

Submission to Parliamentary Inquiry into the Rental and Housing Affordability Crisis in Victoria

July 2023

Executive Summary

The Community Housing Industry Association Victoria (CHIA Vic) welcomes this Parliamentary Inquiry into Victoria's rental and housing affordability crisis. CHIA Vic is the peak body that represents the not-for-profit community housing sector in Victoria. CHIA Vic advocates for and supports the community housing sector to grow and thrive as part of a housing system where all Victorians have the dignity of an appropriate, secure and affordable home. Our member organisations provide over 22,000 homes to Victorians poorly served by, or excluded from, the private rental and ownership market.

A good home provides the foundation for the most important things in life. Yet 6 percent of Victorian households are not appropriately housed.¹ This represents single people and families that are either experiencing homelessness, living in overcrowded homes or low-income renters spending over 30 per cent of their income on rent. Aboriginal Victorians face a starker reality, seeking homelessness services at more than 10 times the rate of other Victorians.² With experts predicting further sharp increases to private rents in the year ahead³, the outlook for Victorian renters is bleak.

It is critical to Victoria's economic productivity, growth, liveability and the wellbeing of our community that the Victorian Government intervene to address this crisis, by taking immediate action in coordination with other levels of government to improve the fairness of the private market and provide a long-term plan and investment pipeline for non-market housing.

A range of policy mechanisms and financial supports are required to achieve this, including increased and ongoing State and Federal investment in social and affordable housing supply. There is also a critical opportunity to use upcoming reforms to planning and development processes to deliver a pipeline of social and affordable housing. This would be achieved by introducing a mandatory inclusionary zoning scheme that will allow the growth of private market housing to contribute to the growth of social and affordable housing.

These changes should be introduced alongside a long-term target for social housing growth of at least 60,000 additional homes over the next 10 years and a housing strategy aimed at achieving that target and, ultimately, ensuring all Victorians have access to safe, affordable and appropriate housing. The strategy should include clear and publicly reported shorter-term targets and rolling action plans, and commit sufficient direct investment in social housing to help meet those targets.

This submission provides a brief overview of Victoria's current social housing system and the unmet community need for social and affordable housing. The paper then outlines the two areas where urgent action is needed to build the scale and impact of social and affordable housing. These are: developing a long-term social and affordable

¹ Based on an analysis of census data by UNSW City Futures Research Centre and CHIA, summarised here:

<https://cityfutures.adu.unsw.edu.au/documents/699/CHIA-housing-need-national-snapshot-v1.0.pdf>

² See AIHW [FY21 Specialist Homelessness Services Annual Report](#) VIC fact sheet

³ For example, St George Bank predicts a 11.5% rise in private rents for 2023:

[https://www.stgeorge.com.au/content/dam/stg/downloads/report-centre/eco-reports/22_Feb_2023_Rents_STG\(1\).pdf](https://www.stgeorge.com.au/content/dam/stg/downloads/report-centre/eco-reports/22_Feb_2023_Rents_STG(1).pdf)

housing plan for Victoria; and creating an ongoing investment pipeline to deliver the social and affordable housing Victorians need.

Recommendations

The following recommendations are outlined further in this submission:

- **Recommendation 1:** Government should work in partnership with the community housing sector to develop a long-term social housing strategy that spans electoral and economic cycles and is capable of delivering transformative change.
- **Recommendation 2:** Set a transparent statewide social housing growth target of at least 6,000 new social housing properties per year for the next 10 years.
- **Recommendation 3:** Embed Aboriginal housing targets and specific funding for growth in Aboriginal community-controlled community housing.
- **Recommendation 4:** Review and overhaul the housing support services system with a view to provide greater investment, flexibility and targeting.
- **Recommendation 5:** Reconfigure the Social Housing Growth Fund into the 'Social Housing Investment Fund', along with an additional \$6 billion investment to deliver 20,000 homes over the next 10 years.
- **Recommendation 6:** As part of upcoming planning reforms, introduce a mandatory inclusionary zoning scheme that will allow the growth of private market housing to contribute to the growth of social and affordable housing.

About Community Housing

Community housing organisations (CHOs) are mission-driven not-for-profits that exist to support renters with safe, secure and affordable homes. The sector understands the needs of renters and is committed to building a fairer housing system.

Victoria's community housing sector is regulated by a dedicated, independent regulator, the Housing Registrar, which is responsible for setting performance standards and monitoring and publicly reporting on performance against those measures. This provides public accountability that CHOs are providing quality services in line with their charitable missions and that all housing assets are protected and can only be utilised for the benefit of the community and current and future renters. This regulatory system means that there is an assurance and transparency for the public that any government investment in community housing stays in the sector, and that any operating surplus generated by CHOs through the development and management of homes is reinvested into the delivery of more social and affordable homes.

There are currently 44 CHOs registered to provide housing in Victoria, and they collectively manage over 22,000 tenancies. This includes approximately 7,000 properties that are owned by Homes Victoria and managed as community housing. Homes Victoria also directly manages approximately 65,000 homes as public housing, bringing the total number of social homes in Victoria to approximately 87,000.

Social housing allocations are made from the shared, single social housing waiting list, the Victorian Housing Register (VHR). Despite strict criteria for social housing eligibility, there are currently over 58,000 households on the VHR awaiting an offer of social housing, and an additional 10,000 who are already in social housing but require a transfer to a more suitable property.

The rent model applied across community housing means that rents are capped at below-market rates and set at affordable levels with reference to each household's income. This, along with the underlying charitable purpose of

the sector, means that rent controls are applied to all community housing renters without any risks of negative outcomes that economists warn can occur when rent controls are applied in the private market, where rental providers are generally motivated by financial return on investment, rather than motivated by the wellbeing of renters.

The community housing sector has been an active and constructive partner in the delivery of the Andrews Government's historic \$5.3 billion Big Housing Build (BHB). This investment is currently delivering 9,300 new social housing homes, including the replacement of 1,100 old public housing units, alongside a further 2,900 new affordable homes.

Significant funding and resources have been invested into the social and affordable housing system to deliver on this commitment. CHOs have proven their capacity to rapidly deliver more homes and expand their capabilities in the process. The stronger the CHO sector becomes, the less financial support it needs from government to deliver and manage social and affordable homes. It is critical that the momentum generated by the BHB, especially the growth in the community housing sector's capacity, isn't lost as the BHB concludes.

It is also critical for Victorians who are increasingly being priced out or otherwise excluded from the private rental market that the growth in social housing continues beyond the BHB. To bring the proportion of social housing in Victoria up to Infrastructure Victoria's recommendation of 4.5%, 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-BHB trajectory.

Victoria's Unmet Housing Need

Victoria has the lowest percentage of social housing in the country at less than 3% of our total housing stock. When the Big Housing Build ends, social housing will make up around 3.5% of housing stock. This figure will still lag behind the national average of 4.5% and further still behind the OECD average of around 7%. For further comparison, countries which have prioritised social housing investment include the Netherlands (29.1%), Denmark (21%) and England (17%).⁴

The shortage of social housing is putting 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 and recent analysis indicates that the current shortage of social and affordable rental homes is costing the Commonwealth and State/Territory governments almost \$677 million per year in avoidable justice, health and welfare costs. If nothing is done to address the social housing shortfall, this annual cost is predicted to rise to \$1.29 billion per year by 2036.⁵

Recent UNSW analysis of the 2021 Census data found that across most parts of Australia, the proportion of all households with unmet housing need is between 5% and 8%.⁶ In Victoria the research found that housing need was broadly consistent, with the need closer to 7% of metropolitan households. At the time of the 2021 Census around two-thirds of the households with unmet housing needs were in the lowest income quintile; however, with the current cost-of-living crisis it is likely that a much larger number of households in the higher income quintiles are now facing housing stress and are in need of affordable housing⁷.

The 2023 Anglicare Rental Affordability Snapshot⁸ echoes these findings, with the analysis of Victoria's rental market finding rental vacancy rates are the lowest they've been in recent years and median weekly rents are up 19% from

⁴ AHURI, What is the Right Level of Social Housing for Australia, <https://www.ahuri.edu.au/analysis/brief/what-right-level-social-housing-australia>

⁵ Christian A. Nygaard, "Cost of Inaction: Social and Economic Losses Due to the Social and Affordable Housing Shortage" (Melbourne: Centre for Urban Transitions, Swinburne University of Technology, March 31, 2022), 3, <https://www.communityhousing.com.au/wp-content/uploads/2022/05/CHIA-Everyones-Home-Wider-Benefits-Analysis-31.3.2022.pdf?x31751>

⁶ <https://cityfutures.ada.unsw.edu.au/social-and-affordable-housing-needs-costs-and-subsidy-gaps-by-region/>

⁷ See for example <https://www.abc.net.au/news/2023-06-15/cost-of-living-report-households-mortgage-stress-rental-stress/102417204>

⁸ <https://www.anglicare.asn.au/publications/2023-rental-affordability-snapshot/>

last year. Concerningly, experts are predicting further sharp increases to private rents in the year ahead.⁹ These reports demonstrate the risk of unmet housing need significantly worsening without a steady supply of non-market housing.

Developing a Long-Term Strategy

The Victorian Government has articulated a vision: for all Victorians to have access to safe, affordable and appropriate housing in the right locations¹⁰. The community housing sector applauds and shares this vision and has outlined a range of areas that we recommend for inclusion in a long-term strategy to achieve this.

This vision cannot be achieved without a strategy, and CHIA Vic stands ready to work with government to develop a long-term plan that spans electoral and economic cycles and is capable of delivering transformative change.

Supplying more social and affordable housing is the most practical, long-term solution for low and moderate income households experiencing housing stress and the long-term housing strategy should include clear social housing growth targets and rolling action plans aimed at achieving those targets. Based on the scale of need and chronic underinvestment in social housing, CHIA Vic and other social services peaks recommend that a target is set for the delivery of at least 6,000 new social homes per year over the next 10 years.

- **Recommendation 1: Government should work in partnership with the community housing sector to develop a long-term social housing strategy that spans electoral and economic cycles and is capable of delivering transformative change.**
- **Recommendation 2: Set a transparent statewide social housing growth target of at least 6,000 new social housing properties per year for the next 10 years.**

Setting Aboriginal Housing Targets

Mana-na woorn-tyeen maar-takoort (Every Aboriginal Person Has a Home) is the Victorian Aboriginal community's Housing and Homelessness Framework (VAHMF).¹¹ It provides a 20-year agenda that seeks to improve housing and homelessness outcomes across a generation. The community housing sector supports the inclusion of this framework in a future long-term housing strategy and is committed to continually improving the cultural safety of all of our services.

The VAHMF highlights the historical experience of Aboriginal dislocation that has led to sustained economic exclusion and a legacy of housing poverty and deprivation. It calls for a range of actions from Government, including to embed Aboriginal housing targets and specific funding for growth in Aboriginal Community Controlled community housing. CHIA Vic supports and echoes these calls.

- **Recommendation 3: Embed Aboriginal housing targets and specific funding for growth in Aboriginal community-controlled community housing.**

Overhauling the Housing Support System

In principle, all renters should have access to support services if they are needed to sustain tenancies, and to help them live independently and build meaningful lives. Unfortunately, this is not currently the case and provision of appropriate support to renters can be ad hoc and inadequate. A housing plan should include the steps required to review and overhaul the housing support system with a view to providing greater investment, flexibility and targeting.

⁹ For example, St George Bank predicts a 11.5% rise in private rents for 2023:

[https://www.stgeorge.com.au/content/dam/stg/downloads/report-centre/eco-reports/22_Feb_2023_Rents_STG\(1\).pdf](https://www.stgeorge.com.au/content/dam/stg/downloads/report-centre/eco-reports/22_Feb_2023_Rents_STG(1).pdf)

¹⁰ Homes Vic Discussion Paper on Development of a Ten Year Strategy for Social and Affordable Housing, 2021. Available at:

<https://www.homes.vic.gov.au/10-year-strategy-social-and-affordable-housing#:~:text=The%2010%2DYear%20Strategy%20for,%245.3%20billion%20Big%20Housing%20Build.>

¹¹ Available at <https://vahmf.org.au/>

- [Recommendation 4: Review and overhaul the housing support services system with a view to provide greater investment, flexibility and targeting.](#)

10 Year Roadmap for the Community Housing Sector

CHIA Vic is currently working with the community housing sector to develop a 10-Year Roadmap for growth and a fairer housing system that works for renters. The Roadmap will identify opportunities and actions required to unlock the delivery of significant growth in new social homes over the next 10 years.

Although not yet complete, the Roadmap project is likely to provide insight into ways that government can maximise the impact of their housing policies and programs, and partner with the community housing sector to create long-term homes for more Victorians. Outcomes from this work will be available to help develop a long-term social housing strategy for our state (see Recommendation 1). CHIA Vic anticipates that the Roadmap will be complete by early 2024.

Creating an Ongoing Investment Pipeline

To ensure an ongoing pipeline of investment, CHIA Vic recommends that a new Social Housing Investment Fund is established, and a mandatory inclusionary zoning scheme is introduced to ensure a percentage of social and affordable housing is included in new private market housing projects. In order to reach the scale of total investment needed, these State Government initiatives should be paired and coordinated with Commonwealth social housing investment, including investment from the Housing Australia Future Fund, should the establishing legislation pass through Federal Parliament.

Social Housing Investment Fund

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 sector and building industry.

We propose the investment of 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 economy¹², 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 that would help attract other finance mechanisms into the social and affordable housing sector.

- [Recommendation 5: Reconfigure the Social Housing Growth Fund into the 'Social Housing Investment Fund', along with an additional \\$6 billion investment to deliver 20,000 homes over the next 10 years.](#)

Mandatory Inclusionary Zoning

CHIA Vic also calls on Government to utilise planning and development processes to deliver a pipeline of social and affordable housing through the introduction of a mandatory inclusionary zoning scheme.

¹² Calculations based on residential construction multiplier of 9 jobs for every \$1million spent. Ref: [building-jobs-how-residential-construction-drives-the-economy-final4.pdf \(nhfc.gov.au\)](#)

In 2021, the Parliamentary Inquiry into Homelessness in Victoria recommended mandatory inclusionary zoning be investigated as a potential solution to increase long-term housing options for those at risk of or experiencing homelessness. It noted that a mandatory model of inclusionary zoning would ensure that the private market takes partial responsibility, alongside government, for the provision of housing that meets the needs of all Victorians.

The full recommendation of the report was: “That the Victorian Government investigate implementing a mandatory inclusionary zoning mechanism that would require a portion of any new major housing development be allocated to social or affordable housing. In designing such a model, the Government should consider making specific incentives available to developers to ameliorate the costs involved and ensure that the cost of other dwellings in the development are not increased as a result of the requirement.”

As outlined above, the need for such a scheme has only increased since the release of that report. CHIA Vic views mandatory inclusionary zoning as a strategy that, if situated as part of a broader housing framework and developed with the right policy and financing supports, could make a meaningful contribution to social and affordable housing supply.

CHIA Vic strongly supports mandatory affordable housing requirements to be placed on privately owned land as a condition of a planning approval, particularly in circumstances where government decisions (e.g. rezoning) or investment create an uplift in the value of the land. Other mechanisms that create additional value for developments, such as density bonuses, could also be utilised with part of this uplift then captured for affordable housing outcomes.

Development of inclusionary zoning policies should be 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. This includes providing adequate lead time and transition arrangements when introducing any mandatory requirements.

South Australia and Sydney both provide examples of successful inclusionary zoning policies within Australia that have delivered over 5,400 and 2,000 units of affordable housing respectively (see Gurran et al 2018 for more details)¹³. In South Australia, around 17% of total dwelling approvals within major new residential development areas (2005-15) have been dedicated affordable homes, while Sydney’s inclusionary zoning requirements in Ultimo delivered a smaller number based on a set percentage contribution per square metre of floor area. Although both initiatives exceeded their goals, overseas examples demonstrate how much further inclusionary zoning can go in delivering affordable housing.

Since the 1990s, the United Kingdom has used the planning system to secure social housing, subsidised rental, or low-cost home ownership opportunities as part of mixed tenure housing projects. Inclusionary planning requirements in the UK delivered 25,000 homes via mandatory inclusionary zoning (including 3,000 social rental units) in 2017-2018 with no additional grants.

In the US there are more than 500 inclusionary planning schemes, including inclusionary zoning, incentives and impact fees. San Francisco combines inclusionary zoning with density bonus incentives to ensure that around 12% of all new housing is affordable for very low, low or moderate income earners.

Victoria has had a system of voluntary affordable housing agreements since 2018. While these have helped facilitate discussions between councils and developers about social and affordable housing needs, 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. Moving to a mandatory inclusionary zoning scheme would give clarity and consistency to developers and drive actual social housing outcomes from the planning system.

¹³ Gurran, N., Gilbert, C., Gibb, K., van den Nouwelant, R., James, A. and Phibbs, P. (2018) *Supporting affordable housing supply: inclusionary planning in new and renewing communities*, AHURI Final Report No. 297, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/297>, doi:10.18408/ahuri-7313201.

- Recommendation 6: As part of upcoming planning reforms, introduce a mandatory inclusionary zoning scheme that will allow the growth of private market housing to contribute to the growth of social and affordable housing.

Immediate Action Required

The recommendations outlined in this submission align with those provided in our [January 2020 Submission](#) to the Victorian Parliamentary Inquiry into Homelessness. We note that the final report from that inquiry by the Legal and Social Issues Committee was tabled in March 2021 and is yet to receive a response from Government. This report outlines how housing affordability is a key driver of homelessness in Victoria, and that there is insufficient social and affordable housing to meet the needs of our community.

Recommendations include increasing investment in social housing and support services and a recommendation for Government to investigate implementing a mandatory inclusionary zoning mechanism that would require a proportion of any new major housing development be allocated to social or affordable housing.

While we welcome the current inquiry, and applaud the investment that has been made into social housing over recent years, further and urgent Government intervention is required to address this crisis. We urge the Victorian Government to take immediate and ongoing actions to implement long-term solutions to our housing and homelessness crisis.

The current inquiry is taking place as Government considers reforms to the planning system. The details are yet to be announced but the Premier has said these will be the biggest and most profound reforms to housing supply in many decades. For these reforms to address Victoria's housing and homelessness crisis, they must include a key focus on the delivery of non-market housing. This is an opportunity for immediate and meaningful action to implement recommendations outlined in this submission and to deliver solutions that will provide relief and improve the lives of thousands of Victorians who have been let down by the private market.

Further Details

Thank you for the opportunity to provide a submission to this inquiry and we welcome any invitations to provide more detail or meet with the Committee. If you have any questions or comments on any of the information provided, please contact CHIA Vic by emailing Jason.Perdriau@chiavic.com.au