



THE CHO CONNECTION

THE FINANCIAL ADVANTAGES OF COMMUNITY HOUSING

Research indicates that Community Housing represents better value for money than Public Housing in Western Australia.

BACKGROUND

It is widely acknowledged that community housing has a number of non-financial benefits over public housing, these include the capacity “to respond to local needs, engage community resources and provide or facilitate a wide range of integrated services to assist tenants.”¹

However, recent research undertaken by the Community Housing Coalition of Western Australia has provided a clearer insight into the financial benefits of community housing over public housing.

THE ISSUES

↑ *Savings on Construction*

As a result of their charitable status, community housing providers have the capacity to claim back the GST component of the construction costs on a new property. On this basis the GST savings potentially available to a community housing provider, on a two-bedroom town house with a construction budget of \$84,000 would be \$7,636.36. **Therefore, community housing can provide at least 10% more properties than public housing for the same capital funding.**

↑ *Increased Rental Income*

One of the most obvious financial benefits of community housing is the capacity of tenants to access Commonwealth Rent Assistance (CRA). Public housing tenants cannot access CRA so public rents are lower than community housing rents even though both charge rent at the level of 25% of income. **This equates to a rental income around 56% higher in community housing.**

↑ *Cost Savings in Property Management*

Community housing providers are entitled to concessions not available to public housing. These include, local government rates exemptions, Water Corporation concessions and the ability to claim input tax credits on maintenance. **These savings can equate to over \$1000 per annum per property.**

↑ *Salary Savings*

The main salary benefit accruing to community housing providers, who are Public Benevolent Institutions (PBI's), is the capacity to provide salary sacrificing to employees up to a 'grossed up' amount of \$30,000, before incurring a Fringe Benefit Tax (FBT) liability.

Salary Savings *continued...*

This has the effect of boosting a \$40,000 gross salary to an equivalent of \$45,460 for the employee and results in an annual saving of around \$6,100² for the organisation. If an employee is responsible for around 50 properties³ this is **a cost saving of around \$122 per annum per property in direct salary costs.**

CONCLUSION

The financial benefits of community housing over public housing are that it:

- ⬆ Can provide at least 10% more properties for the same capital funding
- ⬆ Can have rental income around 56% higher
- ⬆ Can save \$1,000 per annum on property management costs, and
- ⬆ Can reduce salary costs by around 15% through salary sacrifice.

CONTACT

For further information about this topic please contact Mike Newbigin at the Community Housing Coalition of WA on 9221 7933 or 1800 35 7933 for WA Country callers.

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¹ Department of Housing and Works (2002) *Community Housing – Development of a Strategic Plan 2003 – 2013*. p 3 citing SACHA Strategic Plan 2000-2004

² \$5,460 in direct salary and \$600 in superannuation, leave loading and workers compensation Insurance

³ The DHW averages around 56.46 rental properties per full time equivalent (Homeswest Annual Report 1997 p 57)