



**COMMUNITY HOUSING**  
Industry Association Victoria

Submission

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# A new plan for Victoria

August 2024

# Overview

By 2051 every Victorian should have dignity of a safe, affordable home. To make this vision a reality, Plan for Victoria should set clear targets to deliver 16.5 per cent of all homes as social and affordable housing, with sub targets for Aboriginal Housing in line with *Manana woorn-tyeen maar-takoort*.

These targets must be supported by delivery mechanisms including:

- Mandatory affordable housing contributions in the planning system
- Policies for the disposal of government land that prioritise social and affordable housing
- A clear funding pipeline in collaboration with the Commonwealth Government
- Streamlined planning provisions that give certainty to deliver social and affordable homes more quickly.
- Support for land assembly in Activity Centres
- Policies that address the housing needs of Aboriginal Victorians



# About CHIA Vic

The Community Housing Industry Association Victoria (CHIA Vic) is the peak body that represents the not-for-profit community housing sector in Victoria. We advocate for and support 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.

CHIA Vic's member organisations include all Community Housing Organisations (CHOs) registered under the Victorian regulatory framework. Together, these CHOs provide over 24,000 homes to Victorians poorly served by, or excluded from, the private rental and ownership market.

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 89,000.

Some Community Housing organisations directly develop housing, from securing sites, managing the design and planning process through to contracting builders to construct social and affordable homes. Other CHOs partner directly with private developers to secure homes.

We welcome the opportunity to make a submission on behalf of the community housing sector that contributes to the development of a new plan for Victoria.



# A vision for 2051: every Victorian has the dignity of a safe, affordable home

A good home is a foundation for the most important things in life: freedom, connection, community, relationships. By 2051 we should make sure that every Victorian has a good home, and the safety of an affordable roof over their head. To make sure that all households can afford housing, whatever their circumstances, we need to significantly increase the supply of social and affordable housing for those priced out of the current system. This must include consideration of the accessibility and liveability features of these homes and neighbourhoods, to make sure that all homes can accommodate people with mobility limitations. However, a good home extends beyond simply having a roof over your head. A good home allows people to be a part of their community, maintain connections with family and participate in daily life. It is designed to be accessible, to enable people with mobility limitations to be included in the community, and older people to age in place.

Social and affordable housing must be included in all towns and suburbs to ensure that people on low to moderate incomes can live in the communities in which they work, and have the security to build the social connections that create a sense of belonging.

Planning can and should facilitate the growth of social and affordable housing that's essential to this vision.

## Housing is essential infrastructure

Housing is fundamental to how our cities function. Along with transport networks, housing supports the effective functioning of our labour markets and allows people to live and work where they choose. Housing affects the life chances and choices of our population.

Research conducted in 2022 found that the cost of Victoria's affordable housing shortage was \$141.2 million per year, and this will grow to \$236.7 million per year by 2036 if things don't change.<sup>1</sup> These costs are made up of things like increased spending on public health and justice systems, reduced disposable incomes across the economy, and lower

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<sup>1</sup>Nygaard, C. (2022) *Cost of inaction: Social and economic losses due to the social and affordable housing shortage*. <https://www.communityhousing.com.au/wp-content/uploads/2022/05/CHIA-Everyones-Home-Wider-Benefits-Analysis-31.3.2022.pdf?x55554>.



wellbeing values. These figures don't include the potential productivity and shared infrastructure gains that come from increasing secure and affordable housing.

It's estimated that building 125,000 affordable homes in well-serviced and accessible locations in Sydney would generate \$2.26 billion in travel time savings for the residents.<sup>2</sup> Half of these savings are estimated to go straight towards economic growth through increased work effort. The same program would also generate \$17.6 billion in pure productivity gain from workers having better access to jobs that better suit their abilities, preferences, and the needs of employers. Although the research did not look at Melbourne, we would expect to see similar effects on work effort and productivity from well-located housing in our state as well.

Because of its direct impacts in improving public health, driving economic productivity, and addressing failures in the housing market, social housing is a form of essential infrastructure.

Indeed, Infrastructure Victoria has long identified social housing as critical infrastructure that should be included in long term infrastructure planning and investment. They say:

*Social housing, like other infrastructure, needs time for careful design, planning, regulatory approvals and procurement. Delivering social housing at scale requires a rolling construction program over several years.<sup>3</sup>*

To make sure that all Victorians can secure a safe and affordable home, we need to plan for and fund social and affordable housing as essential infrastructure.

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<sup>2</sup>Maclennan, D., Randolph, B., Crommelin, L., Witte, E., Klestov, P., Scealy, B. and Brown, S. (2019) *Strengthening Economic Cases for Housing Policies*  
[https://cityfutures.adg.unsw.edu.au/documents/515/Full\\_Report\\_Final\\_edited\\_logos.pdf](https://cityfutures.adg.unsw.edu.au/documents/515/Full_Report_Final_edited_logos.pdf).

<sup>3</sup> Infrastructure Victoria (2020) *Growing together: The case for better integration of land use and infrastructure planning in established areas*, Melbourne, Vic. <https://www.infrastructurevictoria.com.au/resources/growing-together>

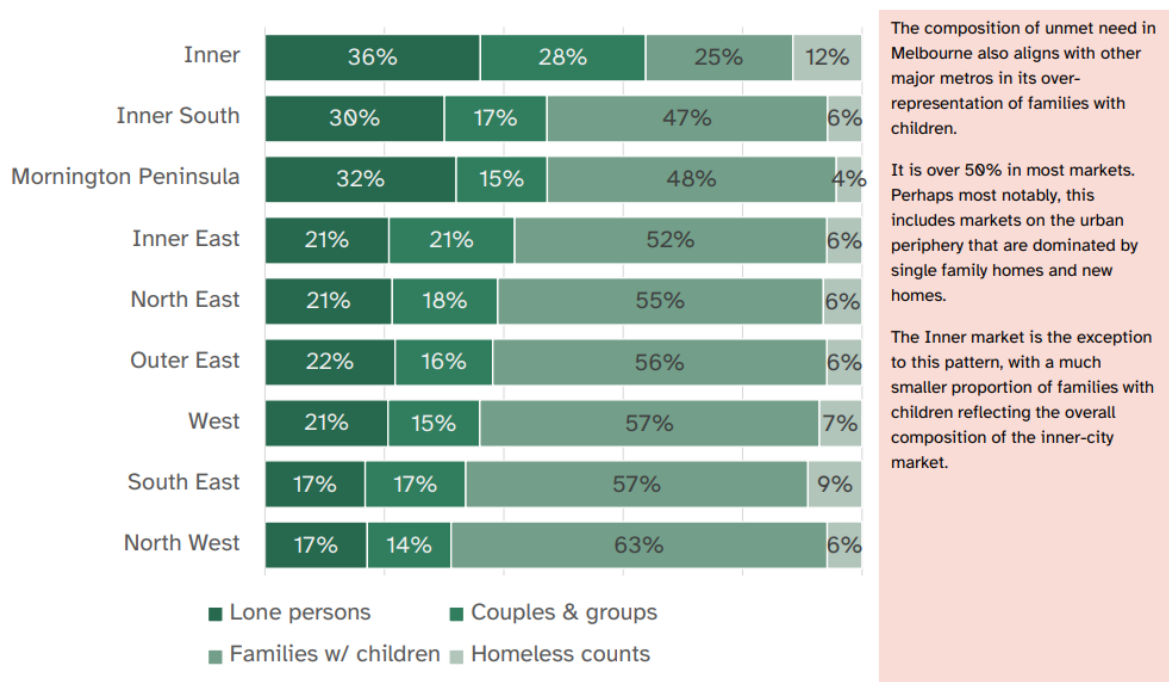


# Current state

Currently, too many Victorian households are struggling with housing costs.

In 2021 around 6 per cent of all Victorians did not have suitable housing.<sup>4</sup> These households were either experiencing homelessness, overcrowding, or were on low incomes and spending more than 30 per cent of their income on rent in the private rental market. These households would struggle to meet the other daily costs of living. In most areas of Melbourne, more than 50 per cent of these households are families with children.

**Figure 1: Melbourne unmet housing need composition**



Source: <https://cityfutures.ada.unsw.edu.au/documents/702/CHIA-housing-need-regional-snapshots-v1.3.pdf>

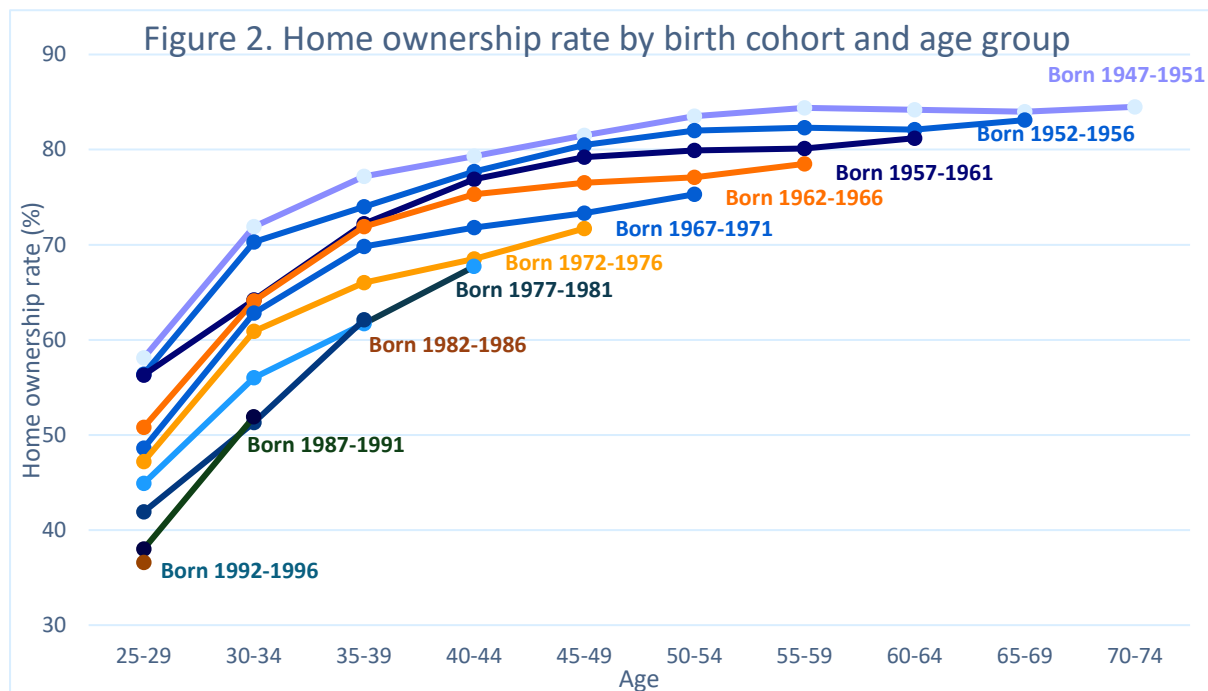
In part, this problem is due to the shortage of affordable rental housing. In 2024 only 1.4 per cent of rentals were affordable for households on income support. For households earning the minimum wage only 21.6 per cent were affordable, down from 25.6 per cent in 2023.<sup>5</sup> The private rental market is also inherently insecure, with landlords able to evict renters when they want to sell the property or move into it themselves. Rapidly increasing rents in recent years mean that families often have to move each year when they receive a rent increase, usually moving further away from their communities to secure an affordable rental. For children this means changing schools or long commutes, both of which can disrupt education.

<sup>4</sup> Nouwelant, R. vd, Troy, L., and Soundararaj, B. (2022a) *Quantifying Australia's unmet housing need*. <https://cityfutures.ada.unsw.edu.au/documents/699/CHIA-housing-need-national-snapshot-v1.0.pdf>

<sup>5</sup> Anglicare Victoria (2024) *Rental Affordability 2024 Snapshot*. <https://www.anglicarevic.org.au/research/victorian-rental-affordability-snapshot-2024/>



The decline in housing affordability is also seen in homeownership rates. Homeownership rates for Victoria have dropped from 72 per cent in 1996 to 68.3 per cent in the 2021 Census.<sup>6</sup> However, this doesn't show the full picture of how Victoria's homeownership rates are changing. Figure 2 shows that homeownership rates were significantly lower for younger cohorts than they are for older cohorts at the same age. This suggests that the proportion of Victorians who are able to buy their own home is dropping faster than the overall statistics, and will continue to decline on current trends.



Source: AIHW Homeownership & housing tenure, Victoria

These market processes have a spatial impact in our cities. Housing in locations that are close to jobs, public transport, green space and civic life are more desirable, and so more expensive. This pushes house prices up in those areas, and pushes lower income households out. Those locked out of well-serviced areas can become disconnected from employment, education and community networks and, in some cases, can fall into homelessness.

Rising house prices are also pushing moderate income households to the outer suburbs where they can afford to purchase a home.<sup>7</sup>

<sup>6</sup> Census Snapshot of Australia data summary, 2021, Table 20. Tenure Type by State and Territory of enumeration - 1996, 2016 And 2021

<sup>7</sup> Gilbert, C., Nasreen, Z. and Gurran, N. (2021) *Housing key workers: scoping challenges, aspirations, and policy responses for Australian cities*, AHURI Final Report No. 355, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/355>, doi: 10.18408/ahuri7323901



Recent AHURI research explored the degree to which essential workers<sup>8</sup> could afford to rent or buy in various LGAs. It defined essential workers as:

- those employed in services that are essential to a city's functioning
- workers on low to moderate incomes
- workers who have to be physically present to do their jobs

The research found that in Melbourne, essential workers have been pushed to outer suburbs and satellite regions, and most would struggle to find a home in inner and middle ring suburbs. Over 37,000 essential workers commute 30kms or more, and over 10,000 commute 50kms or more. Others live in overcrowded homes, sacrificing suitable housing so that they can live closer to work.<sup>9</sup>

All of this results in a reduction in the number of essential workers available to take on jobs in inner-Melbourne. Indeed, the proportion of essential workers living in inner-Melbourne, relative to how many work there, is very low.<sup>10</sup> Whilst 37 per cent of essential workers are employed in Melbourne's three inner subregions, well under half of these people live in the area where they work. Between 2016 and 2021 the proportion of essential workers who worked and lived in inner-Melbourne declined by 11 per cent in the Inner East, and by 9 per cent in Inner Melbourne. Lack of affordable housing has a direct contribution to the poor distribution of human capital.

To tackle these issues, our cities need more social housing as well as enough affordable housing to meet the needs of low and moderate-income working households. Without this we risk not having the workers we need to deliver essential services, and ultimately losing the liveability we cherish about our cities.

It's vital that we change the way we plan for and deliver housing so all Victorians can afford a home in a location that keeps them connected to jobs, services and their community

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<sup>8</sup> We have used the term 'essential workers' throughout to refer to this group of workers. They are also often referred to as 'key workers' and sometimes 'frontline service providers'. Gilbert et al. (2021) provide a discussion of how they arrive at a definition for this group.

<sup>9</sup> Gilbert, C. et al (2021)

<sup>10</sup> Gilbert, C., Nasreen, Z., and Gurran, N. (2023) *Tracking the housing situation, commuting patterns and affordability challenges of essential workers: a report prepared for HOPE Housing*, Sydney: The University of Sydney and HOPE Housing.





# Setting the course for 2050

Addressing the housing crisis is critical to Victoria's economic productivity, growth, liveability and community wellbeing.

Victorians who have participated in Plan Vic consultations have endorsed the “big idea” that we need *more housing options for all Victorians, including social and affordable homes*.

To ensure we can meet the housing needs of all Victorians by 2051, social and affordable housing must be a central component of our housing system. We need clear targets for social and affordable housing, and mechanisms to make sure that it is delivered.

CHIA Vic's vision for Victoria is a home for everyone by 2051. To achieve this, we are proposing:

- Local Government housing targets that include sub targets for social, affordable and Aboriginal housing.
- The introduction of planning and funding mechanisms to deliver social and affordable homes.
- A clearer definition of affordable housing, to eliminate gaps in the housing system.
- A process to assist land assembly

## Social and affordable housing targets

The Plan for Victoria engagement process has set draft targets for new housing growth over the next 25 years. However, they are missing a critical piece of the puzzle: targets for social and affordable housing. Clear goals and mechanisms to increase the number of social and affordable homes are essential to ensuring that we don't leave anyone behind as Victoria grows.

Every Victorian deserves the dignity of an appropriate, secure home. To achieve this, we propose that the final Plan for Victoria incorporate specific targets for:

- Social housing (for very low- and low-income households)
- Affordable housing (for moderate income households, particularly essential workers); and
- Dedicated targets within each of these categories for housing for Aboriginal Victorians.



## Social housing target

As noted earlier, in 2021 around 6 per cent of all Victorians did not have suitable housing.<sup>11</sup> These households were either experiencing homelessness, overcrowding, or were on low incomes and paying more than 30 per cent of their income on rent in the private rental market. There is currently a social housing shortfall of 146,000 dwellings.

This number is expected to grow as Victoria's population grows, and the stock of social housing needs to grow by over 8 per cent each year in Metro Melbourne, and between 5.5-6.5 per cent each year in Regional Victoria to meet the growing housing need.<sup>12</sup>

By 2051, CHIA Vic estimates that Victoria will need 332,100 units of social housing - 244,950 in Metro Melbourne and 87,150 in Regional Victoria<sup>13</sup>. This equates to an average of 11,860 new units of social housing each year and represents 13.5 per cent of the Plan for Victoria target for new homes.

Suggested target:

- Victoria needs an additional 332,100 social homes by 2051. To deliver this, social housing should make up 13.5 per cent of all new housing delivered under Plan for Victoria.

## Affordable housing target

Most research into housing need focuses on the bottom two income quintiles (Q1 and Q2), however housing need is being felt further up the income distribution. The current Planning and Environment Act recognises this, and aims to facilitate Affordable Housing for very low-, low- and moderate-income households, essentially covering income quintiles 1-3.

Measuring the need for affordable housing within Q3 is challenging. Some households will have their needs met in the private rental market in some locations. Others will choose affordability over accessibility, securing homes they can afford in locations that limit their ability to seek employment and affects quality of life through long commute times and disrupted community networks (where rising rents have forced households to relocate).

Based on SGS's Housing Assistance Demand model, CHIA Vic estimates that for every 4.5 very low- and low-income households in need of social housing there is an additional

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<sup>11</sup> Nouwelant et al (2022a)

<sup>12</sup> Nouwelant, R. vd, Troy, L. and Soundararaj, B. (2022b) *Quantifying Australia's unmet housing need – Regional snapshots* <https://cityfutures.ada.unsw.edu.au/documents/702/CHIA-housing-need-regional-snapshots-v1.3.pdf>

<sup>13</sup> Figures extrapolated by CHIA Vic from UNSW unmet demand by 2041 and spread equally over 28 years (2024 – 2051)



moderate-income household in need of affordable housing. This includes households paying too much in rent but does not include households who have compromised on access to jobs in order to have affordable housing.

By 2051 there will be an estimated 72,900 moderate income households who need affordable housing: 53,770 in Metro Melbourne and 19,130 in Regional Victoria.<sup>14</sup> This makes up 2.96 per cent of the total new homes in the current Plan for Victoria housing targets.

Based on these figures, CHIA Vic recommends that Plan for Victoria include a target for affordable housing as well as for social housing. We propose a clearer definition for affordable housing later in this submission, which would assist in providing greater certainty about what is meant by these targets and how they should be delivered (see p. 13).

Suggested target:

- Affordable rental housing should make up 3 per cent of all new housing delivered under Plan for Victoria.

Given the challenges in estimating how many moderate income households are in need of affordable housing it would also be appropriate to look at ways to get better data on the housing need of this cohort. The ABS may be able to develop a definition of housing stress that better suits moderate income households by combining income and journey-to-work data to identify how many moderate income households are sacrificing access to jobs for housing affordability. The affordable housing target should be reviewed once better data is available to ensure it will still provide sufficient housing to meet community need.

## Dedicated housing targets for Aboriginal Victorians

As a consequence of colonisation and subsequent decades of racism and discrimination, Aboriginal Victorians experience homelessness at four times the rate of non-Aboriginal Victorians.<sup>15</sup> They also have a lower rate of home ownership, at 44 per cent compared to

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<sup>14</sup> SGS estimates that of the 387,558 Victorian households experiencing housing stress, 318,135 (82 per cent) are in the very low or low income brackets, and 69,423 (18 per cent) are in the moderate income bracket. See Table 13 in [https://www.mornpen.vic.gov.au/files/assets/public/v/1/new-website-documents/building-amp-planning/strategic-planning/docs/draft\\_affordable\\_housing\\_development\\_contributions\\_strategy.pdf](https://www.mornpen.vic.gov.au/files/assets/public/v/1/new-website-documents/building-amp-planning/strategic-planning/docs/draft_affordable_housing_development_contributions_strategy.pdf). CHIA Vic applied this ratio of 4.5:1 very low/low income households to moderate income households in housing stress to the social housing targets above to produce targets for affordable housing in metropolitan Melbourne and regional Victoria.

<sup>15</sup> 2021 Census



68 per cent in the overall population. As a result, they are overrepresented in both the private rental market and social housing system.

This means that Aboriginal Victorians are experiencing the current housing crisis more acutely than the rest of the population. Victoria's Aboriginal Housing and Homelessness Framework (VAHFF) – [Mana-na woorn-tyeen maar-takoort](#) – recognises this impact and outlines a plan to address Aboriginal housing disadvantage over a 20-year timeframe. This includes calls for 10 per cent of all new social housing and funding to be dedicated to housing for Aboriginal Victorians. CHIA Vic echoes this call and recommends that Plan for Victoria incorporate sub-targets for both social and affordable housing for Aboriginal Victorians.

Suggested target:

- that a minimum of 10 per cent of the social housing and 10 per cent of the affordable housing targets be delivered for Aboriginal Victorians; and
- that this housing be owned and managed by an Aboriginal Community Controlled Organisation.

## Overall subsidised housing targets

Taken together, the three proposed targets above would require that 16.5 per cent of all new housing be below-market housing.

This 16.5 per cent target should include:

- 13.5 per cent of all new homes to be social housing, including 1.35 per cent for Aboriginal Victorians
- 3 per cent of all new homes to be affordable housing, of which 0.3 per cent should be for Aboriginal Victorians.

The process to determine housing targets with local governments should include detailed social and affordable housing plans for each LGA, outlining the specifics of local housing need. This should include consultation with the local Aboriginal community to identify their preferred housing response for local need.



# Improving the impact of affordable housing

Under the current Planning and Environment Act, the way affordable housing is to be delivered is broad and subject to interpretation. It can cover social housing at one end of the spectrum and a discounted home ownership opportunity at the other. While this allows a range of solutions, it also spreads effort across a range of products, introducing uncertainty and reducing the ability to create a clear and navigable set of products for people in housing need.

Social housing is a highly subsidised form of rental housing which aims to address poverty for people on very low incomes. It is delivered exclusively by charities (in the form of community housing) and the Victorian Government (as public housing). Social housing has clear parameters around how it is operated and who is eligible. It is also subject to oversight: a regulatory system for community housing organisations, and Ministerial oversight for public housing. Affordable housing on the other hand currently has many different definitions and no clear delivery pathways.

Affordable housing has a different role to play than social housing. It can create functional local economies, and thriving, inclusive communities. However, to do so it needs to be targeted towards the people who are being pushed out of our communities by rising housing prices: moderate income essential workers.

Where the planning system is used to deliver affordable housing, there needs to be clarity and certainty about what is being delivered, who it is targeted to and thus what subsidy is required. This will provide developers with clarity on what they are being asked to deliver and will allow them to factor affordable housing into their feasibility assessments for potential developments. This definition should also be used across government to ensure that all affordable housing programs are contributing to the same aims, and thus strengthening their collective impact.

Affordable housing that receives government planning concessions or funding should meet the following principles:

- Affordable housing should be **rental housing**, not housing for sale. This retains the public benefit of these programs for future renters.
  - The **exception to this is housing that is for Aboriginal homeownership**. A dedicated percentage of the affordable housing should be made available for Aboriginal housing outcomes, including rentals and home purchase.
- Affordable housing should be targeted to **households in the moderate income range**.



- **Rents should be set at 30 per cent of moderate incomes** to ensure they are genuinely affordable. This should be a fixed rate, relative to household size and whether it is in Melbourne or Regional Victoria. Over time rents should increase in line with incomes, not market rent.<sup>16</sup>
- Affordable housing should be **owned (or managed) by the community housing sector** to guarantee government oversight and compliance with the affordable housing policy settings. Ownership maximises government's investment, as it allows CHOs to borrow against the value of the property to fund additional social and affordable housing growth.

### **Development Facilitation Pathway for affordable housing**

Residential development projects with a value of over \$15 million in Regional Victoria or \$50 million in Metropolitan Melbourne that deliver at least 10% of the development as affordable housing are eligible for the Development Facilitation Pathway. The Pathway specifies that the affordable housing is to be delivered in one of the following forms:

- 1) Discounted sale or gifting of homes to a registered community housing organisation or Homes Victoria where:
  - a) 10% of all dwellings are sold at a 30% discount to the market value or
  - b) Gifting of homes to a registered community housing organisation or Homes Victoria where 3% of all dwellings are gifted or
  - c) An alternate percentage of dwellings or discount rates that is equivalent in value to 3% of all dwellings.
- 2) A cash contribution equal to 3 per cent of the market value of the completed development to the Social Housing Growth Fund.

The dwelling mix of the affordable housing should generally reflect the total dwelling mix of the project.

The agreed affordable housing contribution will be set out in a section 173 agreement, which must be entered into prior to the issue of a permit for the development.

<sup>16</sup> CHIA Vic is proposing that rents be set at 30% of the lower limit of the moderate income band published annually in the Government Gazette.



# Strengthening mechanisms to deliver social and affordable housing

It is standard practice for developers to contribute to the delivery of essential infrastructure like roads, open space and community facilities when they are developing land. These are partly funded by development contributions through the planning process. As social and affordable housing is also essential infrastructure, part of the cost of providing these assets should also be met through the development process.

Under the Planning and Environment Act (P&E Act) there is an option for local councils to negotiate a voluntary Affordable Housing Agreement with developers. However, despite being in operation for over five years, this mechanism has yet to deliver significant numbers of social and affordable homes. This is because:

- The negotiation process **takes a long time to reach agreement**. This is partly because there is no standard requirement for how the contribution should be calculated and what the contribution should look like (in terms of end product). Whilst some flexibility is necessary to suit different contexts, the absence of standard contribution requirements means that negotiations effectively start from scratch every time.
- A lot of **education is required for both local government and development sector** professionals involved in negotiations. If this doesn't happen before negotiations begin, the negotiation process takes even longer. For example, anecdotal accounts from local council officers report instances of developers proposing a contribution which doesn't meet the Planning and Environment Act definition of Affordable Housing.
- The requirement is **initiated at the wrong time in the planning process**. Affordable housing requirements are most often negotiated at the permitting stage. This is well into the development process, after development feasibility has been completed. Combined with a lack of standard requirements this makes it difficult for developers to calculate the impact of the requirement on feasibility and so reduces the contribution they are able to make. As such, most developers seek to sell homes at a discount to a Community Housing Organisation rather than gifting them.
- Most negotiated agreements have **relied on state government funding to be realised**. This is because the form of the contribution is most often the sale of dwellings at a discount to a community housing provider.



- There is **little incentive for developers to enter into agreements**, and Councils have few powers to encourage negotiations
- Where a developer and council cannot reach a voluntary agreement, affordable housing requirements are **vulnerable to being overturned by VCAT**, because there is no legal basis. When this has occurred, the result has been no contribution at all.

If the voluntary approach to the delivery of social and affordable housing is to continue, it must be coordinated with an appropriate funding strategy. However, this approach is more cumbersome for developers, community housing providers and councils and ultimately will not reach the scale of delivery needed to ensure that every Victorian has a safe and affordable home.

## An Affordable Housing Contribution Scheme

To realise the vision of all Victorian having a safe and affordable home by 2051, Plan for Victoria needs to be supported by the necessary implementation and delivery mechanisms.

To this end, CHIA Vic recommends that an affordable housing contribution requirement be introduced across all development types including residential, commercial and industrial land.

This is consistent with other infrastructure contribution schemes and reflects the labour force benefit that industrial and commercial uses receive from social and affordable housing (that is, people being able to live close to work).

To ensure that the mandatory requirement delivers enough social and affordable housing, and that it is appropriate, the following elements are essential:

- **Clear policy settings** which explicitly articulate the social and affordable housing expectations, whilst also allowing flexibility to suit different contexts. The policy should outline:
  - **How the contribution can be provided** – land, dwellings or cash contributions. It is essential that several options are provided to provide flexibility for different development types.
  - **Contribution amount** – clear targets for the number of dwellings required, or the equivalent cash contribution.
  - **What development types require a contribution** – contributions should be required for residential, commercial, and industrial developments.
- **Sufficient lead time for the market to adjust.** To ensure that the introduction of a requirement can be included in development feasibility there should be an





introduction period where existing projects do not attract an obligation. The requirement can then be phased in in a number of ways including coming into effect after a two to three year period, or applying only to land transacted after the introduction. Alternatively, it can be introduced at a lower rate and phased up to a final contribution over a longer lead time. The introduction phase should be subject to consultation with industry, but not longer than three years.

- **Meeting the needs of rural and regional Victoria** – there is a dire shortage of social and affordable housing in regional and rural Victoria. However, the development and market context is different to that of metropolitan Melbourne. It is essential that the policy settings suit the differing needs and contexts of rural and regional Victoria, and that they ultimately can deliver enough social and affordable housing.

## Affordable housing contributions operate worldwide (and in Australia)

Affordable housing contribution mechanisms (also known as inclusionary zoning) are supported by housing economists, think tanks and local governments.<sup>17</sup> Recent AHURI research found that even developers have begun to recognise the need for a mandatory scheme as it would provide certainty around requirements, making it easier to assess project feasibility.<sup>18</sup>

Mandatory affordable housing contributions have been operating in Australian and international jurisdictions for many years, including:<sup>19</sup>

- In **New South Wales, specified zones in the City of Sydney** require developments to include a minimum amount of social housing. For residential developments, 0.8 per cent of total floor space is required, and non-residential developments require 1.1 per cent of total floor space.
- Across **South Australia**, in significant development projects, 15 per cent of dwellings must be affordable housing, including at least 5 per cent for high needs groups. Between 2005 to 2015, this resulted in 5,485 affordable homes which was approximately 17 per cent of new supply in major residential projects.

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<sup>17</sup>The Constellation Project (2023) *Mandatory Inclusionary Zoning National Framework*. [https://theconstellationproject.com.au/wp-content/uploads/2023/11/FRAMEWORK\\_MIZ-national-framework\\_2023.pptx-1.pdf](https://theconstellationproject.com.au/wp-content/uploads/2023/11/FRAMEWORK_MIZ-national-framework_2023.pptx-1.pdf)

<sup>18</sup> Benedict, R., Gurrán, N., Gilbert, C., Hamilton, C., Rowley, S. and Liu, S. (2022) *Private sector involvement in social and affordable housing*, AHURI Final Report No. 388, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/finalreports/388>, doi: 10.18408/ahuri7326901.

<sup>19</sup> AHURI (2023) *What is Inclusionary zoning, and how does it help deliver affordable housing*. <https://www.ahuri.edu.au/analysis/brief/what-inclusionary-zoning-and-how-does-it-help-deliver-affordable-housing>



- In the **UK**, private developments have been required to include affordable housing since the 1990s. This provided 26,000 affordable homes in 2021-2022, ranging from social rental housing to affordable home ownership.
- Many jurisdictions in the **USA** have implemented mandatory affordable housing requirements, including New Jersey, California, Massachusetts, Baltimore, Denver, New York, Philadelphia, Sacramento and Santa Fe.

### Transport Oriented Design

In NSW the Transport Oriented Development (TOD) Program will establish inclusionary zoning for affordable housing.

- In eight TOD accelerated precincts 15% of homes will be affordable housing held in perpetuity; and
- In 31 transport hubs, a 2% affordable housing contribution will be required on all new developments. The contribution will gradually increase over time.

The Constellation Project estimates that in Melbourne, mandatory affordable housing contributions could supply between 17,000 and 86,000 additional affordable homes by 2036.<sup>20</sup>

## An affordable housing contribution rate for Victoria

No single arm of government can meet the need for social and affordable housing in Victoria. However, all levels of government and the development industry have a role to play in delivering this essential infrastructure. To determine the appropriate contribution rate for the Commonwealth, State and development sector we have considered their respective roles in the delivery of social and affordable housing.

The societal benefits generated by social and affordable housing as essential infrastructure fall within three broad categories of impact:

1. Mitigating poverty for low-income households by reducing housing costs.
2. Facilitating supply of essential workers with relevant skills for the regional economy.
3. Creating better neighbourhoods by supporting diversity and inclusion in placemaking.<sup>21</sup>

<sup>20</sup> The Constellation Project is an independent organisation that drives multi-sector collaboration to research and develop solutions to increase the supply of safe, affordable homes for people in Australia on low to moderate incomes. Collaborators include Mission Australia, the Centre for Social Impact and RMIT University. <https://theconstellationproject.com.au/projects/mandatory-inclusionary-zoning/>

<sup>21</sup> SGS Economics and Planning (2023), *National Housing Assistance Policy: Trends and Prospects*. [https://sgsep.com.au/assets/main/SGS-Economics-and-Planning\\_Commonwealth-housing-policy\\_occasional-paper.pdf](https://sgsep.com.au/assets/main/SGS-Economics-and-Planning_Commonwealth-housing-policy_occasional-paper.pdf)



The three sets of external benefits align to the funding responsibilities of the Commonwealth, State Government and developers respectively:

1. Commonwealth – poverty alleviation
2. State Government – regional economic development
3. Developers – placemaking

As such, we recommend dividing the funding responsibility for social and affordable housing equally between developers, the Commonwealth, and the Victorian Government.

As outlined above, CHIA Vic is recommending an overall social and affordable housing target of 16.5 per cent. If we accept that the responsibility for delivery should be shared equally across governments and developers, then on privately-owned land there should be a requirement that developers contribute land, dwellings or cash equivalent to 5.5 per cent of the market value of total floorspace. This provides the proposed affordable housing contribution rates.

Suggested affordable housing contribution rate:

- 5.5 per cent of the market value of total floorspace for all new developments on private land should be required as an affordable housing contribution.

This should be supplemented by State and Commonwealth grant funding and low-cost financing to achieve the full 16.5 per cent of social and affordable housing required.



# Enabling more affordable housing

There are other mechanisms that can support Plan for Victoria to deliver more affordable housing:

- Facilitate land supply for social and affordable housing by changing government land disposal processes.
- Reduce blockers of social and affordable housing by updating streamlined planning provisions to be more efficient and suited to CHO-led projects.
- Develop funding structures that generate a pipeline of funding to secure more social housing.
- Create a fairer housing system by embedding VAHMF and working with the Aboriginal community to create access to land for housing and other cultural purposes.
- Build homes to liveability standards that are accessible for people with mobility impairments to keep people in their communities
- Support land assembly to deliver lots that can support higher density developments.
- Normalise and demystify social and affordable housing by setting clear targets in the final Plan.

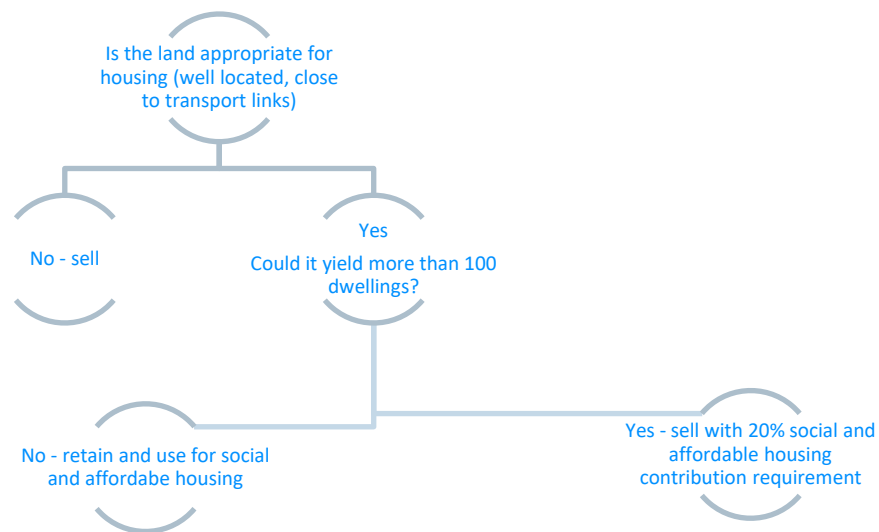
## Facilitate land supply for social and affordable housing – changes to land disposal policies

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

While this is an important initiative, the supply of government land is finite and should be prioritised for services that generate public benefit. As such, government land that is appropriate for housing should first and foremost be used to deliver social and affordable housing that would not otherwise be delivered by the private market. Some sites will not be suitable solely for social housing due to the size or location. Where this is the case the affordable housing contribution should be significantly higher to ensure that the sale of public land contributes to addressing the housing needs of the community.



A decision hierarchy as per below should be followed when considering how to dispose of government land.



In addition to delivering social and affordable housing on these identified sites, changes to the disposal of government land have 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 give 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 suitable for social housing at a total value of \$54.1 million.<sup>22</sup>

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

Given the 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

<sup>22</sup> Includes sites of sufficient size to be subdivided into four or more dwellings, in a metropolitan or regional centre.



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.

In keeping with the targets proposed above, where Victorian Government land is used for social and affordable housing, at least 10 per cent of social housing and 10 per cent of affordable housing should be:

- for Aboriginal households; and
- owned and managed by an Aboriginal Community Controlled Organisation.

## Update streamlined planning provisions

Streamlined planning provisions were introduced with the Big Housing Build through clauses 52.20 and 53.20. These clauses provided planning certainty to projects by removing third party appeal rights. However, in practice, they have been far from streamlined and, in some cases, have taken longer than conventional council planning processes.

Depending on the size of the build, community housing projects are also eligible to be considered under the Development Facilitation Pathway (clause 52.23).

This gives CHOs three different expedited planning pathways for social and affordable housing. However, clauses 52.20 and 53.20 both require projects to be “on behalf of” the CEO of Homes Victoria, and include state government funding. With the introduction of the Commonwealth’s Housing Australia Future Fund many new Community Housing projects will not meet this threshold.

The delivery of social and affordable housing through the Community Housing sector is becoming increasingly complex, with funding sourced through state and commonwealth governments, philanthropy and other partnerships.

CHIA Vic recommends that as part of the update to the planning system that a single dedicated planning pathway for Community Housing be developed. It should allow all development projects by a Registered Housing Agency to access a streamlined planning process, regardless of the source of funding.

## Create a funding pipeline

Mandatory affordable housing contributions can and should add to the supply of social and affordable housing. However, as noted earlier, funding social housing is a shared responsibility between the Commonwealth, State Government and developers.

Historically, funding responsibility has been shared, with the state government matching \$1 for every \$2 contributed by the Commonwealth. Current funding structures under the



Housing Australia Future Fund do not require a state co-contribution, however to meet the urgent housing needs, the Victorian Government should formalise a co-contribution to the HAFF scheme.

These funding structures should be set up to empower Community Housing organisations to act commercially to secure housing opportunities. Current funding structures are cumbersome, slow and unpredictable, making it challenging to secure housing opportunities when they arise.

A clear pipeline of funding would allow Community Housing providers to invest in developments and partnerships to reduce the cost of delivery and secure more homes in a timely way.

CHIA Vic has proposed that a [Social Housing Investment Fund](#) be created to deliver this predictable pipeline, with a \$6 billion investment delivering 20,000 homes over 10 years.

## Homes for Aboriginal Victorians

To help make the Victorian housing system fairer for Aboriginal Victorians, the new Plan for Victoria should:

- Develop clear pathways allowing for Aboriginal housing on Country. This may include special forms of title for housing on treaty land.
- Support access to land through reforms under Treaty or Traditional Owner Settlement Agreements.
- Where state or crown land is being transferred to Traditional Owner groups to be used for housing, government should invest in converting the land to developable land prior to transferring title.
- Allocate one per cent of future crown land releases to Aboriginal housing.

Aboriginal housing needs should also be included in housing targets and other planning contribution schemes. As outlined above, at least 10 per cent of social housing and affordable housing should be for Aboriginal Victorians. *Mana-na woorn-tyeen maar-takoort* also calls for at least one per cent of all new greenfield developments to be Aboriginal social housing.

It is essential that Plan for Victoria works with the Victorian Aboriginal community – including Traditional Owners and Aboriginal Community Controlled Organisations – to ensure that the new Plan:

- Meets the needs of Aboriginal Victorians.
- Implements the actions outlined in *Mana-na woorn-tyeen maar-takoort*.
- Includes opportunities in addition to those listed above.



## Build accessible homes to keep people in their communities

Nearly 3 million Australians currently live with a mobility limitation, and by 2060 it is estimated this number will grow to 5.75 million due to a rapidly ageing population.<sup>23</sup> As of March 2024 there were 1,009 applications for supported housing in the social housing waitlist, the Victorian Housing Register. This represents 1,009 households who currently live in unsuitable housing and have a disability or long-term health problem requiring major structural modifications and/or personal support to live independently.

CHIA Vic commends the Victorian government for adopting the Livable Housing Design requirements under the National Construction Code, and for including accessibility requirements in the Big Housing Build design guidelines.

These homes need to be connected to urban infrastructure that supports mobility, including an accessible public transport network.

## Support land assembly in activity centres and other strategic locations

CHIA Vic supports the policy objective of delivering 70 per cent of new housing in established suburbs. This ensures that households have access to the services they need and can improve climate resilience by reducing transport emissions and congestion.

However, securing sites to deliver higher density housing in established suburbs can be challenging. When appropriate sites cannot be secured it can lead to sub-optimal development in terms of orientation and streetscape.

Government can play a role in supporting land holders to consolidate and collectively market lots for sale, particularly in Activity Centres.

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<sup>23</sup> Centre for International Economics (2021). *Proposal to include minimum accessibility standards for housing in the National Construction Code: Decision regulation impact statement.*  
<https://www.abcb.gov.au/resource/regulation-impact-statements/proposal-include-minimum-accessibility-standards-housing-ncc>





## Normalise and demystify social and affordable housing

Consultation to date on Plan for Victoria has demonstrated a strong public desire for more housing options, including social and affordable housing. It is one of the eight 'Big Ideas' suggested by Victorians.

However, research undertaken by CHIA Vic has found that there is a lack of knowledge about social housing – particularly community housing – in the community. This lack of knowledge is one of the drivers behind community concern about new social housing projects.

Building up the general understanding of what social and affordable housing actually is will set strong foundations not only for community engagement about new developments, but also for neighbourhood acceptance of the future renters of these properties.

There is a role for the Victorian Government to play in building public awareness and support of social and affordable housing across the state. This includes:

- Normalising social and affordable housing by identifying it as an important part of Victoria's housing system. This includes setting clear targets for it in Plan for Victoria, but extends beyond that to the language that government uses when talking about social and affordable housing. To build public awareness and support, government must present social and affordable housing as a positive component of Victoria's housing system in engagement activities and documents, as well as in the final plan.
- Developing clear definitions for both social and affordable housing, and communicating these through factsheets, guidance notes and other resources attached to Plan for Victoria.



# Conclusion

By 2051 every Victorian should have dignity of a safe, affordable home. To make this vision a reality Plan for Victoria should set clear targets to deliver 16.5 per cent of all homes as social and affordable housing, and sub targets for Aboriginal Housing in line with *Mana-na woorn-tyeen maar-takoort*.

These targets must be supported by delivery mechanisms including:

- Mandatory affordable housing contributions in the planning system
- Policies for the disposal of government land that prioritise social and affordable housing
- A clear funding pipeline in collaboration with the Commonwealth Government
- Streamlined planning provisions that give certainty to deliver social and affordable homes more quickly.
- Support for land assembly in Activity Centres
- Policies that address the housing need of Aboriginal Victorians

