



31st October 2016

Infrastructure Victoria - 30 Year Infrastructure Strategy
Level 16, 530 Collins Street
Melbourne, Victoria

Dear Sir/ Madam:

Thank you for this opportunity to make a submission regarding Infrastructure Victoria's Draft 30 Year Infrastructure Strategy.

We are pleased to enclose feedback and recommendations pertaining to the affordable housing components of the Strategy.

We submit this on behalf of Transforming Housing, an action research network consisting of researchers working with industry, government, non-profit and finance partners to improve affordable housing outcomes for very low to moderate income households. The submission has been created by Transforming Housing but does not reflect the views, input and endorsement of all Transforming Housing members.

We commend Infrastructure Victoria on their focus on affordable housing in this Strategy and hope the plan results in positive outcomes for Victoria's most vulnerable households.

Sincerely,

Professor Carolyn Whitzman

Professor of Urban Planning
Lead Researcher, Transforming Housing research network

Transforming Housing

The University of Melbourne
Victoria 3010 Australia

T: +61 3 9035 4360 F: +61 3 8344 5104 W: <https://msd.unimelb.edu.au/transforming-housing-affordable-housing-all>

E: Katrina.raynor@unimelb.edu.au



RESPONSE TO VICTORIA'S DRAFT 30 YEAR INFRASTRUCTURE STRATEGY

Since 2013, the Transforming Housing project (<https://msd.unimelb.edu.au/transforming-housing-affordable-housing-all>) has brought together affordable housing researchers at the University of Melbourne with state and local government, private and non-profit housing developers, private and philanthropic funders, and other experts to work together on improving the quantity and quality of well-located affordable housing in Metropolitan Melbourne.

We have published a range of research and options papers on financing, regulatory and design mechanisms to support these goals. In particular, our [*Partnership options for policy, investment and demonstration projects*](#) paper includes greater detail about many of the recommendations provided in this submission. We are currently developing an Options Paper that sets out numbers and types of households in metropolitan Melbourne currently in need of affordable housing, suggests localized targets and provides costing for various options for providing appropriate and affordable housing.

Transforming Housing welcomes the opportunity to comment on Infrastructure Victoria's Draft 30 Year Infrastructure Strategy (The Strategy). We commend the Strategy for communicating a core vision for infrastructure and emphasizing the essential inter-relationship across key infrastructure components. This submission focuses on the following four areas;

1. Affordable housing as critical infrastructure for all Victorians
2. Building affordable and appropriate housing near jobs, services and infrastructure
3. The biggest challenge - Financing affordable housing
4. Moving towards specifics on affordable housing

The below table presents a summary of Transforming Housing's recommendations and offers in relation to the Draft 30 Year Infrastructure Strategy.

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Recommendations

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| <ol style="list-style-type: none"> 1. TARGETS: The forthcoming Victorian Housing Affordability Strategy and Plan Melbourne should provide a set of quantified targets for new housing, affordable housing and housing diversity at the local government scale 2. FINANCING: Introduce over the medium term, a universal inclusionary zoning of at least 20% for all housing in metropolitan Melbourne and possibly across Victoria 3. FINANCING: The Victorian State government should work with the Commonwealth Government to provide more funds and support through mechanisms such as Tax Credits, guaranteed returns on social housing investment or by engaging in 'City Deals' style arrangements with State and Local government 4. FINANCING: The state government could implement a state-wide progressive infrastructure levy as one mechanism to increase affordable housing 5. FINANCING: Investigate implementing a 'vacancy tax' to encourage developers and owners to rent or inhabit dwellings and develop vacant land 6. DELIVERY: The community housing sector should be strengthened to purchase or receive housing stock transfers from government and maintain properties lived in by very low income households | <ol style="list-style-type: none"> 7. INTEGRATED PLANNING: We recommend a stronger plan for the provision of community facilities, infrastructure and public spaces associated with new housing that includes funding and key criteria for implementation 8. INTEGRATED PLANNING: The State government should consider the total social, economic and environmental cost of providing new infrastructure in growth areas when calculating costs and funding for new infrastructure including highways 9. INTEGRATED PLANING: Related to (3), Infrastructure Victoria should reconsider its decision to NOT recommend management of the sequencing of greenfield development (p 54) 10. INTEGRATED PLANNING: Revenue deriving from any infrastructure charging mechanisms (such as road pricing) should go into servicing public transport infrastructure along the whole network 11. INFILL: Victoria should adopt policies from other states like NSW as well as considering Vancouver's Laneway Housing Policy to accommodate affordable secondary housing 12. AGING IN PLACE: The design of new housing should be sufficiently adaptable to support a range of household compositions and allow people with disabilities or those aging in place to remain in their communities |
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Offers

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| <ol style="list-style-type: none"> 1. Transforming Housing will continue to assist with the establishment and support of collaborative affordable housing partnerships 2. Transforming Housing is happy to help support, through research, potential funding mechanisms for renovation of existing affordable housing (including public housing) and development of new affordable housing | <ol style="list-style-type: none"> 3. Transforming Housing is committed to providing good information of the quantum of affordable housing need at various price points and quantify and elaborate key household groups requiring affordable housing by the end of 2016 4. Transforming Housing is happy to help with the identification of suitable government land provision and funding schemes to support a 30 year Affordable Housing Plan |
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1. AFFORDABLE HOUSING AS CRITICAL INFRASTRUCTURE FOR ALL VICTORIANS

Affordable housing as critical infrastructure We commend Infrastructure Victoria for acknowledging affordable housing as a vital element of infrastructure, and the decline in affordable housing as a critical threat to Victoria being “thriving, connected and sustainable” (p. 15). We particularly support the focus on affordable housing as critical infrastructure. We agree with the statement on the first page: “no one wants a Victoria where the most vulnerable don’t have access to housing” (p.4) and the call on that page for “decisive” and “bold” action on “housing for low income Victorians and densification”. We would certainly agree with the statement on p. 41 that “there is a strong case for substantially increasing the amount of money spent on social housing, given the scale of the unmet need and the potential social and economic benefits from making such an investment” and the inclusion of “investing in social and affordable housing for vulnerable Victorians to significantly increase supply” as one of the top three priorities in that same page introducing recommendations.

The scale of infrastructure planning We agree with the scale of infrastructure planning extending over the entire state, as the economic and social health of Melbourne is integral to the success of Victoria as a state, and conversely, a successful region greatly benefits the residents of Melbourne (p.27). Other geographical areas of emphasis might include those areas, including the Mornington and Bellarine Peninsulas and the Great Ocean Road, where the demand for second homes and holiday housing crowds out permanent local residents.

Affordable housing focus on metropolitan Melbourne Having said this, 80% of Victorian citizens live in metropolitan Melbourne, and it must receive its fair share of infrastructure funding, including funding for affordable housing. Within metropolitan Melbourne, 88% of private renters in the lowest income quintile pay over 30% of their income on housing and 31% pay over 50%, placing them in severe housing stress (Hulse, Reynolds, Stone, & Yates, 2015). Similarly, only 6.4% of private rental dwellings in metropolitan Melbourne are affordable to households reliant on Centrelink (welfare) payments (Department of Health and Human Services, 2016). In 2011, a total shortage of 72,200 was recorded in available and affordable housing stock for very low (lowest income quintile - Q1) and low (second lowest income quintile - Q2) households in metropolitan Melbourne. This is an increase of 35% from a shortage of 53,200 in 2006. It reflects a loss of lower rent dwellings and an increase in higher rent properties between the two census periods (Hulse, Reynolds, & Yates, 2014). This shortage is attributed in part to higher income households occupying dwellings that are affordable to low income (Q2) households in Melbourne.

A continuum of housing Transforming Housing welcomes the range of affordable housing recommendations proposed by Infrastructure Victoria. We agree that



needs appropriately addressing the need for housing for vulnerable Victorians requires several interventions across a spectrum of housing needs. We support a continuum of housing support from strategies to support those experiencing homelessness to mechanisms designed to facilitate affordable homeownership for low to moderate income households



Figure 1: The Housing Need Continuum

Principles and objectives The Principles and Objectives outlined in the 30-Year Infrastructure Strategy are a vast improvement on those provided in the previous three metropolitan planning strategies. We commend the emphasis given to “healthy, safe and inclusive communities” and the commitment to “reduce disadvantage” (p. 18). We agree that it is impossible for individuals or families to attain basic health or safety without stable and affordable accommodation near jobs and services.

Consultation and collaboration We especially commend the emphasis on consultation and collaboration with a broad range of “government and private and community sector organizations” (p. 13), with specific mention of local governments, as essential to the success of any affordable housing strategy. This partnership model (also discussed on p. 91) requires two aspects of integrated planning. Planning must be integrated vertically in relation to local, state and Commonwealth government, as well as horizontally across all state departments, the private sector and civil society. **The establishment and support of these partnerships has been a major focus for Transforming Housing, and we are happy to continue assisting in this regard (Offer 1).**

2. BUILDING APPROPRIATE AND AFFORDABLE HOUSING NEAR JOBS, SERVICES AND INFRASTRUCTURE

Linking affordable housing and services It is vital to integrate land use and transport planning much more effectively than they have been in the past. We specifically commend the link between housing for low income Victorians and densification of south and east metropolitan Melbourne areas with relatively strong public transport and social infrastructure (p.5), as low income people are especially in need of jobs and services accessible via walking, cycling and public transport. A basic principle of good integrated planning is that “land use planning decisions should factor in the capacity of existing infrastructure” (p. 41) but previous metropolitan Melbourne planning strategies have been surprisingly weak in this regard. We particularly commend the emphasis on “development in and around both



existing and new employment centres” (p. 57) as a basic principle of good integrated planning. This could be achieved through infill housing in existing neighbourhoods. **To achieve affordable options in these areas, Victoria could adopt policies from other states to accommodate secondary housing as well as considering Vancouver's Laneway Housing Policy (Recommendation 11)**

We would also like to emphasise the importance of community infrastructure that is suitable for all age groups. **We recommend a stronger plan for the provision of community facilities, infrastructure and public spaces associated with new housing, that includes funding and key criteria for implementation (Recommendation 7)**

The costs of urban expansion

We agree that this Strategy must be aligned with the final release of the refreshed Plan Melbourne as well as the report of the Managing Residential Development Taskforce (p. 54). **We would recommend that the final report reconsider its decision to NOT recommend tighter management of sequencing in greenfield growth areas (p. 54) (Recommendation 9).** As discussed below under ‘financing’, the rapid expansion of Melbourne’s urban footprint incurs largely hidden social, environmental and economic costs to all Victorians. The cost of housing is only one element in the affordability crisis affecting too many Victorians. Infrastructure Victoria should resist the simplistic notion that zero regulation and maximum land release will magically solve the affordable housing crisis in Melbourne, as greatly reduced regulation and increased greenfield land release has certainly had the opposite effect over the past 20 years.

Setting specific housing targets

Annual and longer term targets, arising from the principles and objectives, would be a welcome addition to this Strategy. The draft Strategy emphasizes the urgency of community needs, yet we are concerned that a lack of specific targets along a timeline will result in implementation failure. An overall target of 90,000 new dedicated dwellings over an unspecified period (30 years), as well as replacement housing (p.95) is a start, but much more elaborated targets, in terms of location, price points, product type, tenures and household groups, will be necessary for this target to be meaningful.

We acknowledge that 30 year plans inherently contain many unknowns and that future housing conditions are unpredictable. However, most successful housing strategies – like the *Vancouver Housing and Homelessness Strategy (2012-2021)* – are informed by 5-10 year targets and annual monitoring reports on these targets. **We recommend that the forthcoming Victorian Housing Affordability Strategy and Plan Melbourne provide a set of quantified targets for new housing, affordable housing and housing diversity at the local government scale, and in fact give this recommendation our highest priority (Recommendation 1).** These targets should consider price points, ownership and tenure structures and dwelling type. Similarly, targets should consider key locations such as National Employment Clusters and major transport hubs and corridors to better connect affordable housing to economic



and community participation. Specific annual targets would strengthen State government clarity and commitment to this infrastructure goal, provide guidance to Local Governments in responding to this strategy, and inform 'City Deal' type arrangements with the Commonwealth Government.

Figure 2 demonstrates the targets and monitoring process undertaken as part of the City of Vancouver Housing and Homelessness Strategy 2012 – 2021. Transforming Housing firmly believes that transparent, measured and monitored targets are essential to achieving additional affordable housing in Melbourne.



Figure 2: City of Vancouver Housing and Homelessness Strategy Targets: 2012 to 2021 (City of Vancouver, 2016)

Appropriate housing design Given this is a 30 Year Infrastructure Strategy, housing targets should consider future household demographics and needs. In particular, the number of people aged 65 and over is expected to triple between 2011 and 2051 (The State of Victoria Department of Environment, 2016). **The design of new housing should be sufficiently adaptable to support a range of household compositions and allow people with disabilities or those aging in place to remain in their communities (Recommendation 12).**

3. THE BIGGEST CHALLENGE - FINANCING AFFORDABLE HOUSING

The need to provide affordable housing in well-serviced locations Another way in which this draft report is an improvement on previous metropolitan planning strategies is its emphasis on how infrastructure is financed. We support the recommended funding mechanisms. We want to make explicit the challenge that lies ahead for state government in delivering affordable housing in metropolitan Melbourne. For several decades, so-called 'affordable housing' has been provided on a market-led model that shifts costs of infrastructure such as train lines, bus networks, schools,



health and social services and roads largely to the state government's general revenue stream. Not only is this greenfield housing unaffordable to very low, low and even most moderate income households, the emphasis on needing multiple personal vehicles to access jobs and essential services has led to poor health outcomes and deferred costs to individual households (Trubka, Newman, & Bilsborough, 2010). Fringe development has been associated with longer commute times, lower physical activity, lower school completion, higher youth unemployment and higher housing stress, all factors that impact on productivity, health and well-being. In effect, this has been an extremely poor use of limited land and fiscal resources, with costs borne by all Victorians.

The assessment criteria for infrastructure planning laid out on p. 24 are commendable. However, it might be useful to compare these costs to the social, environmental and economic costs of 'business as usual' – certainly in the case of absence of affordable housing, which has been languishing since the end of the Commonwealth government's Social Housing Initiative in 2011. As the Strategy outlines on page 41, "there is a strong case for substantially increasing the amount of money spent on social housing, given the scale of the unmet need and the potential social and economic benefits from making such an investment." Studies show that health and justice costs were much higher for people experiencing homelessness than the general population (Zaretzky et al., 2013). Similarly, entering unaffordable housing has been associated with lower mental health outcomes for low to moderate income households (Bentley, Baker, Mason, Subramanian, & Kavanagh, 2011). Poor housing affordability also impacts economic productivity and increases risks to the stability of the financial system (Senate Economics References Committee, 2015).

Hidden costs in greenfield development

As discussed above, we are happy to see the emphasis on spending more wisely (p. 25) and on more efficient use of state government resources, including land. We agree with the notion of using pricing to manage demand. **We recommend that the state government consider the total social, economic and environmental cost of providing new infrastructure in growth areas when calculating costs and funding for new infrastructure including highways (Recommendation 8).** This is important if we want densification of the existing Melbourne urban footprint.

Adopt universal inclusionary zoning

Any measures to provide more affordable housing within inner and middle suburbs may require indirect increases to the cost of housing. Inclusionary zoning transfers the cost of construction of housing to developers, who in turn pass on the costs to consumers. Value capture mechanisms such as increasing property or land taxes or using increased developer contributions to finance services – whether in established areas with increased demand for services like public transport or in growth areas where new transport, water, sewer and social infrastructure needs to be constructed at quite onerous cost – decreases the affordability of housing. **We would thus**



recommend the adoption of universal inclusionary zoning of at least 20% for all housing in metropolitan Melbourne and possibly across Victoria (Recommendation 2). This would ensure that the purchasers in mixed-income housing on government land are not unduly punished for developments that would benefit the ecological footprint of the state,

A role for the Commonwealth Government

We also recommend a greater role for Commonwealth investment and policy in affordable housing. We agree that the state government will need to partner with Commonwealth and local governments and the private and community housing sectors to respond to the housing challenge. **Potential Commonwealth funding mechanisms could take the form of Tax Credits similar to the National Rental Affordability Scheme, guaranteed returns on social housing investment to unlock institutional investment in social housing or 'City Deals' style arrangements with State and Local government (Recommendation 3).** Transforming Housing's *Partnership Options for policy, investment and demonstration projects* contains greater detail on these options (Whitzman, Newton, & Sheko, 2015).

Taxes and levies

We also recommend a state-wide progressive (that is, dependent on household income, or value of property) infrastructure levy as one mechanism to increase affordable housing (as well as other infrastructure) (Recommendation 4). This would recognize the principle that improved infrastructure benefits all Victorians. **Similarly, a vacancy tax should be investigated as a mechanism to encourage developers and owners to rent dwellings and develop vacant land (Recommendation 5).** This would discourage speculative investment and land-holding strategies that increase land prices without delivering additional housing.

Meeting ongoing construction and maintenance costs for social housing

While the funding recommendations for public housing refurb/ rationalisation and affordable rental housing provision on p. 94 are a good beginning, a great deal more work on elaborating how both construction and ongoing maintenance costs will be met (given the fact that low-income rents will not meet maintenance costs) is necessary. **Transforming Housing is happy to help develop greater detail for potential funding mechanisms (Offer 2)**

Using infrastructure charging revenue to fund public transport

We would further recommend (using the principle of "change behaviour and manage demand" on p. 37) that revenue deriving from any infrastructure charging mechanisms (such as road pricing) go into servicing public transport infrastructure along the whole network (Recommendation 10). This recommendation is intended ensure that concerns about increased population leading to increased demand for public transport and social infrastructure in densifying inner and middle suburbs are addressed fairly and transparently



4. MOVING TOWARDS SPECIFICS ON AFFORDABLE HOUSING

Quantifying demand We commend the report's attempts to quantify affordable housing demand and current deficits (p. 90). We agree that this is a remarkably understudied yet crucial element of any integrated planning strategy. **Transforming Housing is committed to providing information of the quantum of affordable housing need at various price points and the most vulnerable household groups requiring affordable housing by the end of 2016 (Offer 3).**

Recommendation 7.1.1 Stock transfer: While we agree with the emphasis on supporting low income tenants to remain in the private rental market (especially when community and public housing together comprise less than 3.4% of the housing stock), we also recommend supporting the community housing sector to increase the number and share of non-market housing. **The community housing sector should be strengthened to purchase or receive housing stock transfers from government and maintain properties lived in by very low income households (Recommendation 6).** This is particularly relevant given current government stock transfer activities designed to move housing from the state to community housing organisations. In the long run, we advocate for state and Commonwealth government subsidies focused on non-profit entities rather than for-profit housing providers, all other factors being equal.

Recommendation 7.2.1 Better use and allocate the existing stock of public housing: We agree that public housing must be refurbished and options expanded. We also agree that nearby accommodation must be found so that residents don't have to move during refurbishment. It is important that stock transfer to community housing must be accompanied by mechanisms to support ongoing subsidization of rents.

Recommendation 7.3.1 Affordable housing fast-track approvals: This recommendation is essential to reach targets for affordable housing near jobs and services.

Recommendation 7.3.2 As discussed earlier, we believe that inclusionary zoning for all multi-unit developments is essential to avoid a two-tiered system that might disadvantage development on government land or in areas of uplift. We agree with other incentives, such as floor area ratio bonuses, but local governments are going to need support to undertake these mechanisms effectively. Value capture mechanisms should be investigated further as revenue sources for affordable housing, as is the case in Portland, US.

Recommendation 7.4.1 A statewide 30 year affordable housing plan is essential, and we completely agree with the identification of suitable government land provision and funding schemes to support such a pipeline. Transforming Housing believes this plan is an urgent policy issue and should be finalized within 1 year,

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rather than the 0-5 year range stated in the Strategy. **Transforming Housing is happy to help with this work (Offer 4)**

Recommendation 7.4.2 We have some concerns about any emphasis on crisis and transitional housing at the expense of integrated housing and support models. We support more effective interventions targeted at household needs and circumstances, such as rapid re-housing (Housing First); supported housing and integrated transitional housing models. These programs are aimed at vulnerable groups such as households escaping domestic violence, young people leaving institutional settings and ex-offenders. Programs such as the Education First Youth Foyer (Hanover and the Brotherhood of St Laurence, 2016) can help to provide young people with the skills, support and confidence necessary to avoid experiencing homelessness in the future. Similarly, Housing First approaches, including time limited housing and support packages aimed at particular household needs, have been proven to be effective. (See Mason and Grimbeek (2013) for a description of Housing First and a discussion of the economic benefits of this approach). The current Strategy does not provide a recommended funding mechanism for this housing assistance infrastructure and this should be addressed in the final document.

Recommendation 7.4.3 Affordable private sector housing would improve outcomes for moderate income households, but may not be the most effective response for very low and low income households. We agree that various low-subsidy mechanisms (ranging from reduced parking requirements to a proportion of inclusionary zoning being for moderate income workers) be investigated. We commend the Strategy's ongoing commitment (0-30 years) to these actions but feel demonstrable changes should be made in the next 10 years to deal with the affordable housing crisis.

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