

Convert to rent

A creative sustainable solution to the rental crisis



THE
GREENS



The Greens Convert to Rent Initiative will increase the amount of affordable rental housing, increase the availability of private rental accommodation and revitalise local neighbourhoods and economies.

The Greens initiative provides financial assistance to property owners to help convert vacant or unused space into rental units to provide affordable housing to low income households. The program was successfully introduced in the City of London, Canada in 2008 and could be readily and cost-effectively implemented in Australia. In 2006, there were over 167,000 unoccupied buildings, residential and commercial, in Melbourne and Sydney alone. This initiative turns them into affordable housing opportunities.

Convert to Rent will:

- Encourage landlords to provide dwellings to people on low-moderate incomes, and set rents accordinglyⁱ
- Provide incentives to property owners to convert their unused buildings/empty spaces above shops etc to affordable rental properties (\$21,000 per dwelling maximum loan)
- Provide additional funding of \$5000 for buildings and spaced to be modified for people with a disability
- Set a 20 year caveat for the program and give the federal government first option to purchase the property in the event of a sale
- Cost: \$115 million would fund 5000 conversions including a minimum 15% funding to be available for modifications suitable for people with a disability.

The crisis in affordable private rental properties

Across Australia there is a significant undersupply of affordable rental propertiesⁱⁱ. Around one in three people (29% or 1.7 million households) rent from private landlords. The 2010 *State of Supply Report* estimates the shortage of affordable private rental properties for

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people on low incomes to be 493,000. The report found there was a shortage of 311,000 dwellings in capital citiesⁱⁱⁱ.

The long waiting lists for public and social housing across Australia also increase the pressure on the private rental market. Nationally, there are around 230,000 households on public and social housing waiting lists in 2009^{iv}.

Making use of empty buildings

When empty buildings are taken into account, estimates of real vacancy rates are much higher (and usually double) than 'official' property industry rates. For example, the 2009 *I Want to Live Here Report* found 1 in every 15 Melbourne properties vacant, and 1 in every five commercial properties vacant, making a total of 44,753 vacant properties just across Melbourne's inner, western, and south eastern suburbs^v. In Sydney, 122,211 unoccupied residential dwellings were recorded by census workers in 2006, with the highest number found in the inner city. That does not include the thousands of empty warehouses, pubs, churches and shops^{vi}.

The Canadian example

The national program introduced in 2006 by the Government of Canada to rehabilitate and convert empty properties to affordable rentals has been successfully adopted in many other provinces and cities across Canada. In 2008 the City of London in Canada implemented a convert to rent program. In the past two years, the program has invested \$1.9m to successfully house 170 people (singles and couples of all age groups) in 112 new units across 13 different sites. The federal government made co-contributions totalling \$7.7 million. The program has had a default rate of less than 1%.

How the Convert to Rent Program works

The financial assistance offered by the program is a fully forgivable loan, which does not have to be repaid provided the owner adheres to the conditions of the program. The maximum amount to be loaned is \$21,000.

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Eligible clients could be private entrepreneurs, community housing corporations and co-operatives owning and converting non-residential properties to create genuine affordable rental accommodation. Eligibility would be limited to properties that are structurally sound, that can feasibly be converted to residential accommodation, and that will be viable based on agreed post-conversion rents. The range of properties suitable for the program includes studios or one to four bedroom apartments to house families, older people and young people.

Selected conversions would be tied to a 20 year Operating Agreement which establishes the rental price which can be charged during the life of the Agreement. The Agreement will specify the Maximum Affordable Rent that can be charged, which will be no more than 75% of the market rent valuation, based on median unit rental prices of equivalent size (number of bedrooms) in the same suburb (local government area statistical division).

The program would be administered by self-nominated community housing providers in each State and Territory. \$1.7 million has been allocated for these services (1.5% of the package).

End notes

- i Convert to Rent Program is a City of London (Canada) initiative. The City provides funding and technical assistance while the program is administered by the Canada Mortgage and Housing Corporation. See http://www.cmhc-schl.gc.ca/en/co/prfinas/prfinas_009.cfm or <http://www.housing.london.ca/NewAffordableHousingProgram/2008CTRRehabDetails.pdf>
- ii Analysis of 2006 Census data, in the Australian Government National Housing Supply Council (2009) State of Supply Report 2008 (p.xvii). Full report at http://www.fahcsia.gov.au/housing/national_housing_supply/exec.htm
- iii Shortage of rental dwellings which were affordable to lower income households and available to those households.
- iv National Housing Supply Council, State of supply report 2010, 2010, Table 5.4, p. 105, as at 2007–08 (households with gross incomes below the 40th percentile) at http://www.nhsc.org.au/state_of_supply/2009_ssr_rpt/SoSR_ch5.htm#ch5_1
- v Note the Report states in 2007 - 08, there were 1,410,000 private rental dwellings affordable to the 814,000 private renters with incomes in the bottom 40 per cent of the income distribution. However, 1,089,000 of these rental dwellings were occupied by households in higher income groups, leaving a shortfall of 493,000 dwellings that were both affordable and available to those in the bottom 40 per cent of the income distribution.
- vi Australian Institute of Health and Welfare (2010) Public rental housing 2008–09. State and territory housing authorities managed 336,464 public rental housing dwellings at 30 June 2009, approximately 98% were occupied. <http://www.aihw.gov.au/publications/hou/218/11420-sum.html> with over 200,000 on the waiting list at January 2009 at <http://www.abc.net.au/news/stories/2009/01/28/2475747.htm>
- vii <http://www.earthsharing.org.au/2009/11/25/i-want-to-live-here-report-2009/>
- viii <http://www.smh.com.au/national/bempty-dwellings-in-a-city-desperate-for-places-to-liveb-20080525-2i42.html>