



National Rental Affordability Scheme

National Mandatory Requirements and Weighted Criteria

Introduction

The Australian Government is establishing a National Rental Affordability Scheme (the Scheme), at a cost of \$623 million over four years, to increase the supply of affordable rental dwellings by 50,000. If demand for rental properties is still strong, a further 50,000 properties will be built from 2012 onwards.

This new scheme will offer investors incentives to build new affordable homes for rent at 20 per cent below market rents. The Australian Government's incentive will be \$6,000 per dwelling per year as a refundable tax offset or payment for 10 years.

State and Territory Governments have also committed to supporting the Scheme by providing an incentive for 10 years to investors of at least \$2,000 per dwelling per year in direct or in kind financial support.

The long term commitment of 10 years to the provision of affordable rental accommodation means that the operating conditions for the Scheme are best set in legislation.

A legislative framework provides certainty to the Scheme while still allowing flexibility to respond to changes in the economic and social circumstances of both metropolitan and regional Australia. The first Call for Applications under the Scheme will be made in July 2008.

Allocation of National Rental Incentives

Over the next four years, the Government will allocate 50,000 National Rental Incentives (NRIs) in two phases as follows:

→ **Establishment Phase**

| | |
|---------|------------|
| 2008-09 | 3,500 NRIs |
| 2009-10 | 7,500 NRIs |

→ **Expansion Phase**

| | |
|---------|-------------|
| 2010-11 | 14,000 NRIs |
| 2011-12 | 25,000 NRIs |

Calls for Applications

Establishment Phase

There will be two Calls for Applications for incentives in the Establishment Phase. The first Call for Applications, Round 1, will be issued in July 2008. **Round 1** will focus on proposals that can deliver completed dwellings which will be available for rent during the 2008-09 and 2009-10 financial years. The short application timeframe for Round 1 is due to the need to quickly identify and approve proposals seeking incentives for 2008-09.

A second Call for Applications for incentives in the Establishment Phase, **Round 2**, will be issued in October 2008.

Note that proposals received in Round 1 and Round 2 which also seek an allocation of incentives for projects in the Expansion Phase will be accepted and assessed at this time.

Expansion Phase

A third Call for Applications, **Round 3**, is expected in March 2009 for proposals that can deliver dwellings available for rent in the Expansion Phase from July 2010 to June 2012. Any remaining Incentives from the Establishment Phase will also be allocated in this Round.

National Mandatory Requirements

Applications for incentives under the Scheme will need to meet **national mandatory requirements** in order to be eligible to be allocated incentives and to remain eligible to receive the incentives. These mandatory requirements will be set out in legislation and apply to the Scheme for each year of its operation.

The mandatory requirements are being released in advance of the Call for Applications to provide guidance to applicants considering applying for National Rental Incentives.

The five mandatory requirements are as follows:

1. dwellings will be rented to 'eligible tenants'
2. dwellings will be rented for a period of 10 years
3. dwellings will be rented at a rate that is at least 20 per cent below the market rate
4. dwellings must either:
 - a. not have previously been occupied; or
 - b. not have been previously zoned for residential purposes; or
 - c. have been made fit for occupancy where otherwise the dwelling was 'recognised' as being uninhabitable; or
 - d. have been subdivided to produce more dwellings than were previously available on the identified block and section
5. dwellings will comply with State, Territory and local government, planning building codes and requirements.

Weighted Criteria

Applicants must outline the details of their Proposal which may include more than one project. Applications which comply with the Scheme's mandatory requirements will then be assessed for suitability against five criteria, all of which will be weighted equally.

The weighted criteria are being released in advance of the Call for Applications to provide guidance to applicants considering applying for National Rental Incentives.

1. There is a demonstrated need for the Proposal

Proposals must demonstrate the need for projects in specific locations and how this need has been identified. For example, proposals may point to high levels of unmet rental demand in project areas, lower than average vacancy rates, the proportion of households in rental stress or the types of households in rental stress.

2. The proposal addresses the Priority Areas of Interest

Proposals must provide details about the extent to which the projects address the Priority Areas of Interest identified in the Call for Applications. Further information on Priority Areas of Interest is discussed below.

3. The proposal delivers accessibility and sustainability outcomes

Proposals must show how projects contribute to accessibility and sustainability outcomes such as:

- Proximity of dwellings to transport, schools, shops, health services and employment opportunities
- Types of dwellings and proposed household compositions to facilitate a balanced social mix
- Building and design features that may reduce energy and water costs and which are above regulated minimum standards
- Use of universal design principles or other low cost measures that would make properties more accessible to people who are ageing or live with disabilities

4. The Consortium has demonstrated capacity and experience

Proposals must demonstrate the capacity of the consortium or organisation to deliver the Project(s), including:

- Experience in property acquisition and development
- Experience in property and tenancy management and details of how these will be delivered under the Proposal
- Proposed processes for tenant selection and rent setting
- Proposed governance and management arrangements for the Proposal
- Financial capacity including details of capacity to contribute equity to a project, details of proposal to raise any debt financing required to fund project capital requirements

5. The proposal is financially viable

Proposals must detail:

- the cost and financing arrangements, and details of any additional grant funding being sought/ received from State/Territory and Commonwealth governments outside NRAS
- the proposal's financial sustainability (projected cash flow analysis that estimates the cost of constructing/developing the properties, rent revenue and operating costs)
- planning, development and construction status of the Projects in the Proposal

For more information visit www.fahcsia.gov.au



Priority Areas of Interest for the Establishment Phase

Weighted Criteria Two requires proposals to address Priority Areas of Interest. As part of the Call for Applications the Australian Government will identify Priority Areas of Interest. These Priority Areas of Interest will be issued for each round.

While the Priority Areas of Interest are not mandatory, proposals which address some or all of the Areas will be more favourably considered in the assessment process.

The five Priority Areas of Interest, for Round 1, are as follows:

1. Proposals include dwellings that will become available for rent in 2008-09
2. Proposals are for large scale projects with a minimum of 100 dwellings
3. Proposals are consistent with relevant State/Territory/local government affordable housing priorities
4. Proposals include dwellings for tenants with special needs (such as people with disabilities, older Australians and Indigenous people)
5. Proposals which maximise long term affordable housing outcomes for tenants.

In relation to the second priority area, while the Government's preference is for large scale proposals, approximately 20 per cent of the National Rental Incentives available in the Establishment Phase will be reserved for proposals involving not less than 20 dwellings.