

Social and Affordable Housing Update #2

This member brief provides further information about the advocacy activities and issues MAV is currently undertaking regarding the Victorian Government's \$5.3 billion [Big Housing Build](#).

Key points:

- MAV/FinPro analysis estimates a \$136.8 million a year impact in rates revenue foregone for councils if social housing owned and operated by the Victorian Government and community housing organisations were to be exempted from the need to pay rates. This follows advice from the Minister for Housing that Homes Victoria will be examining mechanisms for how to bring social housing closer to the treatment of other public infrastructure such as schools and hospitals, which are exempt from council rates.
- If the exemption goes ahead, in just 10 years this amount would compound to an additional \$1.6 billion
- The councils most impacted are located where many households and homeowners are classified as being in poverty and/or under mortgage stress. This is an issue of significant concern.
- The MAV has written to the Treasurer and the Ministers for Housing, Local Government and Planning objecting to the proposed rate exemption. The Victorian Government's ownership and contribution on behalf of its tenants to the cost of services provided by councils has been a long-standing state government provided service. It is also contrary to the National Housing and Homelessness Agreement which clearly identifies social housing provision as a state government responsibility and its associated costs.
- We are surprised this proposal is being canvassed now, given in its response to the rating review in December last year the Victorian Government did not flag any intention to exempt such a significant class of properties from councils main source of revenue.
- Individually, councils may wish to exempt some social housing dwellings from the need to pay rates due to other benefits arising from the Big Housing Build. The critical discussion point is that this should be at the discretion of councils, not mandated by the Victorian Government without their agreement.
- We have initiated contact with Homes Victoria to be briefed about its plans to progress development of the Compact it has agreed to develop in consultation with local government.
- We continue to work with CHIA Vic on the project funded by Homes Victoria to facilitate connections between councils and community housing providers.
- For further information contact Rosemary Hancock, Manager Health and Local Economies - email rhancock@mav.asn.au.

The Issues Paper "Social Housing and Funding for Council Services" can be downloaded from the MAV website.

Impact of exempting Victorian Government-owned social housing from rates

Within the large-scale and rapid expansion of social housing owned and operated by the Victorian Government through the Big Housing Build, a range of complex planning and logistics issues have arisen which need to be worked through quickly to meet the four-year targets set out in the November 2020 State Budget.

One of these is that exemptions from paying council rates is currently being considered for all social housing provided by the Victorian Government and community housing organisations. Councils have been advised at various forums that this is intended to apply to the new social housing dwellings being built. In addition, consideration is also being given for retrospective application to all social housing owned and operated by the Victorian Government, comprising over 85,000 dwellings.

Number of social housing dwellings owned by DFFH and community housing organisations

Council Category	Number of councils	Total DFFH-Owned Housing	Total Community Organisation-Owned Housing	Total Social Housing Dwellings
Metropolitan	22	38,592	9,166	47,758
Interface	9	8,204	1,981	10,185
Regional City	10	13,886	3,957	17,843
Large Shire	19	5,800	1,456	7,256
Small Shire	19	1,802	267	2,069
TOTAL	79	68,284	16,827	85,111

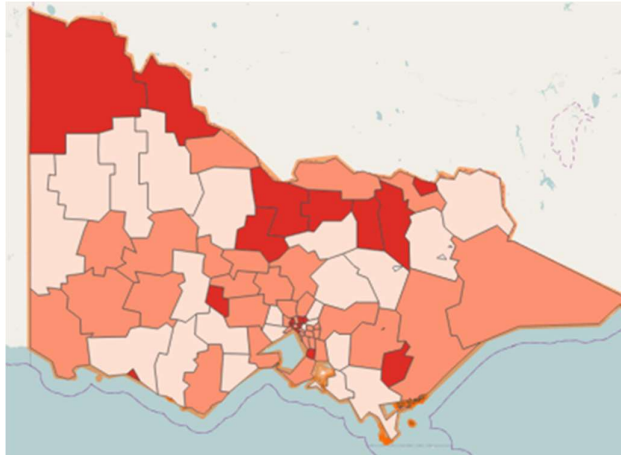
If this proposal were to proceed, it will have significant implications for local government, with at least \$136.8 million per year in revenue lost to councils to fund what has historically been a state government service. In just 10 years this amount would compound to an additional \$1.6 billion.

State-wide, this would represent a 2.4% rate-rise year after year on other ratepayers, on top of any general rate increases approved by the Minister for Local Government to adjust for CPI and other cost-drivers impacting councils. If rate-increases to accommodate the loss of revenue were not approved, then councils would need to find significant savings through reduced service provision to their communities.

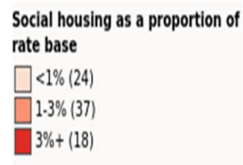
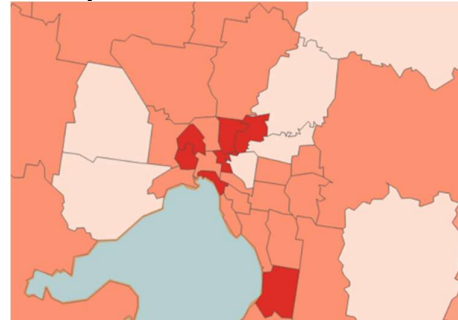
The diagrams below illustrates that all councils will be impacted to some extent, with 65 of the 79 councils estimated to be impacted by more than 1% of their general rates revenue. Eighteen councils are particularly impacted, with rates foregone estimated to be over 3% each year.

Percentage impacts on Victoria's councils

Victoria-wide



Metropolitan Melbourne



Rate exemption revenue implications per annum by council type

Council Category	Indicative DFFH-owned TOTAL Rates & Charges Payment	Indicative Community organisation Owned TOTAL Rates & Charges Payment	Indicative TOTAL Social Housing Rates & Charges	Indicative DFFH-owned Housing Total RATES ONLY Payment ¹	Indicative Community organisation-owned Total RATES ONLY Payment ¹	Indicative Total Social Housing RATES ONLY Payment ¹	Indicative Social Housing RATES ONLY Payment ¹ Average Per Category LGA
Metropolitan (22 councils)	\$66,484,564	\$15,408,561	\$81,893,125	\$59,522,257	\$13,873,432	\$73,395,689	\$3,336,168
Interface (9 councils)	\$14,549,702	\$3,461,708	\$18,011,411	\$12,688,686	\$3,021,362	\$15,710,048	\$1,745,561
Regional City (10 councils)	\$24,833,765	\$7,064,043	\$31,897,808	\$19,012,242	\$5,386,728	\$24,398,970	\$2,439,897
Large Shire (19 councils)	\$10,157,477	\$2,613,688	\$12,771,165	\$7,298,366	\$1,817,187	\$9,115,553	\$479,766
Small Shire (19 councils)	\$3,078,019	\$440,514	\$3,518,533	\$2,135,444	\$303,853	\$2,439,297	\$128,384
TOTAL	\$119,103,528	\$28,988,514	\$148,092,042	\$100,656,995	\$24,402,561	\$125,059,556	
DFFH "rates to Local Authorities" at state average residential 2019/20 LGA rate in the \$ for the \$5.3 billion Big Housing Build						\$11,699,121	
Indicative total residential rates payable for all social housing to local government Inclusive of \$5.3 billion Big Housing Build, based on 2019/20 average						\$136,758,677	
1. Based on Average Resident Rates Charge, with special municipal and waste charges excluded							

Issues arising

Many questions arise from the analysis raised in the Issues Paper, including:

- The evidence base for the assumption that social benefits from increased social housing will offset the cost of service provision in the communities where social housing is located – councils' experience is that increased local services will be required to support social housing tenants, not less
- How rate-payers will be expected to make up the shortfall in funding if all housing owned and operated by the Victorian Government is exempt from rates. Will there be a need to lift the rates cap where social housing is located, or is it assumed services provided by councils in these locations will need to be reduced?
- Defining eligibility for rate exemptions for social and affordable housing, particularly where private sector investment structures are also being utilised to build the dwellings which will be owned and operated by the Victorian Government
- The consultation mechanisms the Victorian Government proposes to properly canvas this proposal and its impact with councils, their ratepayers, and residents and businesses in their communities.

Next steps

The MAV will write again to the Treasurer and the Ministers for Housing, Planning and Local Government providing a copy of the issues paper, and expresses its strong objection to all social housing owned and operated by the Victorian Government being unilaterally considered being rate exempt.

Our preference is that any social housing exemptions should be at the discretion of individual councils. We will be seeking for this principle to be included in the Compact which the Minister for Housing has committed to developing in consultation with MAV and councils.

We will continue to update councils as further advice becomes available.

Useful links:

MAV resources:

- MAV/FinPro Issues Paper [Social Housing and Funding for Local Services July 2021*](#)
- [MAV Members Brief 1 - Social and affordable housing*](#)
- [MAV and CHIA Affordable Housing Agreement Resources](#)

** Members Only section of the MAV website - council email and password required*

Victorian Government:

- [Home Victoria Big Housing Build webpage](#)
- [Victorian Parliamentary Inquiry into Homelessness \(March 2021\)](#)

Commonwealth Government:

- [National Housing and Homeless Agreement](#)
- [Federal Parliamentary Inquiry into Homelessness in Australia \(Interim Report October 2020\)](#)

28 July 2021