

DELIVERING AFFORDABLE HOUSING IN MELBOURNE

ACTIONS, OPPORTUNITIES AND IMPLEMENTATION

2017 HOUSING SUMMIT BACKGROUND PAPER

MELBOURNE SCHOOL OF DESIGN —
TRANSFORMING HOUSING
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ACKNOWLEDGEMENT

The authors would like to acknowledge the following organisations for their support and assistance with the development of this report:

The Lord Mayor's Charitable Foundation

The City of Melbourne

The Brotherhood of St Laurence

Launch Housing

The University of Melbourne, Faculty of Architecture, Building and Planning

Delivering affordable in Melbourne: Actions, opportunities and implementation
2017

Published by

Transforming Housing

Melbourne School of Design

Faculty of Architecture, Building and Planning

The University of Melbourne

www.msd.unimelb.edu.au

Lead Author: Katrina Raynor

Contributions by Transforming Housing researchers and the Transforming Housing
Advisory Committee



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EXECUTIVE SUMMARY

TRANSFORMING HOUSING IS LOOKING FORWARD TO HOSTING *THE HOUSING SUMMIT: TRANSFORMING HOUSING IN 2017* ON JUNE 2ND. THE SUMMIT WILL BE AN OPPORTUNITY FOR STATE AND LOCAL GOVERNMENT REPRESENTATIVES, DEVELOPERS, ARCHITECTS, COMMUNITY HOUSING PROVIDERS, ACADEMICS, INVESTORS AND PHILANTHROPIC ORGANISATIONS TO COME TOGETHER TO DISCUSS THE MOST PRESSING ISSUES AFFECTING AFFORDABLE AND SOCIAL HOUSING IN MELBOURNE.

The Summit will focus on opportunities for action and implementation and will respond to the recently released Homes For Victorians and 'refreshed' Plan Melbourne. In particular, it is designed to instigate discussions that could result in pilot projects, the implementation of policy and future partnerships. It will focus on three timelines; immediate actions through to June 2018; short-term actions to be completed in the next 3 - 5 years and medium-term actions for the years to 2030.

The Summit will also launch the **Lord Mayor's Charitable Foundation's Affordable Housing Challenge** – an innovative initiative aimed at encouraging cross sectoral solutions to increasing the supply of affordable housing in metropolitan Melbourne. The Foundation is putting a \$1 million grant and a potential \$2 million impact investment (through Social Enterprise Finance Australia) forward to kick start a process of demonstrating new ways of increasing affordable housing in Melbourne. The project focuses on housing for people facing financial disadvantage.

The Summit will cover ten key topics focused around three themes as outlined below;

INTEGRATED HOUSING POLICY

1. *Defining affordable housing and setting numeric targets*
 - a. What categories should be used? Should incomes be adjusted for household size? What affordability benchmark is appropriate for private rental and home ownership tenures? What kinds of housing targets for those income categories can be set that are realistic yet ambitious? What kind of reporting should take place and under what timelines?
2. *Creating integrated community planning and spatial housing targets*
 - a. At what scale should housing targets be set? Should they consider housing tenure, size and type? How can these housing targets inform good community planning and connect to infrastructure provision? Can housing and precinct plans be linked to expedited approvals?
3. *Next steps for inclusionary zoning*
 - a. How can voluntary or mandatory inclusionary zoning be implemented in Victoria? If the current scheme is strengthened, should it be across the board or continue to be in targeted areas? How can these be best incorporated into urban renewal areas, government land and other 'deals'? What incentives (density bonuses, fast-tracking of applications) might be offered to encourage the delivery of targets? What mechanism is required to ensure affordability in perpetuity? How can this policy be evaluated in 2 years and adjustments made?

INVESTMENT AND FINANCE

4. *Utilising the Social Housing Growth Fund and loan guarantees*
 - a. What is the best way to maximize current state government loan guarantees and low interest loans and the Social Housing Growth Fund to galvanize philanthropic and private finance? How could local governments with land and willingness to increase social and affordable housing, participate in the Social Housing Growth Fund, what lead times do they need, how could consortia bid for their land? What criteria should be applied to assessing bids for funding?
5. *The role of the Federal Government in funding and planning for housing*
 - a. Is there anything else Commonwealth government could do to maximize affordable rental? What needs to happen to support the bond aggregator model proposed by the Federal Government working well with Victorian State strategies? Are institutional investors, housing associations, government and private developers prepared to respond to institutional investment in affordable rental housing?

PARTNERSHIPS AND INNOVATION IN HOUSING PROVISION

6. *Rapidly scaling up affordable housing through redevelopment and transfer of public housing supply*
 - a. What should be the evaluation criteria? What kind of partnerships would deliver new communities that service a broad range of households types and incomes? How can we increase not only social housing for extremely low income, but also low income rental there, while keeping potential for cross-subsidy through income mix? What are our exemplars? How could the sites in these initiatives be packaged together to deliver best value for money to Government? How should the fast-tracking of public housing redevelopment be implemented?
7. *Partnerships for housing, services and management*
 - a. How do we ensure housing is accompanied by associated services and on-going management? How can consortia include service delivery organisations and quantify the social outcomes as a result of their proposals so they can be considered in evaluation? What could be the multiplier effect if these initiatives are bundled with other social housing and planning initiatives?
8. *Rapidly scaling up affordable housing through use of government land*
 - a. What kinds of mapping of sites (local, state, Commonwealth) could help? What level of subsidy is required for first home owner buyers, affordable rental and social rental housing outcomes? What are our exemplars? Are there any additional barriers that need consideration?
9. *Rapidly scaling up affordable housing through small scale initiatives in General Residential Zone and Neighbourhood Residential Zone*
 - a. Should secondary units be approved as-of-right? What design elements are important to creating flexible housing options? What kinds of targets could be set for secondary units? How could these units maintain affordability over time? What are our exemplars?
10. *Responding to the National Disability Insurance Scheme*
 - a. How can the NDIS Specialist Disability Accommodation funds be optimally utilised to address needs and preferences of eligible participants? What adjustments are necessary in social and affordable housing design, allocation and management to address growth in demand from people with disability? What forms of partnership and regulation involving governments and private sector housing construction and investment markets are necessary to address the shortfall in affordable, suitable housing for people with disability?

The Housing Summit: Transforming Housing in 2017 will allow participants to discuss these issues in small groups and also engage in larger debates. The recommendations and findings that arise from the summit will be recorded and will form a report designed to influence state and local policy and provide additional information and tips for stakeholders currently delivering affordable and social housing projects.

1 INTRODUCTION

1.1 ESTABLISHING THE NEED

In March 2017, the Victorian State government released two key policy documents that together begin to address the affordable housing crisis: Homes for Victorians and the revised Plan Melbourne. In conjunction with the advisory report from Infrastructure Victoria on a 30 Year Plan (which includes social housing as critical social infrastructure), this provides a new basis to address a growing need.

According to its metropolitan strategy, Melbourne needs 1.6 million more homes in the next 30 years to accommodate its growing population (Victoria State Government, 2017b). Melbourne already has a severe and increasing lack of housing that is affordable and accessible to extremely low, very low, low and moderate income households and this growth will exacerbate existing housing pressures. The next 30 years will necessitate the large-scale provision of homes that are affordable, appropriate and located with access to jobs and services.

There is a huge unmet need for extremely low income housing, leading to increases in homelessness. Only 2.5% of Melbourne's housing stock is public housing rental, well below Australia's average of 4.8% (Groenhart & Burke, 2014). Further, Hulse et al. (2014) estimate that in 2011 there was a shortage of 72,200 homes available and affordable for households in the lowest 40% of income levels. This figure was a 35% increase from 2006 levels. Households in the lowest two income quintiles face severely unaffordable rent in Greater Melbourne (SGS Economics and Planning, 2015). These trends will worsen as property prices and rents increase, unless there is substantial intervention to improve the provision of affordable housing for very low to moderate income households.

We need at least 101,000 more social housing units by 2030 to meet the Housing Register need – that's over 6,000 additional dwellings per year (Burke, 2016). This is substantially more social housing than the average of 1200 units added per year over the last decade (see Figure 1) (Productivity Commission, 2015). In addition to replenishing social housing stock, a further 6% of the total new units built - 96,000 units- will need to be well below market cost (.idcommunity, 2011). In order to redress the backlog and meet future needs, we will need to produce 6,500 units of deeply subsidized housing per year for the next 30 years.



Figure 1: Social housing provision in Victorian 2004-2014

Australia needs what most other countries already have – which is an affordable private market rental or limited equity homeownership for those who cannot afford buying a home, or who are retired and on limited income. At least 15% of additional new housing should be provided as perpetual affordable rental to meet this need. That is 12,000 units per year for the next 30 years.

Addressing this scale of housing need is a significant challenge that will require input from a range of stakeholders from government, private industry and the not-for-profit sector. The future of affordable housing will be delivered through partnerships – let's learn from each other to transform housing.

1.2 TRANSFORMING HOUSING

Transforming Housing is a university-industry partnership convened by the University of Melbourne. It is an action-research project focused on influencing and supporting the transformation of the housing policy and delivery environment in Victoria. Since 2013, we've been working with private developers, not-for-profit housing providers, local and state government, and investors, to collaboratively create innovation in regulation, finance and design, to enable more quantity and quality of affordable housing for very low, low and moderate income households. We focus on policy advocacy, support for innovative affordable housing projects, building industry capacity and research outputs. By affordable housing, we mean housing that is well-located in relation to public transport and services and which costs no more than 30% gross household income (including rent or mortgage/tax/utilities) for extremely low to moderate income households.



1.3 HOSTING A SECOND HOUSING SUMMIT

In May 2015 Transforming Housing hosted an invitation-only Housing Summit that brought together 60 researchers, government officials, developers, planners, investors and not-for-profits to form a 'coalition of the willing' with an interest in affordable housing in Melbourne. Much has changed in the two years since the last Housing Summit. Access to affordable housing has decreased and the number of people sleeping rough in the CBD has increased markedly. Over the same period, 280 rooms in last resort housing facilities have been lost (Witte, 2017).

However, not all changes have been negative. Numerous new affordable housing projects have been produced and new partnerships and innovative delivery models are emerging. The collaboration between [Launch Housing and VicRoads in Footscray](#), the [new funds for housing provided by the Family Violence initiative](#), and the [large-scale public housing stock transfer to Aboriginal Housing Victoria](#) are some examples of innovative approaches to affordable and social housing.

In March, State Government has released the long-awaited [Homes for Victorians](#), the integrated housing strategy called for in the 2015 Housing Summit. The current 'refreshed' version of [Plan Melbourne](#) was released in March as well, with greater priority given to affordable housing. [The 30 Year Infrastructure Strategy](#) released by Infrastructure Victoria also placed a high emphasis on how to finance social housing as critical infrastructure. In addition, the May Federal Budget has introduced a range of reforms aimed at addressing housing affordability, rental stress and homelessness.

The 2017 Housing Summit will examine the changing context of affordable housing in Melbourne and focus on implementation. We will examine what we have learned in two years, how things have progressed and discuss the future challenges and opportunities for affordable housing in Melbourne. The event will focus on generating and maintaining deliberative partnerships and will call on participants to make commitments and recommendations about affordable and social housing provision in Melbourne. This background paper is intended to provide context for the key topics to be addressed at the 2017 Summit and stimulate conversations between participants. It also highlights the ten questions the Summit will raise.

The 2015 Affordable Housing Summit investigated three themes; policy and regulation; money and financing; and partnerships and future actions. The summit resulted in ten ideas for transforming housing in Melbourne. They were;

1. Integrated Policy (including a suggestion for an Integrated Housing Strategy)
2. Inclusionary zoning
3. Density bonuses
4. Greater regulatory efficiency
5. Direct Government funding
6. Social investment and Philanthropic Options
7. Using government land
8. Partnerships
9. Design and construction strategies
10. Demonstration projects and solutions competitions

Many of these recommendations have been acted upon by the state government, to varying degrees. Now it is time to meet again.

The 2017 Housing Summit will focus on implementation; the next steps the sector needs to take to meet the large deficit of affordable housing in Melbourne. The Summit will address similar themes as the 2015 Summit but will change focus to reflect changing housing contexts and the progress that has been made in the last two years. The themes of The Housing Summit: Transforming Housing in 2017 will be:

- Integrated Housing Policy
- Investment and Finance
- Partnerships and Innovation in Housing Policy

It will provide an opportunity to workshop key questions in the affordable housing sector and create solutions and partnerships to progress affordable housing aims.



Dr Clare Newton presenting at the 2015 Housing Summit

2 INTEGRATED HOUSING POLICY

Integrated housing policy and regulation remains an integral component of affordable housing provision in Victoria. After years without an integrated housing policy or dedicated and consistent funding streams for affordable and social housing, it is encouraging to see recent policy announcements addressing these issues. Progress in this area relies on a standardised and legally enforceable definition of affordable and social housing, spatial targets for housing provision and a greater connection between infrastructure and affordable housing provision.

2.1 INTEGRATED POLICY

The [2015 Housing Summit](#) explicitly called for an integrated housing strategy to provide a framework, target, timelines and funding and policy mechanisms for the provision of affordable housing. The March release of Homes for Victorians has delivered this integrated policy, including \$1 billion Social Housing Growth Fund, \$1 billion in guaranteed loans and a pilot Shared Equity program. While Transforming Housing commends the State Government on this policy and supports investment in affordable and social housing, the policy leaves many questions unanswered.

Effective, integrated planning includes the following seven elements; 1) a clear vision and specified goals, 2) a process for including key stakeholders, 3) a fact base that establishes needs or problems, 4) a selection of options based on transparent analysis, 5) an estimation of costs and sources of revenue, 6) identification of responsible agencies and partnerships essential for implementation and 7) monitoring and evaluation procedures (Berke & Godschalk, 2009). While the State Government has provided a vision for affordable housing there remains no quantifiable or meaningful definition of ‘affordable’ housing or any delineation of ‘very low,’ ‘low’ or ‘moderate’ income households. Similarly, there are no spatialised targets for affordable housing and no mechanisms for evaluating and monitoring affordable housing targets. Without meaningful, quantifiable targets and mechanisms for monitoring change, there is little accountability and increased risk of not achieving housing goals. This is something [Vancouver’s Housing Report Cards](#) and [Houston’s Annual Action Plans](#) acknowledge and work to avoid. The lack of definition in policy is a sizeable barrier to the enforcement of housing policy. The lack of spatialised targets can result in poorly integrated housing that forces already vulnerable households into locations with little access to jobs and services.

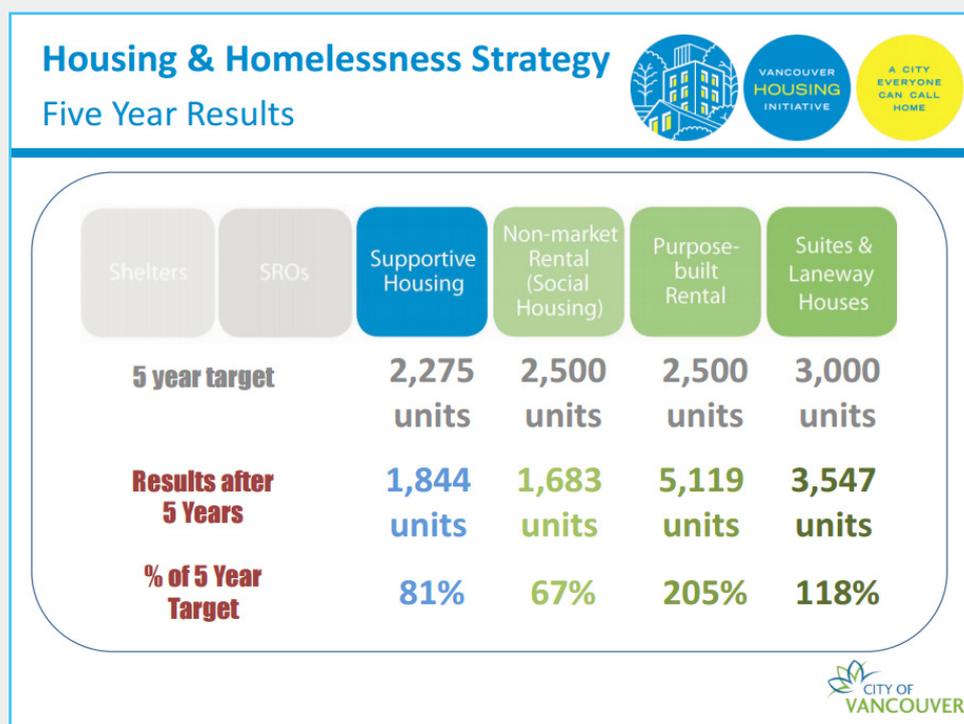


Figure 2: Vancouver’s Housing Report Card

We believe that the next step in achieving greater clarity and outcomes in affordable housing is to develop these definitions and targets. This definition is essential to the delivery of inclusionary zoning and other planning mechanisms for affordable housing. There are multiple different approaches to defining affordable housing. For the purpose of this report, we propose the definition applied in NSW and the US using gross Household Area Median Incomes. The Median Gross Housing Income for Melbourne in 2013 was \$85,488 or \$1,644 per week. Table 1 below indicates income levels for extremely low, very low, low and moderate income households. Table 2 uses these figures to recommend indicative affordable rental amounts based on the US Housing and Urban Development (HUD) metrics (Danter Company, 2017). While importing international approaches without consideration of context is unwise, it does give an indication of affordable prices at different dwelling sizes.

Income Bands	% of Area Median Income	Weekly Income Range	Annual Income Range	'Affordable' rent (at 30%)
Extremely Low	<30%	Up to \$490	Up to \$25,646	\$145
Very low	30% - 50%	\$490 - \$820	\$42,744	\$145 - \$250
Low	50% - 80%	\$820 - \$1,300	\$68,390	\$250 - \$390
Moderate	80% - 120%	\$1,300 - \$1,970	\$102,586	\$390 - \$590

Table 1: Defining 'affordable' housing for different households

	Studio	One Bedroom	Two Bedrooms	Three Bedrooms	Four Bedrooms
Extremely Low	\$104	\$111	\$133	\$154	\$172
Very Low	\$173	\$185	\$222	\$256	\$286
Low	\$276	\$296	\$355	\$410	\$458
Moderate	\$414	\$444	\$533	\$615	\$687

Table 2: Estimated affordable weekly rents by dwelling size

1

DEFINING AFFORDABLE HOUSING AND SETTING NUMERIC TARGETS:

Do the 4 categories make sense (extremely low, very low, low and moderate)? Should incomes be adjusted for household size? What affordability benchmark is appropriate for private rental and home ownership tenures? What kinds of housing targets for those income categories can be set that are realistic yet ambitious? What kind of reporting should take place and under what timelines?

We commend Plan Melbourne on its designation of six 'metropolitan partnerships' (shown in Figure 3) and its commitment to developing "new governance arrangements for metropolitan regions through Metropolitan Partnerships" (Victoria State Government, 2017b, p. 17). Plan Melbourne includes a statement that these partnerships will be engaged in medium and long term planning of Melbourne and Transforming Housing hopes this will include the creation of affordable housing targets at the Metropolitan Partnership scale. Action One in the [Five Year Implementation Plan](#) describes a role for metropolitan regional planning groups to prepare land use framework plans that will inform the review and update of local planning schemes to align with Plan Melbourne. Similarly, Action 19 includes the development of metropolitan regional housing plans to guide housing growth. There is a strong focus on accommodating growth and housing supply generally and a commitment to identifying "particular housing diversity and affordability issues" within these plans but no strong mechanisms for setting targets or supporting councils or regional partnerships to implement affordable housing solutions. We call for an integrated approach to affordable housing that co-locates affordable housing with areas with access to infrastructure, amenities and jobs and considers the needs of communities in a holistic manner.

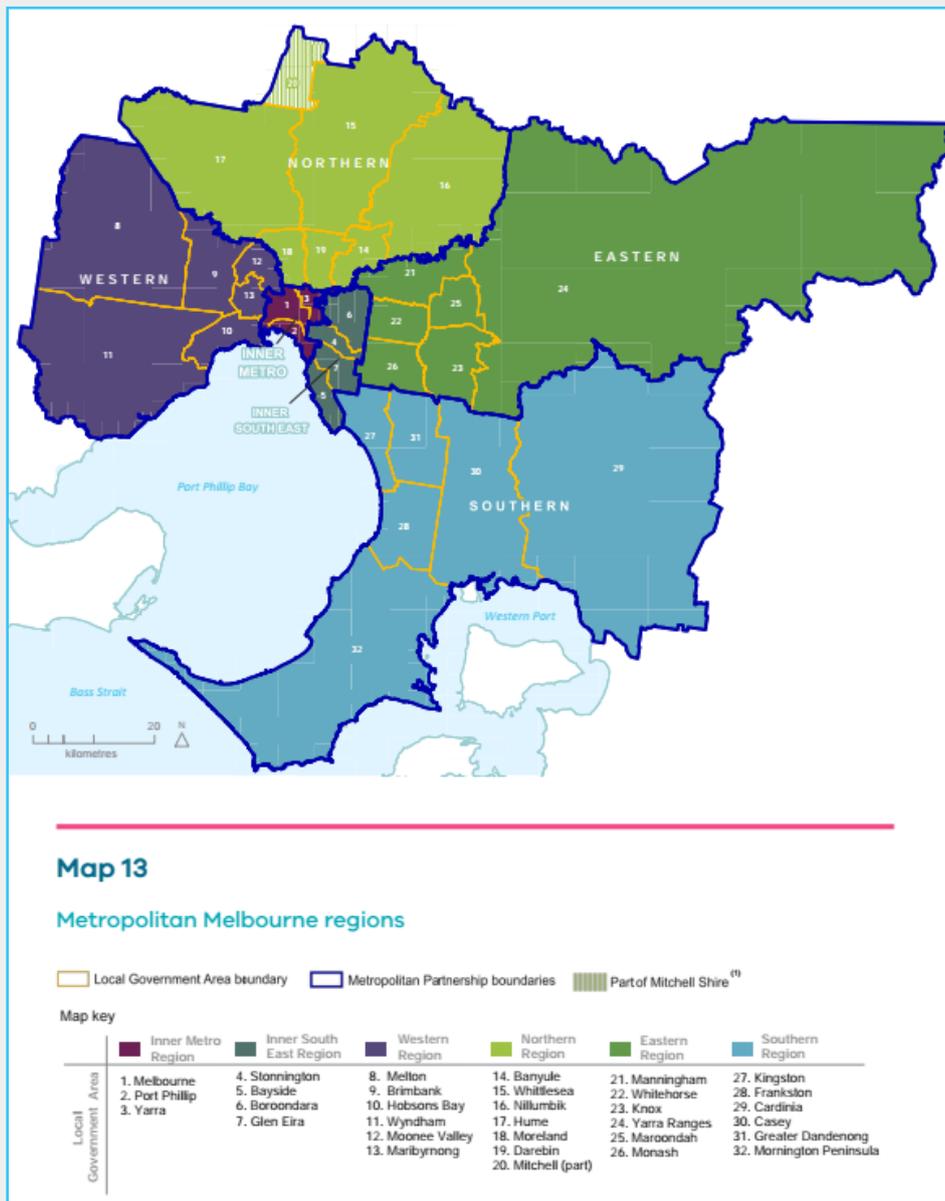


Figure 3: Metropolitan Melbourne partnerships

2

CREATING INTEGRATED COMMUNITY PLANNING AND SPATIAL HOUSING TARGETS

At what scale should housing targets be set? Should they consider housing tenure, size and type? How can these housing targets inform good community planning and connect to infrastructure provision? Can housing and precinct plans be linked to expedited approvals?

2.2 INCLUSIONARY ZONING

One key way to meet housing targets in a meaningful way is through inclusionary zoning. There are multiple examples of inclusionary zoning internationally, including in Vancouver, California, New York, London and, to a lesser extent, Sydney's Ultimo-Pyrmont precinct. New York applies an [Inclusionary Housing Program](#) that offers a floor area bonus in exchange for the creation of housing that will remain permanently affordable. London has designated [31 Housing Zones](#) with a high growth potential. Development in these zones is supported by government grants and loans to developers, Boroughs and Housing Associations and has a requirement for 30% affordable housing delivery (Breen, 2014).

Homes For Victorians proposes a pilot program on government land that could deliver up to 100 social housing homes. While we welcome any efforts to achieve inclusionary zoning in Melbourne, this small-scale pilot will not achieve the housing outcomes necessary to impact on need. In line with outcomes from the 2015 Housing Summit, we continue to recommend that inclusionary zoning be applied broadly in order to improve consistency, avoid developers choosing not to operate in jurisdictions that apply inclusionary zoning, and create greater certainty for all stakeholders. Similarly, the focus on voluntary inclusionary housing schemes, negotiated at the local council level places the onus on local governments with little power to enforce affordable housing outcomes. While there have been some exciting exceptions at the Alphington Paper Mill Site or the Channel 9 site in Richmond (both City of Yarra), there are too many examples of local council affordable housing requirements failing to be enforced. We commend the State Government's commitment to providing a clear framework for these voluntary arrangements, including a legal definition of social and affordable housing and amendments to Victorian Planning Provisions. However, the details of implementation are yet to be seen and creating a large-scale, replicable solution is essential to making a substantial contribution to affordable housing targets.

3

NEXT STEPS FOR INCLUSIONARY ZONING:

How can voluntary or mandatory inclusionary zoning be implemented in Victoria? If the current scheme is strengthened, should it be across the board or continue to be in targeted areas?? How can these be best incorporated into urban renewal areas, government land and other 'deals'? What incentives (density bonuses, fast-tracking of applications) might be offered to encourage the delivery of targets? What form of delivery should it take to ensure affordability in perpetuity? How can this policy be evaluated in 2 years and adjustments made?



Rob Pradolín presenting at the 2015 Housing Summit

3 INVESTMENT AND FINANCE

A key component of delivering scaleable affordable housing solutions is sustainable investment and financing mechanisms. The Investment and Finance stream of the Housing Summit will focus on recent announcements at the State and Federal level in relation to funding sources, loan guarantees and bond aggregators.

3.1 ACCESSING THE SOCIAL HOUSING GROWTH FUND AND GUARANTEED LOANS

In 2015, participants at the Housing Summit acknowledged that a direct government subsidy was unlikely in the existing political environment. Therefore, the recent announcement of the \$1 billion Social Housing Growth Fund (SHGF) is a pleasant and welcome surprise. This fund is designed to support a pipeline of projects to deliver more social housing in Victoria. The Victorian Government describes the SHGF as a dedicated fund “to support innovative partnerships between the Victorian Government and consortia including the community housing, private, not for profit and local government sectors” (Department of Health and Human Services, 2017). To achieve this, the State Government will “operate regular competitive funding rounds offering financial incentives to encourage consortia to develop innovative proposals to increase housing supply” (Department of Health and Human Services, 2017). Initial modelling suggests this fund could support approximately 2,200 households over the next five years. We are particularly pleased about the ongoing certainty of the fund and the Government’s commitment to continue the \$1 billion fund for social housing beyond the next 5 years.

The State Government has also announced a \$100 million revolving loan facility and \$1 billion government backed loan guarantee program for registered housing associations. These approaches echo similar programs in Scotland, the UK, Ireland, the Netherlands and Switzerland. Internationally, loan guarantee schemes have had minimal impacts on government budgets. They begin to address a key barrier to the expansion of housing associations by reducing the cost of finance. They also reduce reliance on public funds and accelerate investment in social housing. Guarantees influence the credit allocation of lenders by reducing risk to investors in the form of an agreement, outlining conditions of coupon payment in the event of default by the borrower (Lawson, 2013).

While the SHGF and loan guarantee program are welcome contributions to the landscape of affordable housing in Victoria, they pose a range of new questions. The 2,200 households predicted to be delivered through the SHGF over 5 years is insufficient to significantly address the current shortage of social housing in Victoria. The focus on partnerships and innovation will force stakeholders to work together to create affordable housing solutions. Shifts toward competitive tendering processes and a desire for alternative business opportunities and non-government funding has already prompted increased collaboration and partnering between not-for-profit housing providers and the private sector and this is likely to increase. This will necessitate considerable cooperation and collaboration within the industry. The 2017 Housing Summit will help to bring together stakeholders and potential partnerships and continue discussions about the form innovative partnerships might take.

4

State Financing:

What is the best way to maximize current state government loan guarantees and low interest loans and the Social Housing Growth Fund to galvanize philanthropic and private finance? How could local governments with land and willingness to increase social and affordable housing, participate in the Social Housing Growth Fund, what lead times do they need, how could consortia bid for their land? What criteria should be applied to assessing projects?

3.2 A ROLE FOR THE FEDERAL GOVERNMENT

While the State Government has a significant role to play in supporting affordable housing, significant change will not be achieved without support and funding from the Federal Government. The Federal Budget included several housing reforms aimed at increasing housing affordability, addressing homelessness and supporting low income households including a bond aggregator, changes to access to superannuation for first home buyers, and tax incentives for investors to provide their homes at affordable levels. A Commonwealth affordable housing strategy is essential to enable integrated action by other levels of government and the private and charitable sectors. With the new iteration of the National Affordable Housing Agreement now obliging state governments to meet targets and demonstrate housing outcomes, there are many questions about the implications of this change.

In particular, we hope for a sizeable investment in affordable rental housing for very low to moderate income households. The National Rental Affordability Scheme (NRAS), which was discontinued in 2014, began to address this need by encouraging investment in below-market rental housing. By the end of 2016, NRAS had delivered over 32,000 dwellings, including 5,774 in Victoria (Australian Government, 2016). While the scheme had a number of problems, NRAS was an effective supply stimulus, delivering tens of thousands of units in a relatively short timeframe. The discontinuation of the scheme just when momentum and private-sector investor confidence was building is a loss for affordable housing delivery and setback for industry confidence in housing policy (Rowley et al., 2016). It appears the federal budget's answer to this need is increasing Capital Gains Tax concessions to individuals investing in qualifying affordable housing managed through a Community Housing Provider (CHP). We note the property only needs to be affordable for three years to receive this concession and that there is opportunity to contribute to the finalisation of this scheme.

We welcome policy announcements from Scott Morrison supporting a Bond Aggregator for affordable housing. A bond aggregator is designed to aggregate and source large amounts of capital from the bond market to provide lower interest, long-term loans to not-for-profit housing associations developing housing for lower income households (Lawson et al., 2014). The model involves establishing an expert, not-for-profit entity to assess loan applications from Community Housing Providers, raise funds from bonds issued by specific banks to institutional investors, distribute the money to CHPS and manage repayments. These bonds would receive a government guarantee to reduce risk. This model has the potential to leverage private investment in affordable rental housing but will require input from a range of stakeholders across CHPs, government, investors and banks.

5

The role of the Federal Government:

Is there anything else Commonwealth government could do to maximize affordable rental? What needs to happen to support the bond aggregator model proposed by the Federal Government working well with Victorian State strategies? Are institutional investors, housing associations, government and private developers prepared to respond to institutional investment in affordable rental housing? How will the CGT concession impact community housing providers and low income earners?

4 PARTNERSHIPS AND INNOVATION FOR HOUSING PROVISION

Affordable and social housing is increasingly being delivered through partnerships between not-for-profit housing providers, the private sector, government and philanthropy as fiscal constraints and policy directions reduce the direct role of government in delivering and operating housing. Recent policy and funding mechanisms necessitate the creation of consortiums to deliver affordable housing solutions. Similarly, future housing solutions will require innovative housing design to reflect the changing needs of occupants.

4.1 REDEVELOPMENT AND TRANSFER OF PUBLIC HOUSING SUPPLY

Many jurisdictions in Australia and internationally are using the regeneration of well-situated public housing estates as a mechanism for improving the stock of social housing and cross-subsidising projects through the inclusion of market housing. Goals include the creation of mixed-income, mixed-tenure communities, increased density, renovation of aging public housing stock and the transfer of public housing to community housing associations. Experience in Brisbane (Brisbane Housing Company), Canberra (Eclipse), and Sydney (Bonnyrigg, Riverwood) illustrate the achievement of new housing supply by the redevelopment of state housing properties in partnership with the private sector and CHOs. In Melbourne, this process is already occurring in estates including [Markham Estate](#), [Kensington Redevelopment](#) and Flemington Estate to varying levels of success and additional renewal is planned across nine sites in Brunswick, North Melbourne, Heidelberg West, Clifton Hill, Brighton, Prahan, Hawthorn, Northcote and Ascot Vale.

Homes for Victorians designates \$185 million for a Public Housing Renewal Program. It has also committed to streamlining planning processes on public housing redevelopment estates. This model has the potential to improve community cohesion, add to social housing stock in an economically sustainable fashion and improve the quality of life for occupants across income ranges, tenures and housing types. However, this program also presents challenges, particularly in managing the re-housing of existing residents and in managing the integration of public housing, market housing and the surrounding community. To do this requires stakeholder collaboration to provide both the housing and the associated services to support tenants. The Victorian Government is currently focusing on site-by-site assessments and sounding out potential partners on how to best deliver better social housing at each site. There are multiple models for achieving social housing outcomes and future regeneration projects and stock transfers will require innovative approaches to achieving good housing and service outcomes.

6

Rapidly scaling up affordable housing through redevelopment and transfer of public housing supply:

What should be the evaluation criteria? What kind of partnerships would deliver new communities that service a broad range of households types and incomes? How can we increase not only social housing for extremely low income, but also low income rental there, while keeping potential for cross-subsidy through income mix? What are our exemplars? How could the sites in these initiatives be packaged together to deliver best value for money to Government? How should the fast-tracking of public housing redevelopment be implemented?

7

Partnerships for housing, services and management

How do we ensure housing is accompanied by associated services and on-going management? How can consortia include service delivery organisations and quantify the social outcomes as a result of their proposals so they can be considered in evaluation? What could be the multiplier effect if these initiatives are bundled with other social housing and planning initiatives?

4.2 USING GOVERNMENT LAND

Land that is currently in public ownership presents unique opportunities for affordable housing. The State Government has committed funds and intends to sell government land to residential developers at a discount price in return for construction of up to 100 new social housing dwellings over four years. This pilot program has the potential to be expanded in the future and will inform future decision making on the best use of surplus government land (Victoria State Government, 2017a). In particular, the leasing of local government land at no or very low cost for affordable housing projects can be effective. An example is the development of housing above council-owned car parks. Similarly, the use of under-utilised or no longer required State Government land for affordable housing projects is a potential strategy for delivering affordable housing. Potential sites are hospitals, schools or reservations set aside for road or rail corridors that are no longer required.

Since the 2015 Housing Summit there have been a number of innovative projects using council land. The Munro Street site near the Queen Victoria Market, which is owned by the City of Melbourne, will feature 56 affordable housing units and a range of other social infrastructure. Similarly, the City of Darebin has recently undergone a detailed process of reviewing council assets and their applicability to affordable housing projects. They have endorsed three potential sites and are progressing development in collaboration with community housing providers (Breen, 2016).

Use of State Government land for affordable housing is occurring in Melbourne as well. A recent example is the partnership between VicRoads and Launch Housing. This project will involve the development of 57 temporary dwellings across 6 sites in Maidstone and Footscray. Vicroads owns the land for the development and is retaining it for potential future road expansions on Ballarat Road. Launch Housing will lease the land at \$1 a year for at least five years and will use the land until VicRoads requests its return for the road expansion. This is an innovative example of partnerships and use of government land for social housing provision. Further projects could be supported in Melbourne using council land or land held by philanthropic organisations.



Figure 4: Launch Housing's proposed dwellings in Maidstone and Footscray

From a developers' perspective the gifting or heavy subsidisation of land by government will assist in project feasibility. By providing a situation where a major cost base, the land, is either gifted or heavily subsidised, this may offset the costs or loss in profits that is a result of provision of affordable housing. This does require careful feasibility analysis as developer profit margins are often tight for the risks they take in the development process. From a government perspective, feasibility analysis is required to ensure that the gifting or subsidising of the land is not effectively 'adding' profit to the developers margin and consequently viewed by constituents as 'giving the land away.' The gifting or discounting of land should retain development feasibility for the developer while also delivering a proportion of affordable housing.

8

Rapidly scaling up affordable housing through use of government land:

What kinds of mapping of sites (local, state, Commonwealth) could help? What level of subsidy is required for first home owner buyers, affordable rental and social rental housing outcomes? What are our exemplars? Are there any additional barriers (eg., cost-benefit considerations) that need consideration?

4.3 MEDIUM DENSITY DEVELOPMENT OPPORTUNITIES

Another key aspect of affordable housing supply is innovative approaches to increasing medium-density, un-subsidised housing in Melbourne's well-serviced inner suburbs. In particular, rules restricting 'granny flats,' also referred to as ancillary dwellings, auxiliary dwellings, accessory units, secondary units or laneway units could be relaxed. In Victoria, 'Dependent Persons Units' are allowed as-of-right (i.e. without the need for a permit) in residential zones but only if the dwellings are removable and the occupant is dependent on the persons living in the main dwelling. The refreshed Plan Melbourne states that there is a need for a greater diversity of housing, including secondary dwellings and addresses this in its goal to streamline the approvals process for specific housing types in the Five Year Implementation Plan (Action 31). These restrictions are not a feature of planning policy in NSW, where 'secondary dwellings' can be approved in 10 days if they meet criteria set out in the Affordable Rental Housing State Environmental Planning Policy. Between 2008/2009 and 2013/2014 financial years, the overall rate of secondary dwelling approvals increased in Sydney by approximately 400% (Kelly, 2016). Similarly, The City of Vancouver has been actively encouraging subdivision of existing single-family homes and development of laneway housing for almost five years, including changes to zoning to enable simple conversions and publishing simple guides for homeowners. About 500 units have been created through these mechanisms, which have been adapted by several other local governments in the Metro Vancouver area.

Medium density housing in greyfield locations can supply the sustainable and affordable development Melbourne requires. Greyfield locations, defined as ageing but occupied tracts of inner and middle ring suburbia that are physically, technologically and environmentally failing and which represent under-capitalised assets, have not seen significant or effective intensification in Melbourne (Murray et al., 2015). Most infill housing in the middle suburbs has been occurring in a fragmented, sub-optimal fashion (Newton et al., 2011). Research has suggested that there is unmet demand for this housing form with a mismatch between demand and availability in Sydney and Melbourne (Kelly et al., 2011). These housing forms provide a lower-maintenance and more affordable housing option suitable across the housing lifecycle from young couples and singles, to families, and empty nesters looking to downsize and remain in their neighbourhood. With the proportion of those aged 65 and up increasing from 13% of the population to 20% of the population, they will need to be accessible and adaptable to the needs of those wanting to live at home for as long as possible (Victoria State Government, 2017).

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Rapidly scaling up affordable housing through small scale initiatives in General Residential Zones and Neighbourhood Residential Zones:

Should secondary units be approved as-of-right? What design elements are important to creating flexible housing options? What kinds of targets could be set for secondary units? How could these units maintain affordability over time? What are our exemplars?

4.4 RESPONDING TO THE NATIONAL DISABILITY INSURANCE SCHEME

Described as one of the most significant social policy reforms in Australian history (Goggin & Wadiwel, 2014), the National Disability Insurance Scheme (NDIS) will have significant implications for people with disability, service providers and the housing industry. As individualised NDIS funding means participants will no longer be tied to a specific service or home in order to receive the support they need, this scheme has the potential to greatly increase choices about where and with whom participants live. However, successful transitions will only be possible if affordable and suitable housing is developed. Of 460,000 NDIS participants, approximately 110,000 are considered inappropriately housed, including as adults living with parents, in institutional or congregate housing, unaffordable private rental or homelessness (Disability Housing Futures Working Group, 2016). While some will be able to access social housing (30,000 – 40,000 new allocations to NDIS participants in the first ten years of the scheme), Specialist Disability Accommodation funded by the NDIS (12,000) or lower cost housing in the private market, a substantial gap of unmet affordable housing is expected for 35,000 – 55,000 NDIS participants (Disability Housing Futures Working Group, 2016).

The anticipated increase of people with disability in social housing over and above the 40% of households that already have a person with a disability, could potentially require physical stock adjustments and managerial changes (Wiesel et al., 2017). This presents questions about service provision models and decisions about who is prioritised on social housing waiting lists.

The NDIS will require changes in policy, creation of affordable and appropriate housing and changes in institutional approaches to delivering housing and services. This summit will question what needs to happen to ensure the NDIS is delivered in a way that does not constrain independent living and community participation options for participants, and more limited access to informal support networks and mainstream services (Wiesel et al. 2015).

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RESPONDING TO THE NATIONAL DISABILITY INSURANCE SCHEME:

How can the NDIS Specialist Disability Accommodation funds be optimally utilised to address needs and preferences of eligible participants? What adjustments are necessary in social and affordable housing design, allocation and management to address growth in demand from people with disability? What forms of partnership and regulation involving governments and private sector housing construction and investment markets are necessary to address the shortfall in affordable, suitable housing for people with disability?

4.5 PILOT PROJECTS AND SOLUTIONS COMPETITIONS

Pilot projects and solutions competitions are key mechanisms for building industry capacity and partnerships and presenting a proof-of-concept for affordable housing delivery. While the end-goal should be scalable and replicable mechanisms for affordable housing provision, innovation often requires nurturing and small-scale interventions. Transforming Housing is currently supporting the excellent work undertaken in the Melbourne Housing Expo and Affordable Housing Challenge.

THE MELBOURNE HOUSING EXPO

The Melbourne Housing Expo is a city-wide, cross-institutional project that aims to affect the transformation of housing provision in Melbourne through demonstration and engagement. In the tradition of the International Housing Expositions of Europe of the last 100 years, the Melbourne Housing Expo will develop housing projects that address the pressing issues of today and establish new paradigms for future practices. The Expo draws upon expertise and research from four universities: Swinburne, Monash, RMIT and Melbourne, and involves the architectural and planning professions, all levels of Government, financial and philanthropic institutions, and industry.

Through local collaboration and international engagement, the Melbourne Housing Expo will develop and promote new housing models for Melbourne that are consistent with public policy ambitions, work within environmental constraints, and offer viable alternatives to the current, dominant modes of housing provision that are not delivering the housing and neighbourhoods we need for an inclusive, liveable and sustainable future. The expo will demonstrate quality, affordable higher density housing, diversity of tenure and type, and a model of housing growth that can assist Melbourne's transition into a sustainable urban region. Exhibitions and events that frame the delivery of the Expo will help to place Melbourne at the centre of global debates about the future of cities and housing.

THE AFFORDABLE HOUSING CHALLENGE – THE LORD MAYOR'S CHARITABLE FOUNDATION

PHILANTHROPY - A TOOL TO HELP UNLOCK SOLUTIONS TO THE AFFORDABLE HOUSING CRISIS

Lord Mayor's Charitable Foundation is announcing a new challenge grant aimed at encouraging cross sectoral solutions to increasing the supply of affordable housing in metropolitan Melbourne. The Foundation is an independent community foundation that has been responding to the challenges facing Melbourne since 1923.

The Foundation is putting a \$1 million grant and a potential \$2 million impact investment (through Social Enterprise Finance Australia) forward to kick start a process of demonstrating new ways of increasing affordable housing in Melbourne. The project focuses on housing for people facing financial disadvantage.

Partnerships between not for profit organisations, especially community housing associations, and commercial developers will be a key feature of the Challenge. Leveraged financing arrangements will be encouraged, including potentially accessing one or more elements of the Homes for Victorians initiative. The Challenge includes an Advisory Committee of experts with deep knowledge of affordable housing, including representatives of the Transforming Housing Partnership at University of Melbourne.

The first step in the process will be an Expression of Interest process at the Housing Expo on June 2nd 2017 to invite local government leaders to nominate a site or airspace that is ready (or almost ready) for affordable housing development. This would be contributed to the winning project team via a transfer of land or long term lease and help meet local affordable housing goals.

Catherine Brown, CEO, Lord Mayor's Charitable Foundation

5 CONCLUSION – A PARTNERSHIP APPROACH TO AFFORDABLE HOUSING

In the two years since the last Housing Summit, the severe lack of affordable housing in Melbourne has worsened and the number of people sleeping rough has increased substantially. Despite concerted efforts from interested community housing providers, philanthropic organisations, local councils, the private market and researchers, there remains a large short fall of housing affordable and accessible to very low and low income households.

This problem is complex and will require contributions from a wide range of stakeholders over a long period of time. The recent State Government policy announcements and Federal Budget housing strategies provide some hope. However, there is more work to be done. Transforming Housing is committed to a partnership approach to affordable housing based on collaborations between a 'coalition of the willing.' The 2017 Housing Summit will seek to bring together the people with the power to make tangible changes to the landscape of affordable and social housing in Melbourne and we look forward to welcoming you to the event.

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