



NRAS via QAHC

The National Rent Affordability Scheme Via The Queensland Affordable Housing Consortium - A Summary -



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The Affordable Housing Rental Market

The Commonwealth Government has identified 1.5 million households nationally in housing stress that are eligible for the National Rental Affordability Scheme [NRAS]. 200,000 of those are in Queensland

The supply shortfall is running at around 30,000 - 40,000 dwellings a year.



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Policy Goals of Government

The incentive has two primary policy goals.

- The first is to increase the supply of new rental housing directly into the housing market.
- The second goal is to improve affordability for the eligible target groups.
- NRAS will provide a investment platform to facilitate the construction of 50,000 houses nationally



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The NRAS Scheme:

- It is a Federal and State Government backed incentive scheme designed to encourage Investors to develop additional houses for the rental market.
- It has the effect of providing an affordable rent program for low/medium wage earners
- It is designed to stimulate institutional and to a lesser extent individuals to invest in rental property
- It is NOT a social welfare program – it targets Middle Australian Families
- It will provide government “tax free incentives” of \$623m for 50,000 new affordable rental dwellings to be occupied between January 2009 and June 2012.
- The PM has announced that a further 50,000 incentives will be offered post 2012 if ‘demand remains strong’



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NRAS in summary:

- Properties that apply for and receive the NRAS Incentive must remain in the scheme for a minimum of 10 years.
- There is the provision for
 - ❖ on selling the properties provided they remain in the scheme or
 - ❖ for replacing them with similar properties in the same area.
- There is a penalty for removing properties from the scheme outside of those provisions.
- It involves loss of the balance of unpaid incentive for the NRAS year in which the property is removed from the scheme.



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NRAS provides

- A tax free incentive of \$8,672 (June 09) per dwelling / year for 10 years – escalated annually at the rental component of CPI.
- The incentive is paid to eligible owners at the end of each tax year in two parts
 - ❖ \$6,504 as a tax rebate certificate from the Federal Government in or about July and
 - ❖ \$2,168 cash from the State Government in or about September
- New houses or units are rented at a minimum discount of 20% to market rent to eligible households – The discount is 25% when managed via QAHC because it is a charitable Institution.



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- Market Rent is assessed as the Market Value of Rents charged by similar accommodation in the Local Real Estate Rental Market and needs to be justified.
- Long term Tenancy Agreements provide tenant security
- There is No discrimination through discernible quality of housing
- NRAS housing is distributed randomly through estates generally at a maximum take-up of 30%
- But entire In-fill sites may be offered through NRAS [say 8-50 units]



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- Rents and the NRAS Incentive are indexed annually to the rental component of CPI. Current rental indexation for target markets is running at between 6 and 12%
- Market Values (Rents) are subject to independent assessment in years 1, 4 and 7. Owners must provide those assessments
- Suitable stock can range from studio apartments at < \$200pw to family housing > \$400 pw.
- Eligible households have Income thresholds that are indexed



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- Income thresholds are based on a formula to used calculate the household income limit, based on the number of adults, sole parents and children in the home. The following are examples of Total Household Income Limits as at August 2009 :

(Note: An adult is a person over 18 years of age)

- 1 Single Adult: \$40, 501 (1st adult) = \$40,501 (+25% =\$50,626)
- 2 Adults: \$40, 501 (1st adult) + \$15, 490 (2nd adult) = \$55,991 (+25% =\$69,998)
- 1 Sole parent + 2 children: \$42,599 (sole parent) + 2 x \$13,432 (2 children) = \$69,463 (25% =\$86,828)
- 3 Adults: \$40, 501 (1st adult) + 2 X \$15, 490 (2 adults) = \$71,481 (25% =\$89,351)
- 2 Parents + 3 Children: \$40, 501 (1st parent) + \$15, 490 (2nd parent) + 3 X \$13,432 (3 children) = \$96,287 (+25% = \$120,358)



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- Tenants become ineligible if their gross income exceeds the income limit for their household by 25% or more in 2 consecutive eligibility years.
- In that case the tenant is given 12 months to vacate the NRAS dwelling.
- Normal tenancy pre-checks are required and income levels do not guarantee eligibility
- Groups particularly targeted are the community “essential” persons such as policeman, fireman, teacher and nurses.



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The Queensland Affordable Housing Consortium (QAHC)

- QAHC is a Charitable Company specifically established to maximise the provision of NRAS funded properties.
- The Consortium aims to provide at least 5,000 new dwellings in Queensland and around 5,000 through inter-state partnerships in NSW and Victoria.
- QAHC charges an indexed Consortium fee of \$12 per dwelling per week
- As a Charitable Company QAHC must discount rents 25%



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- QAHC Provides
 - ❖ A 10 year Head-lease to Investor owners of properties. The Head-lease gives control to QAHC and security for both the investor and manager.
 - ❖ A Secure Income stream via a mixture of Insurance policies, Self Insurance by QAHC and Management Policies that cover
 - ❖ Building replacement & Owners Contents
 - ❖ Public liability
 - ❖ Repairs for tenant damage
 - ❖ Tenant Arrears & Tenant Abandonment &
 - ❖ Vacancies via Immediate Access to extensive potential tenant Data Bases
 - ❖ Whilst not a guaranteed rent, the QAHC 'Secured Income Stream' provides a high degree of income-certainty for investors.
 - ❖ An accredited Housing Manager for the NRAS funded properties
 - ❖ Housing Managers receive an tenancy management fee of 10% of the market rent [Indexed & excluding the NRAS incentive].



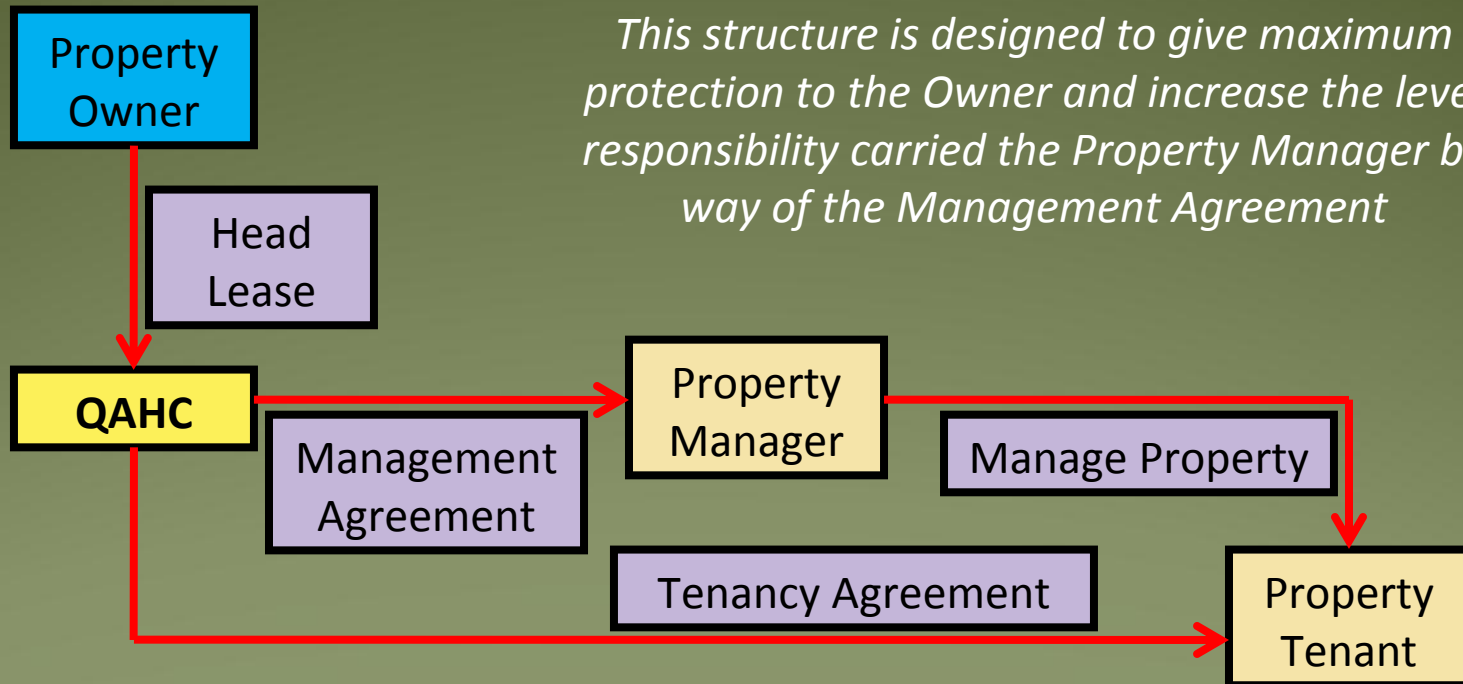
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- Where properties change ownership mid year the NRAS benefit is pro rated to the ownership period of each owner.
- QAHC groups property parcels together for the purpose of suitable application to The Federal Government .
- Investor owners of properties can apply for the NRAS Incentive via the QAHC for a fee of \$125 per property
- QAHC will assist in the preparation of the application and in particular prepare
 - ❖ The Social Impact Checklist and
 - ❖ The Financial Data and performance assessmentsUsing information provided by the Property Owners



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Typical Property Management Structure



This structure is designed to give maximum protection to the Owner and increase the level responsibility carried the Property Manager by way of the Management Agreement



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A Typical NRAS enhanced property investment yield

● 4 Bed House and land	\$400,000
● Market Rental Per week	\$400
● NRAS discount 25%	(\$100)
● Reduced rent per week	\$300
● Tax free rental annual subsidy	\$8,672
● Factored up at 40% marginal tax rate	\$14,400
● Effective Rent Subsidy per week	\$275
● Effective Gross Rent per week	\$575

[Before allowing for interest, expenses and cash flow factors]



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Disclaimer

- *There is no relationship implied or real between Federal or State Governments and Investors*
- *This information as provided is not endorsed by the Australian and/or Queensland State Governments*
- *This information reflects the BPB understanding of NRAS requirements.*
- *This summary has been provided based on the information available at the time of preparation.*
- *The details should be confirmed by buyers prior to entering into unconditional contracts where the returns anticipated are subject to the relevant properties receiving NRAS Incentives.*