



DISCLOSURE DOCUMENT

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**Facilitating investor's access to the National Rental Affordability Scheme
through NAHC delivery arrangements**

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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 trading as National Affordable Housing Consortium's ["NAHC"] role in delivering residential rental dwellings under the NRAS.

NAHC 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 Social Services at www.dss.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 NAHC is the Approved Participant.

This document should be read in full before you make any decision regarding investing in NRAS housing or in the NAHC model. Capitalised words are commonly referred to as defined terms. You will find the meaning and interpretation of defined terms in this Disclosure Document under the heading 'Glossary of Terms' contained in section 24. Unless the context otherwise expressly requires, terms have the same meaning as that found in NRAS Requirements and the Head Lease and NRAS Delivery Agreement.

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

In summary, participation in this arrangement will:-

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

3. Understanding the NAHC Model

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

Allocations:

NAHC 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 generally retain them in NRAS for up to 10 years, subject to certain exceptions as discussed further below.

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.

An investor who owns a dwelling to which a standard NRAS Allocation has been issued will be eligible to receive an annual tax Incentive for a full ten (10) years, so long as the Approved Rental Dwelling is tenanted and meets the NRAS Requirements. As further outlined below, in the first year, the tax incentive amount is calculated on a pro-rata basis, based on the number of days during the NRAS year that the dwelling was available for rent (and eligibility is maintained even if the dwelling remains untenanted for up to 13 weeks).

However, in some instances where the completion of a dwelling has been delayed, the NRAS Allocation associated with that dwelling may become a Provisional NRAS Allocation. If the NRAS Allocation is a Provisional Allocation, it means that the commencement of the 10 year NRAS Incentive Period will be the date on which the NRAS Allocation became a Provisional Allocation. In other words, the NRAS Incentive period will have commenced prior to the completion or tenanting of the dwelling. In this case, subject to the vacancy requirements outlined below at section 7, the investor will only be eligible to receive the NRAS Incentive from the time that the dwelling was actually available for rent (rather than from NRAS Incentive Period commencement date). The ten year period may consequently be reduced by the amount of time that the dwelling was not constructed or tenanted. A Provisional Allocation is also subject to the conditions for revocation or withdrawal of the Incentive outlined further below under section 7.

Models for Delivery:

NAHC has developed two separate models for delivery of dwellings into the NRAS. They are the Head Lease Model and the NRAS Delivery Agreement Model. Investors may choose which model they wish to engage at the commencement of the NRAS Incentive Period.

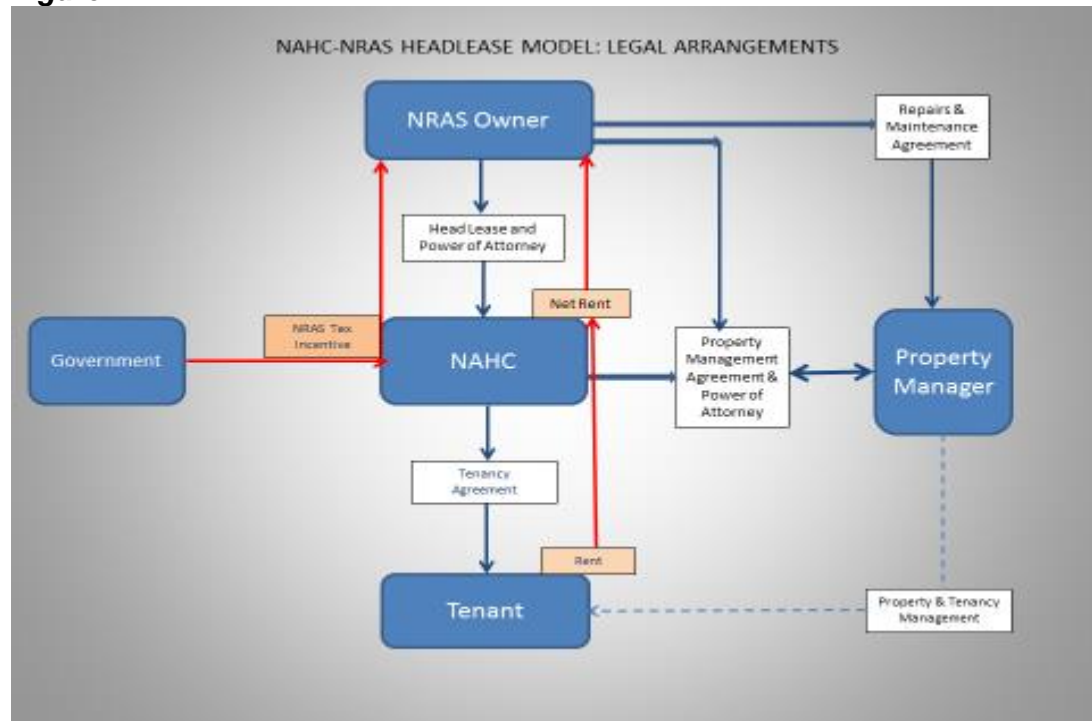
The critical documents in these models are the Head Lease and the NRAS Delivery Agreement and both are structured with the intent that they satisfy the requirements for an 'NRAS Consortium' under the *Income Tax Assessment Act 1997* (Cth). It is the NRAS Consortium arrangement under which the Owner's entitlements to the Tax Incentive will be governed for as long as the dwelling remains compliant within the NRAS. Under both models, NAHC as the Approved Participant operating under the NRAS Consortium arrangement, will undertake the following roles during the 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).

Understanding the Head Lease model

As illustrated at **Figure 1**, NAHC has established a Head Lease arrangement between it and the Owner of each NRAS Approved Dwelling.

Figure 1

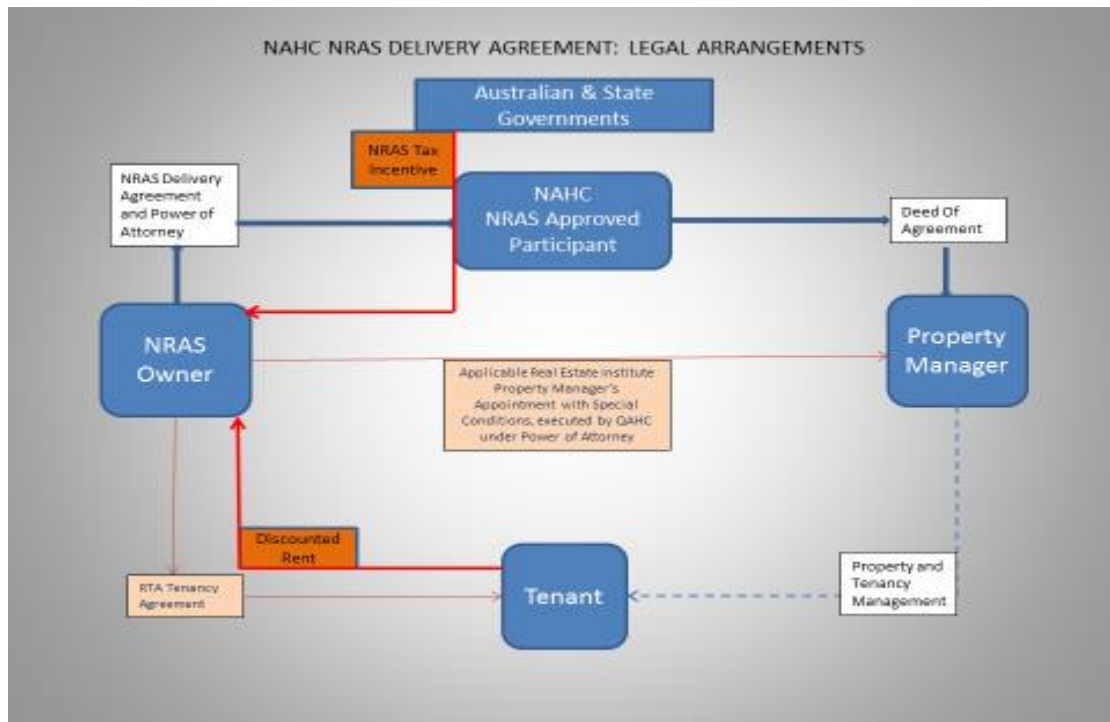


The key terms of the Head Lease are listed at Section 11 below. As further outlined at Figure 1 and section 11 below, under the Head Lease the Owner also receives an entitlement to rent at a discounted rate.

Understanding NRAS Delivery Agreement Model

As illustrated at **Figure 2**, NAHC has established a NRAS Delivery Agreement Model between it and the Owner of each NRAS Approved Dwelling. The key terms of the NRAS Delivery Agreement are also listed at Section 11 below. As further outlined at Figure 2 and section 11 below, under the NRAS Delivery Agreement model the Owner also receives an entitlement to rent at a discounted rate.

Figure 2



Flows for Both Models:

The following identical payments are made under both models:

1. Tax Incentive to Investor [\$10,661.00 tax free as at July 2014]
2. Discounted Rent to Investor [74.99% market rent at the time when the dwelling is first available for rent]
3. NRAS Administration Fee to NAHC [Currently \$63.93 per calendar month plus GST at July 2014]
4. Property Management Fee to the Property Manager [10% of market rent]

The two structures are further outlined in this document and the documents referenced herein. As at July 2014, NAHC as an Approved Participant has facilitated the development of over 2,500 NRAS dwellings within the NRAS being located within New South Wales, Queensland, and Victoria.

4. No warranty and your right to independent advice

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

NAHC does not provide legal or investment advice to potential investors about the suitability of either an NRAS dwelling or an NRAS Allocation as an investment. This document does not take into account the personal objectives, financial situation or particular needs of any investor. 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 NAHC is the Approved Participant for their own objectives, financial situations and needs.

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 or to participate in the NAHC NRAS delivery arrangements.

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

Neither NAHC, 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 Residential Tenants.

This document provides a summation of 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 NAHC and the Owner, nor does NAHC 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 for the purchase of an Approved Rental Dwelling, 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 either the Head Lease or the NRAS Delivery Agreement with NAHC, you should complete the Deed Poll / Expression of Interest. You may elect the model you wish to enter within the Deed Poll / Expression of Interest. By completing and returning the Deed Poll / Expression of Interest to NAHC you are confirming to NAHC that you have read and understood this Disclosure Document. If it is satisfied, NAHC will then deliver to you correspondence confirming the receipt of your interest in the applicable NAHC NRAS delivery model.

Pursuant to the *Corporations Act 2001* (Cth) a cooling-off period will apply from the date you receive confirmation from NAHC that your application has been accepted.

5. Key Features of NRAS and NAHC delivery

- a) NRAS is an Australian Government initiative to increase the supply of affordable rental housing.
- b) NRAS provides an annual Tax Incentive for each 'Approved Dwelling' that meets the NRAS requirements. In general, an investor who owns a dwelling to which an NRAS Allocation has been issued will be eligible to receive an annual tax Incentive for ten (10) years, so long as the

'Approved Rental Dwelling' is tenanted and meets the NRAS Requirements. In cases where an NRAS Allocation has become a Provisional Allocation, the period of time for which an investor is eligible to receive a Tax Incentive is reduced, based on when the dwelling was actually available for rent. 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) NAHC is a non-profit charitable housing company specially created to facilitate or provide affordable housing.
- d) NAHC assesses the suitability of new housing for NRAS and makes submissions to the Australian Government for NRAS Approval.
- e) As the NRAS 'Approved Participant', NAHC enters a contractual relationship with individual owners in respect of their NRAS Approved Dwellings and oversees compliance under the NRAS. The term of the contractual relationship spans approximately 10 years and ceases at the conclusion of the NRAS Incentive Period.
- f) Properties are managed by non-profit housing organizations or by licensed real estate agencies under NAHC's Property Management Agreement.
- g) Dwellings are allocated to Eligible Residential Tenants at a discounted market rent. At the date the dwelling is first available to rent, NAHC 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, NAHC 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 Housing Supply and Affordability – Key Indicators, 2012 report,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://nhsc.org.au/publications/>

The Council report estimates that the national housing shortfall will increase to 370,000 dwellings by 2016, 492,000 by 2021 and 663,000 by 2031. This shortage has a tremendous impact on the rental market. In particular, the Council estimates that there is a shortage of 539,000 rental properties that are both affordable and available for lower income renters.

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, NRAS is an initiative to stimulate the supply of new, affordable rental dwellings. NAHC recommends that potential investors read Annexure A and other Government documents relevant to the NRAS that are available from www.dss.gov.au prior to making any investment decision.

7. The NRAS Tax Incentive

The Secretary of the Commonwealth Department which has responsibility for administering the NRAS, may issue a certificate to an Approved Participant who is a party to an NRAS Consortium which has satisfied the requirements of the NRAS. The certificate states the NRAS tax offset that is claimable by the parties to the NRAS Consortium who derived NRAS Rent from a rental dwelling for an income year.

Owners of approved and compliant rental dwellings will be entitled to an annual tax free "incentive" in the amounts displayed on the DSS website for each approved rental dwelling. In general, owners of dwellings that have standard NRAS Allocations are eligible to 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). Where the NRAS Allocation granted is a Provisional Allocation, the NRAS Incentive Period will commence on the date that the NRAS Allocation becomes provisional. Subject to the vacancy requirements outlined below at section 7, the Owner's eligibility to receive the incentive will commence on the date that the dwelling is available for rent.

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 2014 to 30 April 2015 these amounts are displayed at Table 1.

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.

Table 1: Incentive value for 1 May 2014 - 30 April 2015²

Contributed by	Amount
Australian Government Contribution	\$ 7,996.00
State/Territory Contribution	\$ 2,665.00
Total	\$ 10,661.00

The Federal Government contribution is in the form of a 'Refundable Tax Offset' and is generally claimed in the annual tax return of the entitled party to the NRAS Consortium. A refundable tax offset certificate will either reduce the amount of tax payable by that party or, if the party does not have a tax liability, provide that party with a refund. At the completion of each NRAS Year, where the requirements of the NRAS have been met, NAHC will deliver documentation to each Owner to enable the Owner to claim the Commonwealth Government component of the Incentive.

The State and Territory Governments' contribution will be in the form of 'non-assessable non-exempt income' (i.e. it will not be included in the entity's assessable income) and will be paid separately from the Federal Government component and subsequent to the completion of each NRAS Year.

An NRAS tax offset can be claimed by an entity which has satisfied the requirements of the NRAS Requirements and has been issued with a certificate stating that they are entitled to a tax offset for a rental dwelling. Entities which may be eligible to benefit include a party to a NRAS Consortium who is an individual, a corporate tax entity or a super fund. Members of a partnership, the beneficiaries of a trust, and trustees may also claim the Refundable Tax Offset in the manner set out in the *Income Tax Assessment Act (1997)*.

The Secretary and State and Territory Governments shall only pay an Incentive for an NRAS year in respect of an Approved Rental Dwelling where the requirements of the NRAS Requirements 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 and the NRAS Allocation can be revoked entirely if there is non-compliance with the requirements of the NRAS, for example, if it is later determined that a tenant did not meet eligibility requirements, if false, misleading, inaccurate or incomplete information has been provided to the Government or if relevant information was not provided to the Government. The NRAS Incentive will be reduced if the dwelling is vacant for a cumulative or continuous period of more than 13 weeks in an NRAS year or is vacant for a continuous period of more than 13 weeks across 2 NRAS years. Further, the NRAS Incentive may also be withheld and the NRAS Allocation may be revoked if the dwelling is vacant for longer than 26 weeks and for longer than a continuous period of 26 weeks that begins in the previous NRAS year and ends in the first mentioned NRAS year.

² The NRAS Incentive is indexed in accordance with the NRAS Requirements.

Consequently, NAHC 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;
- (b) the Premises, NAHC or the NRAS Consortium, as the case may be, shall retain the NRAS Allocation or that the NRAS Allocation will not be transferred, varied or revoked; or
- (c) the Premises shall meet the requirements of the NRAS Requirements at any given time

NAHC or an independent person appointed by NAHC will keep copies of any notification given by DSS to NAHC 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 Owners for the period of 7 years after the date of this Disclosure Document.

The Australian Tax Office has released a private binding ruling on the public ATO register which concerns the ability to claim deductions for expenses (including insurance, repairs and loan interest) for NRAS Approved Rental Dwellings. A copy of that ruling is available on the QAHC website (www.qahc.asn.au). Investors should receive their own taxation advice in respect of the ability to claim deductions in respect of an NRAS Approved Rental Dwelling.

8. About National Affordable Housing Consortium

NAHC is one of Australia's largest NRAS 'Approved Participants' and has facilitated the development and delivery of over 2,500 affordable dwellings as at July 2014.

It is an NRAS Approved Participant with NRAS Allocations in Queensland, New South Wales, and Victoria. It is a not-for-profit Company limited by guarantee that operates on business principles to meet community need.

NAHC has a skill based Board of Directors that are nominated by its principal stakeholders. Information on the current directors and management of NAHC may be obtained from pa@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 NRAS rental dwellings across Australia to individual, corporate and institutional investors.

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

NAHC's Key Roles:

NAHC assesses property that is offered by developers and builders for suitability 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.

NAHC then makes an application to the Australian Government to seek inclusion of the property within the NRAS. In order to make an application, NAHC must submit a minimum number of dwellings for assessment.

NAHC, as Approved Participant, will during the period that the owner is eligible to receive the NRAS Incentives:

- a) deal with the Australian Government and respective State or Territory Government in respect of all matters concerning the rental dwelling and the NRAS Consortium; 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 DSS for inclusion within NRAS. NAHC, as Approved Participant receives either a Reserved NRAS Allocation or an NRAS Allocation in relation to each Premises under the NRAS. Where NAHC holds a Reserved NRAS Allocation the Premises will receive an NRAS Allocation where the requirements of the NRAS Requirements and the Reserved NRAS Allocation have been met. These requirements may include the completion of construction of the dwelling by a date that is stated in the Reserved NRAS Allocation, or a date that is otherwise extended by the Department. Further information on the Reserved NRAS Allocation for your proposed dwelling may be obtained from NAHC upon request.

Amendments to the NRAS Regulations in 2014 provide that all Reserved NRAS Allocations will become Provisional NRAS Allocations if they have not been made into NRAS Allocations at the latest by: (a) 31 July 2015 for shovel ready Reserved NRAS Allocations; and (b) 30 June 2016 for all other Reserved NRAS Allocations. Any Reserved NRAS Allocations for which the agreed rental availability date has expired and for which the conditions are not satisfied at 23 December 2014 will become Provisional Allocations on that date, if the Secretary has not withdrawn the Reserved NRAS Allocation by that date. Once operative the ten year NRAS Incentive Period will commence. Consequently the NRAS Incentive will be lost for the period prior to tenanting of the dwelling in compliance with the NRAS.

There are various ways by which an Investor may purchase a dwelling that has received a conditional approval from DSS for inclusion within NRAS, 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:

1. the possibility that the dwelling will not be completed (including if the developer does not receive funds for the completion of the development);
2. the expiry of any Reserved NRAS Allocation or NRAS Allocation issued in respect of the dwelling, where the construction timeframes do not meet the required completion dates approval issued by DSS and the possibility that the

Reserved NRAS Allocation may become a Provisional Allocation, with the consequent proportion loss of the NRAS Incentive.

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, NAHC will enter either:

1. a Head Lease with the Owner, and then sublease the dwelling to an NRAS Eligible Residential Tenant; or
2. a NRAS Delivery Agreement with the Owner, and then appoint a Property Manager to perform property and tenancy management.

Pursuant to both the Head Lease and the NRAS Delivery Agreement. NAHC appoints a Property Manager in respect of the rental dwelling through a Property Management Agreement. As further outlined below, NAHC will not be responsible for the provision of property and tenancy management services (including repair and maintenance) to the rental dwelling where it has allocated these responsibilities to a third party property manager. The Property Manager is also responsible for the identification and selection of tenant(s) and for tenancy management.

With the assistance of the Property Manager, NAHC undertakes NRAS Compliance for Approved Dwellings under the terms of the Head Lease and NRAS Delivery Agreement (as the case may be).

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.

Based on DSS 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].

NAHC aims to provide a broad portfolio of rental dwellings, including different types and size of rental 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 an Eligible Residential Tenant to an NRAS approved dwelling are listed on the Department of Social Services and Queensland Government Department of Housing and Public Works website³ and an outline of the requirements in Queensland is provided at Annexure B, which sets out the income limits as at 01 May 2014. These figures are indexed annually. As outlined at Annexure B, in Queensland, certain additional requirements for tenants apply, including an asset test.

³<http://www.dss.gov.au/our-responsibilities/housing-support/programs-services/national-rental-affordability-scheme/national-rental-affordability-scheme-nras-incentive-indexation> and <https://www.qld.gov.au/housing/renting/nras/>, respectively.

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 NAHC Delivery Arrangement works and an Overview of Key Terms of the Head Lease and the NRAS Delivery Agreement:

The Head Lease Structure

NAHC has adopted a Head Leasing structure to operate for the NRAS incentive period. By way of summary, NAHC 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 above.

The key terms of the Head Lease are:

- a) *Length of term:* The term of the contractual relationship is approximately 10 years and includes the NRAS Incentive Period.
- b) *Possession* - the Owner gives exclusive possession to NAHC of the Premises. The term of the Residential Tenancy Agreement will be determined by NAHC or the Property Manager. 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 NAHC to act as the Approved Participant and to liaise with DSS and the relevant State or Territory Government in respect of the NRAS Allocation received by NAHC 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. The Owner can terminate the Head Lease upon the giving of notice to NAHC, as is set out in the Head Lease. Termination rights associated with the sale of the dwelling are further outlined below.

- f) *Property Manager* - NAHC will, by a separate contract, appoint (and replace) a Property Manager. As occurs in the general property management market, the Property Manager may sell its management rights in certain circumstances as are outlined in the Property Management Agreement. Otherwise, the Property Manager can only be removed with the consent of NAHC, except in the event of persistent failure by the Property Manager to perform its obligations, or where the Property Manager no longer holds the necessary authorisations. The Property Manager shall let the dwelling to Eligible Residential 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 for repairs and maintenance, outgoings and any Body Corporate or Owners Corporation (as the case may be) expenses (if applicable), which may be deducted from the rent payable to the Owner.
- h) *Repairs and Maintenance* - NAHC 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 NAHC for any damage arising due to a lack of repairs.
- j) *Dispute Resolution* – is further outlined at Section 22 below.
- k) *Reporting* – NAHC will undertake compliance reporting to the Australian and State Governments regarding the rental dwelling. Reporting to the Owner is outlined at section 14 below.
- l) *Fees* - payable by the Owner are further outlined at section 19 below.

NRAS Delivery Agreement Structure

NAHC has also adopted a NRAS Delivery Agreement structure that is also to operate for the NRAS incentive period. By way of summary, the Owner enters the NRAS Delivery Agreement with NAHC. That agreement permits NAHC to appoint (and replace) a Property Manager for the dwelling and the dwelling is then leased by the Property Manager, under a Residential Tenancy Agreement to a tenant who meets the eligibility criteria under the NRAS legislation. This structure is further outlined at Figure 2 above.

The key terms of the NRAS Delivery Agreement are:

- a) *Length of term*: The term of the contractual relationship is approximately 10 years and includes the NRAS Incentive Period.
- b) *Possession* - the Owner gives exclusive possession of the Premises to a Residential Tenant under a residential tenancy agreement. The term of that agreement will be determined by NAHC or the Property Manager. The Owner will have the right to inspect the property in accordance with the applicable laws.

- c) *NRAS* - within the NRAS Delivery Agreement the Owner appoints NAHC to act as the Approved Participant and to liaise with DSS and the relevant State or Territory Government in respect of the NRAS Allocation received by NAHC for the dwelling.
- d) *Registration and Sale* - the NRAS Delivery Agreement will not be registered on the title of the property. As further outlined under the heading "Owner's Right to Sell or Withdraw from NRAS" the Agreement states the requirements for the sale of the dwelling.
- e) *Termination rights* - if the NRAS Allocation ceases, the NRAS Delivery Agreement may also cease. The Owner can terminate the NRAS Delivery Agreement upon the giving of notice to NAHC, as is set out in the NRAS Delivery Agreement. Termination rights associated with the sale of the dwelling are further outlined below.
- f) *Property Manager* - NAHC will, by exercising the power of attorney granted by the Owner, appoint a Property Manager for the period of time that the dwelling is eligible to be retained in the NRAS.

In Queensland, the Property Manager will be appointed under the standard Real Estate Institute of Queensland (REIQ) Appointment of Agent Letting and Property Management appointment, in New South Wales, under the standard Real Estate Institute of New South Wales (REINSW) Exclusive Management Agency Agreement and in Victoria under the standard Real Estate Institute of Victoria Exclusive Leasing and Managing Authority: Residential Property, in each case with special conditions attached that relate to the NRAS and the NAHC model.

The Property Manager is chosen (and may be replaced) by NAHC in its absolute discretion. Consistent with the Head Lease model, the Property Manager may sell its management rights in certain circumstances. Otherwise, the Property Manager can only be removed with the consent of NAHC, except in the event of persistent failure by the Property Manager to perform its obligations, or where the Property Manager no longer holds the necessary authorisations.

The Property Manager shall let the dwelling to Eligible Residential Tenants and is responsible for tenancy and property management. The role of the Property Manager is further outlined at section 16 below. As is the case in the Head Lease model, a residential tenant can only be removed with the consent of NAHC and where the requirements of the applicable law have been met.

- g) *Outgoings and Expenses* - the Owner will be required to pay for repairs and maintenance, outgoings and any Body Corporate (in Queensland) or Owner's Corporation (in New South Wales and Victoria) expenses (if applicable), which may be deducted from the rent payable to the Owner.
- h) *Repairs and Maintenance* - NAHC 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 NAHC for any damage arising due to a lack of repairs.
- j) *Dispute Resolution* – is further outlined at Section 22 below.
- k) *Reporting* – NAHC will undertake compliance reporting to the Australian and State Governments regarding the rental dwelling. Reporting to the Owner is outlined at section 14 below.
- l) *Fees* - payable by the Owner are further outlined at section 19 below.

Where to Source Copies of the NRAS Delivery Agreement, Head Lease Agreement and Associated Property Management Agreements and Forms

Upon request, the marketer or sales agent of your NAHC-NRAS dwelling will make available to you copies of the NRAS Delivery Agreement, Head Lease Agreement and the associated Property Management Agreements and Forms applicable to your jurisdiction.

Rent Under Both Models

Under the NRAS, NAHC is required to comply with prescribed methods for determining the rent, both at the date the dwelling is first available for rent and for the duration of the NRAS Incentive Period. Under both the Head Lease and the NRAS Delivery Agreement, the rent payable to the Owner at the time the dwelling is first available for rent 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.

At the end of years 4 and 7 of the NRAS Incentive Period an independent valuation will be undertaken to confirm that the rent remains less than levels required by the NRAS. The Owner is to bear the cost of obtaining the valuations.

Under the NRAS NAHC may review the rent upon entering a new Residential Tenancy Agreement or for an existing Residential Tenancy Agreement, no more often than at 12-monthly intervals from the date of entering into the Residential Tenancy Agreement. Subject to those requirements, NAHC will review the rent at the end of each respective year within the NRAS Incentive Period, or on such other dates as are nominated by NAHC in writing to the Owner.

Where such is available, rent reviews conducted pursuant to the NRAS will be based on information about the location, type and amenity of the Approved Rental Dwelling and will be supported by publicly available data about comparative rental rates in the locale of the dwelling, other than data relating to other dwellings owned or associated with NAHC as Approved Participant. NAHC has set the rent payable to the Owner at 74.99% of the reviewed rent. In addition, for reviews made pursuant to the NRAS the rent is not permitted to increase above the maximum levels set under the NRAS Requirements. Rent will only be payable to the Owner for periods in which a rental payment has been received from the Residential Tenant. Importantly, NAHC does not guarantee the payment of rent to the Owner, nor does it guarantee a rental increase in any given year.

The contents of this Disclosure Document do not contain any agreement between the parties, and the Head Lease or the NRAS Delivery Agreement, as the case may be, and the Property Management Agreement contains the whole agreement between

the parties in respect of the Premises. Potential investors should read those documents and take such advice as they consider appropriate prior to entering into the NAHC NRAS delivery arrangements. The terms of the Head Lease and NRAS Delivery Agreement are further explained at “Other Frequently Asked Questions” below.

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

The Owner may sell the dwelling subject to the Head Lease or NRAS Delivery Agreement (as the case may be) with the consent of NAHC, which consent will not be withheld where the incoming Owner has agreed to undertake the Owner’s obligations.

In addition, the Owner is not locked into the full NRAS Incentive Period and the terms of the Head Lease and NRAS Delivery Agreement provide that the Owner may unilaterally terminate the Lease or Agreement (as the case may be) in accordance with the requirements for prior notice stated therein.

If an Owner sells the Premises with the effect that it no longer holds an NRAS Allocation, or terminates the Head Lease or NRAS Delivery Agreement (as the case may be) during an NRAS year they will lose that NRAS year’s NRAS Incentive or part thereof.

The Owner must give three months’ notice to NAHC to terminate the Head Lease or NRAS Delivery Agreement 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 and NRAS Delivery Agreement.

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.

14 Financial Reporting to the investor

NAHC will provide to the Owner:

- (a) a monthly statement 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.

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

15 Strata Unit issues

Where the Owner enters the Head Lease model and the rental dwelling is a strata unit or lies within a Community Titles Scheme in Queensland, a Strata Scheme in New South Wales or a plan of subdivision under the *Subdivision Act* 1988 in Victoria, the Owner:

- (a) grants to NAHC the rights:
 - (i) to exclusive possession of the dwelling;
 - (ii) to use of any exclusive use areas or common property; and

- (iii) held by the Owner in respect of amenities and the property of the Body Corporate (in Queensland) or Owner's Corporation (in New South Wales and Victoria);
- (b) grants appointments to the Property Manager or NAHC to act as the Owner's proxy to attend and vote at meetings of the Body Corporate (in Queensland) or Owner's Corporation (in New South Wales and Victoria);
- (c) grants a power of attorney to NAHC to deal with the Body Corporate (in Queensland) or Owner's Corporation (in New South Wales and Victoria);
- (d) undertakes to exercise its vote at meetings of the Body Corporate (in Queensland) or Owner's Corporation (in New South Wales and Victoria) so as not to restrict the rights of NAHC or impose further obligations on NAHC;
- (e) enables NAHC and the Property Manager to deal with the Body Corporate (in Queensland) or Owner's Corporation (in New South Wales and Victoria); and
- (f) enables the Property Manager to deliver certain notices to the Body Corporate (in Queensland) or Owner's Corporation (in New South Wales and Victoria) and requires certain notices received by the Owner from the Body Corporate (in Queensland) or Owner's Corporation (in New South Wales and Victoria) to be delivered to NAHC.

NAHC will not be responsible for repairs to, or maintenance of, the property of the Body Corporate (in Queensland) or Owner's Corporation (in New South Wales and Victoria) and, any or all of the Body Corporate (in Queensland) or Owner's Corporation (in New South Wales and Victoria), 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 selected and appointed by NAHC through the Property Management Agreement that is signed by NAHC and the Property Manager. The NRAS Delivery Agreement model and the Head Lease model each have their own forms of Property Management Agreement, which may be modified depending on the requirements of an individual development. These documents are annexed to the Head Lease and the NRAS Delivery Agreement and the standard (unamended) form of these are therefore available in each respective jurisdiction through the sources provided at section 11 above. The Owner gives NAHC the authority to select and appoint the Property Manager under the Head Lease and the NRAS Delivery Agreement. NAHC may change the Property Manager during the period that the dwelling is eligible to be retained in the NRAS.

Property managers are selected on the following bases:-

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

The roles of the Property Manager are set out in the Property Management Agreement, which is available through the means noted above at section 11. These roles include:

- a) specific NRAS requirements;

- b) tenancy and property management of the Premises;
- c) identification and selection of tenant(s);
- d) negotiation of Residential Tenancy Agreements;
- e) inspection of the Premises; and
- f) ongoing compliance with the NRAS and applicable property legislation in respect of the Premises.

The Property Manager will offer an indemnity to NAHC in respect of, amongst other matters, its compliance with NRAS.

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

Prior to the tenancing of your dwelling the Property Manager will write to you directly and request your instructions on various matters. Subject to the individual property manager, these matters may include the holding of pets, the payment of disbursements (including water, electricity and gas services), the conduct of emergency and routine repairs, warranty or maintenance contracts, approvals for smokers, emergency contact details and the like. In order to ensure compliance with pool legislation you will also need to notify your property manager where there is a pool located either on your property, or within any associated Body Corporate (in Queensland) or Owners Corporation (in New South Wales and Victoria) complex.

Preference for non-profit providers

The Board of NAHC 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.

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 applicable Property Management Agreement.

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

For profit providers

NAHC 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 NAHC 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 Residential Tenants is maintained). 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 NRAS Delivery Agreement or Head Lease (as the case may be) and at the end of 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.

Both the NRAS Delivery Agreement and the NAHC Head Lease provide 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) Insurance and Your Rental Income

NRAS does not guarantee income to investors, it provides a NRAS Tax Incentive on approved property year by year, subject to annual compliance. As noted above, the period during which an Owner is eligible to receive the NRAS Tax Incentive varies depending on whether the dwelling has a standard NRAS Allocation or a Provisional Allocation.

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

- An insurance arrangement specific to NAHC's models, which Owners may elect to receive
- A preference for 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]

NAHC requires all investors to maintain the following categories of insurance coverage on their NRAS dwellings for the entirety of the period of time that the dwelling is eligible to be retained in the NRAS :

- Property Insurance
- Public Risk Liability insurance
- Owner's contents insurance
- Landlord / Tenant coverage, including, loss of rent, tenant damage and theft insurance, rent default and flood insurance.

NAHC's requirements in respect of insurance are further outlined in the documents referred to under section 11 above. Insurance coverage must commence by or prior to the period in which the property is tenanted and, unless otherwise stated in your policy, does not cover the period of construction of your dwelling (if applicable). The date for commencement of your insurance will be stated in the policy supplied to you by your insurer. Owners will need to be satisfied with their own insurance arrangements in the period prior to that date (including any insurance covering the purchaser's rights under a contract of sale, or in respect of vacant land or public liability, or as is offered by a builder).

Prior to your dwelling's activation in the NRAS Scheme, NAHC will contact you with information regarding how to obtain insurance through AON CGU. However, you are free to obtain like-for-like insurance through another insurer and NAHC makes no statement, representation or warranty in respect of the AON CGU policy, or any other policy effected by you, including their ongoing efficacy, effect, sufficiency, content, coverage or limits. If you do elect to obtain insurance from an insurer other than AON CGU, you will be required to provide NAHC with satisfactory evidence of coverage on a yearly basis. You also authorise NAHC to take out the required insurance for you if you fail to do so (although NAHC is not obliged to do so).

Whilst NAHC recommends Owners receive independent advice in respect of any insurance product they may be considering, the following are factors that may 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.

NAHC and Property Managers also maintain Professional Indemnity Insurance as well as Public Liability Insurance.

e) What are some of the exit strategies at, or close to, the final year of the incentive period?

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 NAHC, or through an agent.

- Owners may wish to consider selling the dwelling to a sitting tenant.

It is important to note that NAHC'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. NAHC are not aiming to achieve any particular return, nor can Investors expect any particular return. NAHC 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 C. 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, NRAS Delivery Agreement and the applicable 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 / NRAS Delivery Agreement;
- b) termination of the Lease / NRAS Delivery Agreement 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 / NRAS Delivery Agreement;
- f) NAHC's costs in relation to the negotiation, preparation and execution of the Head Lease / NRAS Delivery Agreement;
- g) where repairs and maintenance are required to be made to the rental dwelling or Body Corporate (in Queensland) or Owners Corporation (in New South Wales and Victoria) property (if applicable); and
- h) where the Owner requires the replacement of the Property Manager, NAHC's costs (and where NAHC so requires, the costs of the new Property Manager).

These amounts and those amounts listed at Annexure C 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 (in Queensland) and Owners Corporation (in New South Wales and Victoria) levies, bank or borrowing fees (including loan break fees) or the like. Investors should seek their own professional advice in this regard.

NAHC receives a facilitation fee from developers and/or builders and may receive a commission from a sales agent, or other party. However, these fees and commissions are not payable by the investor. More information in regard to these fees may be obtained from NAHC on request.

20 Risks

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

NAHC 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 and 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 the period of time that the dwelling is in the NRAS, with the possible consequent effect that the dwelling is not rented to an Eligible Residential Tenant.

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.

NAHC 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 or the NRAS Incentive reduced where construction timeframes for the dwelling do not meet the required completion dates under the NRAS Allocation, or where other special conditions to the NRAS Allocation are not met.

21 Other key documents

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

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

In particular, potential investors are advised to read the:

- The NAHC Owner's Pack, which includes:
 - Head Lease / NRAS Delivery Agreement
 - Applicable Property Management Agreement (details on sourcing these documents are available at section 11 above)
 - Details of the Insurance policy outlined at section 17(d) above; and
 - Fees and charges at Annexure C.

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 or NRAS Delivery Agreement (as the case may be).

23 Contact Us

NAHC may be contacted at the following details:

Queensland Affordable Housing Consortium Ltd (ACN: 132 604 552) trading as
National Affordable Housing Consortium
Suite 1/118 Vulture Street
South Brisbane
Qld 4101
Email: pa@qahc.asn.au
www.qahc.asn.au
Phone: 07 3169 2500

24 Glossary

Unless the context otherwise expressly requires, terms have the same meaning as the NRAS Requirements and the Head Lease and NRAS Delivery Agreement.

Terms	Definition
Approved Participant	Has the meaning given to the term in the NRAS Requirements .
Approved Rental Dwelling	has the meaning given to the term in the NRAS Requirements (and, without limiting that meaning, is a dwelling for which an Allocation has been reserved for participation in the Scheme in favour of an Approved Participant under the Scheme).
Authorisation	means a consent, permit, authorisation, approval, licence, accreditation, certificate, registration, exemption or other recognition by an Authority.
Authority	means any government (including Local, State and Federal governments), administrative, fiscal or judicial body, department, commission, authority, tribunal, agency, Minister, statutory body or entity having jurisdiction in relation to the Premises, Scheme or the Parties' NRAS Activity as the case may require.
The Department	means the Department with the responsibility of administering the NRAS Requirements, which at the date of this Disclosure Document is the Australian Government Department of Social Services (DSS), its successors, transferees and assigns.
Eligibility Criteria	means the criteria stipulated under the NRAS Requirements under which persons whom satisfy the criteria, become Eligible Residential Tenants.
Eligible Residential Tenant	means a person who is an eligible tenant as defined under the NRAS Requirements.
GST	means the goods and services tax under the GST Legislation.
GST Legislation	means <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth) and includes other GST related legislation and, where the context permits, any ATO ruling or determination.
Incentive	means: (a) a National Rental Affordability Scheme Tax Offset; or (b) an amount payable for an NRAS year which incentive is provided under the NRAS Requirements and pursuant to the Scheme by either or both of the Commonwealth Government (including under Division 380 of the <i>Income Tax Assessment Act 1997</i> (Cth)) or State Government, and includes any payment or non-cash benefit made or supplied (whether directly or indirectly) by the State Government or other entity

Terms	Definition
	under Division 380-35 of the <i>Income Tax Assessment Act 1997</i> (or equivalent provision amending, consolidating or replacing the same).
Incentive Period	has the meaning given to the term in the NRAS Requirements as is applied to the Premises, and, unless otherwise required by the NRAS Requirements, is the period commencing on the date notified in writing by NAHC to the Owner following consultation with the Department and includes any extension of the Incentive Period.
Mortgagee	means any mortgagee who holds a mortgage granted by the Owner over the Premises.
NRAS Allocation	means the NRAS approval issued to NAHC as an Approved Participant in the Scheme which approval is made in respect of the Premises, and operates from the Incentive Period Commencement Date such that the Premises are an Approved Rental Dwelling. Where a Reserved NRAS Allocation has become a Provisional NRAS Allocation, references to 'NRAS Allocation' include reference to 'Provisional NRAS Allocation'.
NRAS Consortium	has the meaning provided by section 995(1) and Division 380 of the <i>Income Tax Assessment Act 1997</i> (Cth).
NRAS Year	Has the meaning given to that term in the NRAS Requirements .
The Property Manager	means an Eligible Organisation appointed by NAHC from time to time as property manager of the Premises and each administrator, successor, transferee and permitted assign of that property manager.
NAHC	means Queensland Affordable Housing Consortium Ltd (A.C.N. 132 604 552) trading as National Affordable Housing Consortium and each administrator, successor, transferee and permitted assign of that party and each employee and other person under the control of NAHC.
NRAS Requirements	means the National Rental Affordability Scheme Act 2008 (Cth) and all ancillary legislative instruments, regulations, guidelines, policies, ordinances, by-laws, orders, awards and proclamations of the Commonwealth made pursuant to such Act, including the National Rental Affordability Scheme Regulations 2008 and any guidelines issued by the Secretary from time to time pursuant to such Act and subsequent amendments to the foregoing as may be enacted from time to time and also in this Agreement includes: (a) the Income Tax Assessment Act 1997 (Cth); and (b) any State Government requirement or specification, including any funding or contractual requirement or specification imposed in respect of the Premises.6
Premises	means the premises owned, or to be owned, by an Investor which is to be, or has been, submitted into the Scheme as an

Terms	Definition
	Approved Rental Dwelling.
Provisional Allocation	has the meaning of a provisional allocation provided by the <i>National Rental Affordability Scheme Regulations 2008</i> (Cth) (including in the period prior to 23 December 2014, the definition provided at Endnote 5, Schedule 1 to the said Regulations, which Schedule contains amendments commencing on 23 December 2014).
Reserved NRAS Allocation	means the NRAS approval of an NRAS reserved NRAS allocation issued to NAHC as an Approved Participant in the Scheme.
Residential Tenancy Agreement	means the agreement, in the form of the then current endorsed State Tenancy Authority residential tenancy agreement, conforming to the requirements of the Residential Tenancy Legislation, or such other tenancy agreement and contains such provisions (if any) required by NAHC in its absolute discretion pursuant to the terms of the Head Lease or NRAS Delivery Agreement and the Property Management Agreement.
Residential Tenancy Legislation	means the Legislative Requirements governing the residential tenancies in the State and subsequent amendments to the foregoing as may be enacted from time to time.
Residential Tenant	means the tenant to the Residential Tenancy Agreement and who satisfies the Eligibility Criteria as may be resident within the Premises from time to time, and includes each administrator, successor, transferee and permitted assign of that party.
The Scheme	means the National Rental Affordability Scheme established pursuant to the NRAS Requirements, and subsequent amendments to the foregoing as may be enacted from time to time.
The Secretary	means the Secretary of the Department that administers the NRAS Requirements, or their delegate.
State	means the State of Australia in which the Premises are located.
State Government	means the Government of the State in which the Premises are located.

Annexure A



National Rental Affordability Scheme (NRAS)

Information for private individual investors

What is NRAS?

The National Rental Affordability Scheme (NRAS or the Scheme) is an Australian Government initiative, delivered in partnership with the states and territories, to stimulate the supply of new, affordable rental dwellings.

The NRAS offers financial incentives to the business sector and community organisations to build and rent dwellings to low and moderate income households at a rate that is at least 20 per cent below the market value rent.

These may include financial institutions, private developers, investors, not-for-profit organisations and community housing providers.

NRAS is **not public housing or social housing** —NRAS dwellings are affordable rental homes. The Australian Government's regulatory role is deliberately limited to the provision of financial or tax incentives to approved participants who meet conditions mandated under the Scheme. As such, the Australian Government does not regulate building quality, tenancy management or ownership of NRAS dwellings other than through withholding incentives when conditions of allocation are not complied with.

NRAS dwellings range from studio apartments to family homes, and are located where affordable rental accommodation is most needed, especially in areas where employment, schools and other services are available nearby.

NRAS dwellings may be 'bundled' with other non-NRAS dwellings, that is, private properties subject to an NRAS incentive may form part of a new multi-storey development, with the other non-NRAS dwellings sold to standard property investors or owner-occupiers.

NRAS dwellings are generally newly-built and must not have been lived in previously as a residence. In some cases, buildings can be refurbished. NRAS dwellings are likely to be indistinguishable from other middle market dwellings. Rigorous selection criteria are applied by the government during selection of approved participants relating to the location, design and amenity of NRAS dwellings, and that they comply with State, Territory and local government planning requirements and building codes. Each State/Territory has priority areas of affordable housing need, and applications are assessed on whether they are consistent with the priorities of the relevant State or Territory.

NRAS provides an **annual financial incentive** (for 10 years) per dwelling to NRAS approved participants. The value of the incentive is indexed each year in line with the Rents component of the Consumer Price Index (CPI).

There are two components of the incentive:

- an Australian government incentive per dwelling per year as a cash payment (for charitable institutions) or a tax offset
- State and Territory governments may offer approved participants a contribution per dwelling as direct payment or payment in-kind.

Are private individual investors able to participate in NRAS?

Individuals are able to become approved NRAS participants, subject to meeting eligibility requirements.

However, in light of the minimum number of incentives that must be applied for and the scheme's on-going compliance requirements, it is more likely that individuals/ private investors will participate in the scheme as part of a joint venture arrangement, or by purchasing NRAS dwellings from an approved participant.

This includes:

- investing in entities that participate directly in NRAS, such as a superannuation fund or a property trust
- purchasing individual properties from approved participants
- as part of an NRAS consortium, which includes non-entity joint ventures or other joint venture arrangements.

Private individual investors should be aware that:

- there is no requirement under the Scheme for the incentives to be passed on by the approved participants to the owners of the properties. This is a matter between the two parties and will not be facilitated or prescribed by the Australian Government. However, you should check your eligibility to have the tax offset passed on by contacting the Australian Taxation Office.
- the payment of the incentive to the approved participant is dependent on compliance with all conditions of allocation
- there are likely to be fees associated with purchasing, tenancing and managing properties purchased from NRAS approved participants
- any contractual arrangements in place should be checked to ensure that the relevant NRAS approved participant will comply with all legislative requirements and conditions of allocation
- the Australian Government does not endorse, guarantee or secure the investment in the approved dwellings in any way
- the Australian Government will not provide investment advice to potential investors about the suitability of an NRAS dwellings as an investment
- the Australian Government does not endorse organisations that promote the sale of the NRAS properties to private individual investors
- standard procedures are likely to apply for loan defaults on NRAS properties. Some limited preliminary information is available on the MoneySmart website but you should also contact your financial institution.

Investors should undertake their own investigations and seek independent financial, legal and taxation advice to ensure that they are satisfied that investing in NRAS is the right investment for their individual circumstances.

Who can receive the NRAS incentive?

Only NRAS approved participants are eligible to directly receive the incentive. The incentive is paid in the form of a tax offset certificate to complying approved participants. Once the certificate is issued, other persons or entities such as members of NRAS consortia or persons or entities to whom NRAS rent flows indirectly, may be entitled to tax offsets under the terms of Division 380 of the *Income Tax Assessment Act 1997*. If an endorsed charitable institution passes on an amount of cash to a person or entity that is not exempt from income tax, that amount may be subject to income tax.

There are a number of mandatory conditions of allocation that must be met in order for NRAS approved participants to receive annual incentives for the rental dwelling. These include:


- dwellings must be rented to eligible tenants at a rate that is at least 20 per cent below the market value rent
- dwellings and management of the dwellings must comply at all times with the landlord, tenancy, building and health and safety laws of the State or Territory or local government area in which it is located
- submitting annual reports on tenant eligibility and compliance with rent rates.

Each approved dwelling is eligible to receive an annual incentive for 10 years.

The NRAS year is from 1 May until 30 April each year. Payments or tax offsets are made once compliance processes are completed. Investors should discuss the timing of payments with their approved participants.

Potential private individual investors should ensure that they have satisfactory arrangements in place to receive timely and accurate advice from the NRAS approved participant with whom they entered into an arrangement or consortium.

This advice and information is likely to include the amount they can claim as a result of the NRAS Incentive, dwelling



identification details and other required information for the completion of their tax return.

For more information visit the www.ato.gov.au.

Who is eligible to rent an NRAS property?

NRAS rental homes are available to low and moderate income Australians — people who may find it hard to pay market rental rates.

The income limits for eligible tenants are specified in the *National Rental Affordability Scheme Regulations 2008*. Income levels are assessed against gross income according to the household composition.

Each year, household income limits are indexed against percentage changes in the All Groups component of the Consumer Price Index. The 2012-13 limits can be found at the NRAS household income web page on www.dss.gov.au/nras

What is involved in managing an NRAS tenancy?

Tenancy arrangements for NRAS dwellings are the same as for any other tenancy and must comply with all State and Territory residential tenancy laws.

Tenancy managers may be not-for-profit organisations, private real estate agents, or NRAS approved participants.

In order to qualify for incentive payments, NRAS approved participants must ensure that only eligible tenants are renting NRAS dwellings and that the appropriate rent is being charged.

Tenants are selected by the NRAS approved participant, except in Queensland where they are selected from the Queensland Government's One Social Housing Register.

Investors purchasing an NRAS dwelling should note that they are likely to be charged by the NRAS approved participant for tenancy management services and fees may vary.

Are private individual investors able to sell their NRAS property or remove it from the NRAS and rent it at market rates?

Subject to the terms of their arrangements with the NRAS approved participant, private individual investors purchasing NRAS properties may sell their dwelling or

cease their participation at any time prior to completion of the 10 year NRAS term. However, generally no NRAS incentive will be payable for the part of the year in which a dwelling is withdrawn from NRAS, or for subsequent years.

Investors should carefully check the contract or agreement with the NRAS approved participant from whom they intend to purchase, or have purchased a property, for any penalties that may be incurred.

More information

For more information visit www.dss.gov.au/nras

Annexure B

Queensland Government Information for Prospective Tenants in Queensland current at May 2014



National Rental Affordability Scheme

Information for prospective tenants in Queensland

The National Rental Affordability Scheme (NRAS) is an Australian Government initiative financially supported by the Queensland Government to increase the supply of affordable rental housing across the state.

Eligibility criteria for the National Rental Affordability Scheme

To rent a property under the National Rental Affordability Scheme in Queensland, you must meet each of the following eligibility criteria:

1. You must be an Australian citizen, have permanent residency or have been issued with a temporary protection or bridging visa.
2. You must be a Queensland resident or provide evidence of a definite need to move to Queensland.
3. You or your household members must not own or part-own property within Australia or overseas. This includes residential or commercial property, land, mobile home or caravan (permanently connected to utilities).
4. Your household's combined liquid assets, meaning money in the bank, shares, investments and superannuation payouts, must not exceed \$84,812.50 for a single person or \$105,375.00 for two or more household members.
5. Your proposed household's combined annual gross income must not exceed the following limits:

NRAS household income limits – indexed as at 1 May 2014		
Household type	At commencement of NRAS tenancy initial income limit must not exceed*	During NRAS tenancy upper income limit must not exceed*
One adult	\$47,289	\$59,111
2 adults	\$65,378	\$81,722
3 adults	\$83,466	\$104,333
Sole parent with 1 child	\$65,423	\$81,779
Sole parent with 2 children	\$81,108	\$101,385
Sole parent with 3 children	\$96,793	\$120,991
Couple with 1 child	\$81,063	\$101,329
Couple with 2 children	\$96,748	\$120,934
Couple with 3 children	\$112,433	\$140,541

* Refer to the notes on page 2 regarding the initial and upper income limits.

To calculate NRAS eligibility for household types not identified in the table above, please use the following income limits.

	Initial income limit	Upper income limit during tenancy
First single adult	\$47,289	\$59,111
Each additional adult	\$18,089	\$22,611
Each child	\$15,685	\$19,606
First sole parent	\$49,738	\$62,172

For further information on eligibility please contact Department of Housing and Public Works Housing Services Call Centre on 1300 880 882 or email nras@communities.qld.gov.au.

Please note:

- Household income cannot exceed initial income limit at the point of application.
- Tenants whose income exceeds the relevant upper income limit for their household type for two consecutive eligibility years cease to be eligible tenants.
- Income eligibility limits for the National Rental Affordability Scheme are higher than those for social housing.
- Income levels above are assessed on the total income for a household, not individuals within the household.
- Yearly rent increases for scheme properties are capped at the rental component of the Consumer Price Index (CPI).
- Tenants renting a property through the Scheme may be eligible for rent assistance, subject to the normal Centrelink eligibility criteria.
- The appointed tenancy managers of Scheme properties will select which eligible applicants will be housed through the Scheme.
- The department has no involvement in the management of these tenancies.

How to register for the National Rental Affordability Scheme

If you would like to apply for a property to rent through the National Rental Affordability Scheme first check that you meet the eligibility criteria above, before completing the online tenancy application form. The online application form is found at www.hpw.qld.gov.au then follow the quick links to the National Rental Affordability Scheme page. Alternately, you can obtain an application form by contacting the department's Housing Services Call Centre on 1300 880 882 between 6am and 6pm, Monday to Friday.

If you are already approved for the department's housing register you do not need to apply again to be considered for rental accommodation through the National Rental Affordability Scheme. To register your interest contact the department's Housing Services Call Centre on 1300 880 882 between 6am and 6pm, Monday to Friday.

How to rent a National Rental Affordability Scheme property

Once registered as an NRAS client you can apply to rent a property under the Scheme. At the time of submitting your application to the tenancy manager you will be required to provide documentation that verifies your identity and household income and sign a declaration form that all the information you have provided is true and accurate before an offer of tenancy can be made.

Prospective tenants can seek details of properties currently available in Queensland by visiting [National Rental Affordability Scheme Properties for Rent](http://www.realestate.com.au) on realestate.com.au. These dwellings are listed by an approved tenancy manager and all information regarding the dwelling can be obtained by contacting the listed tenancy manager directly. Additional information about properties currently available in Queensland can also be found by contacting a tenancy manager from the list of NRAS approved tenancy managers on the department's website at [Information for Prospective Tenants](#).

For more information

For more information about the Scheme contact the Department of Housing and Public Works Housing Services Call Centre on 1300 880 882 between 6am and 6pm, Monday to Friday.

Annexure C



National Affordable Housing Consortium

Annexure C: Fees and Charges 2014 - 2015

Fees and Charges		Fee or Charge	Payable To
Management Fee	<ul style="list-style-type: none"> Property Management Fee 	<ul style="list-style-type: none"> 10% of Market Rent per week + GST-indexed annually 	<ul style="list-style-type: none"> The Property Manager paid as a deduction to rent
	<ul style="list-style-type: none"> Consortium Fee 	<ul style="list-style-type: none"> \$63.93 per calendar month + GST- indexed on the 1st of May each year (depending on CPI increase) 	<ul style="list-style-type: none"> NAHC. Paid as a deduction to rent
Lease / NRAS Delivery Agreement	<ul style="list-style-type: none"> Issuing of NRAS Legal Documents Preparation of documentation, which may include any Special Conditions imposed by the Federal Government, any Body Corporate requirements including Exclusive use areas, etc Mortgagee Consent – following up Owner Registration of Lease (where applicable) Issuing of Property Management Agreement 	<ul style="list-style-type: none"> \$1,000.00 + GST plus Disbursement Costs (as of 1st May 2014 *subject to change) 	<ul style="list-style-type: none"> Pay directly to the legal representatives for NAHC
	<ul style="list-style-type: none"> Negotiations of the terms of Agreements 	<ul style="list-style-type: none"> Hourly Rates (just for special circumstances) 	
	<ul style="list-style-type: none"> Registration of Head Lease on the Title 	<ul style="list-style-type: none"> \$162.90 per lease per property (as of 1st May 2014 *subject to change) 	<ul style="list-style-type: none"> The Queensland Land Registry via the legal representatives for NAHC
	<ul style="list-style-type: none"> Mortgagee Consent 	<ul style="list-style-type: none"> Various—Dependent upon the Owner's Bank 	<ul style="list-style-type: none"> Your Bank
	<ul style="list-style-type: none"> Sales and Substitution—Assigning Lease or NRAS Delivery Agreement 	<ul style="list-style-type: none"> Costs to be advised will include Legal Fees and Administrative Costs - some costs will be payable by the incoming owner 	<ul style="list-style-type: none"> NAHC and the legal representatives of NAHC
	<ul style="list-style-type: none"> Termination of Lease or NRAS Delivery Agreement 	<ul style="list-style-type: none"> Costs to be advised – will include Legal Fees and Administrative Costs 	<ul style="list-style-type: none"> NAHC and the legal representatives of NAHC
	<ul style="list-style-type: none"> No-fault Cancellation of NRAS Delivery Agreement by Owner 	<ul style="list-style-type: none"> \$2000 plus GST as at 01 May 2012, indexed annually at CPI (Brisbane). 	<ul style="list-style-type: none"> NAHC
Valuation	<ul style="list-style-type: none"> Market Rent Determination (Valuation) <ul style="list-style-type: none"> At the commencement and at the end of years 4 and 7 of the NRAS Incentive Period 	<ul style="list-style-type: none"> Owner pays approximately \$200 to \$300 per dwelling + GST (exact cost depends on dwelling location and number of NRAS in area). 	<ul style="list-style-type: none"> The Valuer
Insurance	<ul style="list-style-type: none"> Annual Insurance Policy 	<ul style="list-style-type: none"> Dependant on the property value and location <ul style="list-style-type: none"> Refer to Product Disclosure Document 	<ul style="list-style-type: none"> The Insurance Company