

To whom it may concern,

I'm writing to share Better Renting's views regarding the exposure draft on build-to-rent tax concessions.

We have suggestions to make regarding:

- Affordable tenancies,
- Single ownership retention, &
- Tenancy security.

Affordable tenancies

We support requiring a minimum proportion of tenancies to be made available as affordable tenancies. The exposure draft suggests this should be 10%. We would support the proportion being at least this amount.

The draft also identifies "affordable dwellings" as being 74.9% or less of the market rate. This should be the market rate for similar dwellings in the area, not including units in the build-to-rent dwelling itself. Build-to-rent operators tend to charge premium rents, so a discount from such rents may still be high relative to the rest of the local rental market. For this reason, affordable should be defined relative to that market, not the other build-to-rent units.

Single ownership retention

The draft legislation proposes a minimum 15-year period for single ownership retention. We argue this period should be much longer. This will benefit by renters by providing improved options for secure, long-term tenure. We suggest 40 years is an appropriate period that would better line up with the actual working life of the building. A longer period will also encourage greater property maintenance and responsiveness to the needs and interests of residents.

During this 40 year period the owner could sell to another single owner. If they withdrew the property from being a build-to-rent (ie, if they wanted to sell off individual units to individual owners) then they should forfeit the past tax concessions. Potentially, such forfeiture could be pro-rated: 100% forfeiture if the building changes status in the first 15 years, then a reduced forfeiture amount the longer the building has operated under a single owner from that time.

Tenancy security

The legislation proposes that the operator would have to offer of tenancies of 3 years or more. We argue that security for renters could be better achieved through restricting the grounds on which the owner operator is able to end a tenancy. In addition to offering longer tenancies, a build-to-rent operator should be required to waive their other rights to end a tenancy through a no-fault termination. This would cover all terminations where the tenant is not at fault, such as a no-grounds termination, sale of property, or to re-occupy the property. Given the nature of the owner-operator as a corporate entity who will not be occupying or selling individual units, this seems a minor requirement to make, that will nonetheless give renters much greater security and stability.

We hope that with these changes build-to-rent can contribute to increasing the supply and diversity of rental options, helping to enable more renters to have stable, affordable, and healthy homes.