



DISCLOSURE DOCUMENT

**Facilitating investors access to the National Rental Affordability Scheme
through QAHC delivery arrangements**

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Signed:

1. About this Disclosure Document

This Disclosure Document is an important document required by the Australian Securities and Investment Commission to ensure that potential investors have access to general information regarding the National Rental Affordability Scheme ["NRAS"] and the Queensland Affordable Housing Consortium's ["QAHC"] role in delivering residential rental dwellings under the NRAS.

QAHC is an Approved Participant under the National Rental Affordability Scheme. The requirements of the NRAS are set out in the *National Rental Affordability Scheme Act 2008* (Cth), the *National Rental Affordability Scheme Regulations 2008* (Cth) and the National Rental Affordability Scheme Policy Guidelines that accompany that Act.

Copies of these documents may be obtained from the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) at <http://www.fahcsia.gov.au>.

The NRAS is also governed by Division 380 of the *Income Tax Assessment Act 1997* (Cth). Where a term defined in these legislative instruments is used in this Disclosure Document the term shall bear the same meaning as defined in the legislative instruments and your attention is drawn to these instruments in order for you to make your own determination about the suitability of an investment in a dwelling for which an NRAS allocation has been received or in an investment for which QAHC is the Approved Participant.

This document should be read in full before you make any decision regarding investing in NRAS housing or in the QAHC model.

2. What an investor can get from this arrangement– A Summary

In summary, participation in this arrangement will:-

- allow the investor to participate in NRAS as facilitated by the Queensland Affordable Housing Consortium [QAHC]. QAHC is an NRAS 'Approved Participant'.
- enable the investor to consider the purchase of one or more NRAS Approved Dwellings under the QAHC delivery arrangements
- facilitate the NRAS Tax Incentive to the investor [subject to ongoing NRAS compliance]
- enable QAHC to appoint a property and tenancy manager under the QAHC delivery arrangement
- enable the payment of rent to the investor

3. Understanding the QAHC Model

As well as understanding the QAHC model, potential investors should refer to section 8 below which sets out the key roles of QAHC.

QAHC applies to the Australian Government for a minimum of 20 dwellings in each National Rental Affordability Scheme application.

Each application is made in respect of new affordable rental dwellings, which will be sold to investors who can retain them in NRAS for up to the maximum 10 year period.

Whilst an application to the Australian Government is for a minimum of 20 dwellings, each dwelling that is approved by the government is individually approved, with the effect that each NRAS allocation is issued in respect of an individual dwelling.

As illustrated at Figure 1, QAHC has established a Head Lease arrangement between it and the Owner of each NRAS Approved Dwelling. The key terms of the Head Lease are listed at Section 11 below.

The ATO has issued a private ruling which states that the Head Lease constitutes a non-entity joint venture (“NEJV”) for the purposes of NRAS.

This means that the ATO is satisfied that the Head Lease sets out roles and benefits between the Owner of the Approved Dwelling and QAHC.

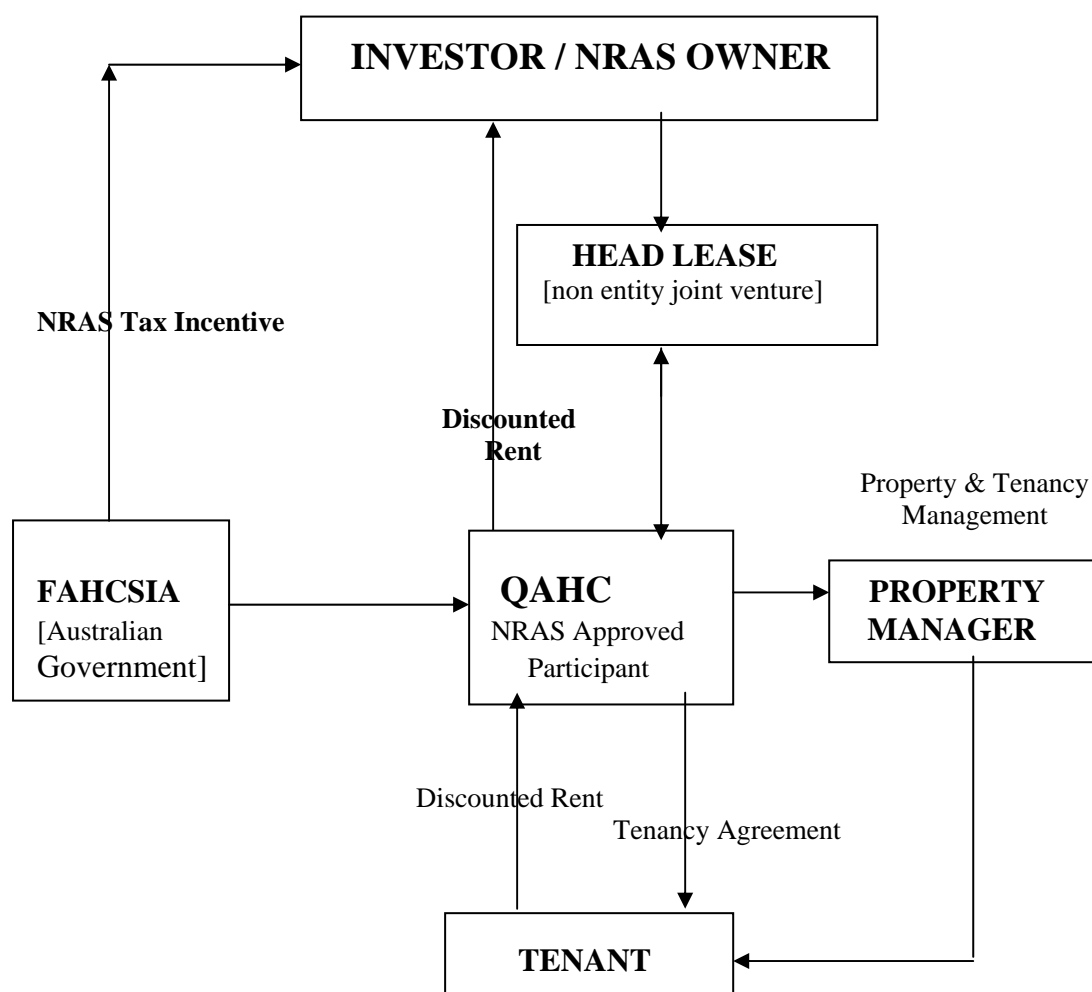
The Head Lease is the non-entity joint venture arrangement under which the Owner's entitlements to the Tax Incentive will be governed for as long as the dwelling remains compliant within the NRAS.

As the Approved Participant and operating under the non-entity joint venture relationship QAHC will undertake the following roles during the ten year Incentive Period:

1. deal with the Australian Government and respective State or Territory Government; and
2. administer the payment or delivery (as the case may be) of the Incentive (the entitlements to the Incentive are further outlined at section 5 below).

As further outlined at Figure 1 and section 7 below, under the Head Lease the Owner also receives an entitlement to rent at a discounted rate.

FIGURE 1: QAHC NRAS DELIVERY MODEL



Flows:

- Tax Incentive to Investor [\$9,140 tax free as at July 2010]
- Discounted Rent to Investor [74.99% market rent]
- NRAS Administration Fee to QAHC [Currently \$12.65 pw at July 2010]
- Property Management Fee to the Property Manager [10% of market rent]

This structure is further outlined in this document and the documents referenced herein. As at July 2010 QAHC as an Approved Participant has received 2,514 allocations within the NRAS.

4. No warranty and your right to independent advice

QAHC and all persons associated with QAHC provide no warranty or guarantee in relation to the performance of investments under the NRAS or in relation to dwellings for which QAHC, as the Approved Participant, has received an allocation or has entered a Head Lease.

QAHC does not provide legal or investment advice to potential investors about the suitability of either an NRAS dwelling or an allocation within the NRAS as an investment. Investors should rely upon their own assessment and conduct their own inquiries into the suitability of an investment in a dwelling for which an NRAS allocation has been received or in an investment for which QAHC is the Approved Participant.

Purchase of an interest in the NRAS may have taxation implications for an investor (including stamp duty, capital gains tax or depreciation benefits). This document does not constitute legal or taxation advice.

Persons considering purchasing an interest in the NRAS should consider whether to consult:

- (a) an investment adviser who is either a financial services licensee or an authorised representative of a financial services licensee;**
- (b) a taxation adviser; and**
- (c) a lawyer,**

before making a decision to become a member of the NRAS.

In particular, QAHC notes that NRAS approved dwellings for which QAHC is the Approved Participant are not in any way endorsed by QAHC or the Australian, State or Territory Governments as a guaranteed, secure or approved investment

Neither QAHC, nor the Australian or State or Territory Governments guarantee the profitability of any person's or entities' participation in the NRAS or guarantee that the rental dwellings in the NRAS will be occupied by NRAS eligible tenants.

This document provides a summation of the certain provisions of the applicable legislation and contractual arrangements. It is not intended to provide an exhaustive list of the rights and obligations of the parties to the transactions overviewed in this document

This document does not form any agreement between QAHC and the Owner, nor does QAHC warrant the accuracy of any statement made in this document. The rights and obligations of the parties under the transactions contemplated by this document will not be limited by any contents of, or materials excluded from, this document.

Potential investors who are considering seeking finance from a financial institution, should take advice regarding disclosure requirements to such financial institution.

An electronic version of this Disclosure Document is available at www.qahc.asn.au.

In order to make application to enter a Head Lease with QAHC, you should complete the QAHC application form. By completing and returning the application form to QAHC you are confirming to QAHC that you have read and understood this Disclosure Document. Pursuant to the *Corporations Act 2001* (Cth) a cooling-off

period will apply from the date you receive confirmation from QAHC that your application has been accepted.

5. Key Features of NRAS and QAHC delivery

- a) NRAS is an Australian Government initiative to increase the supply of affordable rental housing by 50,000 new homes.
- b) NRAS provides an annual Tax Incentive for ten (10) years for each 'Approved Dwelling' that meets the NRAS requirements. The Tax Incentive comprises a grant or a 'Refundable Tax Offset Certificate' delivered each year from the Australian Government and a contribution that is non-assessable and non-exempt (i.e. not included in your assessable income) from the relevant State or Territory Government. Further details of these arrangements are set in within this Disclosure Document and the accompanying Australian Government document "NRAS Information for Investors" marked "Annexure A".
- c) QAHC is a non-profit charitable housing company specially created to facilitate or provide affordable housing.
- d) QAHC assesses the suitability of new housing for NRAS and makes submissions to the Australian Government for NRAS Approval.
- e) As the NRAS 'Approved Participant', QAHC holds a ten (10) year Head Lease over NRAS Approved Dwellings and oversees compliance under the NRAS.
- f) Properties are managed by non-profit housing organizations or by licensed real estate agencies under QAHC's Property Management Agreement.
- g) Dwellings are allocated to eligible tenants at a discounted market rent. QAHC provides a discount of 25.01% of the Market Rent. NRAS requires that dwellings be rented at a maximum of 80% of the Market Rent, QAHC has set its NRAS rents at 74.99% of the Market Rent. This is consistent with Charitable Tax Requirements.

6. About the National Rental Affordability Scheme

Need and the Housing Market:

The Australian Federal Government established the National Housing Supply Council in 2008 to undertake a study on the future of housing demand, supply and affordability in Australia.

The Council released its State of Supply Report in March 2009,¹ which highlights the ongoing trend in upward pressure on the private rental sector, private renters and the increasing difficulties of access to property and increased affordability problems.

The Report identified several key issues in the housing industry, including:

- Projected demand exceeding supply;
- Increasing housing costs affecting lower and middle income home buyers and tenants; and
- Planning and development processes that constrain housing supply and affordability.

¹ A copy of this report may be obtained at <http://www.nhsc.org.au/stateofsupply.htm>

The Council report estimates that within 5 years by the end of 2013 that there will be a shortfall in dwelling supply of 203,000 properties across Australia. This shortfall is expected until 2028 with an increase in the supply of new homes required to meet future demand. The Council estimates that there was a shortage of around 85,000 dwellings in 2008 across Australia. The Council also estimates that a cumulative shortfall of 431,000 homes may occur by 2028.

The National Rental Affordability Scheme - overview

The Federal Government introduced the National Rental Affordability Scheme (“NRAS”) in 2008 to encourage private investment in new affordable rental housing, through a new class of tax effective property investment.

As noted in Annexure A, “The Australian Government has committed more than \$1 billion to the NRAS over four years, to stimulate construction of up to 50,000 high quality homes and apartments ... more than 1.5 million households [are] eligible to rent NRAS properties.”

The Australian Government at Annexure A identifies potential benefits to persons investing within NRAS, including:-

- Rental yields and capital gain
- Resilience of the housing market, in part due to strong demand
- Linkages with affordable housing providers
- Large and diverse pool of potential tenants
- Ethical investment

QAHC recommends that potential investors read Annexure A and other Government documents are available from www.fahcsia.gov.au prior to making any investment decision.

7. The NRAS Tax Incentive

Owners of approved and compliant rental dwellings will be entitled to an annual tax free “incentive” in the amounts displayed on the FaHCSIA website for each approved rental dwelling. Owners will receive the Tax Incentive each year for the 10 year Incentive period that starts from the date the approved rental dwelling is first available for rent (subject to meeting the requirements of the NRAS).

The amount of the Incentive will increase in line with the Rental Component of Consumer Price Index for the basket of capital city rates as published by the Australian Government. For the NRAS year from 01 May 2010 to 30 April 2011 these amounts are displayed at Table 1.

Table 1: Incentive value for 1 May 2010 - 30 April 2011²

Contributed by	Amount
Australian Government Contribution	\$6,855.00
State/Territory Contribution	\$2,285.00
Total	\$9,140.00

² <http://www.fahcsia.gov.au/sa/housing/progserv/affordability/nras/Pages/default.aspx>

Subject to the individual tax circumstances of the recipient, the Commonwealth component of the Incentive may take the form of either a refundable tax offset certificate, or a payment.

A refundable tax offset certificate will either reduce the amount of tax payable by you or, if you do not have a tax liability, provide you with a refund. The Secretary and State and Territory Government's shall only pay an Incentive for an NRAS year in respect of an Approved Rental Dwelling where the requirements of the National Rental Affordability Scheme Act have been met.

The NRAS Incentive may be apportioned, withheld, offset, withdrawn or otherwise not made available to the Owner in respect of any given NRAS year if there is non-compliance with the requirements of the NRAS or if the dwelling is vacant for longer than the periods prescribed under the NRAS. Consequently, QAHC gives no representation to the Owner that:

- (a) the Commonwealth or State and Territory Governments will make an NRAS Incentive, or any portion of an NRAS Incentive, available to the Owner in any given NRAS year; **or**
- (b) the Approved Rental Dwelling, QAHC or the Non-Entity Joint Venture, as the case may be, shall retain the allocation or that the allocation will not be transferred, varied or revoked.

QAHC or an independent person appointed by QAHC will keep copies of any notification given by FaHCSIA to QAHC of:

- (a) the annual payments made or to be made by the Federal government to an Owner; **and**
- (b) the tax offset certificates issued by the Department directly to the Owner for the period of 7 years after the date of this Disclosure Document.

8. About Queensland Affordable Housing Consortium Ltd

QAHC is one of Australia's largest NRAS 'Approved Participants' with over 2,400 NRAS allocations as at 19th July 2010.

It is a not-for-profit Company limited by guarantee that operates on business principles to meet community need.

QAHC has a skill based Board of Directors that are nominated by its principal stakeholders. Information on the current directors and management of QAHC may be obtained at <http://www.qahc.asn.au/>.

The Company has been endorsed by the Australian Tax Office as an Income Tax Exempt Charity. It has been established to facilitate Developers, Builders, Financiers, Investors and Community participation in affordable housing with an aim to facilitate the delivery of up to 10,000 NRAS rental dwellings across Australia.

Its membership is mostly comprised of non-profit housing companies and associations, alongside development and building companies.

QAHC's Key Roles:

QAHC assesses property that is offered by developers and builders for suitability for its for an application to the Australian Government for inclusion of the property within the NRAS. In so doing it checks if:-

- it is in an area of housing stress and/or demand for rental dwellings
- it is the right kind of rental dwelling to meet community need
- it has a reasonable prospect of meeting the Government's NRAS assessment criteria.

QAHC then makes an application to the Australian Government to seek inclusion of the property within the NRAS. In order to make an application, QAHC must submit a minimum number of dwellings for assessment. This number is advised on the FaHCSIA website and at July 2010 these were as follows:

- a) Round Three of the NRAS is targeted at institutional investors and large residential development companies who can construct a minimum of 1000 dwellings; **and**
- b) Round Four of the NRAS targets applicants who can build a minimum of 20 new affordable rental homes for low and moderate income households.

QAHC, as Approved Participant, will during the ten year Incentive Period:

- a) deal with the Australian Government and respective State or Territory Government in respect of all matters concerning the rental dwelling and the Non-Entity Joint Venture constituted by the Head Lease; **and**
- b) administer the payment or delivery (as the case may be) of the Incentive to Owners.

In order to participate in NRAS, an Investor will purchase a dwelling that has received approval from FaHCSIA for inclusion within NRAS. There are various ways by which an Investor may purchase such a dwelling, including by a contract of sale for a completed dwelling from a developer, or from an existing Investor within NRAS, or through a house and land investment package.

Subject to the individual legislative requirements of the State in which your dwelling is located, the Seller of the dwelling may be required to disclose certain information on the dwelling to you prior to your entry into any contract of sale.

If you are considering the purchase of a yet to be constructed dwelling (including a dwelling "off the plan") risks that you should consider may include the possibility that the dwelling will not be completed (including if the developer does not receive funds for the completion of the development); and the expiry of any NRAS allocation issued in respect of the dwelling, where the construction timeframes do not meet the required completion dates under the allocation issued by FaHCSIA.

Investors should seek their own independent advice regarding any documents that a real estate agent, developer or financial adviser provides to the investors. Once the Investor is the registered Owner of the dwelling QAHC will enter a Head Lease with the Owner, and then sublease the dwelling to an NRAS eligible tenant.

QAHC appoints a Property Manager in respect of the rental dwelling through a Property Management Agreement. As further outlined below, QAHC will not be responsible for the provision of property and tenancy management services (including repair and maintenance) to the rental dwelling. The Property Manager is also responsible for the identification of tenant(s) and for tenancy management.

With the assistance of the Property Manager, QAHC undertakes NRAS Compliance for Approved Dwellings under the terms of the ten (10) year Head Lease.

Selecting Rental dwellings For Submission under NRAS

NRAS rental dwellings are market rental dwellings. They can be located in master-planned communities, green-field or infill sites. Typically QAHC would submit applications to FaHCSIA for:-

- around 15 – 25% of rental dwellings within a development, being mostly house and land packages, which are integrated in master-planned or green-field sites
- around 50% of dwellings in infill sites, or in some cases a full apartment block or townhouse development if it is integrated in the wider area.

Based on FaHCSIA assessment criteria, generally areas in which NRAS dwellings are located are characterised by:

- Areas of housing stress and / or demand for rental housing [Capital Cities / Growth Corridors / strong regional cities]
- Locations that enable access to appropriate physical and social infrastructure in accordance with the NRAS assessment criteria [E.g Transport / Schools / Services].

QAHC aims to provide a broad portfolio of rental dwellings, including different types and size of rental dwellings. In general QAHC aims to provide around 50% of rental dwellings as 3 or 4 bedroom dwellings and 50% of rental dwellings as 1 or 2 bedroom dwellings.

9. Tenant Eligibility and affordable rents

NRAS is designed to provide accommodation for low to moderate income households, including key workers. The income brackets for eligibility for admission as a residential tenant to an NRAS approved dwelling are listed on the FaHCSIA website. **Table 2** below sets out the income limits as at 14th June 2010. These figures are indexed annually.

The table also sets out the upper income limit for households once they occupy an NRAS dwelling. These are 25% above the entry limit for NRAS in order to avoid disrupting households and creating earning disincentives.

Table 2: Income Brackets for NRAS Eligible Tenants

Household type	Initial income limit \$	Upper income limit \$
One adult	42,386	52,983
2 adults	58,596	73,246
3 adults	74,808	93,510
4 adults	91,048	113,773
Sole parent with 1 child	58,638	73,298
Sole parent with 2 children	72,695	90,869
Sole parent with 3 children	86,752	108,440
Couple with 1 child	72,653	90,817
Couple with 2 children	86,710	108,388
Couple with 3 children	100,768	125,960

In general, NRAS renters will be market renters who will be able to:-

- reduce their rental stress by accessing a NRAS property **and / or**
- improve their location and access to services **and / or**
- access a more appropriate housing type and a new dwelling.

10 Tenancy Law Applies:

Standard State and Territory residential tenancy laws apply to NRAS properties just as they do for any private residential investment. This includes laws applying to registration and licensing requirements for tenant managers.

NRAS tenants and landlords are regulated under State and Territory tenancy laws. The same rules regarding evictions, maintenance obligations and responsibilities of tenants apply to NRAS tenants as apply to other tenants in the private market.

11 How the QAHC Delivery Arrangement works and an Overview of Key Terms of the Head Lease :

QAHC has adopted a Head Leasing structure to operate for the ten year NRAS incentive period. By way of summary, QAHC leases a dwelling from an individual Owner under a Head Lease and then subleases the property under a Residential Tenancy Agreement to a tenant who meets the eligibility criteria under the NRAS legislation. This structure is further outlined at Figure 1.

The key terms of the Head Lease are:

- a) *Length of term:* ten (10) year contractual agreement between the Owner and QAHC
- b) *Possession* - the Owner gives exclusive possession to QAHC of the Approved Rental Dwelling. The Owner will have the right to inspect the property in accordance with the Head Lease and applicable laws.

- c) *NRAS* - within the Head Lease the Owner appoints QAHC to act as the Approved Participant and to liaise with FaHCSIA and the relevant State or Territory Government in respect of the allocation received by QAHC for the dwelling.
- d) *Registration and Sale* - the Head Lease will be registered on the title of the property and, as further outlined under the heading "Owner's Right to Sell or Withdraw from NRAS" will allow for the sale of the dwelling, subject to the terms of the Head Lease.
- e) *Termination rights* - if the NRAS allocation ceases the Head Lease may also cease. Termination rights associated with the sale of the dwelling are further outlined below.
- f) *Property Manager* - QAHC will, by a separate contract, appoint a Property Manager. The Property Manager shall let the dwelling to eligible tenants and is responsible for tenancy and property management. The role of the Property Manager is further outlined at section 16 below.
- g) *Outgoings and Expenses* - the Owner will be required to pay outgoing and any body corporate expenses (if applicable), which may be deducted from the rent payable to the Owner.
- h) *Repairs and Maintenance* - QAHC will not be liable for, or involved in repairs and maintenance to the dwelling but this will be arranged between the Owner and the Property Manager.
- i) *Indemnities* - the Owner and the Property Manager will indemnify QAHC for any damage arising due to a lack of repairs.
- j) *Dispute Resolution* – is further outlined at Item 14 below.
- k) *Rent* - the rent payable to the Owner is 74.99% of the market rent for the dwelling. It is payable in monthly installments paid in arrears on or before the fourteenth day of the following month.

Market rent will be determined by independent valuation at the beginning of the Head Lease and re-assessed during years 4 and 7 of the incentive period by independent valuation. An Independent Valuer is appointed by QAHC and their fee is met by the Owner.

Rents are reviewed on an annual basis by indexation to the rental component of the Consumer Price Index at the capital city rate for the State or Territory in which the dwelling is situated. This applies to all reviews except those at the commencement of the Head Lease and the reviews during years 4 and 7 of the incentive period, which are covered by independent valuation.

Rent will only be payable to the Owner by QAHC for periods in which QAHC has received a rental payment from the Residential Tenant. Importantly, QAHC does not guarantee the payment of rent to the Owner.

- l) *Reporting* – QAHC will undertake compliance reporting to the Australian and State governments regarding the rental dwelling. Reporting to the Owner is outlined at section 7 below.
- m) *Fees* - payable by the Owner are further outlined at section 12 below.

The contents of this Disclosure Document do not contain any agreement between the parties, and the Head Lease and the Property Management Agreement contains the whole agreement between the parties in respect of the lease of the Approved Rental Dwelling.

12 The Owner's Right To Sell or Withdraw from NRAS

The Owner may:

- (a) sell the dwelling subject to the Head Lease with the consent of QAHC, which consent will not be withheld where the incoming Owner has agreed to undertake the Owner's obligations; **or**
- (b) Subject to requirements for prior notice contained in the Head Lease, terminate the Head Lease.

If an Owner sells during an NRAS year they will lose that NRAS year's NRAS Incentive or part thereof.

The Owner must give 6 months notice to the QAHC to terminate the Head Lease unless the property is vacant at the time. In which case they must provide 2 months notice. Full details of the procedures for sale of the dwelling are contained within the Head Lease.

13 Capital gain

Subject to Market conditions, Owners / Investors may receive a capital gain upon the sale of the rental dwelling. Owners should make their own assessments of the factors likely to affect the value of the rental dwelling at the time of sale.

The terms of the Head Lease are further explained at "Other Frequently Asked Questions" below.

14 Financial Reporting to the investor

QAHC will provide to the Owner:

- (a) a monthly statement to the Owner detailing the applicable rent and fees and any other deductions made; and
- (b) a consolidated annual statement detailing the items listed above at (a) for the respective year.

QAHC will also compose an annual report on its operations which will be available to Owners.

15 Strata Unit issues

Where the rental dwelling is a strata unit or lies within a Community Titles Scheme, the Owner:

- (a) grants to QAHC the rights:
 - 1.1.c.b.1.a.1. to exclusive possession of the dwelling;
 - 1.1.c.b.1.a.2. to use of any exclusive use areas or common property; and
 - 1.1.c.b.1.a.3. held by the Owner's in respect of amenities and the property of the Body Corporate;
- (b) grants appointments to the Property Manager or QAHC to act as the Owner's proxy to attend and vote at meetings of the Body Corporate
- (c) grants a power of attorney to QAHC to deal with the Body Corporate;
- (d) undertakes to exercise its vote at meetings of the Body Corporate so as not to restrict the rights of QAHC or impose further obligations on QAHC;
- (e) enables QAHC and the Property Manager to deal with the Body Corporate; and
- (f) enables the Property Manager to deliver certain notices to the Body Corporate and requires certain notices received by the Owner from the Body Corporate to be delivered to QAHC.

QAHC will not be responsible for repairs to, or maintenance of, the property of the Body Corporate and, any or all of the Body Corporate, Property Manager and Owner may be liable for these repairs or maintenance.

16 Selecting property and tenancy managers

Role of Property Managers

Property Managers are appointed by QAHC through the Property Management Agreement signed by QAHC and the Property Manager. QAHC may change the Property Manager through the ten year incentive period. In certain circumstances, Owners may request that QAHC change the Property Manager.

Property managers are selected on the following basis:-

- Property and tenancy managers must be Licensed Real Estate Agents or Regulated non-profit housing providers under State Legislation
- Their services are accessible within a specific location
- They take out and maintain the required Public Liability and Professional Indemnity Insurance

The roles of the Property Manager are set out in the 'Key Responsibilities' Document and the Property Management Agreement within the Owner's Pack, which is available through QAHC. These roles include:

- i. specific NRAS requirements
- ii. tenancy and property management of the Approved Rental Dwelling;

- iii. negotiation of Residential Tenancy Agreements;
- iv. inspection of the Approved Rental Dwelling; and
- v. ongoing compliance with the NRAS and application property legislation in respect of the Approved Rental Dwelling.

Under the Property Management Agreement, the Property Manager offers an indemnity to QAHC in respect of, amongst other matters, its compliance with NRAS.

Property Managers are provided with a “Guide to Delivering NRAS Properties” by QAHC.

Preference for non-profit providers

The Board of QAHC supports the Commonwealth and State and Territory Government’s intention for the non-profit housing sector to grow.

The sector has been able to demonstrate good social outcomes and effective care of assets. Its practices are, in the main, more highly regulated than the general real-estate property management sector and organisations are often closely connected to place management delivery models.

The Board has set a broad target of around 80% of rental dwellings being managed by suitable non-profit providers. This target is conditional on the following:-

- The availability and location of suitable experienced non-profit managers
- The capacity of the provider to take on significant numbers of rental dwellings
- Capacity to carry a proportion of commercial risks for a commercial return; and
- Agreement being reached under the Property Management Agreement.

Not for profit providers will be subject to regulation under the relevant legislation applicable to affordable housing providers.

For profit providers

QAHC believes that NRAS will benefit from a competitive market and it will provide management opportunities to the private sector.

Private sector entities will be able to participate in QAHC rental dwellings management. Such entities will be licensed for the provision of real estate agent services and will be regulated by legislation applicable to such agents.

17 Other Frequently Asked Questions

a) What is the level of Government involvement?

Unlike public housing, the Commonwealth and respective State and Territory Governments **do not** have a role in the design, construction, tenant selection or management of NRAS rental dwellings (with the exception of Queensland, where a

State register of NRAS eligible tenants is maintained). These Governments set standards, regulate compliance and provide the Tax Incentive.

b) Are there different Valuations for NRAS properties?

No, NRAS properties are subject to normal market valuation principles, which are regulated within the NRAS. Independent market rental valuations are undertaken at the commencement of the Head Lease and in years 4 and 7 of the incentive period.

c) Can Banks Enforce Securities in the normal way?

Yes. Subject to the terms of any applicable security instruments and the applicable legislation, Financial Institutions may exercise their rights to sell or repossess an NRAS property in the same way they would for any similar investment property.

The QAHC Head Lease provides for the normal right of a Financial Institution to exercise such rights in accordance with the relevant legislation. To terminate the Head Lease the Lender must provide the minimum notice required under Residential Tenancies Legislation or two (2) months notice, if a minimum is not stated.

d) Why has QAHC chosen a Head Lease Model?

QAHC assessed different delivery options and selected the Head Lease model because:-

- provision of the NRAS Tax Incentive to Owners is enabled by the establishment of Non-Entity Joint Venture (“NEJV”) arrangements that meet Australian Tax Office criteria. Rather than establish a separate NEJV contract, that could add a level of complication to the market, QAHC incorporated the NEJV into the Head Lease and received an Australian Tax Office Private Ruling on that basis.
- it is clearly linked to an individual asset and provides transparency under NRAS Law and effective tracking for compliance purposes
- QAHC intends to provide 10,000 NRAS dwellings, some owned individually and some owned by institutions. The Head Lease provides a nationally consistent tool that we can use to establish delivery and performance benchmarks for this asset class.
- It delivers a stable letting arrangement for tenants to settle in and contribute to stronger neighbourhoods and reduced property turn-over or vacancies.

e) What is the ATO’s position on QAHC’s investors receiving their Tax-Free Incentive ?

Subject to satisfaction with the requirements of the NRAS, both FaHCSIA and the Australian Tax Office have confirmed that investors under the QAHC model will receive their tax free incentive on eligible NRAS Approved Dwellings.

This advice along with QAHC’s two Australian Tax Office Private Rulings are available on QAHC’s website. www.qahc.asn.au.

Potential investors should seek their own independent advice or seek further advice from the Australian Tax Office or FaHCSIA.

f) What is the secured income stream & insurance product ?

NRAS does not guarantee income to investors, it provides a Tax Incentive on approved property year by year for ten (10) years, subject to annual compliance.

QAHC does not guarantee income to investors but has designed its model to try to improve the security of income to investors. This includes:

- A Group Insurance Scheme
- Longer term leases for tenants
- A two (2) week, conditional, rent cover to encourage effective re-letting of dwellings at the end of a normal leasing period [i.e not where an insurance claim is invoked]

The group insurance scheme is part of QAHC's delivery for all NRAS Dwellings. It includes

- Property Insurance
- Public Liability insurance
- Owner's contents insurance
- Landlord / Tenant coverage, which includes some conditional protection for rental cash flow payments under certain circumstances.

QAHC pays the excess on all claims under the landlord-tenant policy and the Owner pays the excess on Property and Liability Insurance and Owner's contents insurance.

QAHC and Property Manager also maintain Professional Indemnity Insurance as well as Public Liability Insurance.

Full details of the Secured Income Stream are available through the information provided by AON Risk Services Australia Limited contained within the Owner's pack. These documents may be subject to change without notice.

Whilst QAHC recommends Owners receive independent advice in respect of the insurance product, the following are factors that may to impact upon risk profiling (not providing an exhaustive list):-

- Mostly employed tenants
- Longer term leases can encourage tenant care and, most importantly, create more settled neighbourhoods
- A discounted rent along with market standard property, will remain relatively attractive and competitive to similar property in similar locations.
- In effect tenants have a direct weekly financial stake in the rental dwelling by way of the rental discount.

g) What are some of the exit strategies at, or close to, year 10?

Owners have the following options:-

- Sell the dwelling on the open market
- Use it as your family home

- Retain the dwelling as a rental dwelling, either under an arrangement then agreed with QAHC, or through an agent
- Owners may wish to consider selling the dwelling to a sitting tenant.

It is important to note that QAHC's selection [and staging] of dwellings aims to minimise the prospect of concentration of sales at one point in time. Owners could seek information on approved dwellings from the Government if they have concerns around the scale of approvals in any one location.

18. Financial Information

Returns to investors from Rent and Incentive

Potential investors should review the Australian Government document "NRAS Information for Investors" attached at *Annexure A*. Investors are not guaranteed or promised any rate of return from participation in NRAS or ownership of the rental dwelling. QAHC are not aiming to achieve any particular return, nor can Investors expect any particular return. QAHC does not provide any recommendation as to the length of time the Owner's investment should remain within the NRAS.

19 Fees, Charges and Expenses

The Fees, Charges and Expenses are listed at Annexure B. Certain of these fees and charges are subject to indexation. Unless otherwise indicated to the contrary all GST supplies referred in this Disclosure Document are exclusive of GST. In addition, whilst reference should be made to the Head Lease and Property Management Agreement, the Owner may incur fees, charges or expenses in the following circumstances:

- a) assignment of the Owner's interest in the Lease
- b) termination of the Lease by the Owner
- c) registration of the Head Lease (and any amendment to, or transfer or surrender of, the Head Lease);
- d) the costs of obtaining the approval or consent of any registered mortgagee or other entity;
- e) the exercise of any right or remedy by the Owner under the Head Lease;
- f) the Consortium's costs in relation to the negotiation, preparation and execution of the Head Lease;
- g) where repairs and maintenance are required to be made to the rental dwelling or Body Corporate property (if applicable); and
- h) where the Owner requires the replacement of the Property Manager, QAHC's costs (and where QAHC so requires, the costs of the new Property Manager).

These amounts and those amounts listed at Annexure B may be deducted from the rent payable to the Owner. This list may not comprise the full range of costs associated with a purchase, maintenance or sale of an interest in NRAS and affecting the total return on a rental dwelling. Such costs may include stamp or mortgage duties, legal fees, insurance, rates, body corporate levies, bank or borrowing fees (including loan break fees) or the like.

Investors should seek their own professional advice in this regard. QAHC may receive a commission from a sales agent, developer, builder or other party. This commission is not payable by the investor.

20 Risks

Investors should seek advice before making a decision to invest in NRAS dwellings.

QAHC has identified a number of potential risks below. This list is not an exhaustive list of potential risks.

Investors should note that this is for guidance only and does not constitute legal, taxation or financial advice. Investors should seek their own independent advice prior to investing.

Government risk.

NRAS is a legislated scheme funded via the Australian, State and Territory Governments. Governments may change the terms of NRAS or end NRAS within their jurisdictional powers.

Income Risk.

NRAS income from rents assumes effective rental demand for the dwelling in the location. Rental demand may fluctuate over ten (10) years, with the possible consequent effect that the dwelling is not rented to an eligible tenant. Whilst not providing an exhaustive list, factors affecting occupancy rates are listed at *Annexure A*.

The NRAS Incentive is payable to Owners of eligible dwellings on the basis of compliance with NRAS each year. Non compliance can lead to a loss or partial loss on the Incentive

An investor's expectations of market performance in terms of rent inflation and capital appreciation may not be achieved. In addition, tenants may default on their contractual obligations or fail to pay rent.

Non Performance.

QAHC or the Property Manager may not perform adequately and this could mean a loss of income or other property related impacts.

Property Risk.

Property could be damaged and therefore unavailable for NRAS. Property that is damaged may cause losses that are not insured against.

The NRAS allocation may be lost where construction timeframes for the dwelling do not meet the required completion dates under the allocation, or where other special conditions to the allocation are not met.

21 Other key documents

QAHC has a range of other Documents that can assist potential investors to get a fuller picture of NRAS and how it is delivered through QAHC

These include documents on the QAHC website www.qahc.asn.au

In particular, potential investors are advised to read the:

- Australian Tax Office Ruling regarding each QAHC Head Lease constituting a Non-Entity Joint Venture for NRAS purposes
- Australian Tax Office Ruling Tax regarding investor entitlement to Tax Free Incentives under the QAHC Delivery Model. [Head Lease]
- The QAHC Owner's Pack, including
 - Head Lease
 - Property Management Agreement
 - Details of the Insurance policy provided through AON Risk Services Australia Limited
 - Fees and charges

22 Making a Complaint

In the event of a dispute each party must endeavour to resolve the Dispute expeditiously using informal dispute resolution techniques such as mediation, expert evaluation or determination or similar techniques as agreed by them. In the absence of agreement the parties will mediate the dispute through a mediator appointed by the party listed in the Head Lease.

23 Contact Us

QAHC may be contacted at the following details:

Queensland Affordable Housing Consortium Ltd (ACN: 132 604 552)
368 Montague Road
South Brisbane
Qld 4101
Email: nras@qahc.asn.au
www.qahc.asn.au
Phone: 07 3844 9947