# 

Hobsons Bay City Council Submission

to the

Senate Economics References Committee Inquiry into Affordable Housing

March 2014

**Introduction**

Hobsons Bay City Council (the Council) welcomes this Senate Inquiry into Affordable Housing. This is a positive step in ensuring that all Australians have access to a sustainable supply of affordable housing; housing that is not only affordable for those with moderate and middle incomes but with particular emphasis on low income households. The Council looks forward to the release of the outcomes of the inquiry and the setting of an agenda which fosters strong partnerships between key stakeholders, identifies their roles and maps out a pathway for securing and expanding the national supply of affordable housing.

Hobsons Bay City Council is situated approximately seven to 20 kilometres south west of the Melbourne Central Business District (CBD), covering an area of 66 square kilometres. The municipality has a population of 87 360 people which is forecast to increase by 17 per cent (14 864) by 2031.

The provision of affordable housing is one of the key challenges facing all levels of government. Like other parts of Melbourne, housing costs in the western suburbs that include Hobsons Bay, have increased significantly over recent times. Hobsons Bay is one of the five municipalities that make up western metropolitan region. It has traditionally been considered a relatively affordable location and is a key industrial precinct for Melbourne and home to many low income workers. However due to its good proximity to the Melbourne central business district and local attributes such as beaches and coastline there have been large spikes in house prices.

Parts of Hobsons Bay are now gentrified, or are undergoing gentrification and, as a result, areas which used to provide affordable housing are out of the reach of moderate or low income households. This is typified by suburbs such as Williamstown in particular, but also Newport and Spotswood which used to provide housing for employees at the port, rail yards and local industries. Today, the median house price in Williamstown is $1 million, an increase of 16.6 per cent over the 12 month to December 2013, with the Newport median being $742,000, an increase of 20.1 per cent.[[1]](#footnote-1)

The impact of these increases is experienced differently by households, depending on their socio-economic status. Young couples are trying to save for their first home, older residents are asset rich but income poor in terms of covering the costs of day to day life, and young people having left home to live independently have limited finances to spend on housing. For many of these groups an important part of the housing solution is diversity and adequate supply – that is providing, enough housing across a range of housing types and price ranges to meet their needs.

However the search for affordable housing is most extreme amongst those families and individuals with very limited incomes who unable to find affordable, appropriate and secure housing or are struggling to maintain their housing due to rising rents. As a result, they are increasingly being forced to relocate to areas on the urban fringe without adequate services and infrastructure and away from their social supports. Some are living in substandard housing and rooming houses while others have no regular place to stay or are homeless.

**Defining ‘Affordable Housing’**

In order to discuss the complexities of affordability, it is important to develop a clear and shared understanding of what it means. There is currently no clear definition of *affordable housing* in Victoria, or for that matter nationally. The terms affordable, social and public housing are often used interchangeably which can cause confusion for all those involved or concerned about the issue; even the terms of reference for this Inquiry lack a clear definition of what constitutes affordable housing.

As mentioned previously, affordability is experienced differently across the income spectrum. For example, when applying the commonly used National Centre of Social and Economic Modelling (NATSEM) affordability benchmark, affordability is defined as housing costs not exceeding 30 per cent of household income for households in the lowest 40 per cent of incomes. Where this occurs these households have little or minimal discretionary income to cover the bare essentials. Increasingly, those with moderate incomes are also finding the standard of housing they can afford is declining and is located away from employment, essential services and infrastructure, such as health care and transport.

In the absence of any generally agreed or government adopted definition, Hobsons City Council has developed its own definition to inform its affordable housing policy statement, *Improved Housing Choices for Residents on Low Incomes (Affordable Housing) 2011*. The policy statement defines affordable housing by its tenure and by the economic capacity of potential residents. It refers to affordable housing as *“housing that is owned and managed by community organisations, state owned public housing or housing that costs no more than 30% of the income of households on the lowest 40% of the income scale.”*

Whilst the Council has developed a definition, it believes it is critical that a definition of affordable housing, or possibly an affordability spectrum, is developed and has universal application within Australia. This will provide a shared understanding and agreement which will support the development of appropriate policies to actions to be taken.

**Recommendation 1**: That the federal and state governments develop a universal definition that describes what type of housing and income groups fall within affordable housing.

**Measuring the impact of housing affordability in Hobsons Bay**

The extent of the affordable housing shortage for low income households in Hobsons Bay is highlighted by Victorian Government data. The Department of Human Services releases quarterly data on new rental properties that are affordable for low income households. The graph below shows that over the preceding decade to 2012, there was a dramatic fall in the percentage of new rental properties that were affordable. In 2002, the Rental Reports showed that 32 per cent (179 dwellings) were considered affordable. By 2012, this figure had dropped to 9 per cent (53 properties).

Data commissioned by the Council also shows that at the most recent Census in 2011, 9.6 per cent of low income households in the Hobsons Bay municipality were in housing stress (based on the NATSEM model). In the most disadvantaged neighbourhood of Laverton, this figure increased to 15.5 per cent. A review of low income renting households showed that they were further affected by housing stress than home owners, with 22.5 per cent of renting household in Hobsons Bay experiencing housing stress. Again Laverton had the largest proportion compared to other parts of the municipality with 28.2 per cent affected.

For those on low and moderate incomes, the rental market has been very tight although according to the latest information from the Real Estate Institute of Victoria (REIV)[[2]](#footnote-2), there has been an improvement in the vacancy rate. In January 2014, the metro Melbourne vacancy rate was three per cent. However, while supply has improved the median rental price for a house in Melbourne was $400 per week, an increase of 2.2 per cent from the previous month and out of the reach of many moderate income households and most low income households.

**Recommendation 2**: Using the definition of affordability outlined in Recommendation 1, identify the spectrum of affordability and its impact in order to target a concerted response.

**Facilitating the supply affordable housing**

All tiers of government are, and should be, directly involved in the delivery of affordable housing. Community agencies and residential developers also have an important role. Under the Victorian *Local Government Act 1989,* the role of local government in housing includes[[3]](#footnote-3):

* Ensuring adequate planning for the future of the municipal district;
* Coordinating with other public bodies to ensure that services and facilities are provided and resources are used effectively and efficiently;
* Representing and promoting the interests of the community and to be responsive to the needs of the community; and
* Raising funds for local purposes by the equitable imposition of rates and charges and by borrowing and obtaining grants.

Councils have a number of direct and indirect levers which can aid in influencing the supply of affordable housing. This includes:

* Encouraging the use of Environmental Sustainable Design to minimise the cost of maintenance and utilities;
* Encouraging the use of Universal Design to ensuring housing caters for all ages, abilities and life circumstances, particularly people with disabilities, older members of the community and those affected by family violence;
* Influencing diversity and density of housing across the municipality through zones;
* Influencing the location and/or type of housing through the planning system;
* Identifying surplus or under-utilised land (e.g. car parks, railway land, airspace) which could be used for affordable housing;
* Granting rate concessions or parking dispensations for certain developments;
* Fast-tracking or streamlining planning application processes. Savings from reduced holding costs could then be passed onto the future occupant; and
* Participating in joint venture projects with housing providers and developers.

Bearing the cost for some of these actions is most likely beyond the scope of many councils unless there is financial capacity and policy support from federal or state governments. For instance, providing incentives such as reduced rates and charges on properties deemed affordable could strain councils’ main revenue base, along with the costs and resources associated with the ongoing monitoring of such arrangements.

Another option that is not listed is above is inclusionary zoning which is a mechanism whereby the Responsible Authority has statutory planning powers to place conditions on a developer requiring a proportion of affordable housing in the larger developments. Off-setting benefits or compensation could be offered in the form of higher density development. Inclusionary zoning has been a long-term element of South Australian urban planning and housing policy but has failed to gather support from the Victorian government and private industry.

The *Victorian Planning Provisions* set out regulatory requirements and guidelines for land use planning. Clause 16 of the State Planning Policy Framework is about housing, while it makes reference to ensuring that “*planning for housing should include providing land for affordable housing*,” and at 16.01-5 has a section on Housing Affordability. However the current policy framework does not include enough specific requirements for affordable housing particularly in the private market. There are limited tools for councils and other stakeholders to use in the implementation of affordable housing. As a result, councils have no legislative or regulatory back-up to do more than encourage or advocate for increased affordability. Strengthening the provisions is therefore essential to enable local government want to work with developers to deliver affordable housing.

**Recommendation 3:** That state and federal governments provide clear affordable housing implementation tools for land use planning and articulate the role of local government and other key stakeholders.

**Provision of affordable private rentals**

The following response is premised on a definition that private rentals exclude properties owned or managed by government or the not-for-profit sector. Once again, the need for a definition of affordability is required in order to identify who is affected and how they are affected.

Currently the direct provision of affordable private rental (for low and moderate income households) is outside of the scope of most councils as there are no methods by which councils can restrict or regulate the rental prices charged by property owners.

Therefore, the Council supports a continuation of the existing National Rental Affordability Scheme (NRAS) to provide rental housing for those on moderate incomes, such as emergency and service workers, at 20 per cent below market value. This housing provides a housing stream for those working in lower paid jobs and with limited choice as to where they can afford to live due to the high cost of renting. NRAS funding has increased the housing options for this group. It is currently unclear as to whether this funding will be continued. To prevent the further socio economic polarisation of Australian cities, it is important that it does continue, however ensuring that a major portion of the funding is directed to developments in the inner and middle ring suburbs where there is good access to services and infrastructure.

Should the program be discontinued, an important housing source will be lost to those on moderate incomes, further exacerbating the shortage of affordable private rentals for this group. In addition under NRAS guidelines, the 10 year sunset clause allows rents to be either lifted to market levels or properties to be sold. It is unclear what the impacts will be when this is activated but likely that the stock of moderate income housing will be reduced. In addition, while the NRAS funding is important in addressing affordable housing for moderate income households, it is not addressing the needs of those on low incomes therefore if continued cannot be done in isolation.

Housing affordability is an issue that the Council is very concerned about, especially for residents on low incomes who are renting. Within the Councils *Improved Housing Choices for Residents on Low Incomes (Affordable Housing) 2011* policy statement, an action to is “*encourage 10% inclusion if affordable housing for low income households in all redevelopment sites identified in the Industrial Land Management Strategy as well as key development sites across the municipality.*” These sites are generally former industrial sites, of which there is a very limited supply in Hobsons Bay. Part of the intent of the policy statement was to help strengthen the Council capacity to influence the supply of affordable rentals on these sites.

To date, the outcomes have been mixed. Several developers have committed to delivering affordable rentals while another has recently and successfully appealed to the Victorian Administrative Appeals Tribunal (VCAT) to remove this requirement. VCAT’s decision stated “*the imposition of conditions requiring things such as the provision of at least 10 per cent of affordable housing and a development contribution levy, integrated art plan to be inappropriate and, in some instances, unlawful.”* This ruling raises concerns that future attempts by the Council to use this method will again be challenged at VCAT, which is a lengthy and very costly process for all concerned.

Should Victoria proceed with an expansion of the community housing sector, as appears likely, compulsory contributions from developers and or funding from state and federal government must be included to enable the affordable housing sector to buy, develop and maintain affordable housing. In addition, without any legislative requirement in place, it is clear the Council’s commitment to increasing rental affordability for low income households in our municipality is likely to be curtailed.

**Recommendation 4**: Continue to fund NRAS and undertake a review of the 10 year sunset clause in order to identify the likely impacts on housing supply for moderate income households.

**Recommendation 5**: Introduce a system to enable compulsory contributions for developers of larger residential development sites to fund an increase of social housing.

**The role of government in the provision of social (public and community) housing**

In mid 2012, the Victorian Government released a discussion paper called *Pathways to a Fair and Sustainable Social Housing System* in which it posed a range of questions including whether it ‘should own and manage such a large housing portfolio’ and whether ‘the community sector should take on a greater ownership or management role.’ Whilst not explicitly stated, there was an implication that the Victorian Government is considering divesting itself of its public housing stock, a position which the Hobsons Bay City Council does not support.

In the paper, the Victorian Government points to the high cost of maintenance and poses questions about the eligibility of tenants as issues it is considering. The Council is concerned on several levels. In order to ensure the ongoing supply of social housing, the Victorian Government must participate in the delivery of social housing. Should the Victorian Government decide to withdraw or reduce its role, it would merely be passing on the financial problems it is currently grappling with to an under resourced community sector.

In terms of equity and fairness, government must take responsibility in ensuring a supply of affordable housing is available for those who are most vulnerable. In addition, the supply of public housing has remained relatively unchanged for some time and requires a large funding injection if it is to cater for more than just the urgent housing cases and people requiring high levels of support.

With the forecasts indicating continued population growth, it is inevitable that the current unmet demand for social housing will also continue to increase. Recent partnering between government and the community sector to provide social housing has broadened the delivery model and resident profile to include a mix of tenants such as those on Centrelink allowances, pensioners, and with those on moderate incomes. This is a positive shift from one that has prioritised high needs and disadvantage as criteria for obtaining state owned housing. The mixing of tenants also ensures that within social housing that is clustered there are less management issues. It should also be noted that in Victoria a number of registered housing associations also play a key role in providing targeted housing and supports for women and children affected by family violence and people with disabilities. However as indicated previously, partnering with the community sector will require a funding commitment from both federal and state governments.

It would also be beneficial for groups for any future discussions on this matter to involve the input of groups who are housing experts. Among these are the Australian Council of Social Services whose submission to a previous Senate Inquiry into housing affordability in 2008 provided sound policy directions and delivery models and the Australian Housing and Urban Research Institute who have undertaken extensive research on housing policy and models.

**Recommendation 6:** Ensure that both the federal and state governments continue to be a key stakeholder in the provision of public housing.

**Recommendation 7:** Continue to partner with the community housing sector in the provision and management of social housing.

**Accessible and adaptable affordable housing**

When developing new public buildings, the Council must follow the Building Code of Australia (BCA), informed by the Disability Discrimination Act 1992 (DDA) and the Disability (Access to Premises – Buildings) Standards 2010, as do other developers of public and commercial buildings. While this provides a starting point for delivering fully accessible buildings for all ages and abilities, stronger guidelines and requirements are needed to go beyond minimum accessibility compliance requirements.

To assist with this, Hobsons Bay City Council is currently developing Universal Design Guidelines and a Universal Design Policy Statement to inform the design, construction and retrofitting of Council owned facilities. This goes beyond minimum accessibility compliance requirements within the BCA. These guidelines have the potential to be broadened to cover a range of other developments including residential. That said, the Council would welcome the introduction of legislation and standards to be introduced which requires a proportion of all new larger residential developments to comply with the enhanced standards and or the consideration of universal design principles.

Beyond the built form, the provision of accessible housing should be located within reasonable proximity to employment, community infrastructure and services with access to public transport and infrastructure for walking and cycling to reduce car dependency.

Currently, local planning policies in relation to accessibility within residential developments are weak. Options for councils include developing new policies, or strengthening existing policies in the Local Planning Provisions Framework or the Municipal Strategic Statement, to specifically identify the connection between accessibility and housing however, there are no robust tools located within the Victorian Planning Provisions that would provide clearer guidance.

In Victoria, the draft Metropolitan Planning Strategy, Plan Melbourne, has been released with the final version expected in early 2014. It contains an initiative that requires local governments to prepare municipal housing strategies to improve housing choice. It also aims to create 20 minute neighbourhoods (whereby access to services and infrastructure is within a 20 minute walk, cycle or public transport trip) so that new housing is located closer to jobs and services (i.e. within/near to activity centres). This consolidation is intended to make use of existing infrastructure and to promote affordable living by reducing travel costs.

The Plan also includes initiatives to increase the supply of social and affordable housing. However, the actual mechanisms proposed to support the implementation of both affordable housing and a 20 minute neighbourhood are not yet known. It is therefore still unclear whether these initiatives will be effective. While in this instance this is a state issue, the need for clear guidelines for how strategies such as these are applied is critical to the success of their roll-out. Otherwise councils are left to grapple with a series of guidelines with no regulatory strength.

Recommendation 8: Introduce legislation and standards which require a proportion of all new larger residential developments to comply with the Disability Discrimination Act (DDA) and the Disability (Access to Premises – Buildings) Standards.

Environmental Sustainability

Hobsons Bay City Council would welcome the embedding of best practice Environmentally Sustainable Design (ESD) principles in the design of new buildings. As well as the associated environmental benefits, dwellings that incorporate sustainable design assist in reducing the cost of energy bills thus reducing the cost of living.

Currently, the support for sustainable development is not adequately reflected in the Victoria Planning Provisions. State level policies require land use and development to consider energy and resource efficiency but there is no statutory requirement for sustainability tools to be used when assessing new development applications.

Hobsons Bay City Council requires Sustainable Design Assessments (STEPS and SDS) to be submitted for certain types of development, although this is not a statutory requirement. Some other council’s have developed and incorporated an ESD policy in their Planning Schemes however the weight that this has in VCAT is still varied.

**Recommendation 9**: Review and strengthen the current ESD requirements for new housing

Conclusion and Summary of Recommendations

Below are the summary of the Council’s key recommendations articulated throughout the submission. The Council looks forward to the release of the final report from the senate inquiry and the recommended ways to improve safe and secure affordable housing across the nation.

**Recommendation 1**: That the federal and state governments develop a universal definition that describes what type of housing and income groups fall within affordable housing.

**Recommendation 2**: Using the definition of affordability outlined in Recommendation 1, identify the spectrum of affordability and its impact in order to target a concerted response.

**Recommendation 3:** That state and federal governments provide clear affordable housing implementation tools for land use planning and articulate the role of local government and other key stakeholders.

**Recommendation 4**: Continue to fund NRAS and undertake a review of the 10 year sunset clause in order to identify the likely impacts on housing supply for moderate income households.

**Recommendation 5**: Introduce a system to enable compulsory contributions for developers of larger residential development sites to fund an increase of social housing.

**Recommendation 6**:Ensure that both the federal and state governments continue to be a key stakeholder in the provision of public housing.

**Recommendation 7**:Continue to partner with the community housing sector in the provision and management of social housing.

Recommendation 8: Introduce legislation and standards which require a proportion of all new larger residential developments to comply with the Disability Discrimination Act (DDA) and the Disability (Access to Premises – Buildings) Standards.

**Recommendation 9**: Review and strengthen the current ESD requirements for new housing.

1. Hobsons Bay Leader (2014) REIV housing data, 4-2-2014 p5 [↑](#footnote-ref-1)
2. REIV Rental market snapshot - January 2014 [↑](#footnote-ref-2)
3. City of Whitehorse, *Affordable Housing Discussion Paper* (2009), p.5. [↑](#footnote-ref-3)