

GUIDANCE NOTE

Coronavirus (COVID-19) Housing Registrar second update

This guidance note provides the second update from the Housing Registrar regarding coronavirus (COVID-19) and the community housing sector.

This guidance note from the Housing Registrar contains:

1. A general regulatory update following the Housing Registrar COVID-19 update communicated on 2 April 2020;
2. The Housing Registrar's stress testing on the financial impact of coronavirus on the community housing sector;
3. Information for registered agencies on new tenancy requirements inserted into *Residential Tenancies Act 1997* following the commencement of the *COVID-19 Omnibus (Emergency Measures) Act 2020* (Omnibus Act); and
4. Clarification on reportable events up until 29 September 2020 (the duration of the Omnibus Act).

General regulatory update

The Housing Registrar is receiving weekly reports from registered agencies that are materially impacted by coronavirus (in compliance with the Housing Registrar COVID-19 guidance issued on 2 April 2020). We are finding that registered agencies have implemented a range of precautionary measures to mitigate the impact of the coronavirus pandemic on their businesses and to minimise risks to staff and tenants. Registered agencies that manage rooming houses have faced additional challenges and we have engaged with those providers to understand how emerging risks and business continuity plans are impacting their organisations and tenants.

It is reassuring to see that the sector has acted quickly to put appropriate measures in place and has been responsive to emerging government policy, legislation and guidance.

As communicated in our previous update, the Housing Registrar acknowledges the impact coronavirus and precautionary measures may have on Key Performance Measures and other regulatory requirements for some registered agencies.

Precautionary measures have also impacted service delivery KPMS including non-urgent maintenance and vacancy turnaround times. These impacts will be taken into account in the annual compliance assessments for the 2019-20 performance cycle.

The Housing Registrar will take into account all environmental factors impacting registered agencies' performance including compliance assessment and revising regulatory plans where required. However, it is important that registered agencies continue to conduct tenant satisfaction surveys to gain a tenant perspective and identify opportunities for continuous improvement. If you require further guidance, please speak to your lead regulator.

If you have any concerns about the impact coronavirus is having on your capability to meet regulatory requirements, please speak to your lead regulator.

Stress testing on the financial impact of coronavirus on the community housing sector

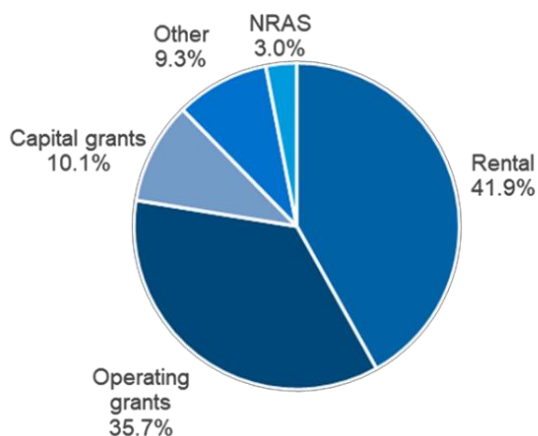
The Housing Registrar has carried out financial stress testing analysis to estimate how coronavirus may impact the financial viability of the sector during 2019-20, including the impact to operating EBITDA and liquidity.

We estimate that rental revenue (accounting for 41.9 per cent of 2019-20 forecast revenue) may be materially impacted by coronavirus in 2019-20 however grants, NRAS Subsidy and other sources of 2019-20 forecast revenue are unlikely to be impacted by coronavirus. The results of the stress testing model demonstrated below depicts the impact of coronavirus on the sector in this financial year and is based on data from between March 2020 and end of June 2020.

2019-20 forecast operating EBITDA margin may only be moderately impacted by coronavirus as indicated in the analysis below. This is driven by the sectors reliance on revenue from sources estimated to be unlikely impacted by coronavirus in 2019-20 and the estimation that coronavirus will only impact the sector for the final last three and a half months of 2019-20. We also estimate that 2019-20 forecast liquidity is unlikely to be materially eroded as indicated in the analysis below, this is driven by the sectors strong cash and current asset position going into coronavirus.

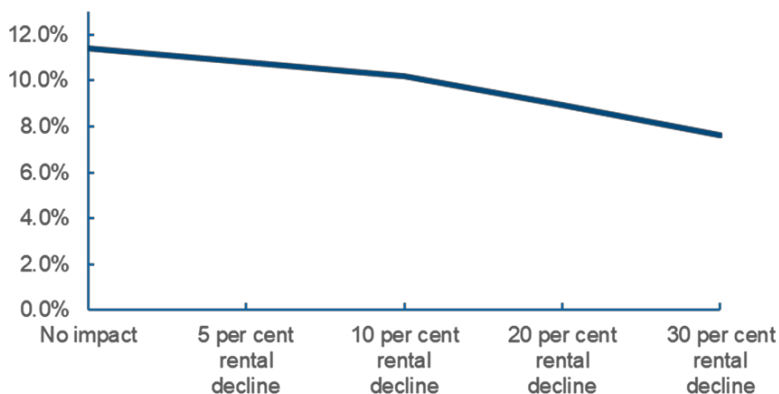
Further stress testing may be required to estimate how coronavirus may impact the financial viability of the sector during 2020-21. Throughout 2020-21, the Housing Registrar will continue to collect information and update the stress testing model to monitor the impact of coronavirus on the sector.

2019-20 forecast revenue breakdown

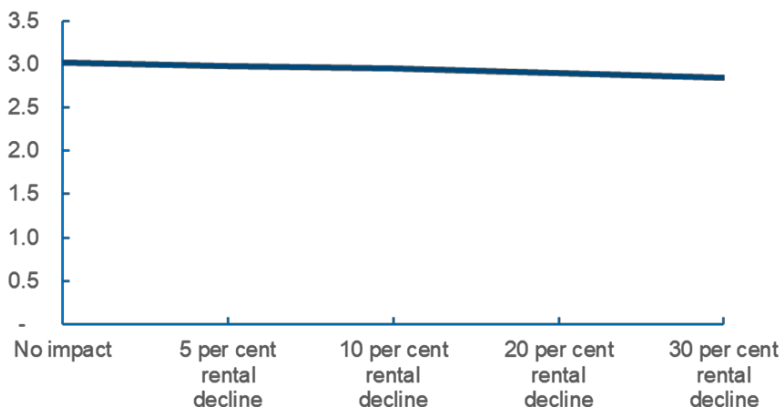


Residential Tenancies Act 1997

2019-20 operating EBITDA stress testing



2019-20 current ratio stress testing



Source: Registered agencies 2018-19 financial performance reports.

Notes:

- 2019-20 forecast revenue excludes non-cash income.
- 2019-20 forecast operating EBITDA margin does not include capital grants and non-cash income.
- 2019-20 forecast current assets erosion to cash balance is equal to rental revenue decline estimations. It does not include non-cash income.
- The current ratio is calculated by dividing total current assets by total current liabilities.
- All analysis is based on 2019-20 forecast data submitted to the Housing Registrar by registered agencies.

COVID-19 Omnibus (Emergency Measures) Act 2020 and new requirements for registered agencies

On 23 April 2020, the Victorian Government passed the *COVID-19 Omnibus (Emergency Measures) Act 2020* (Omnibus Act). This Act has made several temporary changes to the from as early as the 29 March 2020 until the 29 September 2020. These changes include:

- a ban on increases to rent payable under a tenancy agreement.
- a ban on the use of Notices to Vacate and voiding notices already served unless the termination date is prior to 29 March 2020.
- the requirement for landlords to seek a Termination Order from VCAT in order to seek an eviction and a limitation on when evictions may be sought.

- the limited circumstances where a termination order may still be granted by VCAT under s549 of the Omnibus Act include, but are not limited to:
 - if a tenant is:
 - causing serious damage to a property;
 - endangering the safety of, threatening, or intimidating neighbours, landlords, contractors or employees
 - using the home for illegal purposes
 - failing to comply with their obligations under a tenancy agreement or the RTA, including by not paying rent, in circumstances where the tenant could comply with the obligations without suffering severe hardship.
 - if the property is being sold;
 - if premises are unfit for human habitation; and
 - if the tenant has sublet without the landlord's consent.

Following these changes and in agreement with DHHS and CHIA Vic, the following requirements also apply to registered agencies during the COVID-19 period:

- COVID-19 income-related payments (such as the Coronavirus Supplement and Economic Support Payment) must not be included in income-based rent calculations.
- no tenant should be evicted solely due to financial hardship.
- registered agencies should seek to sustain tenancies in all circumstances unless absolutely necessary.

Additional reportable events and communication to the Housing Registrar

We acknowledge the above changes may present challenges for tenancy management and rent setting for some registered agencies. However, to ensure the mitigation of potential reputational impacts to the community housing sector under *Performance Standard 5: Probity and Performance Standard 1: Tenant and Housing Services registered agencies* must submit as a reportable event:

- any decision made to end a tenancy from 29 March 2020 until 29 September 2020 for any reason; and
- any plans to increase rents from 29 March 2020 until 29 September 2020 (if agencies believe this is legislatively compliant).

Additional information on the impact on registered agencies and measures taken to respond to COVID-19 will be provided in the next Housing Registrar newsletter in early May 2020.