



BEYOND THE BIG HOUSING BUILD



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1 BEYOND THE BIG HOUSING BUILD

The Victorian Government's \$5.3 billion Big Housing Build is an historic investment to build 12,000 social and affordable housing homes over four years. This program will boost Victoria's social housing stock by 10 per cent and create thousands of jobs.

But the need for social housing does not end when the Big Housing Build funding is exhausted on 30 June 2024.

Victoria has the lowest proportion of social housing of any state or territory in Australia, and the Big Housing Build does not bridge the gap to get us up to the national average. The shortage of social housing is resulting in pressure on other service systems including homelessness, family violence, mental health, health, policing, and justice. You cannot recover or stay safe without a stable, affordable home.

Between June 2014 and June 2020, the number of social housing dwellings in Victoria fell by 107 units¹. Some of this decline can be attributed to demolitions and redevelopments, however between 2014 and 2019 the number of social housing units in Victoria increased by just 415 dwellings, less than 100 units a year.

To bring the proportion of social housing in Victoria up to the national average of 4.5%², Victoria needs to build an additional 6,000 units a year for the next 10 years. Without a clear funding pipeline and delivery plan, Victoria will return to its pre-Big Housing Build trajectory.

The Community Housing Industry Association of Victoria (CHIA Vic) 2022 State Election Platform outlines initiatives that would build a third of the needed dwellings to bring Victoria up to the national average over the next decade and highlights initiatives across planning and the use of state and local government-owned land which, along with federal government support, will be crucial to filling the remaining supply gap.

Investments beyond the Big Housing Build should seek to deliver on the ambition of *Mana-na woorn-tyeen maartakoort*, the Victorian Aboriginal Housing and Homelessness Framework, including in programs to increase Aboriginal home ownership and ensure that at least 10 per cent of all new social housing is allocated to Aboriginal Victorians.

¹ Source AIHW Housing Assistance in Australia, Table DWELLINGS.2: Dwellings, by social housing program and states and territories, at 30 June 2014 to 2020, <https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/data>

² National average as 2021

2 20,000 NEW HOMES IN 10 YEARS: SOCIAL HOUSING INVESTMENT FUND

2.1.1 The problem

Over recent decades, Victoria's social housing system has simply not been building enough homes. Funding has come in fits and starts and through programs that are complex and convoluted to deliver.

Because there has been no clear capital building program, it has been difficult to attract investors, financiers, and development partners to invest time and resources into growing the system and build the capacity of the Community Housing Sector to deliver.

The Big Housing Build has been a catalyst for change with over 4,000 homes to be delivered by the Sector. This historic investment has seen an increase in the size and sophistication of Community Housing in Victoria with increasing capacity to deliver new social and affordable housing across the state.

A clear funding pipeline and new commissioning model could build on this investment to create a system that drives significant growth.

2.1.2 The solution

A Social Housing Investment Fund would reconfigure the existing Social Housing Growth Fund (SHGF) to provide a pipeline of funding and certainty to the community housing and building industry and engage local government more closely in the delivery of social housing.

The proposal would add a further \$6 billion to a rebranded SHGF, with a predetermined funding allocation to be paid out each year, including interest earnings and the initial seed funding. This would deliver almost 20,000 homes over 10 years, creating more than 10,000 jobs a year on average across the economy³, including direct construction jobs and those in the supply chain across local manufacturing in carpets, windows, cabinetry, fittings and fixtures.

As some initial allocations from the SHGF have been through annual availability payments over a 30-year period, the fund would return to the initial \$1 billion over 10 years with this money to be retained to maintain those availability payments over the long term.

A clear annual funding pipeline will allow community housing organisations to partner with developers earlier to deliver lower-cost dwellings, engage with local government to develop partnerships, leverage local government land, and invest strategically in development opportunities. It would also provide a clear, long-term funding stream to attract other finance mechanisms into the social and affordable housing sector.

A new commissioning model

Currently, project funding under the SHGF is allocated to individual developments, requiring community housing organisations to invest substantial resources into feasibility studies, architectural drawings and other project costs for developments that may not get funded. It also requires Homes Victoria and the Department of Treasury and Finance to spend considerable time and commission external expertise in assessing the various proposals.

An alternative commissioning approach could be used to deliver Community Housing at scale. Homes England is currently using a competitive approach to commissioning a pipeline of homes across a geographic region, rather than commissioning individual projects.

³ Calculations based on residential construction multiplier of 9 jobs for every \$1million spent. Ref: [building-jobs-how-residential-construction-drives-the-economy-final4.pdf](#) (nhfic.gov.au)

Under this proposal the Government would identify a region and delivery target and Community Housing organisations, or consortia of organisations would bid in a plan of how they would deliver those homes, and at what price over a given period.

This would reduce duplication of effort by providers across a given region and more closely match development funding to the development process, reducing the resources wasted on projects that never get developed. Creating a predictable pipeline of investment would also allow Community Housing Organisations to partner with developers early to deliver lower-cost dwellings, engage with local government to develop joint partnerships and leverage local government land, and invest strategically in development opportunities.

There would be clear annual milestones to secure progress payment and transparent reporting of project costs and delivery to ensure that Government is securing a housing pipeline in the most cost effective manner.

Commissioning in this way could also create partnerships with major builders and infrastructure delivery agencies, like the way in which the Level Crossing Removal Program has created a development pipeline in transport.

Local Government

The fund would be open to councils to direct financial contributions in lieu of dwellings as part of voluntary affordable housing agreements. This would make it easier for councils to negotiate these agreements and encourage further use of voluntary agreements in the planning system.

This would also provide flexibility to the development industry to provide cash in lieu of dwellings.

Currently, the mechanisms for councils to accept cash-in-lieu contributions, like establishing their own housing trust are complex administratively burdensome and further complicate the funding landscape.

The fund manager would then work with local government to ensure a commensurate investment was returned to that local government area in future funding rounds.

Opening the fund up to local government would draw in contributions from other levels of government and increase the size of the fund and thus interest earnings. This has the potential to boost supply well above the almost 20,000 dwellings estimated in this model.

Governance

To give confidence to the development sector, Community Housing Organisations, investors, and local government, the fund should also be established as a trust with clear, public annual reporting requirements that include the number of dwellings commissioned and completed, fund earnings, and fund balance.

The Federal Government's Housing Affordability Future Fund

The Federal Labor Government's commitments to social housing will create a welcome boost to the supply of social housing. Over the next five years, if Victoria secures its share relative to its population, the Housing Affordability Future Fund would build an additional 5000 social housing dwellings and 1500 affordable rental homes.

The Social Housing Investment Fund could be used to complement this investment and match any federal funds should this be a requirement of the scheme.

Benefits

- Reduces administration as the commissioning model requires contract management and compliance oversight, rather than project-by-project analysis as is the case with the SHGF.
- Delivers more housing than the same annual allocation of funding based on budget bids would (\$600m p/a for 10 years delivers around 12,000 dwellings. The same 10-year contribution up front in the fund model delivers 19,500 dwellings)

- Supports industry development and sophistication with a clear annual funding allocation
- Provides a funding source that can be combined with other inputs (e.g., land, air rights, mixed tenure) to boost the dwelling yield

2.1.3 The modelling

Dwelling yield /annual allocation over 10 years

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Social Housing Investment Fund – units delivered	1,302	1,724	1,837	1,900	1,951	1,993	2,025	2,048	2,337	2,460
Jobs created	6,005	8,131	8,880	9,415	9,909	10,375	10,805	11,201	13,104	14,136

The annual allocation could also include an upper and lower range to accommodate years where there is lower or higher than anticipated investment earnings.

The fund could also delay the first funding round to the 2024/25 financial year to support a smooth transition from the Big Housing Build to the future funding stream. However, it is anticipated that the Social Housing Growth Fund component of the Big Housing Build will be spent in the 2022/23 year, and so a funding round in 2023/24 would assist in retaining capacity in the Community Housing Sector.

Assumptions

- Average dwelling cost \$500,000
- 70% of dwelling cost covered by the fund
- Investment returns CPI + 3% (lower return modelling is available)
- \$6bn investment is drawn down over time, slower in the initial years as industry ramps up and while Federal Government investment is in the pipeline
- Original \$1bn SHGF investment retained in perpetuity
- \$10m in annual returns from SHGF already committed.

3 PLANNING FOR INCLUSIVE COMMUNITIES

3.1.1 The problem

Victoria's population is set to grow to more than 8.7 million people (about half the population of New York) by 2036, with the creation of more than a million extra households⁴. Many of those households will find homes in the private rental or purchase market, but those on the lowest incomes will struggle to find affordable housing without action and an increase in the proportion of social housing in Victoria.

Social housing is essential social infrastructure; it supports local economies, reduces poverty and disadvantage, and reduces the cost burden of homelessness on other government services. Local councils, in partnership with the Victorian Planning Authority (VPA) and Department of Environment, Land, Water and Planning (DELWP) are responsible for the planning for diverse and sustainable communities – including their housing needs. However, councils do not currently have the tools needed to ensure that the range of housing offered in their municipality includes not only a diversity of housing types and sizes, but tenure types and price points, nor do they have the mechanisms to require developers to contribute to this infrastructure as they do for open space and other services that deliver a wider community benefit.

Voluntary affordable housing agreements introduced in 2018 have helped facilitate discussions between council and developers about social and affordable housing needs, however, in most cases they have delivered very few homes. The properties that have been delivered through affordable housing agreements have often been funded through State Government contributions. In the end, this means the planning system provides little to no additional supply of social housing that would not have been delivered through direct government funding.

Many local governments have now developed affordable housing strategies and have a sophisticated understanding of the affordable housing needs in their community.

3.1.2 The solution

The Planning and Environment Act should be amended to give councils the ability to meet their local and specific community housing needs to require a social and affordable housing contribution when issuing planning permits.

This should be based on a local housing needs assessment and ensure that the contribution required is commensurate with the zoning in that location, for example, Activity Center Zones should carry higher contribution requirements as these areas will accommodate most of the housing growth in any given region.

This power should be introduced as soon as possible, but only applied to land transacted after the introduction date, with all permits to be covered by 2025. This will allow developers to clear their existing project pipeline and factor the contribution requirements into future projects.

⁴ Victoria in Future 2019 [Victoria_in_Future_2019.pdf \(planning.vic.gov.au\)](#) p.10

4 SUPPORT TO KEEP A HOME

4.1.1 The Problem

The transition from homelessness to a home can be challenging for people managing long histories of homelessness or complex life trauma that contributed to their homelessness. Because of these challenges, it is now widely recognised that many people experiencing homelessness will need support to transition into stable housing or face a revolving cycle of homelessness.

Even where households with complex issues have been able to maintain their housing, life events such as illness, family violence, and bereavement can trigger a period of housing crisis. Without the right support at the right time these events can spiral into homelessness.

Current homelessness support models are designed to prevent harm during a period of homelessness, rather than support households make the transition into a long-term home and make it stick. When people are housed, they often cannot get the right support they need in a time of crisis until it is too late.

Social housing tenancy managers are often the first to know that a household is at risk of homelessness – either through neighbourhood complaints or rent arrears and end up playing the role of broker to help get supports in place to save a tenancy. This can be complex and intensive work, and not always manageable in the day-to-day role of tenancy management.

4.1.2 The solution

There are two critical phases in helping to sustain housing: the transition from homelessness to a stable home and at significant life events. This submission proposes three interventions to help prevent and end homelessness.

Housing First

End homelessness through an ongoing Housing First program for people who have experienced long-term or chronic homelessness. This program would require a package of long term social housing and ongoing support that can be increased or decreased over time as required, building on the lessons from the successful Homelessness to Home Program (H2H).

An ongoing Housing First program should consider rates of homelessness in each area, the supply of long-term social housing that can be committed to such a program on an annual basis, and support needs over the life of a tenancy.

Prevent housing breakdown

To prevent homelessness because of life crisis, 'first to know' tenancy managers must be equipped to assist renters to connect with the right kind of support at the right time. Tenancy Plus is a specialised service to work with social housing renters when their tenancy is at risk or support is needed to establish successful tenancies. Unfortunately, the Community Housing Sector reports that this support is not readily available when needed. Tenancy Plus should be reviewed and expanded to ensure that it operates as a best practice tenancy sustainment program to prevent tenancy breakdowns.

Tenancy support for Aboriginal renters

Tenancy support for Aboriginal renters must build on the capabilities of and be tailored to the needs of Aboriginal households.

Aboriginal Housing Victoria has developed the successful *More than a landlord* program that encompasses a range of life domains that can put housing at risk.

In an innovative approach to case management, this program delivers life coaching to renters through a dedicated Wellbeing Team. The life coach assists renters to understand what success looks like for them and identify goals to achieve that success, inspiring and empowering renters with the practical tools to achieve these goals.

This program has been funded under a series of short-term agreements for more than four years, despite an innovative capability-building approach. To reduce rates of Aboriginal Homelessness *More than a Landlord* should be funded and embedded as part of the social housing system and delivery of *Mana-na woorn-tyeen maar-takoort*, the Victorian Aboriginal Housing and Homelessness Framework

5 EASING REGIONAL HOUSING PRESSURE AND LEAVING A COMMONWEALTH GAMES LEGACY

5.1.1 The Problem

While rents in regional Victoria have historically been more affordable than metropolitan Melbourne, there is an extremely limited supply of rental stock. The coronavirus pandemic and associated lockdowns have seen a shift to remote working arrangements and housing preferences with many more households moving to regional Victoria.

With the influx of new residents, the availability of rental properties and escalating rents have become an acute problem.

In the 12 months to March 2022, rents in regional Victoria have increased 10 per cent on average, with extreme variation in some areas such as Buloke Shire (68 per cent) and Queenscliffe (42 per cent)⁵. The number of properties available for rent has also decreased by 12 per cent, with areas such as Ararat, Pyrenees, and Buloke Shires seeing the number of vacant properties drop by more than 40 per cent⁶.

In the past there have been few large-scale developers operating in regional Victoria, with most of the housing stock being added by individual home builders or small-scale developers, primarily building family homes.

Additionally, the rental yield has not been attractive to investors, and thus investment in rental stock is low.

Compounding these issues is a lack of suitably zoned and developable land in regional cities and towns.

These factors mean the rapid population growth in regional Victoria is creating a housing crunch. Key workers wanting to relocate temporarily, or permanently, to regional Victoria either cannot find a rental property of the right size or price or – if they do – it comes at the expense of existing low-income renters, pushing people further into insecure housing like caravan parks and homelessness.

At the same time, prior to the Big Housing Build, there has been little investment in regional social housing despite significant waiting lists across major regional centres. There are currently more than 15,000 households waiting for social housing in Ballarat, Bendigo, Geelong, and Gippsland.

5.1.2 The solution

While several initiatives have been started to improve land supply in regional Victoria, these interventions take time and rely on market conditions to make the delivery of housing profitable relative to other development markets. Using market mechanisms will necessarily make housing in regional Victoria more expensive.

The Victorian Government has two unique opportunities to directly facilitate and deliver more social, affordable and market housing to regional Victoria.

⁵ DHHS Rent Report March 2022, additional data tables, quarterly median rents by local government area

⁶ As above

Embracing the Commonwealth Games legacy

As part of the development of the Commonwealth Games athletes Village in 2006, the former Parkville Mental Health Facility was transformed into a private housing development with a target of 20 per cent social housing dwellings. With 900 dwellings on site, to date, this redevelopment has delivered 82 social housing units⁷

The 2026 Commonwealth Games provides an opportunity to deliver a more ambitious contribution to social housing and demonstrate the market viability of a range of housing types and mixed tenure communities in regional Victoria.

Based on the 2018 Commonwealth Games in Brisbane, CHIA Vic estimates over 1200 new homes or approximately 300 homes in each host location will be needed to house athletes across the state (noting that this will be higher or lower depending on the events hosted in each area).

To increase the diversity of housing in regional Victoria, these should be delivered in a mix of housing types and sizes, including apartments, townhouses, and dual key developments, with a majority being one- and two-bedroom homes. This would help prove the viability of these development types in regional Victoria and deliver more diverse housing stock.

The homes should be offered as an integrated community in partnership with a Community Housing Organisation, offering social, affordable and market rentals (30%, 10% and 10% of the homes respectively), shared equity home ownership products, and homes for market sale. This should be in addition to homes already funded under the Big Housing Build.

By trialing a diverse housing model in regional Victoria, the Commonwealth Games would deliver more than just the homes themselves. It would demonstrate the benefits of mixed tenure approaches, the viability of more diverse housing types, encourage further investment in regional Victoria, and more mixed tenure developments elsewhere in the state.

Facilitating land development in regional Victoria

Planning for land supply in many regional towns and cities lags far behind metropolitan Melbourne. While the 2022-23 Victorian State Budget included funding to bring 44,000 additional lots to market, this process is slow and even where lots are made available, they are not always developed.

The Victorian Government is a significant landholder across the state, however much of that land is not 'development ready'.

CHIA Vic recommends that the Victorian Government conduct an audit of under-utilised land in regional Victoria and invest in early works to create a pipeline of development-ready sites. This could be funded via the Housing Affordability Fund managed by the National Housing Investment and Finance Corporation.

This would also directly increase the supply of land and reduce costs for developers and builders. In return, this land should be sold with a requirement to deliver 10 per cent social and 5 per cent affordable rental housing at no cost to a registered Community Housing Organisation. This would increase the supply of social housing, rental housing available to key workers, and a range of home purchase opportunities.

⁷ <https://www.development.vic.gov.au/projects/parkville-gardens?page=overview>