

BRIDGING THE GAPS

2024-25 Victorian State Budget Submission

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INTRODUCTION

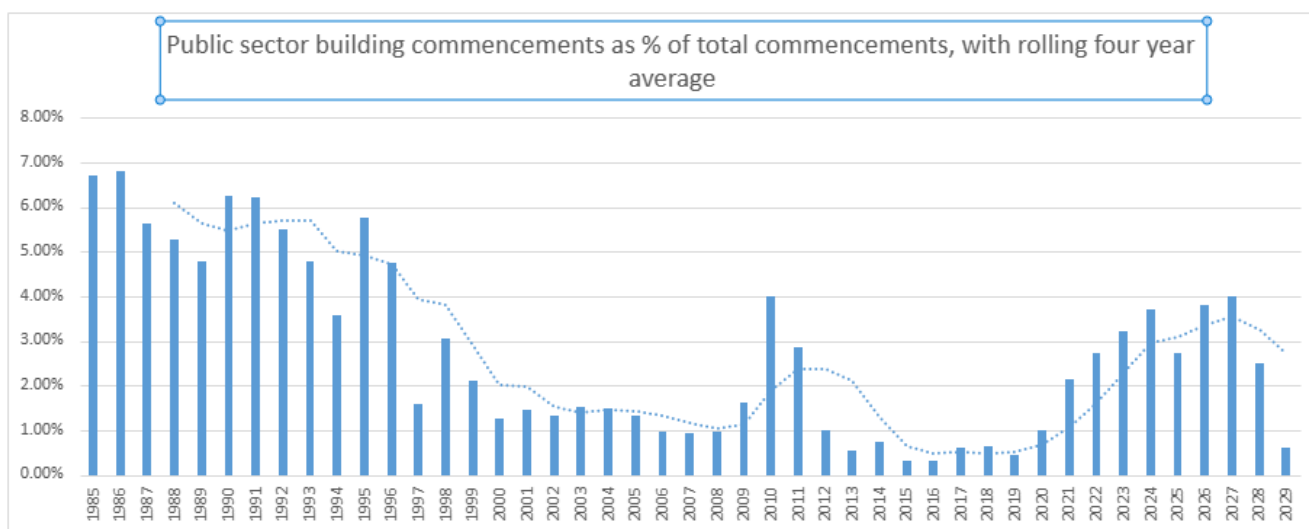
Victoria is in the midst of a rental and housing affordability crisis. Just nine per cent of all new rental lettings across the state are affordable to low-income households¹, the lowest rate since measurement began in March 2000. Vacancy rates have been under 1.5 per cent for the last twelve months² (compared to a market clearing rate of 3%) making it harder than ever to find and keep an affordable home. The shortage of affordable rental housing is driving more people into inappropriate housing situations and homelessness, with 19 per cent of people accessing homelessness services in 2022-23 in paid work, compared to 12 per cent the year before.

It is critical to Victoria’s economic productivity, growth, liveability and the wellbeing of our community that this crisis is addressed, by restoring the delivery of social housing to a central component of our housing system.

Victoria currently has the lowest proportion of social housing of all states and territories in Australia at around 2.9 per cent. Even after the Big Housing Build (BHB), this will only rise to about 3.5 per cent.

Infrastructure Victoria has recommended that 4.5 per cent of all housing stock in Victoria be social housing. To meet this target, around 60,000 new social housing dwellings are needed over the next ten years.

Historically, public sector home building (that is social housing) made up 6 per cent of all dwelling construction in the state. This dropped to under 2 per cent in the 2000s and lower still in the decade after the global financial crisis, to under 1 per cent of all construction. Had social housing construction remained at the historical 6 per cent of all building, there would be up to 62,000 additional social homes in Victoria right now.



The Victorian Government’s Big Housing Build has catalysed investment in social housing in Victoria in a way not seen for decades and has lifted social housing construction to around 4 per cent of total building. The Commonwealth Government’s Housing Australia Future Fund will help to keep it there for a number of years. However, construction is still not up to the historical average, and as both these programs are time limited, threatens to drop back to below 1 per cent, unless there is a plan for sustained investment.

¹ DHHS Rent Report, September 2023 <https://www.dffh.vic.gov.au/publications/rental-report>

² SQM research https://sqmresearch.com.au/graph_vacancy.php?region=vic-Melbourne&type=c&t=1

Current investment

The Victorian Government's Big Housing Build will deliver 9,300 social housing dwellings and a further 2,900 affordable housing properties. Announced in 2020, the \$5.3 billion, four-year program is all but allocated.

The Victorian Government's September 2023 Housing Statement includes initiatives to grow the supply of social and affordable housing, but sorely lacks a growth target for social housing that would ensure that all Victorians have the dignity of a secure, affordable and appropriate home. In fact, if the overall housing supply growth targets in the strategy are met, without commensurate growth in social housing, this will see the percentage of social housing in Victoria decline further.

The Commonwealth Government's Housing Australia Future Fund (HAFF) is expected to deliver 20,000 social and 10,000 affordable homes over five years, with a further 10,000 affordable homes to be delivered through the National Housing Accord Facility.

While there is a minimum allocation of 1,200 dwellings in each state and territory, the remainder of dwellings will be awarded competitively.

Victoria's population share would see 10,000 new homes delivered through Commonwealth funding over the next 5 years (5,000 social and 5,000 affordable). However, this target will only be reached if Victoria has a clear strategy of co-investment to ensure Victorian bids into the fund are competitive with other states so that the Federal Government reaches its dwelling target.

CHIA Vic's budget submission focusses on the investments and initiatives that would grow the social housing system by maximising federal government investment in Victoria, enhancing renters' experiences of social housing and increasing housing options for Aboriginal Victorians.

GETTING TO 6,000 A YEAR – UNLOCKING THE PIPELINE FOR GROWTH

CHIA Vic has identified a number of initiatives that will help the community housing sector grow and capitalise on current funding opportunities. However, Victoria will not reach Infrastructure Victoria’s target of social housing making up 4.5 per cent of all housing without dedicated annual funding to boost the number of new social housing dwellings to at least 6,000 a year for the next 10 years.

Social Housing Investment Fund

CHIA Vic is calling on the Government to reconfigure the Social Housing Growth Fund (SHGF) into a ‘Social Housing Investment Fund’ (SHIF) and turbocharge it with an additional \$6 billion investment.

The \$6 billion investment, and any interest earnings on the fund would then be paid out over a 10 year period in annual funding rounds, to build almost 20,000 new homes over 10 years. Combined with the HAFF this will deliver almost half the social housing units needed to hit Infrastructure Victoria’s recommended target. In line with *Mana-na woorn-tyeen maar-takoort*, the Victorian Aboriginal Housing and Homelessness Framework, at least 10 per cent of these homes should be dedicated to Aboriginal Victorians.

The fund model allows significantly more homes to be built than could be delivered through discrete Budget commitments of \$600 million per annum for 10 years, estimated at 12,000 new homes. This is because interest earnings on the fund boost the funding available, particularly in the early years.

Clear annual funding rounds would allow Community Housing Organisations (‘CHOs’) to plan a pipeline of projects by partnering with developers earlier to deliver lower-cost dwellings, engaging with local government to develop partnerships and source land, seek matching funds from the Commonwealth and invest strategically in development opportunities.

The SHIF should also be open to investment by third parties such as developers and local councils to grow the potential of the fund. It would give developers greater options for affordable housing contributions than under the current voluntary system, and the proposed Development Facilitation Pathway.

Recommendation:

- **Transform the Social Housing Growth Fund into a Social Housing Investment Fund that delivers a clear annual funding allocation to build 20,000 homes over 10 years.**

Estimated investment required:

- **\$6 billion in 2024-25**

The Homes Multiplier

Homes Victoria leases just under 3,100 properties to registered CHOs to provide long term social housing under the 'General Lease' program. The properties in the General Lease program range from heritage listed rooming houses to small apartment blocks and freestanding homes.

Under this program, CHOs retain rent revenue and are responsible for all maintenance to the property, excluding major infrastructure or upgrade works where they are not viable due to the age and condition of the property.

These properties make up a significant and valuable portion of the community housing sector's operations, however, they could be better used to deliver growth, either through redevelopment or leverage, if ownership was transferred to CHOs through a "Homes Multiplier Program".

Under the Homes Multiplier Program, CHOs could apply for title transfer of a package or all of the properties they manage, outlining how these properties will be used to provide additional social housing, either through redevelopment or leveraging debt for new developments. Conservatively we estimate that the Homes Multiplier could deliver 6,100 new homes, a net increase of 3,000 dwellings.

Where sites can be redeveloped funding can be sought from the Commonwealth Government's Housing Australia Future Fund, or funding initiatives such as the Regional Housing Fund or Social Housing Growth Fund.

There are a further 3,747 homes managed under the Transitional Housing Program that should be considered for redevelopment opportunities in the future.

Recommendation:

- **That Homes Victoria establish a Homes Multiplier Program to seek proposals for title transfer of general lease stock to be leveraged or redeveloped to grow the social housing portfolio.**

Estimated investment required:

- **Approximately \$600 million in asset value, \$0 in output funding.**

Unlocking Government land

The recent Victorian Government Housing Statement has identified 45 sites in metropolitan Melbourne and regional Victoria that could deliver around 9,000 homes and set a target for at least 10 per cent of these homes to be affordable housing.

While this is an important initiative, the scale of the affordable housing crisis suggests that Government land should first and foremost be used to deliver social and affordable housing that would not otherwise be delivered by the private market.

In addition to delivering social and affordable housing on these identified sites, changes to the disposal of government land has the potential to deliver more growth in both social and affordable housing.

Alongside government departments and local councils, CHOs should be provided with first right of refusal to purchase surplus sites prior to them being offered for sale to the private market. This would offer CHOs the opportunity to secure a pipeline of land to develop using either Commonwealth or state government funding programs, or leverage institutional investment into mixed tenure developments.

CHIA Vic's analysis of government land sales from 2020 to 2023 identified a total of 16 hectares of land that may have been suitable³ for social housing at a total value of \$54.1 million.

TOTAL LAND AREA	TOTAL SALE PRICE	MINIMUM DWELLING YIELD	AVERAGE LAND COST PER UNIT
16.2 hectares	\$54.1 million	821	\$65,898

It is well documented that the provision of social housing provides cost savings across a range of government programs, including in the acute health and justice systems.⁴

Given this community benefit and the below market rental delivered through social housing, the sale of land to a community housing provider should be at a restricted use value, similar to land sold to Councils for community purposes. This would reduce the sale price of the land commensurate with the return that is delivered by social housing rents.

Recommendation:

- **Amend Government land disposal policy to include Community Housing organisations in the first right of refusal process.**
- **Apply a restricted use value when determining the sale price of land to be used for social and affordable housing.**

Estimated Investment Required:

- **\$9 million to \$35 million pa in forgone revenue dependant on estimate of restricted use value.**

³ Includes sites of sufficient size to be subdivided into four or more dwellings, and is in a metropolitan or regional centre.

⁴ Witte, E. 2017 'The case for investing in last resort housing', MSSI Issues Paper No. 10, Melbourne Sustainable Society Institute, The University of Melbourne, accessed at [MSSI-IssuesPaper-10_Last-Resort-Housing_2017_0.pdf \(unimelb.edu.au\)](https://www.unimelb.edu.au/mssi-issuespaper-10-last-resort-housing-2017-0.pdf)

IMPROVING HOMES AND LIVES FOR RENTERS

Rooming house revitalisation

Across Victoria almost 2,000 social housing residents are living in around 100 rooming house properties. Many of these residents share kitchens and bathrooms, but unlike share houses, residents have no say over who they share these spaces with.

During the height of the coronavirus pandemic, these shared spaces meant that people were not safe in their own home and with funding from Homes Victoria's Sector Development Fund, CHIA Vic started a project to reimagine rooming houses into decent homes for the future.

The project developed detailed forward asset intent plans for eight community housing-owned rooming houses, outlining costs to secure these properties for the long term. An estimated investment of \$54.35 million would redevelop these eight underperforming rooming houses to modern standards and yield 260 homes.

Current funding programs rightly focus on growing the supply of social housing, but we must not leave some of the most vulnerable residents behind.

The Victorian State Budget should fund an upgrade and refurbishment program to convert the eight rooming houses currently under community housing management into self-contained units.

A further revitalisation or replacement program for 31 Homes Victoria-owned Rooming Houses managed under the General Lease program could be addressed under the recommendations in the Homes Multiplier section above.

Recommendation:

- **Upgrade outdated community housing-owned rooming houses to provide safe and secure accommodation for social housing renters.**

Estimated investment required:

- **\$55 million to refurbish eight community owned rooming houses to yield 260 self-contained units.**

Helping renters keep a home

It is far more cost effective to keep someone in their home than it is to support them through a period of homelessness and the transition into a new home. Victoria currently has a number of tenancy support programs in place but they do not meet current needs, and in some instances are time-limited resulting in tenancies breaking down after their conclusion.

Tenancy Plus is a specialised service that works with social housing renters either to help them establish a new tenancy successfully, or to help them sustain a tenancy when it is at risk. Feedback from the community housing sector is that support through the Tenancy Plus program is not always readily available for renters when it is needed – CHIA Vic asks that government reviews the current program and expands it to deliver best-practice tenancy sustainment support for all social housing renters.

Aboriginal Housing Victoria has developed the successful *More Than a Landlord* program, which provides life skills and coaching to eligible Aboriginal Housing Victoria renters through a dedicated Wellbeing Team. The life coaches work with renters to understand what success looks like for them, and then empower renters with practical life tools to achieve this success through setting realisable goals. The program has so far only been funded through short-term agreements despite being in operation for more than six years. Committing ongoing funding and embedding the program as part of the social housing system would ensure more Aboriginal Victorians are supported to keep a home and achieve their goals.

Recommendation:

- **Enhance and appropriately fund tenancy support programs to prevent eviction into homelessness.**

Estimated investment required:

- **\$14.8 million pa (\$7.6m pa for More than a landlord and \$7.2m pa for Tenancy Plus)**

From Homelessness to a Home

The Victorian Government's From Homelessness to a Home program (H2H) was the first large-scale Housing First program delivered in Victoria. It saw more than 2,000 people who were experiencing homelessness and rough sleeping gain long term housing, alongside access to support services to break the cycle of homelessness.

People making the transition from long term homelessness to a home can face significant challenges, and achieving stability after a lifetime of instability can take years. However, both local and international evidence shows that pairing long term housing and support can end homelessness for 90 per cent of participants.

The critical success of Housing First programs internationally is based on the recognition that it is not possible to recover from the causes and harms of homelessness while you are homeless, and that the impact of homelessness can continue to be felt over a lifetime. This is why long-term housing is paired with flexible support that is not time limited and can increase and decrease over time as required.

However, while people still have housing through the initial H2H program, the funded support for these clients is coming to an end, with a much smaller scale program for 500 new rough sleepers over three years to replace it. Critically this new program does not have guaranteed housing attached.

To end rough sleeping in Victoria, we need evidence-based Housing First programs that provide flexible support as long as it's needed alongside secure, long term social housing.

Recommendation:

- **Continue to deliver flexible support to existing clients in H2H.**
- **Deliver a pipeline of social housing for future clients of the H2H program to ensure fidelity with best practice and evidence-based Housing First models.**

Estimated investment required:

- **\$47.5 million in 2023-24 to provide ongoing support to H2H participants**
- **\$225 million over three years to build or acquire 500 homes for new H2H participants**
- **\$12 million for Housing First for Aboriginal Victorians (\$48 m over 4 years)**

EVERY ABORIGINAL VICTORIAN HAS A HOME

Victoria is the only jurisdiction in Australia to have a self-determined housing and homelessness strategy for Aboriginal people. The Victorian Government should be applauded for committing the target of 10 per cent of all new social housing to be allocated to Aboriginal people and delivered by the Aboriginal Community Controlled sector.

However, Aboriginal housing need is not isolated to the social housing sector. Much more is required to make sure that Aboriginal Victorians have the same housing choices as other Victorians and the same opportunities to build inter-generational wealth through home ownership.

Full implementation of the Victorian Aboriginal Housing and Homelessness Framework is essential to build a more just housing system, including funding the Blueprint for an Aboriginal specific homelessness service system, and capacity building for the Aboriginal Community Controlled Housing sector.

Recommendation:

- **Fully fund implementation of the Victorian Aboriginal Housing and Homelessness Framework**

Estimated investment includes:

- **\$19.6 million to fully fund four Aboriginal Specific Homelessness Entry points (\$78.4 million over 4 years)**
- **\$12.5 million for early intervention and homelessness prevention (\$50 million over 4 years)**
- **\$20 million capital funding for an Aboriginal Youth Foyer (\$2 million pa in ongoing operational funding)**
- **\$94.6 million capital funding for Supportive Housing Programs (\$3 million pa in ongoing operational funding)**