

POLICY TITLE: Rent Calculation Policy

Policy Category:	Tenancy and Property Management
Date Authorised by Exec:	11 April 2017
Review Responsibility:	General Managers Housing (Bendigo, Metro, Mallee); CFO; Finance Manager
Date Last Reviewed:	March 2017
Next Review Date:	March 2018
Version	V3 ~ created January 2006
Related Policies:	AHA Eligibility and Allocations Policy
Related SOP:	Nil
Related Forms:	Rent Calculation Form
Related Standards:	National Community Housing Standards - 6.1 Financial Systems, DHHS 'Guidelines for Registered Housing Agencies', Residential Tenancies Act (1997)

PURPOSE:

To outline how rent will be calculated for tenants allocated to Haven; Home, Safe (HHS) Affordable Housing Association (AHA) properties.

BACKGROUND INFORMATION:

HHS has established a portfolio of properties designated as AHA properties in partnership with the Office of Housing. Rent charged needs to be both affordable to the households that will rent them and adequate enough to service the associated debt that HHS has acquired to purchase these properties.

POLICY:

- Rent will, in the first instance, be calculated at Local Market Rent of property less a discount % that varies according to the Household Income of the tenant, as follows:

Tenant Group	Household Income	Rent Charge
A. Very Low Income	\$0 to \$31,000	Local Market Rent less 30%
B. Low Income	\$31,001 to \$50,000	Local Market Rent less 20%
C. Moderate Income	\$50,001 to \$102,800	Local Market Rent less 10%

The upper household income limit for 'C' Cohort tenant group is currently based on the DHHS 'Guidelines for Registered Housing Agencies', being the maximum income eligibility limit for CRA for a 3+ person household.

- Should the discounted rent charged exceed 75% of Market Rent (as assessed by the Australian Taxation Office), the actual rent charged will be reduced to equal 75% of the 'ATO Market Rent'. (It is an ATO requirement that discounted rent charged by a Public Benevolent Institution (PBI) such as HHS must not exceed 75% of "Market Rent" in order for HHS to claim back GST Input Tax Credits on residential rental property.) However, HHS can use either 'Local Market Rent' or 'ATO Market Rent' (whichever is higher) in order to comply with this requirement. The ATO Market Rents are generally updated and published annually.

- For certain “high-rent” metropolitan AHA properties, further reductions in the Rent Charge may be necessary in order to satisfy tenant affordability, tenant eligibility, financial viability and ATO constraints. In such instances, a targeted tenancy mix will be financially modelled by the HHS Finance Team in conjunction with the AHA Tenancy Management Team in order to determine the maximum number of tenancies that may receive additional % discounts (rent “capping”) so the Rent Charge *does not exceed* 30% of tenant’s Household Income. The total number of AHA tenancies with “capped rent” will be reviewed on at least an annual basis.
- **NRAS (National Rental Affordability Scheme) – If the property is an NRAS dwelling, an additional household income test applies at point of entry and thereafter on every 12-month anniversary. The gross income limits for different household compositions are specified in the NRAS Regulations and are updated annually on 1st May. Tenant eligibility for NRAS dwellings is to be assessed in conjunction with the HHS NRAS compliance team.**
- This policy operates in conjunction with the *AHA Eligibility and Allocations Policy*: before a household is allocated to a property, there must be a vacancy for a household of the Tenant Group. An allocation can only be made if doing so means the following global objectives can be met:

Tenant Group	% of total HHS AHA portfolio
A. Very Low Income	No more than 30%
B. Low Income	No more than 35%
C. Moderate Income	No less than 35%

- If an application comes in under a cohort that has no current vacancies, but there are available properties to a higher cohort, then a recalculation can be undertaken to assess if an offer at a higher rental can be made. *This can only be offered if the rental does not exceed 30% of the household income as per departmental Guidelines (refer DHHS ‘Guidelines for Registered Housing Agencies’)*. Written confirmation from the tenant acknowledging their acceptance of a lower discount must be obtained.
- For the purposes of eligibility, these limits apply to initial entry eligibility and are ongoing.
- Local Market Rent for each property must be updated annually.
- Rent Charge must be recalculated annually for each property after a new Local Market Rent has been determined. The annual tenant rent charge review will routinely be undertaken on the anniversary of the tenant start date. Any increases in rent shall be passed onto tenants in accordance with provisions of the *Residential Tenancies Act (RTA)*.
- Household Income of tenants must be updated annually on anniversary of tenancy.
- If tenants’ income increases such that they move from one Tenant Group to a higher Tenant Group, e.g. Low to Moderate Income, then Rent Charge must be increased as soon as possible in accordance with provisions of the RTA.

If tenants’ income decreases such that they move from one Tenant Group to another Tenant Group, e.g. Low to Very Low Income, then Rent Charge must be reduced only if the change was as a result of involuntary reasons (for example, termination of employment, redundancy). Please refer to Appendix for definitions. Any reduction of rent under these circumstances is to be considered temporary and is subject

to 6 monthly review such that alternative housing options can be regularly identified and negotiated with the tenant.

PROCEDURES:

Household Income

- Household Income is important information that will be calculated many times during the lifecycle of a tenancy. It will be calculated when a household makes an application for a property and will be a determining factor in whether they receive an allocation. It will also be recalculated annually to update the Tenant Group Classification (Very Low, Low or Moderate Income), to validate a household's ongoing eligibility for HHS Affordable Housing (refer to Eligibility and Allocations Policy) and to determine ongoing NRAS eligibility (if an NRAS dwelling).
- An electronic form has been created to automate this calculation. Once finalised, all calculations must be printed, signed and dated by the HHS Tenancy & Property Manager (TPM) and have supporting documentation attached. The rent calculation should then be approved by a second party. In the Northern and Geelong offices the rent calculation is forwarded to Finance with supporting documentation, in the Preston office the rental calculation is forwarded to the Housing Team leader for approval. In all cases, the TPM will document Household Income on the *Rent Form* and determine whether the applicant falls into Category A, B or C as outlined above.
- **NRAS (National Rental Affordability Scheme) - Tenant eligibility for NRAS dwellings is to be assessed at point of entry in conjunction with the HHS NRAS compliance team. Ongoing eligibility must then be assessed annually on the anniversary of initial lease date. HHS has developed several checklists and templates to assist with these procedures.**
- The secondary approver will validate Household Income as documented and confirm category classification. They will then determine, after reviewing the Property Portfolio Database, whether there is a vacancy for a tenant of that particular category. The TPM will be advised within two working days whether an allocation can be made and the applicable Rent Charge.
- Finance will provide to Housing the cohort breakdown required in order to maintain financial viability of a particular development portfolio on a regular basis. The Housing Team Leader will determine if allocation can be made in accordance with the relevant cohort, and the applicable Rent Charge.
- Once allocation has been made the TPM will forward details to Finance in order for their database to be updated (see below).

Monitoring of Portfolio Objectives

- Finance will maintain a database of all properties to monitor the split in the property portfolio according to the above three categories. This database must record the Local Market and Actual Rent charged for each property.
- Each property will be classified according to the above categories and the actual percentage of each category will be recalculated each time an allocation is made and each time Household Income is updated.

Market Rent Updates

- Finance will engage a qualified valuer or property professional (or establish any other means based on objective external data including reviewing market rent valuations obtained by the Bank) to provide a current Local Market Rent value on each property, effective 1st July each year.
- Finance will enter this information annually into the Property Database and advise the Housing Team Leader of the new market rents.

Annual Income Review

- The TPM will confirm tenant household income prior to the tenancy anniversary date.
- The TPM will identify upcoming anniversary dates of tenancies from the system, and request updated income details from the tenant one month before the anniversary date.
- On the basis of verified Household Income, the TPM will advise Finance of which Tenant Group Category now applies (even if this stays the same). This may result in a change in the tenant Rent Charge. In calculating the Rent Charge, the TPM shall use the most recent Local Market Rent valuations as advised annually by Finance. The calculated rent charges are validated by secondary approval prior to advising tenants of the new rent charge.
- The Rent Calculation Form should be used to document this review and is to be kept on the tenant's file.
- The TPM will advise the tenant by issuing the 60-day notice for any increase in rent per the RTA.
- Rent Charge less Commonwealth Rent Assistance (CRA) may not exceed 30% of household income.
- If the Household Income increases above the upper limit of the Moderate Income range, then a tenant may no longer be eligible for ongoing housing (refer to Eligibility and Allocations Policy).
- If an existing tenant's household income exceeds the upper income limit for C Category tenants, then the Rent Charge will equal Market Rent, i.e. no discount.
- The TPM will update rents within the rent system on the applicable increase date.

Income Bandwidth Reviews

- Income bandwidths will be reviewed on an annual basis taking into account general movements in Household Income levels.
- Any changes to income bandwidths will be determined collaboratively between HHS Finance and Housing Divisions.

This policy is subject to annual review and may be varied to ensure the ongoing viability of the HHS AHA.

APPENDIX

The following definitions apply:

Household Income = the total income from all sources except Statutory payments listed in AHA Eligibility and Allocations Policy. Income of dependent children under 18 is also excluded.

Local Market Rent = the rent payable for an equivalent property in a similar location as independently assessed by a qualified valuer or property professional.

ATO Market Rent = the market rent as published by the Australian Tax Office and updated annually between January and June each year.

ATO Market Rent Rates effective 15 June 2015:

Locality	4 or more bedrooms \$	3 bedrooms \$	2 bedrooms \$	1 bedroom \$
Melbourne/VIC	800.00	606.25	462.50	325.00

* Includes boarding house rooms.