

9 April 2021

For the attention of Homes Victoria:

Municipal Association of Victoria (MAV) response to the Victorian Government's 'Establishing a 10-Year Strategy for Social and Affordable Housing' discussion paper

The MAV welcomes the release of and the opportunity to provide a response to the 'Establishing a 10-Year Strategy for Social and Affordable Housing' discussion paper.

The MAV has previously prepared submissions and consulted with local and state government on improving Victoria's social and affordable housing system. Most recently this included the Victorian Government's private consultation to the Ministerial Advisory Committee on Planning Mechanisms for Affordable Housing. We also provided a submission to the Inquiry into Homelessness in Victoria and the Commonwealth Government's Inquiry into Homelessness in Australia.

Decreasing housing affordability, long-term shortfalls in the supply of social housing and increasing demand for affordable housing are significant issues for all levels of government. As the level of government closest to the community, local government is at the coalface of these issues. Residents of social housing are often frequent users of council social support services and councils also play an important role in shaping housing availability through land use planning.

The discussion paper highlights that while recent record investment in building new social and affordable housing is a big step in the right direction, ongoing funding and other support structures are required via a 10-year strategy. The MAV supports this premise. We believe that the strategy must identify key goals, policies, and strategies to ensure ongoing sustainability of the social and affordable housing system over a longer timeframe.

Rate exemptions punish councils and community

The sustainability of the social housing sector should not be predicated on the misguided rate exemption proposal that has been flagged. It is beyond disappointing that the opportunities heralded through the Big Housing Build may be derailed by the decision to make social housing rates-exempt while expecting councils to sign up to a compact which articulates a respectful partnership going forward. Councils already support and implement a range of approaches to support increased social and affordable housing. The approaches taken vary according to local capacity and need, including for example differential rates for social housing (Macedon Ranges) through to proposals for rate reductions or exemptions for affordable housing (Bayside Draft Affordable Housing Strategy).

Rates are a broad tax that funds services and infrastructure for the community, including for social and affordable housing clients. A blanket rates exemption for both existing and new



social housing shifts the burden of paying for social and affordable housing from the State onto local government when it is a State Government responsibility. Adding to the burden, councils do not have the same capacity to raise revenue as the State government. Local government rates account for around 3.6 per cent of tax collected in Australia. Rate capping and communities' capacity to pay limit Victorian councils' ability to raise funds to cover the increased costs of additional service provision. The proposal to make social housing rates-exempt risks alienating councils as they grapple with the financial implications of this loss of revenue in the face of ever-increasing demand for services.

Building council capacity

Capacity building for councils has been supported through programs such as Social Housing Investment Planning Project (SHIPP). This particular program has built a strong foundation for increasing knowledge of need and understanding of the levers for increasing housing stock. The level of understanding at local level has been raised through the briefings, strategies and position papers councils have developed and adopted over the past couple of years. This investment in capacity building could be extended to support more councils in the development of strategies which engage service provider stakeholders as well as the broader community. A better resourced local government sector will have the capacity to support local design and delivery of a sustained communication strategy on the vision *'for all Victorians to have access to safe, affordable and appropriate homes'* and what this means in local communities. This public narrative must be led by Homes Victoria and delivered in partnership with all stakeholders.

Environmentally sustainable design

Sustainability and high-quality design of new homes is key. Building to environmental and universal design principles means that housing can meet the changing needs of people, households, and communities and protect connections to place and community.

The Government's commitment to a 7-star NatHERS rating for new builds is welcome. Consideration must be given to assessing the Environmentally Sustainable Design (ESD) and energy efficiency outcomes that go beyond a 7-star rating. This is critical to ensure that ongoing costs of housing remain affordable, and to better protect the health of residents as the climate changes.

Requiring new buildings to meet ESD and universal design principles will contribute to community acceptance and support for affordable and social housing. The leadership from state government will provide certainty for developers and councils and will establish a critical foundation for sustainable housing as well as appropriate homes for people as needs and capacities change.

The planning system

Despite strong council commitments to facilitating affordable housing through the voluntary agreement process, there has been poor outcomes for negotiated contributions. The process is resource intensive for councils and developers. Important considerations for using the planning system to deliver affordable housing include ensuring that:

- provisions contain mandatory (rather than discretionary) requirements for new social and affordable housing so that there is certainty and clarity for landowners, developers and planners
- provisions provide for land, dwelling, and / or cash affordable housing contributions and allow councils to specify the preferred form the contribution will take

- provisions clearly set out who will pay for the affordable housing (and at what discount) to provide certainty about the quantum of the affordable housing contribution, if the affordable housing contribution is to be delivered through the sale of dwellings
- any requirements in new provisions set out the time for which a property will remain affordable housing, considering the financial impact on the end owner of the affordable housing so that it does not create a burden on the community housing sector
- the Victorian Government seeks to maximise the delivery of affordable housing when renewing their existing housing assets, and in the disposal of surplus government land

Identifying areas for new social and affordable housing and implementing the planning controls to facilitate them must be done in partnership with councils and the communities they represent. This includes the current and future residents of new social and affordable housing. Recent "streamlining" processes introduced through amendments VC187 and VC190 have removed council and community involvement may save time but risk alienating communities. This will serve to undermine the existing strategic planning that councils have undertaken on behalf of their communities and may perversely limit input from the residents of the new housing builds themselves.

Ongoing financial commitment

A sustainable system cannot be achieved without large-scale investment in affordable housing that is permanently funded. This will avoid critical shortages in the future and ensure that the Big Housing Build is more than a stimulus 'one off'. Funding mechanisms for social and affordable housing need to be maintained and strengthened at both the State and Federal Government level. Local government is committed to working with the Victorian Government to advocate for funding and programs supporting affordable housing from the Commonwealth Government.

Role of a compact between Homes Victoria & Local Government

Councils have provided detailed submissions on local needs and have identified that there is opportunity to strengthen and formalise communication channels between Homes Victoria and councils including sharing data and informing councils of projects in their municipality. The development of a Compact between Homes Victoria and local government will provide the opportunity to articulate the intention of a new partnership with local government which will set the broad parameters for the relationship going forward. Local implementation plans can be developed through regions or groupings or networks of councils based on the principles of the Compact. We urge the Victorian Government to reconsider the proposal for rate exemptions for social housing and to engage with local government to develop a Compact that recognises the capacity and diversity of councils and encourages incentives that are locally applicable and sustainable.

Councils are committed to working with the Victorian Government to support and encourage social and affordable housing. To help ensure best outcomes for future residents of this housing and for the broader community, it is critical that the State engages respectfully with local government throughout the design and delivery of this 10-year strategy. Should you wish to discuss further please contact Troy Edwards at tedwards@mav.asn.au

Yours sincerely



Kerry Thompson
Chief Executive Officer