

Victoria's Housing Statement

Opportunities and insights for the community housing sector

Overview

In September 2023 the Victorian Government released *Victoria's Housing Statement: the decade ahead 2024-2034*. This Statement outlines a ten-year vision of growth for Victoria's housing system and identifies a number of initiatives that will be used to deliver on this vision.

The Statement is made up of five sections which tackle:

- Decision-making
- Increasing housing supply
- Increasing the protections and supports available for renters
- Building more social and affordable housing
- Developing a longer-term approach to planning for housing

The overall ambitions of the Statement are to increase the delivery of housing from 54,000 homes a year to 80,000 homes a year, with a focus on using supply to drive down the cost of housing across the housing system. Achieving this goal would see Victoria build an additional 250,000 homes in the coming decade to address demand, and would increase the proportion that are built in existing areas with good access to transport, employment and community infrastructure.

Within the Statement there are initiatives aimed at renters, and first homebuyers, and at delivering more social and affordable housing. The Statement has a clear focus on facilitating delivery by the private sector, but more information is needed to understand how this delivery will be incentivised or how the different initiatives will be combined to deliver housing to low-income households such as those served by the community housing sector.

Despite setting a clear target for new housing growth the Statement does not include any targets for social or affordable housing growth. Without these it will be hard to determine whether the Statement has been successful in addressing housing need amongst low-income Victorians.

Below is a short summary of the initiatives most relevant to the community housing sector, as well as an assessment of the opportunities for growth and advocacy.

Planning reform

Government aims to reform Victoria's planning system to increase the speed and number of planning approvals. They will do this by:

- Creating a dedicated team to progress the current backlog of 1400 housing permit applications that have been sitting with councils for more than 6 months.
- Streamlining the planning process through a Development Facilitation Program for projects over \$50M in metro Melbourne and \$15M in regional Victoria that agree to deliver at least 10% affordable housing, by making the Minister for Planning the decision maker on these projects. This is expected to bring forward the completion of 13,200 additional homes in the first year, which could deliver up to 1,320 affordable homes.

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- Creating activity centre plans for an initial 10 activity centres across Melbourne, which will deliver an additional 60,000 homes. The plans will also look at incentivising delivery of affordable housing in these areas, and it looks likely that the State Government will be assuming control of planning decisions in these areas.
- Eliminating the requirement for a permit to build a granny flat where it is less than 60 square metres.
- Expanding the Future Homes Program to more areas, and creating more designs for 4 and 5 storey developments.
- Considering opportunities to convert underutilised commercial office buildings in the City of Melbourne into apartments and mixed-use properties – anticipated to create around 10,000 – 12,000 apartments.

Commentary

The expansion of the Development Facilitation Program to include large projects that deliver at least 10% affordable housing is welcome, however there is very little detail about what will satisfy the affordable housing component. Under the current Planning & Environment Act, affordable housing can include low-cost sales to eligible households, as well as time-limited rentals (similar to the NRAS scheme), and there is no requirement for it to be owned or managed by the registered community housing sector. CHIA Vic is seeking to clarify how affordable housing is being defined for this streamlined pathway, and to set expectations about how that will be delivered and managed. CHIA Vic will be advocating for a definition of affordable housing that is limited to rental housing, and that it be owned and managed by the registered community housing sector so it can be used to leverage further growth. This will ensure that the benefit to the Victorian community is retained in perpetuity, easing pressure on the rental market long-term.

The success of this initiative will depend on the design of the program, which needs to offer sufficient incentives to developers to offset the cost of providing affordable housing.

The Housing Statement commits Government to incentivising the delivery of affordable housing in the new activity centres and the details of how this will be done is another area of policy development that CHIA Vic will be seeking to influence. We see an opportunity for CHOs operating in the local area to be part of the community engagement process, helping to inform the future built form of the area, and advocating for how social and affordable housing should be delivered to meet local needs.

Future Homes plans are currently available at a reduced rate of \$150 for community housing organisations, creating a great opportunity for CHOs to access architecturally designed plans for 3 storey developments on infill sites. The plans do not have a minimum site size but have been designed for two standard General Residential Zone lots, which is typically around 1200 metres. The plans can be adapted to smaller or larger lot sizes. Although it is unclear at this stage whether the Future Homes streamlined planning pathway has been expanded to the entire state, there are new streamlined planning pathways that have been introduced with the Housing Statement that may assist the sector in securing planning permits in addition to the existing 52.20 and 53.20 options.

Increasing housing supply

The government wants to build more homes closer to existing transport, work and community infrastructure. To do so they will unlock new spaces to build, encouraging Victoria to grow up as well as out.

Initiatives to support this include:

- Establishing an Institutional Investment Framework which attracts institutional investment into long-term, stable rental properties and build-to-sell properties by creating a dedicated planning pathway and 'one-stop shop'
- Activating the Arden Precinct
- Rezoning 45 sites of surplus government land across Victoria to deliver around 9,000 new homes, with a target that at least 10% of these homes be delivered as affordable homes.
- Strengthening design standards for apartments to ensure appealing, comfortable, sustainable and fit-for-purpose homes.
- Introducing a 7.5% *short stay levy*, the proceeds of which will go to Homes Victoria to support the maintenance and construction of social and affordable housing across Victoria. 25% of these funds will be invested in regional Victoria.
- Continuing to prepare Precinct Structure Plans for growth areas in metropolitan and regional Victoria.
- Setting targets for new regional housing delivery to 2051, and provide \$1b for a Regional Housing Fund which will deliver more than 1,300 social and affordable homes across regional Victoria. Government has also created a \$150 million Regional Worker Accommodation Fund which will help create housing options for key workers in regional communities in consultation with regional employers, workers, housing providers and local councils.

Commentary

Access to well-located land has emerged as a key challenge as the sector scales up its development activities, and this section of the Housing Statement includes a number of initiatives that look likely to assist with this.

The rezoning of 45 sites of surplus government land across Victoria creates a substantial opportunity for the sector to gain access to well-located land for social and affordable housing. The details of how the affordable housing component is to be achieved are not yet determined but the sector's success in working with private sector partners on the GLM and Inclusionary Housing Pilot bids mean that there are likely opportunities through partnership.

Taking part in consultation on Precinct Structure Plans in growth areas is another way that the sector can inform the look and feel of Victoria's growth, as well as providing input into the best way to deliver affordable housing in these locations. Although not traditionally a focus of the sector, this kind of work may be more relevant now that there is ongoing funding available to support the delivery of social and affordable housing.

Setting targets for new regional housing will help establish clear benchmarks for success, however similar targets should be developed for social and affordable housing. CHIA Vic is already advocating for the sector to be the delivery partner for the \$1b Regional Housing Fund due to our ability to stretch the funds further and build more homes than if government did it directly.

Finally, the short-stay levy will generate an ongoing revenue stream for maintenance and construction of social housing. The details of how the funds will be used is not outlined in the strategy.

Increasing protections and supports for renters

The Housing Statement outlines a number of initiatives aimed at protecting renters rights and improving their experience of the rental system. These include:

- Restrict rent increases between successive fixed-term leases, preventing landlords from raising the rent for at least 12 months after evicting renters at the end of a fixed-term lease.
- Banning all forms of rental bidding.
- Establish a new dispute resolution body, *Rental Dispute Resolution Victoria*, to resolve tenancy disputes over rent, damages, repairs and bonds. This is aimed at freeing up VCAT for more serious or complicated matters, and resolving simpler tenancy issues quickly.
- Create a portable bond scheme which allows renters to carry their bond from one property to another rather than having to pay the new bond upfront and then wait to receive their old bond back. This is intended to streamline the administrative process for agents and property managers as well as ease the financial burden on renters.
- Extend notice for rent increases and notice to vacate to 90 days.
- Introduce mandatory continuing professional development training and licensing for real estate agents, property managers, conveyancers, OC managers.
- Standardise rental applications and limit the kind of information agents or landlords can keep on file and for how long, to protect renters' privacy and data
- Create a \$2m *Rental Stress Support Package* to help renters seeking assistance from support agencies. The funds will be delivered through the Victorian Property Fund.

Commentary

These reforms provide greater security and certainty for renters in the private market. In implementing these reforms, it will be important for Government to keep the different operating models and regulatory arrangements in the social housing sector front of mind. There are important lessons to be learnt from the implementation of the Residential Tenancies Amendment Act 2018. For example, although those reforms created greater security for private renters, they also impacted the ability of the Transitional Housing Management program to operate as intended, and limited the effectiveness of this program in supporting people to transition from homelessness to secure long term housing.

As new reforms are being considered, this also provides an opportunity to consider a range of additional amendments to the *Residential Tenancies Act 1997* that would support the growth of the community housing sector, and a strong social housing system overall. CHIA Vic has begun discussions with Homes Victoria and the Department of Government Services about these issues and opportunities and will consult with members to seek feedback and input into the proposed reforms.

CHIA Vic will seek further detail from the Victorian Property Fund on how the support funding will be made available and who is eligible to apply.

Delivering more social housing

Many of the initiatives for social housing detailed in the Housing Statement had already been made public, however there are a few new initiatives. These include:

- A 30-year plan to redevelop all of Melbourne's 44 high-rise public housing towers, with an aim to boost social housing by 10% across the sites as well as deliver affordable and market housing.
- Government to buy off-the-plan apartments in medium and high-density developments in order to facilitate construction commencement and boost Victoria's social housing stock
- Explore opportunities to headlease leftover apartments for social and affordable housing when a developer has been unable to sell or lease them at the completion of a project. This will be done via EOI to test market appetite.

Existing programs to deliver social and affordable housing that were included in the housing statement were:

- The Big Housing Build, which will deliver more than 12,000 social and affordable homes. The Statement notes that 7,600 homes are in planning or construction and 2,800 are completed and tenanted or about to be tenanted.
- The *Social Housing Accelerator*, which is expected to deliver up to 769 units of social housing using \$496.5 million from the Commonwealth government. The Statement notes that this will be done with a focus on using Homes Victoria and other Victorian Government owned land as well as some spot purchases across the state. The first project to be announced for this program is the redevelopment of the two vacant public housing towers in Carlton.
- Investing \$1b in the *Affordable Housing Investment Partnership*, which is an expansion of the previous low-interest government loans and loan guarantees to include affordable housing for essential and key workers. This expands the total funding to \$2.1 billion.

Commentary

This is the area of the Housing Statement with the most opportunity for sector growth.

The redevelopment of public housing towers is a significant and transformative program. The statement commits to a minimum 10% uplift in social housing as well as a commitment to additional affordable housing. There is significant potential to grow the supply of social and affordable housing, particularly if government partners with the not-for-profit sector. Although the commercial models for redeveloping the public housing tower sites have not been released, recent redevelopments such as PHRP and the Ground Lease model indicate a role for the Community Housing sector.

Although spot purchases and long-term head leases in high density developments may not be suitable for all households in housing stress, they are a great way to provide housing in well-located areas for low-income renters who do not have high support needs. This includes many social housing renters as well as key workers seeking homes near their job. The sector can provide a number of insights on spot purchases and head leases within larger developments which could be used to inform the design of these programs to ensure their success and to manage possible developer and neighbour concerns.

Consolidating the lessons from the Big Housing Build so far and using that to inform the design and implementation of future funding rounds (both Victorian and Commonwealth) is a clear priority area for CHIA Vic and members. The proposed inclusion of government land for the *Accelerator* is welcome, as are other initiatives in the planning section that could improve access to well-located

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land for new social and affordable housing. However, more detail on how the various funding streams will be used to create a stronger social housing system would be welcome. There is a need to ensure that all the social and affordable housing initiatives are coordinated to strengthen the non-market housing sector.

The expansion of low-cost loans to affordable housing will help members who want to deliver mixed-tenure developments to do so for less. The loans may also be bundled with funding from the HAFF to grow the supply of housing for key workers as well as the rental revenue of the sector. This is something that members have identified in CHIA Vic's Roadmap consultations as being an area of potential expansion, so financing initiatives that support this goal are welcome. Financing for the affordable housing component is restricted to affordable rentals, and the properties must be operated as such for a minimum of 20 years.

While these new initiatives are welcome, there are no targets for social or affordable housing as part of the overall strategy, nor is there funding to realise future social housing growth. CHIA Vic will be advocating for this to be addressed in the more detailed design of the various programs and policies.

Developing a long-term planning approach for housing

The Housing Statement highlights the need for long-term reform to Victoria's planning system to create a modern, fit-for-purpose planning system that will deliver on the Statement's vision as well as work in line with the Commonwealth Government to deliver on the national Housing Accord.

Although the Housing Statement contains a number of planning reforms they are characterised as the first steps towards reforming Victoria's planning system, with more to come. Further initiatives identified in the Statement include:

- Updating Plan Melbourne to cover the entire state, with a focus on increasing infill development and creating local government targets for growth. This will involve substantial engagement with industry and community.
- Updating the *Planning and Environment Act 1987*. Proposed work includes establishing or clarifying timeframes for decisions, and reviewing the roles and responsibilities of actors involved in the planning system.

Commentary

There are opportunities for members to be actively involved in the update of Plan Melbourne (soon to become Plan Victoria), in particular working with local councils to inform local growth targets and social and affordable housing sub-targets.

Changing the Planning and Environment Act means there will be the potential for legislative changes to the planning system. This could allow for improvements to existing streamlined planning mechanisms, and may also create opportunities to advocate for new pathways for CHOs to access land. It also provides an opportunity to continue to advocate for Mandatory Inclusionary Zoning.