



**Aged & Community
Services • Australia**



NATIONAL RENTAL AFFORDABILITY SCHEME

Comments on Technical Discussion Paper

May 2008

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Aged and Community Services Australia (ACSA) supports the Rudd Government's focus on the increasing problems of housing affordability in Australia. We welcome the National Rental Affordability Scheme (NRAS) and the development of the National Affordable Housing Agreement (NAHA) and we urge the Government to consider the distinctive needs of older people within these important initiatives.

Ageing Australia

The ageing of Australia's population is well known with approximately 13% (or 2.5 million people) of Australia's population currently aged 65 years and over and by 2051 people aged 65 years and over will represent one quarter of our population (or 6.8 million people). The population of older people is increasing faster than the population as a whole. While the Rudd Government acknowledges this, their policy focus, including at the 2020 Summit, has been predominantly on children and families.

However, the housing affordability issues are not just faced by the young. Many older people face considerable housing stress, as recent data from NATSEM reveals with 112,000 families headed by a person over 70 being in housing stress – up from 56,000 in 2004. AHURI has projected that the number of people aged 65 and over in low income rental households is expected to increase 115% from 195,000 in 2001 to 419,000 in 2026. The number of people aged 85 and over is projected to grow from 17,300 to 51,000 over the same time period, approximately 2/3 of whom will be sole women.

The impact of an ageing Australia in conjunction with changing social roles and expectations will have a profound and far reaching effect in all areas of life, including on housing design and provision. Some factors that will need to be thought through include:

- The most dramatic decline in home ownership amongst all groups is people aged 45 to 59. This future older generation will be seeking affordable rental;
- More single woman are entering older age and generally they have lower levels of assets (superannuation and unencumbered homes) than men because of marriage breakdown and lack of time in the paid workforce;
- Traditional family support structures for caring for older people are breaking down with fewer carers now having their older parents in their family home;
- With increased longevity comes increasing levels of chronic illness, including mental illness, and disability requiring older people to live close to health and support services; and
- The expectations of all people, not only older people, are increasing so they are less satisfied with a bedsit and poor amenity.

Perhaps the most important social change is the desire for most older people to remain independent for as long as possible in the home of their choice. While this might not mean their family home it does mean in a familiar and safe location, close to family, friends, services and transport. Suitable, affordable housing in appropriate communities is often the key to older people continuing to be independent and socially engaged.

Government aged care policy also promotes independence with an increased emphasis on the provision of community care. Older people are therefore entering residential care with increasingly

higher levels of need. Low income older people who would previously have accessed low level residential aged care now either chose not to do so and/or have difficulty finding a place. Safe, secure and affordable accommodation is needed to underpin this policy direction. Aged care providers are well placed to provide housing for this group if they are supported to do so.

ACSA believes that the Commonwealth should identify older people as a specific target group for NRAS.

The Aged & Community Care Industry

The aged and community care industry is a thriving and expanding segment of the economy. Residential care alone is the 9th largest employer in Australia and when combined with community care probably accounts for 2% of the Australian workforce. It receives over \$7 billion from Governments alone and with user charges is a \$10 billion industry.

The industry provides residential care, a vast range of supports to enable older people and people with disabilities to live successfully independently in the community, and accommodation in retirement villages and independent living units (ILUs).

ACSA represents the not-for-profit section of the industry and our members provide over 42,000 units of specialised housing for older people. A large number of our members are well established organisations with assets in desirable locations that could accommodate redevelopment with appropriate support.

Industry leaders are increasingly looking at developing innovative models of accommodation to support older Australians to remain in the community for as long as possible. Exploring new models of housing for older people needs to be on our national agenda. Already some not-for-profit aged care organisations are implementing models based on the Dutch ‘Apartments for Life’ model and locally developed variations on it. Modifying existing housing to make it more suitable for older people is already supported by some community care programs and greater effort in this area would pay a dividend.

ACSA believes that Commonwealth should fund or undertake a project to identify and promote best practice in affordable housing provision for older people.

Universal Design

Due to the lack of regulation, designing housing to accessible, adaptable or universal design standards is solely a decision for the owner of the building. In order for design standards to be more readily taken up in the community there is a need for greater awareness of the needs of older people and people with disabilities. Further, the benefits of accessible or universal design should be understood in the context of their benefits to the whole community, not just a specific group of people. It supports the government’s interest in ageing in place.

The features of universal design that are generally accepted are:

1. Equitable Use; the design must be useful and marketable to people with diverse abilities.
2. Flexible in Use; it must accommodate a wide range of individual preferences and abilities.
3. Simple and intuitive use; it must be easy to understand, regardless of the user’s experience, knowledge, language skills or current concentration level.

4. Perceptible Information; it must communicate the necessary information effectively to the user, regardless of ambient conditions or the user's sensory abilities.
5. Tolerance for error; the design must minimise hazards and the adverse consequences of accidental or unintentional actions.
6. Low Physical Effort; the design must be used efficiently and comfortably with a minimum of fatigue.
7. Size and Space for approach and use; appropriate size and space must be provided for approach, reach, manipulation and use, regardless of user's body size, posture or mobility.

We acknowledge that implementing universal design does increase building costs but it is substantially cheaper than retrofitting and will save funds in other areas such as the residential and health budgets.

ACSA supports the NRAS assessment criteria giving preference to projects addressing accessibility but we believe that accessibility should be mandatory and universal design preferred.

Housing Models

The traditional model for an aged care provider was to operate a nursing home (high care), hostel (low care) and some ILUs on a site. Over 32,000 of the existing stock of ILUs was developed under a Commonwealth funding program that operated between 1954 and 1986. These units have either been upgraded by operators using a variety of means, have been lost to the community or are now in need of upgrading if they are to still play a vital role in the social housing of older Australians.

AHURI studied the role and operation of ILUs¹ in 2002 and produced a seminal report on this forgotten sector. They found that:

- There were approximately 34,700 ILUs currently operating in Australia that constitute approximately 27% of the social housing specifically for older people; and
- Much of the current ILU stock is relatively small, more than 20 years old, below current standards and in need of upgrading. The participants in the study estimated that 34% of the stock was in need of major work and this figure has probably increased.

The NRAS has the capacity to assist in the redevelopment of the ILUs. However a major impediment is the requirement that NRAS projects must add to the number of units available for rental. Many of the units are currently rental but may be lost to the community if some financial support is not available.

More innovative housing models are required in Australia to broaden the vision and options available outside of the quarter acre block in the suburbs and the retirement village for the fit and healthy ageing. Vertical villages in activity centres, "apartments for life" are becoming realities and the NRAS and other government support should be available to age specific and innovative models.

Therefore ACSA suggests that:

- **The final guidelines specifically state that aged targeted accommodation (such as ILUs, villages and other forms of housing (Apartments for Life)) be eligible for NRAS;**
- **Projects be considered eligible where it can be demonstrated that the provider will close the units, reducing affordable housing stock, if financial support is not available;**

¹ The AHURI project excluded private sector retirement villages, commercial retirement villages owned by the not for profit sector and social housing funded through the CSHA.

- **With these redevelopment projects the Commonwealth and State governments consider projects under the minimum of 30 units; and**
- **Commonwealth and State housing departments undertake a project to build on the AHURI research and identify and support the ILU providers to plan for the future to ensure that current affordable housing stock is not lost.**

State Government Role

In addition to contributing financially to the scheme the technical paper indicates that State governments may impose their own assessment criteria on projects. We believe that it is critical that all of the assessment criteria, including those that are state based, be made public and transparent. . A proposal will take considerable time and effort to develop and participating organizations need to know all of the requirements early in the development phase.

It is ACSA's understanding that some state governments may stipulate that all successful providers must be registered as a Community Housing Association. While all states have different registration systems they tend to cover similar areas such as:

- Tenancy management;
- Asset management;
- Governance and organizational management;
- Management and human resource systems; and
- Financial sustainability.

The vast majority of aged care providers who are likely to lodge applications under this scheme already receive Government funding for their residential and/or community care. This funding comes with quite rigorous accountability requirements including accreditation, standard company financial compliance under the Australian Securities and Investment Commission and prudential standards. Retirement village providers are regulated by state based legislation.

Another layer of accountability is not necessary and would be in conflict with the Government's stated intention of reducing unnecessary or duplicative accountability and reporting.

ACSA believes that:

- **NRAS requires transparent state government guidelines; and**
- **Aged care providers should not be required to register as Community Housing Associations.**

State and Local Planning & Development

Local Government does not currently automatically make planning provision to ensure adequate aged care services will be available to meet the needs of their area. There are often delays in planning and approval processes for residential aged care and aged specific accommodation. Local processes have the potential to delay or undermine NRAS proposals, particularly those that are attempting to meet the tight timeframes of the establishment round.

We understand that some state or local governments require developers to have a certain number of properties within their developments available as affordable rental. These will generally be in developments on the outer fringes of cities which tend to lack the infrastructure and support systems such as GPs. While everyone requires access to these services and support it is even more

important for older people who often lack transport and/or mobility to access these in neighbouring areas.

Financial Model

The technical paper states that the scheme is designed to pool significant resources from a range of participants, including financial institutions, non-profit organizations and local government which, when combined with the incentives from the scheme, will increase the supply of low cost housing. Given that there are so many variables it is difficult to undertake any definitive financial modeling.

ACSA's estimate is that a new housing unit will cost between \$200,000 and \$250,000 to construct. This does not include management, compliance and maintenance costs. Even if the land is donated by Government or is already owned by the not-for-profit organization we are concerned that the minimum \$8,000 subsidy (plus indexation) may only work in high rent areas.

Other factors worth noting include:

- Many ACSA members have ILUs and/or land in desirable middle ring suburbs in major cities. The parcels of land are not necessarily large so might not accommodate 30 units and would have expensive stipulations like underground parking. Nevertheless these are the areas where older people want to live but they may be too expensive to develop. A mixed development of sale and rental may be more financially sustainable and socially desirable.
- Given the minimum size of projected developments and the need to maximize rental income this scheme is unlikely to suit regional and rural areas except in very specialized locations like the Gold Coast. This is at odds with Government policies promoting support for rural and regional development.

ACSA believes that:

- **Larger grants from the state and/or Commonwealth governments are required in order to attract the resources held by the not for profit sector and to make the projects viable;**
- **Flexible guidelines around size and nature of the developments will be critical to NRAS's success in meeting the needs of older tenants; and**
- **The Commonwealth should consider how the volume of affordable rental stock in regional and rural areas can be increased.**

Tenure

ACSA understands the rationale for creating a scheme with a timeframe of 10 years; namely to ensure that there is turnover in properties. However we are concerned about the security of tenure of tenants, particularly vulnerable older people.

ACSA suggests that the tenure issue is closely monitored by the department and that changes are made to the program if security of tenure is compromised.

Compliance Costs

AHURI has calculated the compliance costs for NRAS at about \$1,000 per unit per year out of a grant of as little as \$8,000. The most expensive element is the rent valuations. This is clearly excessive.

ACSA suggests that the Commonwealth looks at different, cheaper methods for rent valuations.

Capacity Building

The Commonwealth plans to appoint facilitators to assist in the development of partnerships and proposals.

ACSA thoroughly supports this initiative and we suggest that:

- Their roles are clearly articulated;
- Their existence is widely advertised;
- They work closely with relevant peaks, including ACSA; and
- Facilitators are well versed in the aged care industry and the not for profit sector.

ACSA also believes that there is an important role to be played in educating the aged care sector about this initiative and appropriate and innovative housing models, and encouraging their participation. This is beyond the role of the facilitators and ACSA does not have the resources to give this important area the focus it deserves over the next 6 months. Therefore we have lodged an application with FAHCSIA for funding of an “Implementation Support Project for the Aged Care Sector.”

ACSA believes that the aged care industry requires education and support to maximize participation in the NRAS.