

Community Housing Federation of Victoria *'Inclusionary Zoning' Position and Capability Statement*

December 2015

Introduction

The Community Housing Federation of Victoria (CHFV) strongly supports the development and implementation of policy approaches that facilitate the long-term growth of secure social and affordable housing products to the market.

With over 40 % of low-income renter households experiencing housing stress¹ and over 34,000 households on the public housing waiting list² there is an urgent need for a range of policies and tools to be put in place in order to respond to the urgent need to improve public and community housing viability and to provide an increase in social and affordable housing supply.

It is critical to Victoria's economic productivity, growth and livability that the Victorian Government take steps to improve housing supply and housing choice and ensure the provision of targeted affordable and social housing outcomes for low income Victorians. A range of policy mechanisms and financial supports are required to achieve this, including but not limited to, the implementation of inclusionary zoning policies.

The case for growth and investment is clearly set out in *Making Social Housing Work: Better homes for low-income Victorians (2014)*³, which recommends a number of strategies including:

- An affordable housing strategy to expand the supply, security and quality of low-cost social and private housing;
- A 20 year growth strategy for social housing;
- Better outcomes for social housing tenants; and
- Strategies to reduce social housing demand.

CHFV therefore welcomes the Victorian Government's commitment to requiring affordable housing on the sale of government land and the potential for similar requirements to be applied on privately owned land. The community housing sector has the experience and capabilities to ensure the social and affordable housing outcomes delivered through these mechanisms are owned and managed appropriately in the long term.

¹ Australian Bureau of Statistics (2013) Catalogue 4130 - *Housing Occupancy and Costs 2011-12*. Additional Tables – Low Income rental households, Table 1: 'Proportion of low income rental households paying more than 30 per cent of their gross income on housing costs, 2007-08 to 2011-12' <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4130.02011-12?OpenDocument> [Additional tables – low income rental households]

² Victorian Government, Department of Human Services (2015) *Public Housing Waiting List and Transfer List, June 2015* <http://www.dhs.vic.gov.au/about-the-department/documents-and-resources/research,-data-and-statistics/public-housing-waiting-and-transfer-list>

³ Victorian Council of Social Services, 2015, *Making Social Housing Work (2015)* <http://vcoss.org.au/documents/2014/04/Making-Social-Housing-Work-Web.pdf>

In order for the community housing sector to contribute and support the delivery of inclusionary zoning requirements, a thorough understanding of the community housing sector's capacity and financial limitations is required. If the policies are then appropriately structured and financed, CHFV expects the community housing sector could play an important role in the delivery of additional supply of social and affordable housing that contributes to inclusive, socially and economically strong communities.

The aim of this document is to contribute to this understanding, and to the wider policy development, by setting out the principles and requirements that the community housing sector need to be met in order for it to play an active role – as a partner with the private sector – in the delivery of inclusionary zoning outcomes.

Definitions

There is a lack of commonly agreed and applied definition of *affordable housing* in Victoria. In addition there is no clear statement about ensuring access to affordable housing, not just provision of affordable housing.

The Victorian Government has not clearly defined what it means by the term when it is used in reference to developer or planning requirements on public or private land, and the confusion is compounded by the use of a range of terms that are applied to the non-government housing sector.

CHFV recommends clarity in definitions is urgently addressed as priority in the policy development process to clarify the objectives of Government and provide clarity to the housing industry and the community on which household groups the affordable housing outcomes are expected to benefit. This will better inform the private and community sector to the exact nature of *affordable housing* that will be delivered through the proposed inclusionary zoning policies of the Government and enable financial modelling to be undertaken on the indicative costs and returns of this housing. A list of commonly used definitions is provided at Appendix A.

Policy Position

CHFV views inclusionary zoning or developer requirements for affordable housing as one strategy that if situated as part of a broader housing framework and developed with the right policy and financing supports, can contribute to improved and inclusive affordable housing supply.

CHFV:

1. Strongly supports the Victorian Government's commitment to require affordable housing outcomes to be delivered as a condition of the sale of Government owned land and recommends this policy is applied as an urgent priority to all government land sales where there is an established affordable housing need. CHFV advocates for the affordable housing outcomes on these sites to be maximised with a minimum 15% requirement.
2. Strongly supports requirements to be placed on privately owned land as a condition of a planning approval, referred to as 'inclusionary zoning', particularly in cases of rezoning or

government investment where the government planning decision creates an uplift in the value of the land and the resulting development is anticipated to place negative pressures on local infrastructure and local market affordability in the long-term. Other mechanisms that create additional value for developments, such as density bonuses, could also be utilised with part of this part of this uplift then captured for affordable housing outcomes.

3. Views planning or developer requirements as one component of an inclusionary zoning policy, that in CHFV's members' experience, if applied in isolation from wider policy and funding supports is unlikely to achieve the desired outcomes at the scale and quality that is required.
4. Strongly advocates for the community housing sector to own and/or manage any affordable housing delivered through inclusionary zoning requirements to ensure the benefit is captured in the long-term.
5. Recommends that the development of policies to require affordable housing as a condition of development of public or private land are underpinned by an understanding of the policy, regulatory, and funding requirements of the community housing sector, and an understanding of market factors and development processes impacting on both the private and community housing sectors' capacity to deliver.

Principles

CHFV recommends the following principles underpin the application of any inclusionary zoning approach in Victoria:

1. Planning or development requirements for affordable housing must be understood within the wider context of market and development economics and financing. There are costs in housing low-income households and housing providers have financial limitations which must be recognised and addressed.
2. All levels of Government have a role to play in facilitating and directly providing for the provision of targeted social and affordable housing options for low to moderate income households who are limited in their ability to participate in the private market.
3. Government commitment to long-term, stable policy and regulatory settings that enable the growth of, and access to, social and affordable housing on an ongoing viable basis is critical. Community housing organisations and private developers require this stability to be able to work collaboratively to deliver the social and affordable housing that would be required under a planning or development approval process.
4. Surplus government land is an important and finite community asset. The sale of this land should aim to maximise opportunities to deliver community outcomes that reflect the unique circumstances and requirements of that community, including the need for access to affordable housing. The social return on investment from the provision of new social and affordable

housing should be taken into account when determining the “return” to Government of the sale of the land.

5. Planning policy should be driven by the objectives of maximising land-use potential whilst facilitating positive economic, social and environmental land-use outcomes. This includes affordable housing outcomes which should be reflected and supported in State planning legislation and policy.
6. Planning processes and approvals that are anticipated to contribute to an increase in the value of privately owned land should be harnessed in line with the purpose of planning, and a portion of this value captured to provide community benefits and affordable housing outcomes.
7. Inclusionary zoning requirements should balance the need for the policy conditions to be standardised, transparent, clearly understood and able to be efficiently applied with the benefits in allowing for flexibility in delivery options and adaptability to respond appropriately to different market conditions.
8. Affordable housing delivered through an inclusionary zoning approach should be:
 - of a high-quality design and fit-out;
 - integrated with privately owned housing;
 - unable to be distinguished externally from privately owned housing; and
 - retained as affordable housing in the long-term through secure management and/or ownership structures and appropriate legal and regulatory mechanisms.

Community housing sector role, capabilities and strengths

The community housing sector is best placed to own and manage additional affordable housing generated through inclusionary zoning measures. The sector:

- owns and manages over 18,000 dwellings in Victoria with an estimated asset value of \$2.3 billion, and services over \$300 million in debt;⁴
- has the experience, skills, and capacity to inform the refinement of these important policy proposals to ensure their viability; and
- can maximise Government and private investment, ensure appropriate targeting and management and put in place long term capture of outcomes.

The community housing sector:

1. Is able to act as an honest broker between government and the private sector in the negotiations on the delivery of the affordable housing component delivered through inclusionary zoning policies.
2. Responds to affordable housing need through the provision of high quality, affordable housing for over 18,000 households across Victoria.

⁴ Victorian Council of Social Services, 2015, Making Social Housing Work (2015) <http://vcoss.org.au/documents/2014/04/Making-Social-Housing-Work-Web.pdf>

3. Operates under highly regulated performance standards regarding governance, risk management, tenancy management, assets, community engagement, probity and financial viability.
4. Partners with government and the private sector to deliver new affordable housing supply, drawing on the sector's capacity to harness tax and duty exemptions, raise private finance and leverage government funding to deliver increased housing outcomes.
5. Provides value for money, long-term security and ongoing capture and re-use of government subsidy.
6. Is financially restricted in the amount the sector can directly pay for a dwelling due to policy and income limitations that arise when housing low to moderate income households at an affordable price point.
7. Provides people and place centered services to support some of Victoria's most vulnerable and disadvantaged, with high levels of reported tenant satisfaction⁵.
8. Has extensive experience in engaging with the community and working with the private sector through the planning and development process.
9. Is ready and able to support and secure the delivery of increased affordable housing supply achieved through policies such as inclusionary zoning requirements, subject to the right policy supports being in place.

Sector requirements

There are a range of policy settings the community housing sector would need to see implemented in order for the sector to best support the delivery of inclusionary zoning requirements and to ensure any housing is appropriately managed and secured.

These requirements include:

1. Clarity of the use of the term 'inclusionary zoning' and the definition of 'affordable housing' that is to be applied in relation to any inclusionary zoning policy, and reflection of these definitions in legislation and policy documents.
2. Clarity on what the government expectations are in regards to the role the community housing sector will play, and the contribution that the sector is expected bring to the delivery, ownership and management of affordable housing outcomes generated through inclusionary zoning

⁵ Community Housing Federation of Victoria (2014) *Value Proposition, Making the Case for Public Housing Transfers to Community Housing Organisations*, November 2014

mechanisms. The nature and purpose of the sector's business means that there is limited, if any, capacity for organisations to pay market value⁶.

3. Defensible methodology for determining the affordable housing component that will be required to be achieved on each site.
4. Clarity on what prospective tenant income profile this new supply of affordable housing will be targeted to. CHFV recommend that existing affordable housing (e.g. community housing) eligibility criteria be used with capacity for organisations to house a range of income groups across this income spectrum to balance social and economic outcomes and viability.
5. An assessment of the cost of delivering affordable housing outcomes and determination of the supports that may be required to facilitate delivery. Incentives and planning supports that may be utilised and layered by government to support the viable delivery of the proposed affordable housing outcomes could include:
 - Government grants or low-cost loans to community housing organisations;
 - direct government subsidy;
 - planning concessions or provisions that reduce the development cost or the planning and delivery timeframes;
 - capture of a portion of the value uplift in land created by planning approvals and rezoning;
 - discounts to sale price of government land to factor in the affordable housing component required;
 - the ability to renew the social housing portfolio to sell obsolete housing assets to fund the acquisition of replacement (inexpensive) properties delivered through inclusionary zoning requirements;
 - community housing sector debt financing and equity contribution (limited);
 - tax-incentives (Federal Government);
 - stamp duty, land tax and GST exemptions; and
 - other incentives that reduce the risk, time and cost of delivery.
6. Determination of how the affordable housing outcomes will be secured, ensuring appropriate targeting and long-term capture of any subsidy. CHFV believes that community housing is the best placed sector to immediately deliver these outcomes given its purpose, capacity and the regulatory environment under which it operates.

⁶ Community housing organisations have raised leverage of between 15% and 25% to pay for leverage requirements on grant funded programs between 2008-12 (for Nation Building and other grant initiatives) - this debt totals over \$300 million.

Proposed Next Steps

The Community Housing Federation of Victoria recommends the Victorian Government:

1. Notes the recommended system principles and the requirements of the community housing sector in order for it to participate and support the delivery of affordable housing outcomes delivered through development or planning requirements; and
2. Draws on the sector's experience and skills and actively engages with the sector in the development of its inclusionary zoning policy to ensure viable, high-quality, integrated housing outcomes are delivered for the benefit of low-income Victorians.

CHFV is the peak body that represents the not-for-profit community housing sector in Victoria. CHFV's member community housing organisations (CHOs) are committed to providing secure, affordable and decent housing for people on low to middle incomes. Members include the CHOs registered as housing associations or housing providers under the Victorian regulatory framework for non-profit housing providers plus other organisations and individuals interested in housing.

APPENDIX A

Affordable housing definitions

Term	Definition	Affordability
Affordable housing	<p>An umbrella term applied to any housing outcome that is targeted to low to moderate income households (those in the bottom 40% of income distribution), where the cost of housing (rent or mortgage payments) is such that the household can meet other basic living costs.</p> <p>May be owned by an individual, the Government, the non-Government sector or private companies or institutions.</p>	<p>As a general guide 30% gross household income on rent or mortgage costs is considered affordable for those in the bottom 40% of income distribution.</p> <p>Housing costs may be set on an income-base calculation or priced below-market value and provided as either rental or purchase.</p>
Social housing	<p>Public or community housing that is targeted to low to moderate income households, particularly those households in the greatest need.</p> <p>Owned and managed by the government or the non-Government sector. Social housing includes public or community housing and is currently limited to rental.</p>	<p>Below market rent targeted to low income people – see below.</p>
Community housing	<p>Affordable rental housing that is targeted to low to moderate income households on an affordable basis.</p> <p>Managed and generally, but not always, owned by a non-Government housing provider.</p> <p>Regulated by the Registrar of Housing Agencies, under the Housing Act 1983.</p>	<p>Community housing rent setting policies are applied to ensure affordability, generally rent is charged at between 25% and 30% of assessable income.</p> <p>Community housing rent models also allow for a <i>discount to market rental</i> model that is capped at no more than 75% of market rent.</p>
Public housing	<p>Affordable rental housing that is targeted to low income households on an affordable basis.</p> <p>Owned and managed by a State (Government) housing authority.</p>	<p>Maximum 25% of assessable household income.</p>

