

City of Melbourne

People's Panel on Affordable Housing

Panel Report

November 2023

REMIT

We have a severe shortage of affordable housing and need innovative solutions from all levels of government and society.



How can we increase affordable housing in the City of Melbourne?

INTRODUCTION

The City of Melbourne's People's Panel on Affordable Housing was held over four sessions from 26th October to 18th November 2023. The aim of the project was to recommend solutions to the shortage of affordable housing in the City of Melbourne area. Eleven recommendations were formulated over this period from a group of 40 participants. These participants reflected the demographic of the council area, from age, gender, background and socio-economic status.

Housing is a fundamental human right and critical to the health and wellbeing of individuals and society at large. Governments at all levels must implement the right to housing - however, the housing situation in the city is falling short of Melbourne's need, with housing affordability becoming a critical issue in discussions about the future of our society.

'Affordable housing' is a specific type of housing for very low- to moderate-income earners, where rents are no more than 30% of gross household income. This comprises both community and public housing and is also known as 'social housing'. Housing of this type is in need as market rents have exceeded the ability of key workers and lower-income earners to be able to live in the communities they serve. Unfortunately, decades of underinvestment have resulted in a shortfall of over 6,000 affordable housing dwellings relative to current need, with that shortfall projected to increase unless something is done. Addressing this need is essential to the City of Melbourne's aims to create a more cohesive, safe, and accessible society for residents.

The panel has carefully deliberated and have found the following basic guiding principles to be evident in forming our recommendations:

1. **All human beings deserve to be housed with dignity**
2. **Affordable housing is essential infrastructure and must be prioritised as such**
3. **Affordable housing provision must be sustainable in the longer term, socially, financially and environmentally**
4. **Policy must be evidence-based.**

Recommendation 1

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| Heading | Penalties and disincentives for not participating in the affordable housing supply |
| Description | The intent of the idea is to increase access to the supply of currently available housing in the City of Melbourne. This may have a flow-on effect on both affordable housing supply and overall housing affordability. |
| Reasoning - why is this important? What evidence can we provide? | <p>In order to tackle the issue of housing supply in CoM, these three key points may assist in addressing this issue:</p> <ul style="list-style-type: none">● Increase the tax rate for vacant properties from current levels of 1% total value of the property to 10% capped, progressively, depending on the length of time the property is vacant (e.g. more than 3 months = 5%, more than 6 months = 10 %). Although it may seem high, rich investors will be able to afford it.● Self-reporting of vacant properties is as good as not reporting. The data provided clearly suggest that it's not working.● Better data analytics using data from statutory bodies, service providers, e.g utilities, rates, OC fees, tax reporting data to identify vacant properties in the CoM.● Council needs to refresh the rate rebate to affordable housing providers.● Impose more restrictions and certain conditions on● foreign property investors in the residential housing market in the City of Melbourne council area, particularly if these properties remain vacant for a long period of time.● penalties for foreign and local investors / developers that construct new properties that do not have 10-20% affordable housing.● Impose rental market regulations such as rent control, progressive taxes on second and third rental properties, and landlords who artificially inflate rents (e.g. rental bidding). |

Recommendation 2

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| Heading | Innovative alternative funding |
| Description - what is the intent of the idea? | <p>The council should seek non-traditional/non-historical ways of funding affordable housing. This is to include new ways to fund and partner with the private sector which may include developers or financial institutions (such as superannuation funds and hedge funds). Funding provided through private and public partnership should be considered and encouraged.</p> <p>As an example: https://www.socialventures.com.au/sva-quarterly/developing-affordable-housing-affordably/</p> |
| Reasoning - why is this important? What evidence can we provide? | <p>The funding in the current system is inadequate to meet the demand, so innovative ways of funding are required:</p> <ul style="list-style-type: none">• alternate funding sources (super funds, overseas partial investments, Federal Home Loan Banks (FHLBs))• More governments awareness and more support of Innovative funding• Fast-track the application for affordable housing in Melbourne to avoid the long waiting time in the system by implementing faster and alternative ways through government incentives. <p>(https://www.socialventures.com.au/sva-quarterly/developing-affordable-housing-affordably/)</p> |

Recommendation 3

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| Heading | Simplifying the funding process |
| Description | The process to obtain funding for affordable housing is too complex, too slow and has too many barriers, such as a competitive market and infrequent investment opportunities. It would be prudent to simplify the process and remove barriers. |
| Reasoning - why is this important? What evidence can we provide? | <ul style="list-style-type: none">- Inconsistent policy and funding slows the process of construction- Government's processes and procedures consume significant resources, by restructuring internal processes and policies, capacity will be released- The current legislation that facilitates the building of affordable housing is too cumbersome and doesn't allow for innovative new processes. |

Recommendation 4

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| Heading | Public awareness campaign and education program |
| Description - what is the intent of the idea? | <p>To build social acceptance of the concept of affordable housing and education programs to shift public perceptions and celebrate achievements in affordable housing.</p> <p>In appropriate environments such as schools and workplaces or in public forums. Different forms of communications eg. advertising on trams and public transport stops, articles and talk segments on TV, radio, digital media, print media like newspapers etc. The campaigns must be interactive, engaging and inviting to the community to participate in solving the problem to address points like:</p> <ul style="list-style-type: none">• What is affordable housing?• Who will need affordable housing? The groups who need it are broader than what the public currently are thinking. It is not limited to a certain group of people. This is to reduce the stigma, dispel myths and preconceptions around affordable housing.• What factors can lead to housing stress and how to manage them in advance?• What has been achieved to date to support the plan?• What options are available for people who are in need of affordable housing? |
| Reasoning - why is this important? What evidence can we provide? | <p>Wider acceptance and support from the public on affordable housing initiatives are important for these projects to succeed. For example, local residents may object to plans related to affordable housing and this may make developers hesitate to take on these projects.</p> <p>For people who live in affordable housing, it's important for them to feel they are accepted as part of the local community and know where to ask for help when needed.</p> <p>Adoption of the communications campaign endorses certain commercial values to corporations who would like to present themselves as socially responsible.</p> |

Recommendation 5

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| Heading | Consistent pipeline of funding between all levels of government for affordable housing |
| Description - what is the intent of the idea? | Rather than rounds of funding which creates inconsistency in the ability to create affordable housing, an agreed pipeline creates a baseline to remediate the underfunding in affordable housing projects in Victoria. |
| Reasoning - why is this important? What evidence can we provide? (3 key points) | <p>Inconsistent funding leading to a delay in the affordable housing project construction. A consistent commitment in funding and investment would help deliver the housing project as soon as possible.</p> <p>Governments at all levels have underinvested in affordable housing over recent decades, as demonstrated by rising levels of homelessness and rental stress.</p> <p>There are good examples of affordable housing projects (e.g. Nightingale, Munro, etc) which have successfully worked when government funding was involved. The level of investment or the amount of investment should be scaled up to meet the size of the problem.</p> |

Recommendation 6

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| Heading | Compulsory affordable housing for new developments |
| Description - what is the intent of the idea? | <p>Council to advocate to the State Government and other local councils (e.g M9) for a regulation requiring minimum 30-40% (to allow for negotiation) permanently affordable housing (i.e part of land title) in new developments.</p> <p>To be implemented progressively over 10-15 years, starting at 5%.</p> |
| Reasoning - why is this important? What evidence can we provide? | <p>Voluntary inclusion of affordable housing has not been widely adopted by developers.</p> <p>Integrating affordable housing into all projects builds community awareness and acceptance, reducing stigma.</p> |

Recommendation 7

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| Heading | Planning reform: new permit priorities |
| Description - what is the intent of the idea? | <p>More new developments that prioritise higher percentages of affordable housing are needed.</p> <p>The panel recommends that new developments must contain 20% affordable housing units as a base.</p> <p>Developments that propose a higher percentage (e.g. 30%) will receive planning priority over those with a lower percentage.</p> |
| Reasoning - why is this important? What evidence can we provide? | <p>Developers currently report wait times of up to two years for planning approval. This increases costs, disincentivising affordable housing developments. This contributes to minimising potential new housing stock.</p> <p>The cost of holding land whilst waiting for approval eats into developers' budgets and profits. This may affect the viability of new projects.</p> <p>To incentivise and encourage developers to provide more affordable housing, the Melbourne City Council can offer them lower wait times (within a negotiated timeframe).</p> <p>Decreased delay times may lead to faster supply of new affordable dwellings.</p> |

Recommendation 8

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| Heading | City of Melbourne to lobby State and Commonwealth Governments for sustained and consistent long-term funding across affordable housing models |
| Description - what is the intent of the idea? | For Melbourne City Council to successfully secure consistent and ongoing funding streams from State and Federal government sources in the near and long-term future (i.e. not impacted by the changes in the Government rather being part of the Nation's long term sustainable development goals). The aim of this is to ensure a stable, ongoing supply of affordable housing to address the pressing concern of affordable housing shortage. |
| Reasoning - why is this important? What evidence can we provide? | <ul style="list-style-type: none">• The chronic shortage of stock and the unacceptable length of waiting lists for public and community housing is a reason for minimal or sporadic funding from various sources.• Historically, funding from the government has been sporadic. We have also seen a rapid decline of this funding since the 1980's.• The Melbourne City Council is the entity that is best to advocate to these governments on behalf of citizens.• Increasing affordable housing is important, as the problem is growing exponentially. A commitment from all levels of government is required to guarantee citizens' basic human rights to adequate housing.• We are advocating for long-term funding sources to ensure this happens. |

Recommendation 9

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| Heading- | Creating sustainable communities |
| Description - what is the intent of the idea? | <p>Developments of affordable housing should be community-centric. This would mean designing and building houses that serve to facilitate ease of access to a number of amenities such as schools, supermarkets, medical facilities, and communal spaces. For those whose jobs/lives revolve around such places (teachers, nurses, students, etc), the price of regular housing is too high for their current wages. It's also important to consider that many who would occupy these houses are vulnerable/ at-risk due to their finances/backgrounds. Providing them with the option to live in affordable houses close to support services that they may need would be a first step in creating a more sustainable, long term community. Because these key workers are essential to the community, they must be part of the community.</p> <ul style="list-style-type: none">- Proximity to schools, supermarkets, medical clinics, spaces for communal gathering, 24hr libraries, transport- Support services for health and wellbeing, finance, etc- Sustainable, high quality design of the built environment- The key workers should be prioritised to be allocated Affordable Housing near their workspaces.- Cheaper housing for uni students- more creative spaces / community- artist studios/community. |
| Reasoning - why is this important? What evidence can we provide? (3 key points) | <p>Support services help people stay out of poverty and improves the city's livability.</p> <p>Sustainable buildings cost less to maintain, leading to overall stronger supply over time.</p> <p>Liveable communities have flow-on effects reducing the overall costs of services such as healthcare and transport which governments can redirect towards future housing investments.*</p> <p>* to clarify, happy, healthy people will cost less in healthcare (e.g may not need government subsidised therapy long term) allowing costs to be redirected.</p> |

Recommendation 10

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| Heading- | Incentives for stakeholders to provide affordable housing |
| Description - what is the intent of the idea? | <p>Federal, state and local governments could develop and offer various policies aimed to incentivise the provision of affordable housing through subsidies and tax concessions.</p> <p>For example:</p> <ol style="list-style-type: none">1. Introducing a discount on Capital Gains Tax (CGT) for sellers and Stamp Duty exemptions for buyers only for transactions that put housing in the hands of community housing organisations or government public housing portfolios. Review other tax and duties to ascertain whether that revenue can be redirected to affordable housing.2. Offering low-interest government loans to reduce the holding costs of land percentage of affordable housing included in the development (in the same way solar or energy efficiency upgrades were subsidised)3. Offering government land at reduced or no cost for development of affordable housing4. Direct cash subsidies to developers according to the current policy5. Negotiating deals to rezone/repurpose land for use in development of affordable housing. |
| Reasoning - why is this important? What evidence can we provide? (3 key points) | <p>Current costs of constructing and developing affordable housing are subject to inflation and shifts in the macro-economic environment. Introducing incentives would make the difference as to whether certain projects are viable or not and encourage developers to take up the task of providing affordable housing. Tax benefits can also be used to encourage the transfer of existing housing stock into the affordable housing sector.</p> <p>This recommendation is based on the insight that in order to make a development attractive to developers, some financial incentives in the form of subsidised development costs and/or tax concessions would be required.</p> |

Recommendation 11

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| Heading | Use a data-based approach to support and assess all recommendations |
| Description - what is the intent of the idea? | <p>It is important that we use data and analytics from a variety of sources (CoM, State, Federal governments, service providers, current affordable housing projects) to support all actions recommended in this document.</p> <p>Data can help increase affordable housing by examples, such as:</p> <ol style="list-style-type: none">1. Using data in advocacy to create a compelling case for action for affordable housing.2. Better data on affordable housing, funding and service providers and stakeholders.3. Making Information available to all developers on potential sites.4. Data to ensure disincentives are effective. <p>And to measure the success of the initiatives, such as:</p> <ol style="list-style-type: none">5. Regularly review data to ensure targets are being met.6. Mandatory reporting from developers on whether they have achieved affordable housing targets. <p>It is also important to ensure transparency in the acquisition, use, and analysis of the data in order to prevent manipulation and misuse.</p> |
| Reasoning - why is this important? What evidence can we provide? | <ul style="list-style-type: none">- Empirical data increases community acceptance and is difficult to argue against- Developers need to report on progress to ensure integrity- Council can't implement policies without accurate information- Transparency allows for accountability and helps ensure data is not misused. |