

## Social and Affordable Housing Update #1

This member brief provides an introduction and update on the State's Government's Big Housing build announcement of \$5.3 billion for social and affordable housing, and advocacy activities being undertaken by the MAV regarding local government's role.

### Key points:

- In late 2020 the Victorian Government committed \$5.3 billion dollars toward a [Big Housing Build to construct](#) new social and affordable housing over the next four years. This investment has been widely welcomed by communities, councils and the community housing sector. Not only will it fill a long-standing policy and funding vacuum, it also provides an important stimulus for Victoria's post-COVID social and economic recovery.
- Complex funding arrangements impacting councils have also become apparent. The State Government is considering making social housing rate exempt. Preliminary MAV estimates indicate this will cost Victorian councils more than \$120 million per annum.
- The MAV is collaborating with FinPro on more detailed analysis of the potential financial impacts on councils.
- We understand the State Government is undertaking further work to model the full implications of this proposal. There is a very real risk of exacerbating inequities for local government areas which already face social and economic disadvantage.
- We are actively calling on the State Government to consider alternatives to a rate exemption. We have offered to work through the issues and develop workable approaches.
- A range of [planning scheme amendments](#) to expedite the Big Housing Build have also been instituted.
- The MAV is working with the Community Housing Industry Association (CHIA Vic) to develop resources to support the community housing sector and local government. This work is being supported through grant funding from Homes Victoria, the newly created state agency delivering social and affordable housing.
- The State Government has announced a desire to develop a Compact with local government – we will be seeking to advise on the details of this.

This Brief provides background and information on:

- [The Big Housing Build announcement](#)
- [Defining affordable housing](#)
- [Defining social housing](#)
- [Development of a community housing and local government Compact](#)
- [Community housing and local government](#)
- [Planning system changes](#)
- [Proposed rate exemptions for social and affordable housing](#)
- [Current MAV activities](#)
- [Useful links and resources](#)

## The Big Housing Build announcement

The Victorian Government announced the [Big Housing Build](#) in the State Budget in November 2020. The \$5.3 billion in new social and affordable housing investment comprises 9,300 social homes and 2,900 affordable homes. This investment will be delivered through four main activities:

1. Redevelopment of existing public housing estates - \$532 million. Planning and pre-construction work to build more than 1,000 homes is underway. Private developers are to replace and increase the public housing stock as part of the overall development which would include a high proportion of private dwellings in what were previous exclusively public housing sites. Six sites have been identified. A further number of sites are being assessed through business case process for approval.
2. Pipeline of building on surplus government-owned land. Partnerships with industry, community housing providers, local government and institutional investors will be sought to identify new homes projects - \$2.14 billion.
3. Establishment of a [Social Housing Growth Fund](#) for housing projects led by community housing providers - \$1.38 billion. It will provide for construction of new social and affordable housing dwellings on non-Victorian Government land - the Build and Operate program (BOP). These could be part of mixed developments including private housing, or any other form of development that a consortium may wish to propose. Regular competitive funding rounds will be utilised. The [first round](#) of applications has been called from community housing organisations, with 12 agencies approved for 782 dwellings to be built and operated. The fund will also provide recurrent funding to lease new dwellings from the private sector and facilitate investment in new social housing for the rental market - the New Rental Developments Program (NRDP).
4. Spot purchase and ready-to-build dwellings in the 18 priority local government areas (including six regional councils) in association with the private sector- \$948 million. 1,600 new social housing properties are envisaged, and 200 new affordable homes.

The expenditures announced in the November 2020 State Budget included initiatives across a range of departmental portfolio areas, including housing, planning and treasury. The latest [media release](#) (29 June) indicates that the State Government expects more than \$1 billion to be invested in construction and development before the end of June 2021, and that more than 1,100 houses have already been purchased or started construction. More than \$1.25 billion will be spent in regional areas.

Homes Victoria is the new entity which has been established within the Department of Families Fairness and Housing (DFFH) with the main oversight of these projects. Its remit includes affordable housing provided and facilitated by the State Government. This includes public housing owned and managed by Homes Victoria, and other social housing managed by community housing associations. Homes Victoria is also leading policy development on social housing, such as developing the Victorian Housing Strategy.

A discussion paper seeking input for a [10-year social and affordable housing strategy](#) was released earlier this year. The strategy aims to drive ongoing investment and develop new policy settings to ensure that the Big Housing Build becomes part of a sustainable social and affordable housing program. The MAV made a [submission](#) to this strategy in April.

## Defining affordable housing

There are different terms to describe **affordable housing**. These reflect different rent-setting models, funding models, or the specific needs of residents. For planning permit processes, the Planning and Environment Act 1987 defines affordable housing as 'housing, including social housing, that is appropriate for the housing needs of very low, low and moderate income households'. Voluntary Section 173 Agreements can be used to require certain developments to provide housing options which are available to eligible households. [Orders](#) published in the Government Gazette specify affordable housing income thresholds.

## Defining social housing

**Social housing** is short and long-term rental housing that is owned and run by the State Government or not-for-profit agencies. It is made up of two types of housing, [public housing](#) and [community housing](#). It is for people on low incomes who need housing, especially those who have recently experienced homelessness, family violence or have other defined needs.

Public housing provides long-term rental accommodation. It currently makes up approximately three-quarters of all social housing stock in Victoria. There were 85,111 social housing dwellings in Victoria in 2020. Of these, 68,284 are public housing and 16,827 dwellings are owned and operated by the community housing providers. (DHHS [Housing Assistance Additional Service Delivery Data 2019-20](#), p26).

The shared social housing waiting list (the [Victorian Housing Register](#)) is used by both the public housing managers and Community Housing Organisations (CHOs) to offer long term rental housing. CHOs also offer short term and crisis accommodation with support to assist clients transitioning into long-term housing. Some community housing organisations also offer housing to low and moderate income earners (eg key workers) through a different allocation process than the Victorian Housing Register, but it is unclear how prospective tenants access this process.

## Development of a community housing and local government Compact

The Minister for Housing has indicated that there will be opportunities for Homes Victoria to engage more closely with local government on the long-term management of social housing, especially where there is a need for upgrade and further investment. It makes sense that new home construction is built in areas where they are most needed by residents.

Development of a Social and Affordable Housing Compact is being proposed to support this collaboration. Homes Victoria advised in a presentation to a Rural Councils Victoria summit held on 21 May 2021 that this Compact would set out:

- A set of 10 year strategic priorities for social and affordable housing in Victoria
- A governance framework with defined roles, responsibilities and decision-making processes that are agreed and understood by all partners
- Protocols for information sharing between Homes Victoria and local government
- An integrated and collaborative approach to planning matters
- Agreed priorities for social and affordable housing growth – developed jointly between Homes Victoria and local governments.

## Community housing and local government

Following amendments to the Planning and Environment Act 1987 which enabled councils, community housing organisations and developers to negotiate voluntary affordable housing contributions as part of the planning approval processes, the Community Housing Industry Association Victoria (CHIA Vic) and the MAV came together to develop resources and guidance to provide a smoother pathway through the complexity of affordable housing. A [resource guide](#) was developed, as well as a number of fact sheets (details and links are provided in the Resources section below).

The intent behind encouraging agreements to be struck is that more disadvantaged Victorians will have the safety and security of a home.

## Planning system changes

Planning changes were enacted in December through amendments [VC187 and VC190](#) to expediate the Big Housing Build and future housing delivered by or on behalf of the Victorian Government. These changes remove or restrict public notice, appeal rights, and council consideration.

[Clause 52.20](#) applies specifically to use and development (excepting subdivision) as part of the Big Housing Build program. The Minister is made the responsible authority for these projects and the clause exempts these projects from many permit triggers and provisions of the planning scheme entirely.

[Clause 53.20](#) applies more broadly to housing delivered by or on behalf of the Director of Housing. Under this clause the Minister will be the responsible authority for apartment buildings and developments of 10 or more dwellings. Even where council is the responsible authority the scope of decision making is severely restricted, and no consideration can be given to the Planning Policy Framework or Municipal Planning Strategy. Third party notice and appeal rights are also removed. For apartments or applications for ten or more dwellings the State rather than council is the responsible authority.

The MAV's view is that planning reforms should complement, rather than replace, the existing system which emphasises local decision making, wider-community and resident input as well as complementary sustainable design. We are seeking clarification about how the Minister for Housing will be consulting with councils and communities, and the resources councils will need to deploy to facilitate the significant number of developments that will occur in a very short period of time. There is also a significant need for guidance and support in relation to permit applications and consulting with community stakeholders during the planning application process for social and affordable housing.

## Proposed rate exemptions for social and affordable housing

The State Government is proposing that social and affordable housing be exempt from paying rates. Preliminary analysis indicates that this could cost Victorian councils more than \$120 million in revenue per year. The MAV is currently undertaking more work on the financial impacts. We are collaborating with FinPro on this work and will update councils as the work is completed.

We believe there is an opportunity to rethink the rate exemption and the supposed benefits the State Government is seeking from any exemption. This rethink must recognise and protect the revenue councils use to deliver services to tenants and residents of social and affordable housing. Unlike other public infrastructure, like schools, social and affordable tenants receive the full range of council services. We believe that is both fair and realistic for the State Government to continue paying rates to ensure these services are delivered.

Victoria's council welcome this record investment. Over many years, councils have advocated for more and better social housing. However, this investment must not come at the expense of council revenue. Ultimately, the ever-decreasing financial capacity of the local government leads to reduced investment in delivering local services and infrastructure.

## Current MAV activities

We continue to raise our concerns to the State Government and Homes Victoria as part of the development of the proposed local government compact and rollout of this initiative. Activities undertaken to date include:

- Analysis project in conjunction with FinPro to explore the short and long term financial impacts for councils
- Advocacy to the Minister for Planning and Housing and the Treasurer on the proposed rates exemption and proposed changes to the planning processes
- [MAV submission](#) to the 10-year Housing Strategy
- Representing sector interests in liaison with Homes Victoria
- Recruiting a Social and Affordable Housing Policy Adviser at the MAV with funding provided by Homes Victoria.

We will provide members with future updates on the financial analysis as well as progress with our advocacy, particularly in relation to protecting councils' financial capacity to deliver local services and infrastructure for their communities. We will also be continuing to work with CHIA Victoria to develop and share information to uncover new opportunities and strengthen connections between councils, community housing organisations and other relevant stakeholders.

## Useful links and resources

- [Home Victoria Big Housing Build webpage](#)
- [Victorian Parliamentary Inquiry into Homelessness \(March 2021\)](#)
- [Federal Parliamentary Inquiry into Homelessness in Australia \(Interim Report October 2020\)](#)
- [MAV and CHIA Affordable Housing Agreement Resources:](#)
  - [Affordable Housing Agreements: Advice for local government and community housing organisations](#)
  - [Fact sheet: A guide for developers](#)
  - [Fact sheet: Understanding the community housing sector](#)
  - [Fact sheet: A guide for local government](#)
  - [Toolkit for planners](#)

## Further information

Rosemary Hancock  
Manager Health & Local Economies  
MAV  
Email – [rhancock@mav.asn.au](mailto:rhancock@mav.asn.au)

2 July 2021