;
- Retail;
- Labourers;
- Manufacturing;
- Hospitality;

The Council's Housing Program is about complementing, not duplicating the role of Housing NSW (the public housing authority) whose priority it is to assist households with the greatest needs.

5. How Tenants are Assessed and Allocated Homes

The Housing Manager engaged to manage the dwellings will advertise for tenants through relevant electronic media and other relevant avenues of communication locally. Applicants who fulfil the eligibility criteria can lodge an application.

Because demand exceeds supply, dwellings will be offered to applicants having the greatest evidenced need for rental accommodation (relative to other applicants). Allocation decisions will be made by the Housing Manager after an assessment and interview process.

The Housing Manager, who has the experience and expertise to make the decisions, will also take into account other factors such as appropriate match of properties suited to tenants' needs, previous acceptable tenant history, income level³ (percentage of weekly household income spent on rent) and other housing considerations.

In addition to submitting an application form, short listed applicants will be required to attend an interview with the Housing Manager as part of the assessment process.

In accordance with the provisions of the NSW Residential Tenancies Act 2010, a standard residential tenancy lease will be entered into between the Housing Manager and the tenant.

³ Ideally, and where possible, the rent paid by tenants should not exceed 30% of their gross household weekly incomes, including any rental housing subsidies received from Centrelink.

6. Waiting List for Council's Affordable Rental Housing Program

Applicants previously assessed as being eligible for affordable housing but not offered rental accommodation under this Program will be placed on the Waiting List. When a dwelling becomes vacant for letting within 12 months from the date of their application, they will be contacted again. Provided that they meet the eligibility criteria, and are still interested in pursuing a vacancy, their application will be reassessed again and considered on the same footing with fresh applications received. Tenants who have previously been housed under the Program will not be eligible for re-application.

7. Rent Policy

The rent for each property will not exceed more than 75% of Inner West Council's LGA's weekly median rents for dwellings of comparable size (number of bedrooms). This means that if the weekly median rent is estimated at \$320 per week, then the tenant will pay \$240 per week.

A bond equivalent to four (4) weeks rent shall be payable by the tenant upon lease commencement or otherwise as agreed between the tenant and the Housing Manager. From time to time, the rents charged for affordable housing properties will be readjusted to bring them in line with current weekly median values. However, rent adjustments and all other leasing arrangements between the Housing Association and tenants will be undertaken in accordance with the *NSW Residential Tenancies Act, 2010*

A bond equivalent to four (4) weeks rent shall be payable by the tenant upon lease commencement.

Rent adjustments and all other leasing arrangements between the Housing Manager and Tenants will be undertaken in accordance with the *NSW Residential Tenancies Act 2010*.

8. Exit Strategy: Planning for Beyond the 5th Year

The Housing Manager, at their discretion, may offer appropriate training or counselling services to tenants before the end of their third year of occupancy. This may be in the form of development of a budgeting or savings plan towards a home deposit, or any other appropriate training programs considered relevant to help a tenant plan effectively for their exit from Council's Affordable Rental Housing Program at the end of the 3 year period.

As part of the annual lease renewal process, the Housing Manager may enquire about the progress of the tenant's exit plan, as a reminder of the finite tenancy period.

9. How Council will Manage the Affordable Rental Housing Program

A registered Community Housing Provider (CHP) with relevant experience and expertise will be engaged by the Council to manage its affordable rental housing program. Council's preferred method of selecting a CHP involves a competitive expression of interest process. However this process will be informed by General Counsel's assessment of the NSW Residential Tenancies Act 2010 (the Act) and the capacity of potential CHP's to enter into legal contractual arrangements with Council under the Act. In addition, only CHP's registered under the National Regulatory System for Community Housing (NRSCH) will be considered for this role.

In conformity with these considerations, the Manager Community Development, after consulting with the Director Community Services (or equivalent), will recommend an appropriate CHP for the General Manager's endorsement.

The CHP appointed by Council to manage its affordable housing stock will be paid a management fee negotiated as part of the selection process. Income generated from the rental properties is intended to cover the cost of maintaining the properties together with the program's administration.

10. Residential Property Management Agreement

Council, as property owner, will enter into a contract with the successful CHP for an initial three year period, to manage its properties and affordable rental housing program via a Residential Property Management Agreement. The Residential Property Management Agreement will set out the rights and responsibilities of both parties. It provides for both tenant management and property management procedures, and any other requirements a housing manager is required to implement as part of Council's Program, such as rent setting details, tenant selection and dwelling allocation procedures.

It also sets out entitlements for costs and management fees, financial reporting requirements and allocation of funds, performance review processes, dispute resolution and other such detailed contractual matters.

Council will undertake a comprehensive evaluation of the ARHP procedures, including the financial viability of the program in general and the performance of the CHP, on the program's third year, 2019.

It is envisaged that a comprehensive review of the affordable rental housing program will occur at least once every three years or sooner, if considered to be necessary.

11. Asset Management

The affordable rental housing dwellings owned by Council will be classified as 'operational' for the purposes of allowing Council to conduct ongoing consolidation of its affordable housing stock.

The affordable housing portfolio will be reviewed every 5 years to determine whether dwellings should be disposed of and replaced or retained and further funds provided for their maintenance or renewal.

The three year review term will consider:

- Timeframes for asset renewals such as painting and replacing floor coverings;
- Tenancy terms;
- Changes in market trends and values.

Consideration will also be given to the results of the program to date and the type and size of dwelling considered most suitable to deliver the objectives of the program.

Towards the end of the three year leasing period, or when a unit becomes vacant, Council will undertake a condition assessment and make any necessary internal repairs, prior to reletting.

This strategy aims to minimise Council's ongoing maintenance and renewal obligations and costs as the dwellings age.

