



Queensland Affordable Housing Consortium Ltd
368 Montague Rd
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NATIONAL RENTAL AFFORDABILITY SCHEME

QAHC 'SECURED INCOME STREAM'

What is the QAHC 'Secured Income Stream'?

The Secured Income Stream is based on a systematic analysis of the risks to income stream in the residential rental market.

These include property risks, liability risks, rental stream risk and tenant risk.

The Secured Income Stream [SIS] aims to reduce, address, transfer or manage these risks through a mixture of insurance, self insurance and risk management in property management.

The Consortium has negotiated a new affordable housing insurance package to complement the Queensland Community Housing Coalition's existing Community Housing Group Insurance Scheme [Est 2004]. This package is an essential part of the SIS approach.

In addition the Consortium will carry 'excess' payments and administration costs for insurance claims for tenant default or damage.

Will the 'Secured Income Stream' provide a guarantee for the full income?

The Secured Income Stream **does not** provide a guarantee for the owners full income stream. The NRAS Government Tax-Free Incentive and NRAS Legislation does not provide a sufficient subsidy or a transfer of risk to Government that would be needed to provide such a guarantee.

The Secured Income Stream **does** provide property owners with greater certainty and greater confidence in income streams to enable effective cash-flow and profitability assessments.

Insurance:

QAHC has worked with AON over the last 6 months to provide a high level of cover through a dedicated QAHC Group Insurance Policy. This policy covers:-

- a. Rental Defaults
- b. Tenant Damage
- c. Tenant abandonment
- d. Death of a Tenant
- e. Building and Content
- f. Flood damage to contents
- g. Public Liability
- h. Plate Glass

The Consortium will cover the excess on all claims under items a-d.

The owner will cover the \$100 excess for items e-h.

Owners should note that the Consortium and Property Manager must also hold both Public Liability Insurance to \$20m and Professional Indemnity Insurance to \$5 million.

The Group Insurance provides for payments on 'Tenant defaults/damage' upon the serving of the appropriate 'Notice' by our Property Manager.

This mean that, in most circumstances, a normal claim will lead to the protection of the Owners cash-flow.

Understanding Risk Management Can Increase Income Security.

Owners of rented property will know that vacancy risk cannot be insured. The Insurance industry sees vacancy risk as a 'normal commercial risk'

However, in order to provide a higher level of income security for NRAS owners, QAHC and AON have undertaken a full analysis of vacancy risk under NRAS and the Consortium has adopted the following approach.

- a. ***Insure*** against all the 'bad' events that lead to vacancies. [Arrears, Abandonment, Tenant Damage & Lawful Eviction]. This leaves only normal vacancies to manage in order to protect income streams.
- b. ***Understand demand***. The Government has stated that 1.5 million Australian Households are eligible for NRAS and this represents the potential pool of applicants
- c. ***Discounted rent*** means money in the tenants pocket, thus meaning a greater likelihood of care by tenants and greater reluctance to leave new, well located dwellings.
- d. ***Select the right properties*** good locations for our NRAS submissions

- e. **Longer term tenancies** . We are offering 5, 3 and 1 year leases with a housing management target focused on 3 and 5 year leases. This helps families to put down roots and *minimises turn-over*
- f. Ensure **Property Managers** have a *performance* based approach to managing turn-over, including pre-allocation of stock.
- g. **Conditional Vacancy Cover**. Property Managers will carry the risk and costs of a normal vacancy rate of up to two weeks in any individual tenancy period [1,3 or 5 years]. Please check the Head Lease and Property Management Agreement for the details of this coverage.
- h. **Limits to vacancy cover**. This coverage will not be automatic where the owner requires a 'restricted' tenant group. E.g. Only Students or only the Aged etc or in cases of investment in particular locations that have distinct market conditions e.g. a Mining Town. These are normal commercial risks and reflect investment choices. In these cases the Consortium will negotiate individual arrangements with the owner
- i. In the event that a non insurable event of repairs and maintenance occurs that is the Landlord's responsibility, and these repairs & maintenance delay the re-letting of the property then the vacancy coverage will not come into effect until the repairs and maintenance work are complete.
- j. Property Managers will be pro-active in ensuring owners are informed of changes to demand. Long term market conditions are a normal commercial risk.