

How effective are private rental support programs?

PRIVATE RENTAL SUPPORT PROGRAMS EFFECTIVELY HELP LOW INCOME PRIVATE RENTERS ACCESS A HOME BUT ARE NOT SUFFICIENT FOR THOSE FACING AFFORDABILITY AND PERSONAL PROBLEMS TO SUSTAIN THEIR TENANCIES.

KEY POINTS

- Private rental support programs describes a range of services that encourage landlords to let their properties to low income renters and reduce the number of bond loan accounts that fall into arrears. Specific support services include bond assistance (either grants, loans or guarantees); payment of advance rent and rent arrears (in the form of loans or grants); assistance with moving and utility costs; information and advocacy services; and provision of temporary emergency accommodation.
- Perceptions of private rental support programs are generally positive amongst both the tenants receiving support and the practitioners responsible for administering the programs. Tenants, practitioners and policy officers believe, in particular, that bond loans and grants help people enter the private rental market and maintain their tenancies.
- Although valued, the effectiveness of private rental support programs is limited by a number of factors. Restrictions on the amount of support available means that the stresses arising from high rents cannot be adequately countered and this narrows accommodation options. These might be addressed by filling gaps in services, and reviewing the eligibility requirements imposed on recipients to ensure an appropriate choice of housing stock.
- Private rental support programs are insufficiently equipped to assist tenants with social and personal problems (that are not financial in nature) to sustain tenancy. This could be addressed by systematically linking support services to advocacy and life-skill assistance.

Based on research by Dr Keith Jacobs, Dr Kristin Natalier, Ms Michele Slatter, Professor Mike Berry, Ms Alice Stoakes, Dr Tim Seelig, Ms Heidi Hutchison, Mr Shane Grieve, Associate Professor Peter Phibbs and Dr Nicole Gurrán and led by AHURI Southern Research Centre. The project reviewed the effectiveness of support provided by all States and Territories to low-income households in private rented accommodation.



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BACKGROUND

Private rental support programs are designed to assist people on low incomes to establish and maintain a tenancy in the private rental market. The programs usually provide 'one-off' forms of support, which are distinct from, and in addition to, Commonwealth Rent Assistance.

Over recent years low-income households have become increasingly reliant on the private rental market as a consequence of the high costs involved in home ownership and the limited availability of public housing. Though private rental costs are generally less expensive than purchasing a home, there are significant initial costs such as bond, advance rent, moving expenses and the connection of utilities. Private rental support programs are aimed at helping people enter the private rental market by limiting financial and other associated stress, and consequently, reduce the demands on public housing stock and crisis accommodation.

METHOD

The first stage of the study involved a desk-based literature review. The researchers piloted interviews and focus groups in Tasmania before refining the methods and applying them in other states and territories. Data was collected through interviews with recipients of private rental support program assistance and those who were eligible but refused aid. Questions were centred on people's experiences and motivations for seeking or refusing assistance. Focus groups were held with public servants responsible for administering private rental support programs. This involved reviewing the aims of the programs, the extent to which those aims were met, and the barriers to providing more efficient or useful services. The aims of private rental support programs, their success, and the extent to which their performance can be measured, was also discussed in interviews with policy makers responsible for designing the programs. This meant that by using data from these three sources, findings could be validated.

FINDINGS

Program types and aims

Primarily, private rental support programs aim to help low income households enter the private rental market with a secondary focus on assisting people to maintain those tenancies. In practice, the aims of private rental support programs are also linked with managing the demands on

public housing stock and emergency accommodation, targeting services and managing resources. The following information summarises the differences between various private rental support programs. A summary of the various programs by jurisdiction is provided in Table 1.

Gaining access to private rental accommodation: bond loans or guarantees and rent in advance

Bond loans or guarantees help clients meet a key cost of entry into the private rental market – the rental bond for new tenants. Eligibility criteria vary widely between jurisdictions. In most cases eligible prospective renters are limited to searching for suitably affordable properties: in the case of Victoria rental bonds should be below a maximum value), or in New South Wales the rents must be 'affordable' – by being no greater than 50 per cent of income. Australian citizenship is required in some jurisdictions, permanent residence in others, and greater or lesser degrees of targeting are imposed. For example, some jurisdictions such as Victoria require asset or income tests, or necessitate that a household must be in housing crisis or face outstanding debts to qualify. However, other jurisdictions such as Western Australia remain relatively untargeted.

Bond loans are generally provided by the government's Department of Housing, although in some jurisdictions such as Tasmania and the Australian Capital Territory, they are also provided by welfare organisations. Repayment regimes differ considerably between jurisdictions. The Australian Capital Territory, Western Australia and Queensland provide bond loans that require regular repayments on a weekly, fortnightly or monthly basis. New South Wales, Victoria, Tasmania and South Australia run the assistance as a form of loan guarantee whereby the repayment of the bond occurs at the end of the lease or tenancy and coincides with the repayment of bond by the landlord. In most jurisdictions the full amount of bond is covered by the guarantee or assistance, however in New South Wales the tenant is expected – unless severe financial housing circumstances can be proven – to contribute up to a quarter of the bond amount.

In addition to a bond, households may be required to provide a month's rent in advance before they can enter a tenancy. All jurisdictions except for the Australian Capital Territory provide assistance and in all cases they offer up to two weeks rent in advance.

TABLE 1: PRIVATE RENTAL SUPPORT PROGRAMS BY JURISDICTION

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
Bond assistance	•	•	•	•	•	•	•	•
Advance rent	•	•	•	•	•	•		•
Rent arrears	•	•			•	•		
Targeted weekly rent subsidies	•				•			
Brokerage services	•							
Temporary accommodation	•	•			•			
Removals/Storage		•			•	•		
Utilities		•				•		
Information and advice	•		•	•	•		•	

Sustaining tenancies: rent arrears, on-going subsidies and utility costs

Some jurisdictions provide discrete grants to deal with situations where the renter falls behind in their rental payments. However, there is always a limit to the number of times they may access these grants.

Only two jurisdictions, South Australia and New South Wales, provide weekly subsidies to help clients meet the ongoing rental costs of a property. In both cases these programs are tightly targeted. In New South Wales these subsidies are provided to those with HIV-AIDS or disabilities, while in South Australia those previously in housing trust accommodation or tertiary students distant from their parental household, are given aid. Some jurisdictions will cover the costs of maintaining a viable tenancy by paying for the ancillary costs of utilities.

Coping with housing transitions: removal costs and temporary accommodation

Lack of security of tenure in the private rental sector may imply higher costs associated with moving house. Only Victoria, South Australia and Tasmania recognise this and compensate removal or storage costs. In Tasmania this is administered through community organisations, while in Victoria, it is provided by the Housing Establishment Fund.

Some jurisdictions such as New South Wales, Victoria and South Australia, also provide for temporary accommodation while households are in transit between houses. The duration of this varies. In New South Wales provision is made for up to four weeks temporary accommodation, while in South Australia it is only provided for six days.

Navigating the private rental market: Information, advice and brokerage services

For a tenant to successfully access and sustain housing in the private rental market, skills and knowledge are required. Most housing departments and welfare organisations provide general advice about the services available to prospective private tenants. Only few jurisdictions like New South Wales have a fully coordinated private rental brokerage service, which provides assessment of needs, advocacy and the coordination of services for clients with complex needs or at risk of becoming homeless. These services have been partially conceived as a means to take pressure off public housing waiting lists.

It is clear from Table 2 that the number of people assisted and the financial resources spent on private rental support programs constitute a significant investment by Commonwealth, State and Territory Governments, though the average funding per household assisted varies by jurisdiction, with the most generous being New South Wales. This may reflect the higher costs associated with meeting bonds in that state. Data from the Australian Institute of Health and Welfare indicate that the private rental support program types most heavily utilized across jurisdictions are bond assistance (81,600 households assisted in 2002-03), followed by rent in advance (48,500 households assisted) and one-off grants (10,500 households assisted).

Effectiveness of private rental support programs

The clients, practitioners and policy officers interviewed in this study believe that private rental support programs successfully facilitate access to the private rental market.

Bond loans and grants were found to be particularly useful as without them, tenants would be unable to move, or could lose their preferred accommodation. Private rental support programs also create indirect benefits. The repayment of bond loans during the life of the tenancy as required in the Australian Capital Territory, Queensland and Western Australia effectively force people to generate bond monies they would not otherwise have saved. This could place them in a better position to enter the next tenancy.

Limitations to effectiveness

The effectiveness of private rental support programs is limited by a variety of factors. It is difficult to unravel the complex interaction of the market and private rental support program services. There are problems comparing states given the lack of uniformity in their aims and services. An evaluation of the results produced by private rental support programs and the tracking of client outcomes is required.

Market competition

The benefits of the services are limited by the tight rental market with its high rents, low vacancy rate, and a lack of choice and competition for tenancies. These conditions lead to less affordable and appropriate housing stock, a problem beyond the scope of any program to address. The conditions also mean that real estate agents and landlords can impose requirements, such as time limits on application processes, which are difficult for program recipients to meet. These expectations, rather than discrimination per se, are a barrier for some. Further problems arise for tenants resulting from a lack of knowledge concerning their rights and responsibilities, budgeting and home maintenance skills. These can lead to an inability to sustain a tenancy and problems claiming bond monies. These outcomes lead renters to seek further support in order to establish a new tenancy.

Knowledge gaps

There are currently gaps in knowledge affecting the provision of private rental support. Practitioners, particularly those not directly associated with housing support, may be unaware of the range of private rental support programs available. Advertising the schemes tends to be an ad hoc approach and eligible clients may not be aware of the options available. In some jurisdictions clients can have unrealistic expectations over the time it takes to process applications, which leads to them missing out on properties. Landlord and real estate agent misunderstandings concerning the way the scheme works and its role to support potential tenant's finances, may lead to direct discrimination or, more commonly, a reluctance to bend the rules for people waiting for bond support applications to be processed.

Service gaps

There are gaps in the types of services available. Most jurisdictions do not cover moving costs and the connection of utilities, which can deplete savings and make it difficult to enter a tenancy. Few states offer life skill support such as budgeting, negotiating and house maintenance. There are also few support and advocacy services, which are necessary for those with a limited understanding of both their rights and their responsibilities as tenants.

Further gaps arise through eligibility rules. In an attempt to avoid housing stress and unsustainable tenancies, people are refused support if the weekly rent is more than a certain percentage of their income. This may present problems in particularly unaffordable markets such as in Sydney or Melbourne. Public housing clients are ineligible for assistance in Western Australia, even though they experience similar costs at the beginning of their tenancies. Conversely, in Queensland eligibility for private rental support programs remains connected to eligibility for public housing, which denies support to other low-income households.

TABLE 2: NEW HOUSEHOLDS IN RECEIPT OF PRSP AND VALUE OF ASSISTANCE (2002-3)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	AUST.
Total new households	30,076	44,004	18,743	18,068	25,250	9,629	0	1339	143,725
Total value of assistance (\$'000s)	\$34,158	\$14060	\$11,820	\$6,121	\$11,966	\$1339	\$0	\$868	\$80,332
PRSP cost per new household	\$1,135	\$320	\$630	\$339	\$474	\$139	\$0	\$648	\$559

Duplication?

Additional sources of support complement rather than duplicate private rental support programs. Some, such as concessions, food vouchers, cash relief, inexpensive household goods, utilities debt reduction and rescheduling options, can be used to minimise financial stress that can accrue from the ongoing costs of maintaining a tenancy. Others, such as the Supported Accommodation Assistance

Package (SAAP) top-up funds and the Commonwealth Emergency Relief Program are used to help those in immediate housing crisis. Monies from a Centrelink loan can, in practical terms, be directed to almost any use. Practitioners and policy officers have highlighted that none of these are directly associated with the aims of private rental support programs, and so do not double up on funding and support.

Limitations to effectiveness – selected quotes from those surveyed

Market competition

'... the level of need is so great and because there are structural problems in the housing market that means that the people's problems of relocation are just a small part of the problem. The main problem that people experience is that their income is inadequate to meet the costs of rental housing in the current market' (Member, Victorian peak body)

'The private rental market should be a viable option, but it is simply too expensive and is often beyond the reach of low-income earners. The reality is that the current market is pushing people into public housing, because they simply can't sustain private tenancies.' (Service provider in the Australian Capital Territory)

Service provision gaps

Moving costs and connection of utilities

'Because we don't have some of these other products, the expectations on the bond loan can become too high. It becomes the de facto consolation prize'. (Queensland officer)

Life skills training

'People have complex and varying needs, and some don't manage their finances well and need close case management. Recognition of this fact needs to be built into the scheme'. (Practitioner in the Australian Capital Territory)

'Where there is more direct support in assisting tenants with their budgeting and housing/life skills, behaviours change, tenancies are extended and bonds are recouped'. (Tenant support worker in South Australia)

Knowledge gaps

Informing Landlords about the scheme

'The first time I tried to use it I was up front about it with private real estate agents but as soon as I mentioned bond assistance or Homeswest you would get a look from them and you could tell they weren't impressed with having to wait for the money. To me they had a perceived stereotype of a Homeswest tenant – low-income, unemployed. So, after that we learnt not to mention Homeswest by putting down a cash deposit to secure the house and then telling them. But even then, they may raise the rent on you in six months time to get you out' (Tenant in Western Australia)

Informing clients about the scheme

'Client groups who are working but have a low-income are often not aware of such schemes' (Victorian policy practitioner)

POLICY IMPLICATIONS

Limits on the numbers of public housing stock, a decrease in low cost private rental properties and the high prices of properties available for purchase mean private rental support programs will be an increasingly important element in the housing support system. Supporting low-income tenants in the private rental market is a practical response to managing the shortfall in the private rental stock. Further, reducing housing stress by subsidising entry costs may facilitate the maintenance of tenancies and potentially reduce the demand for crisis accommodation. These findings have a number of implications for policy.

The potential of private rental support programs is limited by their 'one-off' nature and financial focus. Some households would benefit from receiving on-going advocacy and life-skills support to help establish and maintain their tenancies. The Private Rental Liaison Demonstration initiative, currently being piloted in South Australia and involving monitoring new tenancies for three months and implementing early intervention and prevention strategies, is an example of how on-going monitoring and support might help vulnerable households avoid eviction.

Practitioners, policy makers and clients see private rental support programs as an effective way to support private rental tenancies. However, it might be useful to consider the benefits of common performance indicators and evaluations of services. This would generate an evidence base by which to assess the 'fit' between aims of programs and their outcomes, and manage resources more efficiently. However some caution is required since the effects of market conditions such as worsening housing affordability on the accessibility and sustainability of tenancies may make it difficult to draw meaningful conclusions about the outcomes of private rental support programs compared to process or output measures.

Finally, consideration of the unintended consequences of private rental support program rules could be helpful. For example, policy makers might consider the effects of not assisting tenancies when the weekly rental costs exceed a proportion of the tenant's weekly income. This is intended to force a tenant to accept cheaper accommodation and thus reduce housing stress. However, when rents are high it limits the range of options available to those seeking to rent and could exclude those with the lowest incomes who need support the most. Policy makers might also reconsider use of bond loans. While they are intended to encourage tenant responsibility by forcing saving for any future bond needs, should a tenant lose the bond, they may find themselves in greater difficulties. They may end up in debt to the service provider and be still unable to meet the bond and advance rental requirements for any future rental property.

FURTHER INFORMATION

This bulletin is based on AHURI project 40194, *A review of private rental support programs*.

Reports from this project can be found on the AHURI website: www.ahuri.edu.au

The following documents are available:

- Positioning Paper
- Final Report

Or contact the AHURI National Office on +61 3 9660 2300.



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