

POLICY

Rent Calculation Policy

RECORD DETAILS

Policy	Rent Calculation Policy
Date authorised by Executive	April 2019
Review responsibility	General Managers Housing (Bendigo, Metro, Mallee); CFO; Finance Manager
Date last reviewed	August 2021
Next review date	August 2022
Version	V 3

PURPOSE

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

BACKGROUND INFORMATION:

HHS has established a portfolio of properties designated as Affordable Housing which provide secure rental tenure with a discount off market rent. Rent charged needs to be both affordable to renters and sufficient to service the associated debt that HHS has incurred to acquire these properties.

Due to changes within the ATO environment that came into effect on 1st January 2019, HHS currently has two rent calculation methods for affordable housing properties. The applicability of the method is dependent on the tenancy start date. If tenancy started before 1st January 2019, rent is calculated under Rent Policy B, the HHS legacy rent calculation policy. All new tenancies that started from 1st January 2019 will have rent calculated as per Rent Policy A from 1st May 2021 (Date of first whole of portfolio independent market rent valuation).

From 1st July 2023 (end of ATO Transition Period), all rent calculations for HHS affordable housing properties will be calculated as per Rent Policy A.

POLICY

Rent Policy A

Rent is to be calculated at Local Market Rent of property less a discount of 25.1%. Should Net Rent for the property exceed 30% of the household income then a Capped Rent will apply.

Rent Policy B

Rent is to be calculated at the Local Market Rent of the property less a discount % that varies according to the Household Income of the renter, as follows:

Renter 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 \$113,672	Local Market Rent less 10%

The upper household income limit for 'C' Cohort renter group is currently based on the Department of Families, Fairness and Housing Social Housing Eligibility (April 2021), being the maximum income eligibility limit for a "Family (one or two parents) with up to 2 dependent children".

Should the discounted rent charged exceed 74.9% of Market Rent (as assessed by the Australian Taxation Office), the actual rent charged will be reduced to equal 74.9% 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" so that HHS maintains eligible GST concessions.*

Rent affordability will be checked when charge changes are made. Where Net Rent is greater than 30% of household income, then Capped Rent shall apply.

The current Tenancy Management System automates the rent calculation. Once finalised, all calculations must be printed, signed and dated by the HHS Tenancy & Property Manager (TPM) or allocations officer and have supporting documentation attached. The rent calculation should then be approved by a second party - the Housing Program Coordinator.

NRAS (National Rental Affordability Scheme)

HHS has a specific NRAS Business Team who work in collaboration with the tenancy teams to assess applicant eligibility for NRAS properties. 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. In collaboration with the HHS NRAS Team, the renter eligibility for NRAS dwellings is to be assessed on application. Ongoing eligibility must then be assessed annually on the anniversary of initial lease date. HHS has developed several checklists and templates to assist with this process.

Definitions

Net Rent

Net rent is equal to Rent charge less CRA the renter is entitled to.

Capped Rent

Capped rent is calculated at 30% of household income plus 100% of the Commonwealth Rent Assistance (CRA) that the renter is entitled to.

Household Income

Household Income 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 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).

Market Rent Updates

HHS 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 HHS financiers) to provide a current Local Market Rent value on each property, effective 1st July each year. Finance will consult with Operations on the setting of new market rents.

Finance will enter this information annually into the current Tenancy Management System and advise Operations when the new market rents are uploaded. Finance will prepare and send notice to renters of Market Rent change as required by Residential Rental Law. An increase in market rent will ordinarily generate an increase in rent charged to the renter at their next Annual Review.

Annual Rent Review

Rent charges are to be reviewed annually on the anniversary of the individual rental start date. The TPM will identify upcoming anniversary dates of tenancies from the system and request updated income details from the renter one month before the anniversary date. Based on verified Household Income, a change in the rent charge may result. The rent charge will be calculated using the most recent Local Market Rent valuations as held in the current Tenancy Management System at the time of the assessment.

The TPM will advise the renter of the increase in rent charge by giving 30 days' notice. Current RTA legislation does not specify a required notice period for advising on an increase to rebated rent, HHS has determined that a 30-day notice period is sufficient to ensure renters have enough time to make changes to household budgets as required. The Rent Calculation will be stored in the current Tenancy Management System on the renters file to document the review.

If the Household Income increases above the upper limit of DFFH Social Housing Eligibility Income range, then a renter may no longer be eligible for ongoing housing (refer to Eligibility and Allocations Policy). If an existing renter's household income exceeds the upper limit, they will then be required to pay market rent for the property.

The current Tenancy Management System software automates the rent calculation. Once finalised, all calculations must be printed, signed and dated by the HHS Tenancy & Property Manager (TPM) or allocations officer and have supporting documentation attached. The rent calculation should then be approved by a second party - the Housing Program Coordinator.

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. Renter eligibility for NRAS dwellings is to be assessed in conjunction with the HHS NRAS compliance team.

Social Housing Eligibility

Income and asset limits will be determined by DFFH and are reviewed annually. Most applicants for HHS Affordable Housing are required to apply via the Victorian Housing Register.

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 and
- Commonwealth Rent Assistance.

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.