



Municipal Association of Victoria

Submission to the

*Housing Affordability in Australia Inquiry*

March 2008

This submission has been prepared by the Municipal Association of Victoria (MAV) in response to the Australian Senate's Select Committee on Housing Affordability in Australia Inquiry.

The MAV is the statutory peak body for local government in Victoria, representing all 79 municipal councils within the state.

Whilst this submission aims to broadly reflect the views of local government in Victoria, it does not purport to reflect the exact views of individual councils, which have also been encouraged to make submissions to the inquiry.

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## **1. Introduction**

The Municipal Association of Victoria (MAV) welcomes the opportunity to provide input to the Senate's Select Committee on Housing Affordability in Australia Inquiry.

Housing affordability is a major issue facing councils and communities in Victoria, as changing demographic and economic patterns have resulted in the inability of many households to buy or rent appropriate housing. Affordability is a measure of the ongoing costs of housing in relation to income and consequently people with low incomes and those outside of the market are most affected.

Significant research has already been undertaken to identify policy options to improve housing affordability. However, this work has not been matched by any significant improvement in affordability.

The MAV has contributed to this research at a Victorian and Federal level, with the repeated position that solutions available through macroeconomic policy such as the introduction of tax measures – and the reduction in some tax concessions – that result in an increased supply of housing options for low to moderate income earners.

An intergovernmental approach to housing policy is required and local government has a key role to play in identifying community needs and facilitating local solutions. This submission includes some examples of local housing policies and successful partnerships within Victoria.

A majority of this submission has been drawn from previous MAV submissions on this topic.

### **Factors affecting housing affordability**

Views are divided on the factors affecting housing affordability with blame often targeted at state and local government due to slow and unnecessarily complex planning approval processes, increasing developer/infrastructure charges; inadequate land release to satisfy demand; and state and local government taxes and charges used for funding urban infrastructure.<sup>1</sup>

However, in a 2004 report on housing affordability and first home ownership, the Productivity Commission concluded that factors such as cheaper and more accessible housing finance, economic growth and higher incomes, and the trend to smaller households have been the key factors in driving prices up - rather than the issues of land release or government fees and charges.<sup>2</sup> In relation to local government fees and charges, the Commission supported councils' practice of seeking developer contributions to meet the demand for infrastructure and services that new developments create, such as roads, drainage, community centres, libraries and recreational facilities, which is a position the MAV also supports.

Many reports contend that there is an undersupply of new housing<sup>3</sup>, however the MAV believes release of new land will not resolve the issue in isolation of broader reforms. For example, the recent blanket rezoning proposed in Victoria to accelerate land release will still require greater cooperation between government and the private sector to make significant inroads into affordability concerns. The developers that have already bought the land are under no obligation to provide the houses immediately, nor under any obligation to provide diversity in the housing stock to reflect the needs of the population. There are no incentives for the developers to work towards the same goal as the government, and, if market power exists, the developers could withhold the supply of land irrespective of government land release policies. As such, any future practical actions must involve the private sector if they are to have a meaningful impact.

The MAV's repeated position on housing affordability is that although there could be a more effective intergovernmental approach to planning and land release policy, it is ultimately an economic issue affected by fiscal policy. Factors including capital gains tax concessions that are available to investors in rental properties, and easy access to finance, have benefited medium to high income households and crowded first-home buyers out of the market. Investors are buying existing stock and not investing in new housing. The result has been a reduced supply of affordable houses and rental properties for low to moderate income households. The MAV recommends the Federal Government introduces fiscal measures and tax incentives to encourage the private sector to provide more affordable housing.

The MAV supports the Federal Government's policy – and the direct or in-kind contribution by the state and territory governments – to fund tax incentives for the

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<sup>1</sup> Housing Industry Association, 'Restoring Housing Affordability – the housing industry's perspective', 2003, and Master Builders Association submission to the Productivity Commission's review of 'Local Government Revenue Raising Capability', Melbourne, 2007

<sup>2</sup> Productivity Commission Inquiry Report, 'First Home Ownership', 2004

<sup>3</sup> HIA National Outlook February 2008; Urban Development Institute of Australia, 'An industry report into affordable home ownership in Australia', August 2007

building of affordable rental accommodation rented at 20 per cent below market rates through the National Rental Affordability Scheme<sup>4</sup> as a step in the right direction.

### **An intergovernmental approach**

Housing affordability is primarily a Federal Government responsibility, however all levels of government have a role to play. An intergovernmental approach to housing policy is required to ensure housing supply meets community needs. In the 1980s, a steering committee comprising representatives from the Commonwealth, states and the housing industry – reporting to the Federal Minister for Housing – succeeded in having a positive impact on housing affordability. They provided for the development of greater diversity in housing stock; moving away from the traditional quarter acre block to housing that was more reflective of the community's changing demographic profile, and encompassing environment and sustainability concerns.

The MAV encourages the establishment of an affordable housing steering committee comprising Federal, state and local government, and industry. The joint venture could focus on negotiated project outcomes with developers and financiers that increase housing choice, particularly at the lower end of the housing market.

In addition, when the Commonwealth State Housing Agreement (CSHA) finishes on 30 June 2008, a new agreement should replace the existing CSHA funding system with the aim to increase the overall investment in public and non-profit housing.

In the past, the funding of housing policy officers in state Local Government Associations, such as the MAV, has proven to be useful in brokering partnerships across government and in building capacity of councils to contribute to affordable housing outcomes and should be considered.

### **Examples of partnership approach**

In Victoria, State and local government have collaborated through five Regional Housing Working Groups (RHWGs) across metropolitan Melbourne to develop housing statements and implementation plans for the housing needs of each region to 2030, under the Melbourne 2030 metropolitan strategy. The statements guide further strategic planning work, including local housing strategies and activity centre structure plans, and guide infrastructure and service provision by both councils and the State Government.

All the regional housing statements aim to increase the supply of affordable housing and include initiatives that address affordable housing issues, as well as other issues of household type, accessibility, locational factors and design.

A review of the initiatives from the regional housing statements shows that the RHWGs have a wide understanding of affordable housing and are trying to achieve mixed income communities – from very low income through to moderate – with a range of social housing, low and higher income rental housing and a range of home ownership levels. The RHWGs aim to encourage diverse, sustainable communities.

Another example of a Victorian partnership is the Local Action on Affordable Housing (LAAH) project, which has been initiated to improve affordable housing outcomes at a local level in areas where growth and/ or redevelopment offers opportunities to reconfigure existing housing stock.

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<sup>4</sup> Australian Government, 'Making Housing Affordable Again', Canberra, 3 March 2008

The Local Action on Affordable Housing Project (LAAH) involves: a transit city (Footscray); an activity centre (Preston); a middle ring suburb (Doncaster); a sea-change town (Torquay); a regional centre (Wodonga) and a small town (Robinvale). This project enables a focus on a real place that is undergoing change and development and works across levels and agencies of government with the market.

### **Diversify housing stock**

The diversity of housing types available within an area - from smaller single person dwellings, to large detached family homes as well as 'shop top' or higher density - contributes significantly towards the different socio-economic groups' lifestyle choices. Maintaining and creating housing diversity affects affordability and can positively contribute to social, health and liveability outcomes.

Given housing affordability is a measure of the ongoing costs of housing relative to income, future policy must address the fact that a majority of Australia's ageing population is currently living in car-dependent suburbs, without easy access to health and social services. Current health and ageing policy is intended to enable 'ageing in place'. The true cost of housing in this context is greater than the value of the property so consideration needs to be given to accessible housing or 'housing for the whole of life'. This also affects younger people and first home buyers, who are often limited to choices in the outer suburbs or on the outskirts of towns. Improved targeting of schemes such as first homebuyers may assist to ameliorate these impacts.

Accessible housing frameworks include recognition of internationally recognised Universal Housing Design principles that operate on the premise that people's needs and abilities change throughout life. It is both desirable and cost-effective to provide housing which is accessible for everyone from first use and can be easily adapted to suit the needs of individuals as they change or as new occupants move into the dwellings.

### **Transaction costs of moving**

To compound locational disadvantage, high stamp duty and other costs incurred when a person relocates to be closer to family or work, or support services are a disincentive to moving. The targeted waiving of say stamp duty for first and last home buyers may assist in matching housing type to household size, and better align housing needs and location.

### **Role of local government in housing affordability**

Local government has an important role to play in tackling housing affordability through social and land-use planning functions, researching local housing needs, participating in joint venture projects and carrying out community development work. Local housing strategies prepared by councils generally include an analysis of local housing need, market characteristics and proposals for planning or policy intervention<sup>5</sup>.

In Victoria, many councils are active in ensuring that the housing needs of low-income Victorians are met. Colac Otway Shire, City of Greater Bendigo, City of Maribyrnong, City of Stonnington, and City of Port Phillip, are among the councils

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<sup>5</sup> Guran, N., 'Housing policy and sustainable development: evaluating the use of local housing strategies in Queensland, New South Wales and Victoria', Australian Housing and Urban Research Institute, 2003

that have developed local strategies that aim to influence the availability of affordable housing in their municipalities. These strategies also address a range of local issues from ageing or growing populations and the associated changes in household requirements, to sustainability and the need to ensure that new housing is built with access to services and infrastructure, including public transport. In some cases local government is a funder and direct provider, through a Housing Association, of affordable community housing.

An innovative example of a successful local approach is Maribyrnong City Council's Social Impact Assessment (SIA) guidelines for large-scale residential developments. The SIA process requires developers to assess and report on the social impact of their proposal, such as the effect on residents' access to community services, availability of affordable housing, access for people with disabilities, recreational facilities and open space needs. Since its introduction in 2002, Maribyrnong City Council has requested 16 SIAs for residential developments that have ranged in scale from 16 to 2,000 dwellings. Benefits cited include improved pedestrian access, a more affordable housing mix and enhanced access for people with disabilities. A recent review will require development applications of more than 60 dwellings to undertake an SIA report.

A suite of new residential zones are proposed for Victoria, which, if implemented, will make it easier for councils to perform their planning function and manage development within their municipality. The new zones will have provisions to encourage the type of development that is desired and will delineate areas for substantial, incremental and limited change. Councils will be able to pre-notify requirements for development through the zones and schedules, including areas where change is encouraged and where valued neighbourhood characteristics need to be protected. Victoria is notable in that it does not distinguish between housing type in its land use definitions (the use is residential) nor does it utilise density controls. The zones proposed should assist in achieving greater housing diversity.

### *Recommendations*

- That the Federal Government introduce fiscal measures and tax incentives to encourage the private sector to provide more affordable housing for home buyers and to improve affordable rental stock.
- The establishment of an affordable housing steering committee comprising Federal, state and local government, and industry. The joint venture could focus on negotiated project outcomes with developers and financiers that increase housing choice.
- When the Commonwealth State Housing Agreement (CSHA) finishes on 30 June 2008, a new agreement should replace the existing CSHA funding system with the aim to increase the overall investment in public and non-profit housing.
- That new development is underpinned by coordinated local, state and Federal strategies for new and emerging communities particularly with respect to the provision of infrastructure, transport options, local employment opportunities and access to services. Councils within these areas should receive support to

assist with the maintenance of essential council infrastructure and service delivery.

- That social and economic infrastructure that provide community benefits should continue to be funded out of private borrowings, developer contributions and serviced through rates, taxes or usage charges.
- That the Federal Government considers the development of accessible housing as an aspect of affordability, and promotes the benefits of adopting accessible housing principles.
- That local government is acknowledged as a playing a key role in the effective planning, provision and monitoring of suitable and affordable housing stock and identification of appropriate development sites and zoning.
- That the funding of housing policy officers in state Local Government Associations be considered.