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Affordable housing: NRAS under attack



At Monash Uni, Briggs & Jackomos' NRAS housing is 5-Star Green Star

By Willow Aliento

13 March 2014 — Australia's much lauded attempt to create its first affordable housing investment asset class is under vicious attack, lambasted, inaccurately and potentially along dangerous racist lines by national conservative newspaper *The Australian*. And already the federal housing minister has jumped and placed National Rental Affordability Scheme in the firing lines. This, despite massive groundswell of support from the Property Council, the Green Building Council and raft of social and housing stakeholders.

A special investigation by Willow Aliento

As the words flew this week attacking the National Rental Affordability Scheme, largely on dangerously racist lines – and apparently very bad maths – the federal government's pledge to hold an inquiry in response to allegations of abuse of the scheme by foreign investors, foreign students and student housing providers seemed sudden.

It wasn't. There had been a steady erosion of federal support for mechanisms to assist low income housing for some time.

The response this week from the property development sector, green building sector, social housing providers and other stakeholders has been unanimous: there is room for improvement but the program is largely achieving its goals and a commitment is required to ensure it continues to deliver affordable housing for low and middle income earners.

NRAS has been operating since 2008, and in the five years to 30 June 2013 has approved 38,459 properties, with 14,575 built and tenanted and 23,884 dwellings in progress.

By March 2013, the number of approved projects had not increased, according to figures from the Department of Social Services, but approximately 19,000 had been completed and 19,000 are due to be completed by June 2016.

More than half of the recipients of NRAS incentives have been not-for-profit organisations, including charities and low-cost housing providers. West Australian Greens Senator Scott Ludlam's office said the scheme had been successful.

The scheme offers incentives to offer below market rent to those on low incomes. The incentives are in the form of tax offsets to private investors or investment trusts, or for the not-for-profit sector, in the form of cash grants. These were fixed at \$10,000 a year in 2008, indexed to inflation.

The incentives continue for 10 years, after which time the dwellings can move to being market price rentals; they can be sold or maintained as low cost housing, depending on the goals of the investor and the property manager.

Green housing

One of the original goals of NRAS was to deliver dwellings with high sustainability ratings. All NRAS dwellings must use thermal mass, passive solar orientation and other energy-efficiency measures to achieve a five star NatHERS rating, and they must also be located near to public transport and employment hubs.

Community Housing Ltd was one of the first NFP providers to deliver ready-to-rent NRAS properties, which have all been allocated to disadvantaged and low income households. To date CHL has delivered 637 properties, with a further 718 due to be delivered between 2014 and 2016. Of the currently tenanted properties, 577 are owned and managed by CHL, and another 60 are managed by CHL for third party investors.

Spokeswoman for CHL Preeti Daga said that all of the NRAS properties owned by the organisation will be managed as long-term affordable housing properties for the most vulnerable in the community.

To be eligible for an NRAS dwelling, a single tenant must have an individual income below \$45,956 a year. Each state administers its own application process, which ensures prospective tenants are below the income thresholds set for each household type. The income limits allow

access to NRAS housing by people in identified “key occupations” including nursing, teaching and hospitality, enabling them to afford to live closer to places of employment.

Support during the GFC

The other key goal of NRAS was to support the construction industry during the Global Financial Crisis, through giving certainty to developers and investors and delivering a regular pipeline of work.

In this respect, the current policy wobbles and lack of federal commitment is undermining the ability of NRAS to provide solid assurances to any of the stakeholders, including builders, developers, investors, social housing managers and tenants waiting for an approved NRAS dwellings.

Federal social services minister Kevin Andrews, asked to comment by *The Fifth Estate* on a range of aspects of NRAS, including the accusations of roting by student housing, did not answer some questions, including “are there any more recent figures available than June 2013, and can we have them please?”

Instead, the line was, “Blame the ALP.”

“NRAS was rushed in design and implementation, and includes numerous design flaws, ambiguous legal requirements and red tape,” Mr Andrews told *The Fifth Estate*.

“I have asked my department to implement more stringent processes to test compliance under the scheme and stamp out the possibility of non compliance.

“I am looking at ways to reform and improve the scheme, and welcome comments from states, territories, investors, developers and the housing sector.”

But the Queensland LNP government loves NRAS

In the meantime the NRAS has provided ample material for positive coverage to Queensland’s Liberal National state government, which in numerous press releases has praised new projects and their contribution to meeting low income housing needs.

“The Newman government promised at the election to lower the cost of living for families, which is precisely what projects like this one do,” Queensland’s minister for public works and housing Tim Mander said in a media statement on 31 January this year.

“These properties fill an important gap in the market for people who would not qualify for social housing, but still struggle to with the cost of living.

Madison Heights, a high-end residential tower in the Brisbane suburb of Bowen Hills developed by Metro Properties and Pearls Australasia, was singled out in the release for praise.

The development is only part NRAS subsidised and has a pool, high-speed internet and onsite security.

From a total of 308 apartments, 174 NRAS apartments have rents starting at \$249 a week for a one bedroom apartment and \$389 for a two bedroom apartment. This price is capped at 70 per cent of the market rate for the type of apartment and location, Mr Mander said. The NRAS requirement is for rents to be at least 20 per cent below the market rate

At the time, Mr Mander claimed NRAS was an important part of his government's own housing assistance system.

“Projects like this are proof that with the right incentives, the building and construction industry can deliver affordable housing in areas that would otherwise be off limits to people on low or modest incomes,” he said.

To be eligible for NRAS tenancy in Queensland, applicants must be an Australian citizen, have permanent residency, or have been issued with a temporary protection or bridging visa.

What Labor says

Acting shadow minister for housing and homelessness Jenny Macklin told *The Fifth Estate* that low income Australians at risk of homelessness were relying on the prime minister Tony Abbott to not make cuts to housing.

“Tony Abbott must rule out making cuts to housing for low income Australians,” Ms Macklin said.

“The National Rental Affordability Scheme is an important program which has boosted the affordable housing stock across the country and which has the support of Liberal state governments, the housing industry and social housing experts.

“If Kevin Andrews genuinely wants to strengthen the scheme in partnership with the housing sector, I would welcome that, but he must rule out cuts to NRAS as part of the Commission of Audit.

“Are cuts to the NRAS in Tony Abbott and Joe Hockey’s 900 page report of cuts? He needs to be upfront with the Australian people.

“Low income Australians at risk of homelessness are relying on him.”

The Oz gets its numbers wrong – too busy unleashing a xenophobic storm

The Australian stoked the fires of outrage this week with front page stories that claimed NRAS was being rorted by universities to provide subsidised accommodation for wealthy foreign students.

The article claimed NRAS was being used by “wealthy families who bankroll their children to study in Australia.”

Another article on Thursday, [Wealthy foreigners pocketing rent aid](#), said in its first paragraph that “two in five places under NRAS have gone to students, and in many cases foreign students”.

That’s 40 per cent, but the figure is not correct.

How *The Australian* came to this figure is unclear.

Figures in the latest published NRAS report from June 2013 show that there were 15,719 NRAS occupants.

Of these, 11,367 had answered an *optional* question regarding employment status. There were 4268 who indicated they were full-time students, a figure that would equal 27 per cent of the total 15,719 NRAS occupants.

If you only include the 11,367 people who answered the question, you would get to 37.5 per cent, closer to the two in five figure *The Australian* quoted.

However, basing claims off an optional question is bad statistical practice. Not to mention that there is no reason to believe this is university accommodation. In fact, a “full-time student” could be the primary school child of a low-income family.

Looking at dwelling type provides some more helpful context.

The Fifth Estate obtained a copy of the NRAS monthly performance report for June 2013, which is the most recent report publicly available. This sets out the exact allocations for incentives, and the allocations per housing type. Student housing comprised 5034 incentives allocated (both delivered and in the pipeline) out of a total of 38,459 total incentives. By our calculations that figure works out to 13.09 per cent of total incentives.

The maths gets worse. A front page article on Thursday said that of 19,000 “tenants” of the NRAS scheme “which was originally aimed at low-paid workers, more than 1500 are international students”.

This is another misrepresentation. The 19,000 “tenants” are not tenants; they are incentives, which apply to dwellings and which may comprise more than one person. Students also may include children of the tenants, or anyone over five years old and under 17 whose occupation is student.

Whether these students are international would be hard to assess, and is not evidenced in the article. As one commentator said, “they might be foreign students or they might be martians; we have no way of knowing”.

Student housing NRAS projects comprise either self-contained studio apartments, or shared flats with multiple bedrooms. This is in keeping with the NRAS requirement that any housing must be self-contained, which rules out the “dorm” model of colleges past for NRAS projects.

In family accommodation working out the number of people actually housed currently, or due to be housed under all the allocated incentives, is complex, as it needs to factor in the many incentives allocated for family homes, which therefore house multiple people.

For example, in Queensland, 4487 incentives have been allocated for three bedroom homes and 1705 for four bedroom homes. This total already outnumbers the total number of dwellings

created for students nation-wide, and it's just two out of the many types of dwelling which comprise the 10,986 incentives either allocated or reserved for Queensland.

The sunshine state is actually the state with the highest number of NRAS dwellings either delivered or in the pipeline as of June 2013 – with 28.3 per cent of the total. None of these have been university projects.

Other allegations made over three days in *The Australian* included asserting student housing designs at Canberra University comprised “dog boxes”, that the “majority” and “at least 60 per cent” of students in them are “foreign”, a statistic based on the visual assessment of someone who “walked past”.

There were also suggestions that Frasers Property Group at Central Park in Sydney was taking advantage of the system with multiple uses of the word “international students” in sales brochures to potential investors.

“The 34-page document issued in October 2013 contains the phrase ‘international student’ or ‘international students’ almost five times and describes the main student building on Abercrombie Street as an NRAS-advantaged project.”

This concept of “foreign” students, “wealthy foreign students” and “full fee paying wealthy foreign students” was returned to again and again in editorials, articles, opinion pieces and online comments between March 10 and March 12, and gained such currency in the general blogosphere that this week, the federal government indicated it planned to review NRAS.

However, the report on Wednesday said “expectations are that it will not be continued by the current government beyond the 50,000 planned units”.

Has xenophobia been used as a way to destabilise an effective housing affordability program? Or is *The Australian* onto a genuine “scam”.

On the use of the word “rort”

The word “rort” has been much bandied about especially in the social media hysteria that followed the Oz stories. However, the facts tell a different story.

For a start, Australia has had students from overseas studying here since the 1950s, with policy around fees shifting from the early days of the aid-program model of the Colombo Plan to the policy that has been in place since 1990 – that universities should attract students from overseas as an intentional strategy to generate income, and that these students will pay full up-front fees for the degrees.

Obviously they require somewhere to live while they are here, and if that is not available on campus, then like any student they will need to rely on the private rental market, which then creates demand pressures and can squeeze families and low-income people out of the market. This is the rationale behind some of the recent university accommodation projects, only some of which are subsidised under NRAS.

Edward O'Daly, a spokesman for University of Canberra, told *The Fifth Estate* that using racial stereotyping and guesswork as a basis for deciding a student's origin, as an opinion piece in *The Australian* did, is not an appropriate approach.

"We have 243 international students living in NRAS accommodation out of 900 beds," Mr O'Daly said.

These NRAS beds are a combination of self-contained studios and five-bedroom flats. In total, the university owns 2500 student accommodation beds across a number of buildings managed by several providers on their behalf. Having this amount of accommodation allows them to promise that every first year student and every international student has the option of an on-campus room, with students from elsewhere in Australia given first preference for NRAS places.

The NRAS accommodation is part of accommodation managed by Unilodge, and shares in excellent facilities including common room, grand piano (the university offers music courses, so this assists with practise and performances) and barbecue areas. Frasers Property Australia chief executive officer Guy Pahor said in the article that student housing at Central Park would free up housing for other tenants in the area.

The end of the article says that according to Australian Council of Social Services chief executive Cassandra Goldie that Central Park "was the kind of development you would expect under the scheme and it would absorb rental demand in the area through the construction of desperately needed new housing stock".

"This is a scheme that needs to be seen in the broader context of what it does do in the rental market more broadly" Ms Goldie told *The Australian*.

A spokeswoman for Central Park developer Fraser Property Australia in conjunction with Sekisui House, said the report in the newspaper was correct in relation to the development.

The spokeswoman said Central Park's Abercrombie Street student accommodation building would comprise 685 apartments, 628 of which would be NRAS dwellings.

She said the building was designed "specifically and exclusively for students, and will be provided with specialised management, services and amenities catering to the specific needs of students".

"These dwellings will be available to local, interstate and international students. Continuing high demand for educational services from international students is expected to result in a significant proportion of the dwellings being taken up by foreign students; however, given the acute shortage of suitable accommodation we also expect demand to be strong from domestic students.

"These dwellings are not strata titled; they will be managed, operated and owned in 'one line' as a single, purpose-built, income-producing asset."

The majority of Australian universities have not applied for NRAS projects. Only Deakin, Monash, ANU, University of Canberra, Charles Darwin University (NT), University of Tasmania, Edith Cowan University and University of WA, have received NRAS incentives.

All of these universities say they had a critical shortage of affordable accommodation for students. Deakin, for example, required accommodation for the campus in the regional town of Warrnambool, and for the Waurin Ponds Campus at Geelong. These spaces are occupied almost exclusively by Australian students who are studying considerable distances away from home.

The universities' story

At least nine universities have obtained National Rental Affordability Scheme grants originally intended for low-income Australians. Many are alleged to have provided housing for the children of wealthy overseas families who bankroll their children to study in Australia.

International Education Association of Australia executive director Phil Honeywood said universities had helped boost take-up of the scheme, which was struggling to find backers because of strict tenancy regulations.

“It is well-known that when NRAS commenced private and not-for-profit dwellings did not find the scheme attractive enough to take up many places,” he said.

Information about the uptake of the scheme, which had been outlined in detailed monthly reports for more than two years, stopped flowing a few months before the federal election last year.

The University of Technology, Sydney said it had no direct involvement in a project by developer Fraser Property Australia, under which 828 NRAS places are on offer nearby. But a UTS spokesman confirmed staff would be “interested” to talk to the developer about the possibility of securing needed accommodation for students.

NRAS places are understood to be available at other privately run accommodation blocks available exclusively to students.

For example UniLodge, an operator and manager of student accommodation in Australia and New Zealand, also offers NRAS places at its East End tower block in Adelaide's CBD.

The figures may help explain how a boom in student accommodation in recent years was financed despite a slump in the international education industry. High-rises built for students have sprung up around the campuses of universities in housing-starved Sydney and Melbourne.

See our related reports:

- [NRAS: not the only affordable housing program in the firing line](#)
- [NRAS works but we need more, Greens say](#)