

# NRAS SALES PROCEDURE

SALES ADMINISTRATION PROCEDURE FOR NRAS INVESTMENT SALES | AUGUST 2011

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*This document provides a detailed, step by step account of the sales process for National Rental Affordability Scheme (NRAS) sales performed by Colliers International Residential for our clients, in partnership with the Queensland Affordable Housing Consortium (QAHC). QAHC is a not for profit organisation that delivers and administrates NRAS Head Leases for investors.*

*The sales procedure described below has been approved by QAHC in accordance with its own policies and procedures.*

## PART ONE: PRIOR TO CONTRACT SIGNING

- The Sales Consultant prepares and submits a Contract Request Form (CRF) and evidence of initial Deposit to the Project Manager, clearly noting in the Special Conditions box of the CRF that the sale is an NRAS sale.
- The Project Manager contacts the Buyer directly for quality assurance and to confirm that all details on the CRF are true and correct, including the Buyer's solicitor details.
- The Project Manager forwards the completed and quality assured CRF and evidence of initial Deposit to Colliers International's client or to our client's solicitor.
- The Contract of Sale (and BCCM Act Disclosure Statement, where applicable) and the QAHC NRAS Disclosure Package are prepared by our client (or its solicitor) and forwarded to the Project Manager.
- The QAHC / NRAS Disclosure Package consists of:
  - QAHC Disclosure Statement
  - Deed of Agreement (between the Buyer and QAHC)
  - Owner Authorisation Form
- The Project Manager cross-checks the Contract of Sale, completes the Disclosure Package, and prepares and adds the PAMD documentation.
- The Project Manager instructs the Sales Consultant to contact the Buyer directly to arrange an appointment for Contract signing.
- The Project Manager forwards the prepared Contract of Sale and the QAHC NRAS Disclosure Package to the Sales Consultant.
- *Alternatively, the Project Manager forwards the Contract of Sale and the QAHC NRAS Disclosure Package directly to the Buyer's solicitor, and the Buyer attends at his or her solicitor's office for Contract signing.*

## PART TWO: CONTRACT SIGNING

- The Sales Consultant (or the Buyer's solicitor, as noted above) presents the Contract of Sale and the QAHC NRAS Disclosure Package to the Buyer and returns all documentation to the Project Manager.
- The Project Manager checks the buyer signed Contract of Sale and the QAHC NRAS Disclosure Package for quality assurance and submits all documentation to our client for counter-signing (or to our client's solicitor in instances where our client's solicitor has been provided with power of attorney).
- The Project Manager also forwards an electronic copy of the QAHC Owner Authorisation Form directly to QAHC.
- Once the Contract of Sale is on foot, our client (or its solicitor) disperses original documentation as follows:
  - Seller's copy of the Contract of Sale to its solicitor (or retained in house by general counsel)
  - Buyer signed QAHC NRAS Deed of Agreement to QAHC (electronic submission only)
  - *NB: Our client is not a party to the Deed of Agreement and does not sign this document*
  - Owner Authorisation Form to QAHC
- QAHC counter-sign the NRAS Deed of Agreement and return the Buyer's original copy directly to the Buyer or to his or her solicitor

## PART THREE: NRAS HEAD LEASE

- The Contract of Sale becomes unconditional and the Project Manager notifies QAHC that the Contract is unconditional.
- QAHC solicitor prepares the NRAS Head Lease (in triplicate) between QAHC and the Buyer (at a cost of \$1,600 to the Buyer).
- The NRAS Head Lease in triplicate is forwarded by QAHC to the Buyer's solicitor for vetting by the solicitor and execution by the Buyer. *Alternatively, the Head Lease may be forwarded directly to the Buyer.*
- The Buyer signs but does not date the Head Lease as the Head Lease Date must be consistent with the "ready to lease" date and the NRAS activation date, which is the start date of the ten years of NRAS tax credits.
- Two buyer signed original copies are returned by the Buyer (or his or her solicitor) to QAHC and a third copy is forwarded to the Buyer's financier or mortgage broker.
- Upon receipt of the buyer-signed Head Lease, QAHC begin preparing the subject property for lease.

## PART FOUR: NRAS TENANCY

- QAHC act as the Buyer's interim property manager, until such time as our client elects to sell the property management rights to the project (where applicable).
- As property manager, QAHC prepares the subject property for lease (ie. connection of services; checking blind and security screen installation, etc.), and also orders approved rental valuations for determining rent payable, and also for the benefit of the Buyer's financier.
- QAHC select a tenant via one of two methods:
  - The prospective tenant is first qualified by QLD Government Department of Communities and is introduced to QAHC (and thus already has an NRAS number), and is then further qualified by QAHC using normal quality assurance measures (rental history, credit check, references, etc.); OR
  - The prospective tenant is first qualified by QAHC using normal assurance measures and is then issued an NRAS number (as the prospect may have approached QAHC without being aware of their NRAS eligibility)
  - *NB: The Department of Communities' only interest is the tenant's qualification under the scheme. QAHC is wholly independent and does not work under the direction of the Department, which has no say in which tenants are approved to lease properties managed by QAHC.*

## PART FIVE: SETTLEMENT

- Settlement of the Contract of Sale occurs as per any normal conveyance.
- Once property is "ready to lease," (ie. there is no physical impediment to a tenant occupying the property) this date becomes the NRAS activation date and therefore the date of the QAHC Head Lease between QAHC and the new Owner. This is also the date that the Owner begins receives ten years of NRAS tax credits, as per the Head Lease.
- A QAHC approved tenant moves in to the "ready to lease" property usually within two weeks of the settlement date. *Every NRAS year (which is 1 May to 30 April) provides for 91 days vacancy before that vacancy will impact negatively on the Owner's entitlement to receive a full year's NRAS tax credits.*
- The tenant pays a discounted market rent (25%) to QAHC as property manager.
- QAHC disperses rental income to the Owner less the following items:
  - Property Management Fee of 10% of weekly rent
  - Consortium Fee of \$13.18 + GST per week, CPI adjusted
  - Unlike other delivery models, the QAHC model passes on the full benefit of NRAS directly to the Owner.
- The Owner receives *pro rata* NRAS credits from date of Head Lease to 30 April 2012; and for ten subsequent years (adjusted to the City Living Index) or until such time as the Owner chooses to exit the scheme.