

Report to the Future Melbourne Committee
City of Melbourne submission to Homes Victoria's 10-Year Social and Affordable Housing Strategy and establishment of Homes Melbourne

Agenda item 6.5
13 April 2021

Presenter: Emma Appleton, Director City Strategy

Purpose and background

1. The purpose of this report is to seek endorsement of management's submission to the Homes Victoria 10-Year Social and Affordable Housing Strategy Discussion Paper (the Discussion Paper).
2. The submission is based on the Affordable Housing Strategy 2030, which was endorsed by the Future Melbourne Committee in December 2020. This was progressed through multiple Annual Plan Initiatives, including 2020-21 API 2.7 'Increase the supply of affordable homes in the City of Melbourne'.

Key issues

3. More than 60,000 new homes are needed for Victoria to reach the national average of 4.2 per cent of social housing dwellings to total dwellings, which would mean building 6,000 each year for the next 10 years.
4. Pre-COVID, the City of Melbourne had an estimated shortfall of 5,500 social and affordable homes. This was anticipated to grow to a shortfall of 23,200 homes by 2036. There are currently 720 people in emergency hotel accommodation in our City, who urgently need appropriately located, supported accommodation as a pathway out of homelessness. In addition, a significant increase of supply is needed to deliver medium to long term housing options for low to moderate income earners.
5. In November 2020, Homes Victoria announced the Big Housing Build, a \$5.3 billion package to build 12,000 new social and affordable homes. The 10-Year Strategy will provide guidance on how investment into affordable housing will be sustained.
6. The City of Melbourne's combination of a central city location, access to jobs, established quality amenities, existing network of support services and community infrastructure makes it the ideal location for large scale social and affordable housing development. Our urban renewal areas provide a timely opportunity for ambitious affordable housing delivery. We seek recognition as a priority delivery partner.
7. The complexity and extent of the housing crisis means that a comprehensive response is needed that increases the supply of housing across the spectrum. This includes creating clear pathways out of homelessness by partnering: to provide and deliver temporary, safe, supported housing; establishing CBD based specialist health and housing access points; as well as a specialist multidisciplinary extended-hours health and housing outreach service that connects people to housing and coordinates service support.
8. The submission proposes ways to increase the supply and quality of social housing, and deliver long term secure affordable housing for key workers in the City of Melbourne. In the short to medium term, we suggest that Homes Victoria pursue head leases for short stay accommodation for 3-5 years, purchasing appropriate vacant properties in existing residential developments, investing an appropriate percentage up front in approved developments, and adapting and repurposing vacant student accommodation. In the medium to long term, we propose pursuing a staged refurbishment and redevelopment of the North Melbourne Housing Estate, and investing in and leveraging the significant opportunity of the state significant urban renewal precincts, to deliver new social and affordable housing at scale.
9. We also call on Homes Victoria to plan for sustained investment and growth in housing in the longer term. This should include securing ongoing funding streams, and include investigation of a state wide affordable housing levy, and the introduction of mandatory inclusionary zoning across Victoria, to be introduced once the market has stabilised.

10. To demonstrate City of Melbourne's commitment, a new, appropriately skilled and resourced initiative, 'Homes Melbourne' is proposed to be established. 'Homes Melbourne' will work across the housing and homelessness sectors to advocate and facilitate the delivery of significant emergency, social and affordable housing within the municipality over the next four years.

Recommendation from management

11. That the Future Melbourne Committee:
 - 11.1 Endorses the submission to Homes Victoria 10-Year Social and Affordable Housing Strategy Discussion Paper (refer Attachment 2 of the report from management), and authorises the General Manager Strategy, Planning and Climate Change to make any further minor editorial changes to the submission prior to publication.
 - 11.2 Notes Management's intention to establish a new, appropriately skilled and resourced initiative 'Homes Melbourne', which will work in an innovative, and effective partnership with Homes Victoria to deliver significant affordable housing within the municipality over the next four years and implement Council's Affordable Housing Strategy 2030.

Attachments:

1. Supporting Attachment (Page 3 of 31)
2. Submission to Homes Victoria 10-Year Social and Affordable Housing Strategy Discussion Paper (Page 5 of 31)

Supporting Attachment

Legal

1. Section 9(2) of the *Local Government Act 2020* provides that, in performing its role, the Council must:
 - 1.1 give priority to achieving the best outcomes for the municipal community, including future generations
 - 1.2 promote the economic, social and environmental sustainability of the municipal district.
2. The recommendation in the report is consistent with the legal requirements of Council in discharging its role.

Finance

3. An indicative implementation plan with high level cost estimates over ten years was prepared for the Affordable Housing strategy. Any demonstration project would require partnership and external funding.
4. Any future funding may require from Council will form part of the annual planning and budgeting processes and as such, will be included in the annual budget submission.

Conflict of interest

5. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a material or general conflict of interest in relation to the matter of the report.

Health and Safety

6. In developing this proposal, no Occupational Health and Safety issues or opportunities have been identified.

Stakeholder consultation

7. Extensive consultation was undertaken in the development of the Affordable Housing Strategy. Public consultation on the Draft commenced on 4 March 2020 and ran for an extended period due to COVID-19 until 5 May 2020. The consultation included targeted stakeholder engagement, eight 'popup' sessions at public libraries, community hubs and other events. The Draft was also promoted on Instagram, Facebook, LinkedIn and through a series of industry e-newsletters and direct emails to stakeholders.
8. The consultation was designed to direct people to the Participate Melbourne webpage to complete a survey. The public were also invited to provide extended written submissions. A virtual focus group was conducted with people who have a lived experience of homelessness.
9. We received a total of 218 responses to the Draft. 182 people completed the online survey, six people participated in the focus group, and 30 written submissions were received from a range of representatives from the development, community housing, government and social services sectors, residents associations and individuals. More detailed analysis of the responses is summarised in Attachment 3.
10. Of note, the peak community housing body commended the thorough analysis underpinning the Strategy and strongly supported approaches and policies to deliver more housing. The peak property development bodies continued to express concern regarding the introduction of mandatory inclusionary zoning, highlighting their view that it placed too much responsibility on the property sector alone to solve a society wide problem. They also sought sustained investment and incentivisation approaches from Government.

Relation to Council policy

11. The Submission aligns with City of Melbourne's Affordable Housing Strategy 2030 and Pathways: Homelessness Strategy 2014-17. The Strategy also aligns with priorities identified in both Future Melbourne 2026 and Council Plan 2017–21, including the goal 'A City for People'.

Environmental sustainability

12. Environmental sustainability is supported through this submission by enabling a greater supply of affordable housing within City of Melbourne where there is greater access to public transport and fewer environmental impacts through new development compared to outer suburban growth areas.

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Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

CONTENTS

Executive Summary	Page 2
Summary of City of Melbourne's recommendations	Page 4
Background	Page 6
City of Melbourne's response to the discussion paper	Page 7
1. The City of Melbourne is the ideal location for large scale social and affordable housing development	Page 7
2. Effective and sustainable pathways out of homelessness need to be created in City of Melbourne	Page 14
3. Deliver long-term secure affordable housing in City of Melbourne	Page 17
4. Sustained investment is required to develop a long-term strategy for affordable housing in Victoria	Page 22
5. Additional recommendations	Page 27

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Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

Executive Summary

The City of Melbourne is ready, willing and ideally placed to partner with Homes Victoria to deliver a comprehensive affordable housing response in our municipality.

We welcome Homes Victoria's *Establishing a 10-Year Strategy for Social and Affordable Housing* (the Discussion Paper). We support its recognition of housing as a critical foundation for the lives of individuals, families and communities; and of Victoria's urgent need for new social and affordable housing. These statements align with the City of Melbourne's *Affordable Housing Strategy 2030* which was endorsed by the Future Melbourne Committee in December 2020.

More than 60,000 new homes are needed for Victoria to reach the national average of 4.2 per cent of social housing dwellings to total dwellings, which would mean building 6,000 each year for the next 10 years. Pre-COVID, the City of Melbourne had an estimated shortfall of 5,500 social and affordable homes, which was anticipated to grow to a shortfall of 23,200 homes by 2036. There are currently 720 people in hotel emergency accommodation in our city, who urgently need appropriately located supported accommodation as a pathway out of homelessness, with medium to long-term housing options in the pipeline.

The simple answer is that we need much more housing, and the City of Melbourne is uniquely placed to locate that new housing at scale and with unmatched access to jobs, amenity and services across Melbourne. Our urban renewal areas provide a timely opportunity for ambitious affordable housing delivery.

As the State's centre for employment, transport, education and health care, retail and culture, it makes sense to build much of this housing in the City of Melbourne. Social and affordable housing should be built in inclusive and diverse communities; and we are home to people from different backgrounds, industries, household incomes and household structures. It is essential that housing is located to jobs. City of Melbourne seek recognition as a priority partner in the Homes Victoria strategy on account of our strategic locational advantages as well as capacity to partner and deliver.

Homes Victoria's unprecedented \$5.3 billion budget is a critical response to the economic devastation caused by the COVID-19 pandemic. As one of the hardest hit municipalities in Australia, the City of Melbourne would greatly benefit from this investment as it recovers from the pandemic. Investing in new housing development at scale brings construction workers into the city for work each day in the development period, and provides new long-term secure affordable housing to meet the city's growing demand.

To deliver these housing responses in the City of Melbourne, we propose a new, appropriately skilled and resourced entity, 'Homes Melbourne' is established. 'Homes Melbourne' will work in an innovative and effective partnership with Homes Victoria to deliver significant affordable housing within the municipality over the next four years, and implement Council's *Affordable Housing Strategy 2030*. Together, we can deliver new pathways out of homelessness, and increase the supply of quality long-term social housing and secure affordable rental housing for key workers. This submission details a program and actions to deliver this response in our city.

This partnership can facilitate the development of affordable housing on private land and Council owned land in the City of Melbourne. It can drive efficient and sustainable housing outcomes in our city.

In addition to building new housing in the short to medium term in our city, we also call on Homes Victoria to plan for sustained investment and growth in housing in the longer term. This should include securing ongoing funding streams, such as consideration of an affordable housing levy, and the introduction of inclusionary zoning across Victoria once the market has stabilised.

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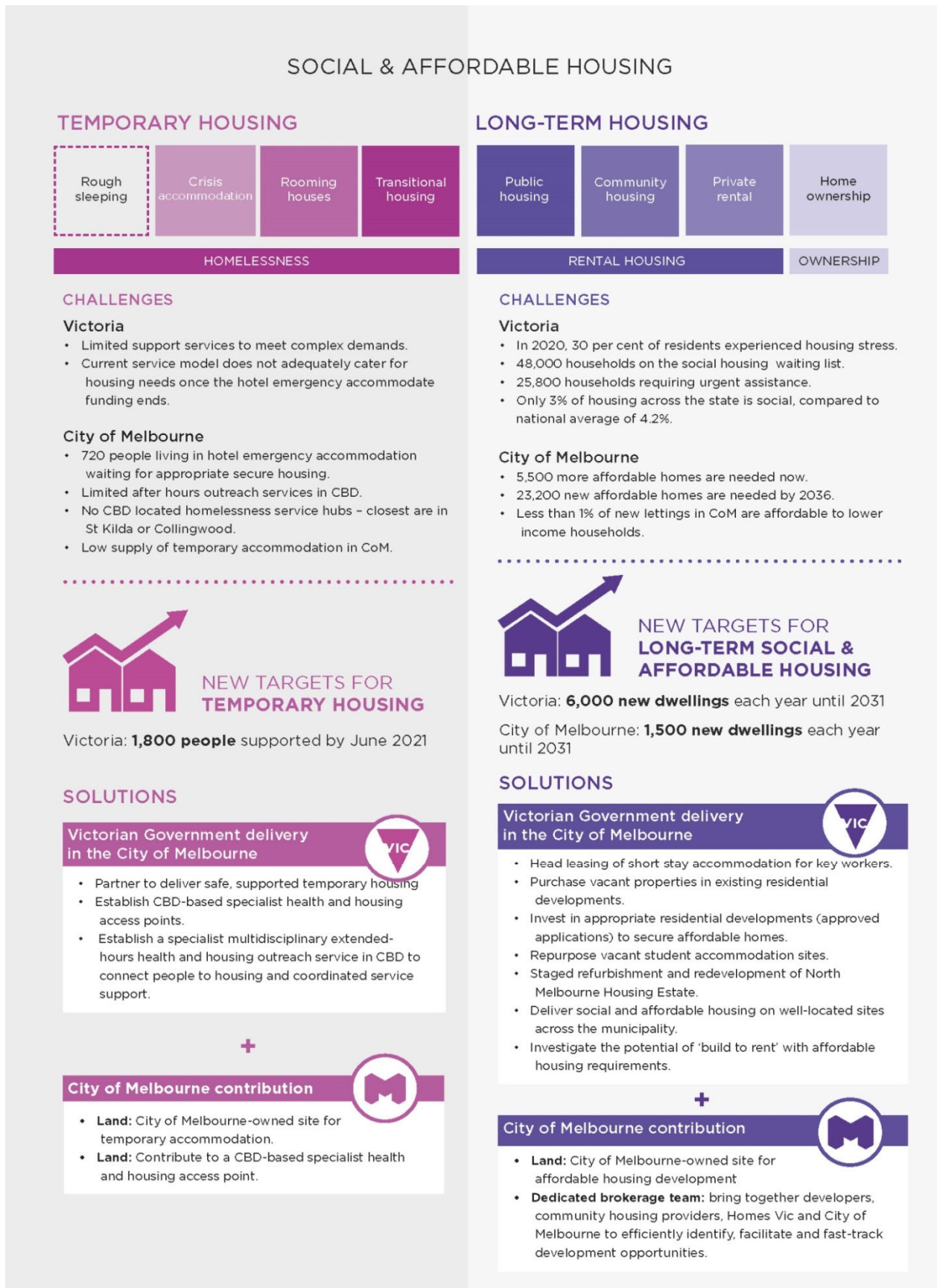


Figure 1: Social and Affordable Housing, Challenges and Solutions

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Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

Summary of City of Melbourne's recommendations

This table provides a summary of the City of Melbourne recommendations in response to the *Establishing a 10-Year Strategy for Social and Affordable Housing Discussion Paper*. The rationale for each of the recommendations is provided in the detailed response to the Discussion Paper which begins on page 7.

<p>1. To benefit from City of Melbourne's prime location for large scale social and affordable housing development we recommend that Homes Victoria:</p>	<p>1.1 Formally recognise City of Melbourne as a priority delivery partner to deliver social and affordable housing.</p>
<p>2. To establish effective and sustainable pathways out of homelessness, we recommend that Homes Victoria:</p>	<p>2.1 Actively partner in the provision and delivery of temporary, safe, supported housing in the City of Melbourne.</p>
	<p>2.2 Partner with the City of Melbourne to establish CBD-based, specialist health and housing access points for people experiencing homelessness to receive the tailored support required to access social and affordable housing.</p>
	<p>2.3 Partner with the City of Melbourne to establish a specialist, multidisciplinary, extended-hours health and housing outreach service that connects people to housing and coordinates service support.</p>
<p>3. To deliver long-term secure housing in City of Melbourne, we recommend that Homes Victoria:</p>	<p>3.1 Pursue head leasing, short stay accommodation for key workers in the City of Melbourne.</p>
	<p>3.2 Purchase appropriate vacant properties in existing residential developments in the City of Melbourne.</p>
	<p>3.3 Invest in appropriate residential developments (approved development applications) to secure affordable homes and to facilitate construction activity.</p>
	<p>3.4 Adapt and repurpose student accommodation in the City of Melbourne for social and affordable housing.</p>
	<p>3.5 Pursue a staged refurbishment and redevelopment of the North Melbourne Housing Estate.</p>
	<p>3.6 Deliver and enable social and affordable housing across the municipality on well-located sites and leverage the significant opportunity of the state-significant, urban renewal precincts, to deliver high-quality, accessible, affordable housing at large scale.</p>
	<p>3.7 Investigate how to unlock the potential of 'Build to Rent' development with an affordable housing requirement.</p>

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Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

	<p>3.8 Commit to a new partnership between Homes Victoria and the City of Melbourne, through its proposed new entity, 'Homes Melbourne', to deliver significant affordable housing within the municipality over the next four years.</p>
<p>4. In designing a long-term strategy for Victoria that ensures sustained investment and growth in housing, we recommend that Homes Victoria:</p>	<p>4.1 Commit to clear annual housing delivery targets, with annual public reporting.</p>
	<p>4.2 Implement a strategic approach to increase ongoing funding for affordable housing, including investigating an affordable housing levy across Victoria.</p>
	<p>4.3 With the State Government, introduce state-wide Mandatory Inclusionary Zoning across multiple land use types at a rate that can be accommodated in project costs, introduced once the market has stabilised.</p>
	<p>4.4 Work with the State Government to introduce higher affordable housing requirements in all urban renewal precincts.</p>
	<p>4.5 Identify accessible, underused, government-owned land for the construction of affordable housing.</p>
	<p>4.6 Partner with the City of Melbourne and other metro Councils to advocate to the Australian Government for a long-term National Housing and Homelessness Strategy.</p>
<p>5. Additional recommendations, that Homes Victoria:</p>	<p>5.1 Position affordable housing as essential infrastructure in the 10-Year Affordable Housing Strategy.</p>
	<p>5.2 Publish clear criteria for Homes Victoria investment which prioritises locations that are well connected to transport, health, education, retail and local services.</p>

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Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

Background

In December 2020, the City of Melbourne's 10-Year Affordable Housing Strategy was unanimously endorsed by the Future Melbourne Committee of Melbourne City Council. The Affordable Housing Strategy provides the basis for this submission on the Homes Victoria Discussion Paper "*Establishing a 10-Year Strategy for Social and Affordable Housing*".

The City of Melbourne Affordable Housing Strategy was informed by independent modelling and analysis of affordable housing needs in the City of Melbourne. It drew on stakeholder interviews with government, the development industry and community housing sector representatives. The strategy also took into account extensive public input on a draft version of the strategy.

The strategy recognises that the solution to the housing crisis is the delivery of much more affordable housing. To enable this, there needs to be systemic change, major investment and a coordinated response across governments, the private sector, the community housing sector, industry groups and society.

Our research shows that for every dollar invested in affordable housing, the community benefits by three dollars due to worker retention, educational benefits, enhanced human capital, health cost savings, reduced family violence and reduced crime. It is an investment in both essential infrastructure and people that accrues over the long term.

The City of Melbourne Affordable Housing Strategy has five priorities with corresponding actions:

Priority 1: deliver more affordable rental housing on Council owned land

Priority 2: advocate for ongoing investment and system change for better housing outcomes.

Priority 3: facilitate more affordable rental housing through the planning system

Priority 4: partner with governments, industry, peak bodies and the community to increase affordable rental housing

Priority 5: respond to the COVID-19 crisis with affordable rental housing.

These priorities have a series of corresponding actions to plan, advocate for and deliver more affordable housing in the City of Melbourne. These actions include:

- ensuring up to 25 per cent of all future residential development on land owned by the City of Melbourne is dedicated to affordable housing.
- leasing a site owned by the City of Melbourne to a community housing provider to deliver a long-term, affordable rental housing project in the next five years, seeking funding from the Victorian Government's Big Housing Build.
- committing a City of Melbourne-owned site for a supported housing project to address homelessness in the next five years.
- advocating to the Victorian Government to develop an ambitious 10-Year 'Homes Victoria Strategy', which should include clear affordable housing targets and a tangible approach to achieving them through sustained investment.
- advocating to the Australian Government to deliver a long-term National Housing and Homelessness Strategy. This should commit to systemic change in the housing market and increase funding for affordable housing.

City of Melbourne’s detailed response to the Discussion Paper

1. The City of Melbourne is the ideal location for large-scale social and affordable housing development

The City of Melbourne is the ideal location for large-scale social and affordable housing development. It has a unique combination of a central city location, access to jobs, established high-quality amenities, an existing network of support services and high-quality community infrastructure. Our residential areas are in close proximity to jobs, education, and medical facilities. The City of Melbourne is at the centre of Victoria’s active and public transport networks providing residents with efficient, low-cost access to jobs and services.

The City of Melbourne also has the capacity to deliver high-quality affordable housing at significant scale. Two State-significant urban renewal areas - Arden and Fishermans Bend – are located in our municipality. They are within 3km to 5km of the city centre and are ideal locations for significant affordable housing construction. Investment from the Big Housing Build will be needed to achieve this.

There is a shortfall of housing supply right across the housing spectrum in the City of Melbourne

The City of Melbourne has a severe undersupply of social and affordable housing. This leads to people in Melbourne being unable to find homes and housing being unavailable for people who fill jobs which are essential for the successful operation of Victoria’s capital city. Pre-COVID-19 there was an estimated shortfall of 5,500 safe and affordable rental homes and emergency accommodation for people on moderate, low and very low incomes, including those experiencing homelessness.

Historically, housing affordability challenges were thought to affect only low income households. We now know that moderate income households seeking to rent or buy housing face significant housing affordability challenges (see figure 2).

There is a strong relationship between the availability, accessibility and affordability of different housing tenures. These different types of housing tenure are identified on the diagram below which shows the full spectrum of housing security. Chronic undersupply of housing at nearly all points of the spectrum makes it very difficult for people to exit homelessness for good, and for others to transition into long-term affordable rental housing.

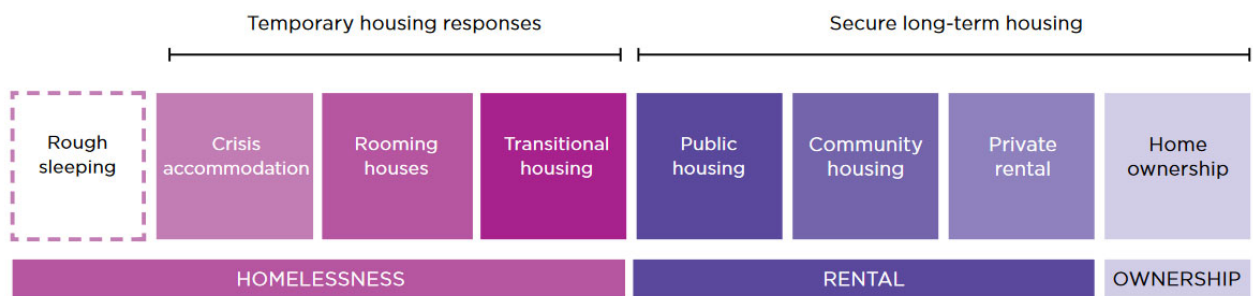


Figure 2: The Housing Security Spectrum

In 2019, Pre-COVID-19, the City of Melbourne counted 279 people sleeping rough on one night in June (in the annual “Street Count”). During the pandemic, more than 1000 people who were experiencing homelessness were housed in emergency accommodation.

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

Approximately 720 people currently remain in hotel emergency accommodation in the City of Melbourne. We understand that the current hotel emergency accommodation program – provided via the Housing Establishment Fund - will end in June 2021. As the end of the program approaches, more people have returned to rough sleeping. It is essential that a long-term solution is found to address the needs of these people.

There are more than 48,000 households currently registered for social housing on the Victorian Housing Register, of whom 25,800 require urgent assistance. However, there is a chronic shortage of social housing for these people – and only 4,780 new social housing allocations were made in 2018–19.

Affordable housing is defined by the Victorian *Planning and Environment Act 1987* as 'housing, including social housing that is appropriate for the needs of very low, low and moderate income households'. These households defined by the income thresholds listed in the table below. Independent research undertaken to inform City of Melbourne's Affordable Housing Strategy estimated the shortfall of affordable housing in the municipality.

HOUSEHOLD	VERY LOW INCOME RANGE (ANNUAL)	LOW INCOME RANGE (ANNUAL)	MODERATE INCOME RANGE (ANNUAL)
Single adult	Up to \$26,090	\$26,091 to \$41,750	\$41,751 to \$62,610
Couple, no dependent	Up to \$39,130	\$39,131 to \$62,620	\$62,621 to \$93,920
Family (with one or two parents) and dependent children	Up to \$54,780	\$54,781 to \$87,670	\$87,671 to \$131,500

Victorian Planning and Environment Act 1987

Figure 3: Income ranges for very low, low and moderate income households, July 2020

This analysis determined that in 2019 the shortfall for affordable housing was 5,500 dwellings. Without intervention, by 2036 this would expand to 23,700 dwellings. This shortfall is a result of a range of factors including a rapidly-growing population, rents increasing faster than wages and insufficient investment in social and affordable housing over many years.

In 2014, only five per cent of available housing in the municipality of Melbourne is affordable to the lowest 25 per cent of earners. Of this, only one per cent of affordable housing was available in the private market (City of Melbourne, 2014). This means when people on moderate, low or very low incomes choose to live in the municipality, they typically need to spend more than 30 per cent of their gross household income on housing. This puts them in housing stress and forces them to forgo other essential spending, like heating, cooling, food or health care. The problem has been getting worse. Between 2011 and 2016, median rent increased by 12.5 per cent, while household incomes only grew by 0.15 per cent over the same period (Australian Bureau of Statistics, 2016).

Providing more affordable housing will reduce the likelihood of people re-entering homelessness and increase the likelihood that they can stay in stable long-term housing. The 10-Year Social and Affordable Housing Strategy should aim to increase the supply of housing across the spectrum and provide the support needed for people to transition into the right accommodation.

The City of Melbourne is uniquely placed to accommodate the full range of housing and accommodation responses – from temporary responses to homelessness through to secure long-term housing. This builds on our unique combination of a central city location, established quality amenities, existing network of support services and community infrastructure.

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The City of Melbourne has high-quality established infrastructure to support new housing: community services jobs, transport, amenities, facilities, and infrastructure

As the capital city and the economic engine room of the state, the City of Melbourne is unlike any other LGA. We are the state's centre for employment, transport, education and health care. The municipality is home to people from different backgrounds, industries, household incomes and household make up. We have extensive public spaces and parks, shopping and cultural facilities. We host an abundance of amenities and high-quality infrastructure, making us one of the most desirable places for people to live and work.

We have significant existing infrastructure to support people living in new affordable and social housing. These include:

Jobs: In 2018 there were 497,000 jobs across 17,000 business establishments in the Melbourne municipality (City of Melbourne, 2018, p. 2). Office employment accounts for almost two thirds of jobs in the municipality with more than 310,000 jobs in 2018 (City of Melbourne, 2018, p. 8).

Active and public transport: The City of Melbourne is at the centre of the Victorian transport network and is in particular is extremely well connected by public transport. Each day, pre-COVID, more than 900,000 people move into, within and through the municipality. Sixteen metropolitan train lines, six regional train lines, 22 tram routes and 28 bus routes converge in Melbourne's central city. This provides unrivalled access at reasonable cost for people living in Melbourne to jobs, services and destinations throughout the state.

The City of Melbourne is also well served by bicycle lanes and paths within the municipality and connecting to adjacent municipalities. The City of Melbourne has recently begun the accelerated implementation of 40 km of protected, connected and continuous bicycle lanes to make the bicycle network more accessible for a broader cross section of the Victorian community. These improvements are also being connected to projects in other IMAP councils and new bicycle lanes being delivered by the Victorian Government. Bicycling is a low-cost, healthy way for people to travel to meet their daily needs.

The City of Melbourne has an excellent walking network with high quality footpaths connecting to services, attractions and public transport nodes. The concept of a 20 minute city, as defined in Plan Melbourne, is demonstrated within the City of Melbourne.

Services in close proximity: The development pattern in the City of Melbourne provides a very large range of services in close proximity to residential areas. In most cases a household's daily needs can be met without the need to own a motor vehicle. Most tasks can be done on foot, by bicycle or on public transport including shopping, education and entertainment.

Education: The City of Melbourne is home to a variety of educational facilities, including some of the country's best universities, quality primary and secondary schools and a variety of child care and early childhood centres.

Medical: The City of Melbourne is home to major hospitals including The Alfred, The Children's, The Women's and the Royal Melbourne Hospital. In addition, there are a variety of other medical services including GPs, drug and alcohol services, allied health and more. Close proximity to medical services helps residents meet their needs efficiently.

Open space: The City of Melbourne is well-served by open space, with more than 150 accessible open spaces. We are custodians for a number of major parks and gardens surrounding the City including the Domain Parklands, Fitzroy and Treasury Gardens, Carlton Gardens, Flagstaff Gardens, Princes Park and Royal Park. These parks and gardens are wonderful places for children and families to play.

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Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

Childhood focused development: The City of Melbourne provides of a wide range of family services including Maternal and Child health services, libraries etc. We recognise the importance of play to healthy childhood development and support this through provision of a range of quality play spaces throughout the municipality. We have over 45 play spaces for a variety of age groups.

We have 45 education and care children's centres across the City of Melbourne, and 40 registered integrated or sessional kindergartens. Our services are a mixture of management models, including council, community, not-for-profit and private.

Aging and inclusion services: We have a suite of dedicated programs for older people or people at risk of exclusion in our community. These include:

- Regional assessment service – assessments for people aged 65 years and over (50 years and over for Aboriginal and Torres Strait Islander people) to assess aged care service needs and to refer to appropriate Commonwealth Home Support Programme services.
- Community Activation and Social Isolation initiative – to help people build new social connections and networks of support in their local communities.
- Healthy ageing program – includes neighbourhood centres and neighbourhood activity program, healthy ageing newsletter, Out and About activity guide, community grants, meals subsidy program and health promotion activities.
- Social support group – regular, supported activity sessions for residents with higher or more complex needs.
- Carer support program – information network and support groups including an LGBTI+ support group.
- Home care packages – case management of services and supports for older people with complex care needs to live independently in their own homes.

The City of Melbourne has a strong network of established support services for people experiencing homelessness

The City of Melbourne has become the central hub of Victoria's homelessness response.

The City of Melbourne and the Victorian Government have both invested in a range of services and programs to support individuals experiencing homelessness in our city and to provide resources for pathways out of homelessness. Council engages service providers to undertake a range of programs including the Night Time Safe, the Daily Support Team and Frontyard Youth Services.

However the significant undersupply of appropriate and well-located and well-serviced housing is a major impediment to successfully transitioning people off the street into sustainable housing. More than 700 people still remain in city hotels – many of whom previously slept rough. This presents the opportunity to address the housing needs of some of Victoria's most complex and entrenched rough sleepers by building supported accommodation and housing, and providing the required support services.

In 2019–20, we spent more than \$1.8 million to build on our response to homelessness. Initiatives include:

Daily Support Team: a specialised team which works with people sleeping rough in the city, with the aim of finding permanent pathways out of homelessness.

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Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

Central City Community Health (CCCHS): opened in 2012 to provide centrally located community health services to people who are homeless or at risk of becoming homeless. CCCHS was the culmination of infrastructure investment from City of Melbourne and collaboration between key services.

Frontyard Youth Services: provide integrated services in Melbourne's central city to address the physical, social, emotional and housing needs of young people aged between 12 and 25 years who are at risk of or are experiencing homelessness. It is funded by the City of Melbourne.

Homelessness Service Coordination Program: a partnership between City of Melbourne, Homes Victoria and 14 specialist agencies who work with people sleeping rough in the central city. The program streamlines services for people experiencing homelessness, linking with suitable support and ultimately aiming to get them off the streets and into permanent housing.

Night Time Safe Spaces: a space open from 11pm to 7am, 364 nights each year. This program provides a welcoming safe and inclusive space for men and women experiencing homelessness in the municipality. It is funded by City of Melbourne and is currently managed by the Salvation Army and located at 69 Bourke Street.

By Name List: The City of Melbourne, Homes Victoria and agency partners began implementation of a By Name list during COVID-9. It was a vital part of our response to COVID-19 to make sure that vulnerable members of the community were accounted for and protected during the pandemic. As at March 2021, there are 353 people on Melbourne's By Name List.

COVID stimulus investment – As City of Melbourne's economy has been harder hit than other parts of Australia, the state's investment in affordable housing would support the city's recovery

COVID-19 has hit the City of Melbourne's economy harder than other parts of Australia. Modelling undertaken by PwC projected that the economy would lose 79,000 jobs and up to \$110 billion in output over the next five years. These losses emphasise the importance of the municipality to the state economy, as it represents one third of the estimated reduction in state wide economic output \$327 billion below pre-COVID-19 projections across five years.

The intermittent implementation of restrictions in Greater Melbourne to help mitigate community transmission of COVID-19 has included border closures, nightly curfews and unprecedented limitations on economic activity. These measures have resulted in a recession that is sharper and deeper than any observed since Australia began collecting consistent economic data. This recession is also fundamentally different to any recession in living memory, as it is also health-driven, global and sudden.

As the central city relies so heavily on a daily influx of people, COVID-19 has led to a significant reduction in its daily population. In mid-2020, pedestrian numbers were 90 per cent lower than for the comparable period prior to Covid-19. Even after restrictions have eased, the number of people in the city has remained low.

The reduction in the central city's daily population is partly due to the substantial reduction in office workers. For most of 2020, Melbourne's office workers were working from home, and have been slower to return than in other Australian cities.

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Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

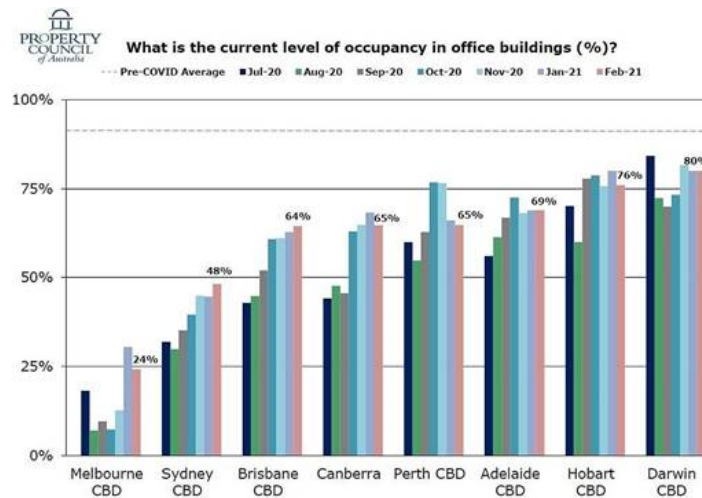


Figure 4: Property Council of Australia

One of the big uncertainties is the extent to which knowledge workers will return to their offices in the CBD. If they come back for only a few days per week, this will have a significant impact on the service industries that cater to them, such as cafes, restaurants and shops. A recent Roy Morgan survey for the City of Melbourne found:

- 29 per cent of workers are somewhat or totally unwilling to come back. Another 13 per cent are 'neutral'.
- Many will come back part-time – 76 per cent of workers anticipate being in the office three or fewer days a week.
- The city itself is one of the most important drawcards motivating people to return.

More than one in four shops in the municipality are vacant or closed. Payroll data collated by the Australian Bureau of Statistics shows that there are 9.1 per cent fewer jobs than there were at the start of the pandemic. The proportion of jobs lost here is far higher than in Victoria or Australia as a whole.

Some industry sectors have been hit particularly hard. The food and hospitality sector and independent retailers are heavily reliant on office workers and visitors. The accommodation and tourism sector has experienced a drop of more than eight out of 10 overnight stays. The night-time economy is reliant on visitors, and venues' ability to trade has been impacted by COVID-19 restrictions. The uncertain trading conditions caused by the restrictions have also made it difficult for the events industry to plan and deliver events. The international education sector continues to be stifled by the closure of international borders.

Each part of the municipality is experiencing the recession differently. Residential postcodes such as Port Melbourne, Kensington, North Melbourne and East Melbourne have benefitted from people working from home, while postcodes that rely on visitors are still struggling. The absence of office workers, international students and tourists has contributed to lower demand in Melbourne, Southbank, Carlton, Parkville and Docklands, where almost half of all shops are vacant or closed.

This is why investment in our construction sector, through the Big Build, will make a huge beneficial impact on our city. Investing in new housing development at scale achieves the short term goal of bringing people back into the city for work each day as the construction occurs, and provides new long-term secure affordable housing to meet the city's growing demand.

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

The City of Melbourne is ready for large scale housing construction in the short to medium term.

The connectivity and proximity of the City of Melbourne's residential areas to key existing jobs hubs such as the central city, as well as direct connectivity to Melbourne's other major hubs (e.g. Monash, Sunshine, Dandenong) make it an attractive place to live. Access to jobs as well as essential services like major hospitals, educational institutions and community facilities means City of Melbourne's urban renewal areas will maximise the benefit returned from government investment in affordable housing relative to other locations.

The urban renewal process which is underway in Arden, Macaulay and Fishermans Bend precincts are a timely opportunity for at scale development of new housing. Rezoning and government investment in these areas is creating major opportunities for value capture that can be directed toward affordable housing and delivered by private industry. Putting the right policy mechanisms in place here early will create a long pipeline of new affordable housing to contribute toward the Victorian Government targets, and add to the economic return of these precincts.

The prevalence of purpose built student accommodation throughout the city, much of which is not fully occupied as a result of the COVID-19 pandemic, offers a rare opportunity for accommodation in strategic locations to be repurposed for ongoing residential rental accommodation.

1.2 Deliver new social and affordable housing at scale in the City of Melbourne

The City of Melbourne is extremely well placed to partner with Homes Victoria to deliver new housing in our municipality. We have demonstrated need for additional support services; temporary accommodation responses for people experiencing homelessness, and for new social and affordable housing. We have an endorsed comprehensive Affordable Housing Strategy, a series of tangible programs to deliver new pathways out of homelessness, and increase the supply of quality long-term social housing and secure affordable rental housing for key workers.

We propose that City of Melbourne to be formally recognised as a priority partner to deliver social and affordable housing in the roll out of the Big Housing Build.

1.1 Recommendation: Homes Victoria formally recognise City of Melbourne as a priority delivery partner to deliver social and affordable housing.

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

2. Effective and sustainable pathways out of homelessness need to be created in City of Melbourne

The challenge

The City of Melbourne supports the Victorian Government's commitment (via Homelessness to a Home) to transition all people placed in emergency accommodation during the pandemic into long-term supported housing. However despite this investment there remains a critical shortage of effective pathways out of homelessness and into long-term secure housing. The majority of housing being offered through this program is in outer suburbs and regional locations rather than the central city, where the people have established networks. For many, outer suburban and regional options are unsuitable and consequently there has been an increase in the number of people determining that their only option is returning to the street.

Those moving out of temporary hotel accommodation need centrally located, specialist, tailored housing options to ensure they receive the critical support they need in their journey out of homelessness into sustainable housing.

A further complicating factor is the lack of a homelessness housing access point in the Melbourne CBD. People experiencing homelessness in the City of Melbourne are required to travel to either the City of Yarra, City of Port Phillip or Maribyrnong to access critical housing referral services. The establishment of a centrally accessible housing access point is crucial in addressing both the immediate and future needs of Melbourne's homelessness populations and will support an integrated housing system across the state.

Target

City of Melbourne has set the following targets:

- Tailored housing to support people with histories of long-term homelessness to sustain their housing – applying Housing First principles.
- Prevent people moving back into homelessness and, where appropriate/possible, move them forward through the housing spectrum.
- Improved housing and non-housing outcomes for people experiencing disadvantage.
- Ongoing development of City of Melbourne's By Name List (BNL).
- Delivers actions identified in City of Melbourne's Affordable Housing Strategy.

New pathways for people experiencing homelessness in City of Melbourne

Homelessness pathways response 1: the provision and delivery of temporary, safe, supported housing.

We propose to partner with Homes Victoria to identify and facilitate the delivery of temporary, safe and supported housing for people experiencing homelessness or transitioning from hotels.

We propose to proactively work with Homes Victoria to identify sites within our city to locate new supported accommodation options.

We also propose to contribute a council-owned building to establish a safe and supported model of housing. This would be staffed by qualified specialists providing case management, social and clinical support to residents. It would include some after hours, onsite support service for residents, of up to 24 hours.

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

This is not an ongoing housing option, rather, an initial pathway out of homelessness. The model we support ensures that there will be proactive referral pathways into housing via the Specialist Health and Housing Access Point.

2.1 Recommendation: Homes Victoria actively partner in the provision and delivery of temporary, safe, supported housing in the City of Melbourne

Homelessness pathway response 2: establish CBD-based specialist health and housing access points for people experiencing homelessness to receive the tailored support required to access social and affordable housing.

In partnership with Homes Victoria, the City of Melbourne proposes to develop a specialist rough sleeper housing referral and support service.

This access point would include:

- Specialist housing assessments and referrals for people sleeping rough and or at risk of primary homelessness
- Coordination of tailored clinical assessments and longer-term care coordination
- Coordination point to assist people to return to their place of origin
- Extended opening hours to provide access and service support – up to 24/7
- Coordination of City of Melbourne's 'By Name List', which keeps an up to date record of the names and information of people rough sleeping and or recently rough sleeping in the City of Melbourne
- An integrated service model leveraging from the [Service Coordination project](#) and existing key assertive outreach services.
- A location for City of Melbourne funded Specialist Rough Sleeping Assertive Outreach Team.

The total cost of the development would depend on the site that is selected. It is estimated that it would cost between \$1.5 - \$5 million.

Council will investigate use of a Council owned building for the site, and also consider suitable non-council buildings located in the Melbourne CBD to locate the access point.

We propose the Homes Victoria make a capital contribution towards the development of the site.

2.2 Recommendation: Homes Victoria partner with the City of Melbourne to establish CBD-based specialist health and housing access points, for people experiencing homelessness to receive the tailored support required to access social and affordable housing.

Homelessness pathway response 3: Establish a specialist multidisciplinary extended-hours health and housing outreach service that connects people to housing and coordinates service support.

A critical component of ensuring people are able to exit homelessness is coordinated and specialised assistance and support. Despite our collective and collaborative action, there are still a number of difficulties which remain in responding effectively to the needs of the city's most complex and highly vulnerable rough sleepers including housing, mental and physical health, drug and alcohol use. Recent service evaluations and research in this area have identified the following issues with our current service model:

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

- limited after-hours availability
- lack of continuity of support
- under-resourced outreach options, and
- patchy geographical coverage.

The City of Melbourne proposes to work with Homes Victoria to create a consolidated multidisciplinary assertive outreach team which would provide the expertise to engage with complex clients and provide accessible pathways out of homelessness. In addition, it would:

- Coordinate housing and intensive case management referrals and support for people sleeping rough in the City of Melbourne
- Provide a rapid response for people requiring immediate housing, health and mental health support
- Coordinate provision of specialist Aboriginal and Torres Strait Islander support services
- Work closely in partnership with Victoria Police and Homes Victoria-funded specialist homelessness agencies
- Support the City of Melbourne's Service Coordination Project and 'By-Name List, which keeps an up to date record of the names and information of people experiencing primary homelessness in the City.

This project would cost approximately \$1.85 million per annum to operate. The City of Melbourne proposes to contribute \$850k per annum with Homes Victoria to contribute the remaining funds.

2.3 Recommendation: Homes Victoria partner with the City of Melbourne to establish a specialist multidisciplinary, extended-hours health and housing outreach service that connects people to housing and coordinates service support.

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

3. Deliver long-term, secure affordable housing in City of Melbourne

New long-term, secure affordable rental developments in City of Melbourne

There is a range of solutions we believe could dramatically increase the supply of affordable housing within the municipality.

In the short to medium term:

- Pursue head leasing, short stay accommodation for 3-5 years for key workers (Lisbon model);
- Purchase appropriate vacant properties in existing residential developments;
- Invest in appropriate residential developments (off the plan) to secure affordable homes and to facilitate construction activity.
- Adapt and repurpose vacant student accommodation and serviced apartments in the City of Melbourne.

In the medium to long term,

- Pursue a staged refurbishment and redevelopment of the North Melbourne Housing Estate
- Deliver and enable social and affordable housing across the municipality on well-located sites and leverage the significant opportunity of the state significant urban renewal precincts, to deliver high-quality, accessible and affordable housing at scale.
- Unlock the potential of 'Build to Rent' development in Victoria to ensure delivery of affordable housing.

Pursue head leasing short stay accommodation for 3-5 years for key workers (Lisbon model)

The COVID-19 crisis has highlighted the vital contribution key workers (essential workers) make to our city. We know that many key workers, such as nurses, hospital attendants and childcare workers are on moderate incomes, which can make it difficult to rent housing within the municipality of Melbourne. This is of particular concern given the number of hospitals and health facilities in and around our municipality.

We will partner with stakeholders and other levels of government to secure more affordable housing for key workers in our municipality. We propose to develop a Key Worker 3000 policy that will respond to the crisis and protect the long-term inclusion of key workers in our city into the future.

One way this could work is by the Victorian Government taking out long-term head leases on vacant properties at reduced cost and leasing them to key workers for extended periods. In June, July and August 2020, three times as many properties were vacant as during the same period in 2019. If just half of these additional properties were leased for use as affordable housing in the short-term whilst new housing is built, 2200 new affordable dwellings would be available.

Case study: City of Lisbon

The City of Lisbon has embarked on an ambitious plan to turn 20,000 tourist flats in the city's historic centre into affordable housing for priced-out locals.

Landlords receive a guaranteed rental income from the city council for a minimum of 5 years during which the city finds tenants and rents out the properties at a subsidised rate; capped at one third of the household's net income.

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

The initiative was planned prior to the COVID 19 pandemic but was given a boost by the decimation of the tourism industry. While rental return for landlords might be lower than from tourism this is offset by a secure income and ability to receive it up to 3 years in advance.

The intent of the scheme is also to produce long-term change in Lisbon's housing market because once the 5 year contract ends landlords will not be able to return their properties to short term rentals.

Council is hoping that 1,000 properties will take part and the national government is prepared to double the number.

Source: [The Guardian, 'Covid created an opportunity': Lisbon to turn tourist flats into homes | Portugal | The Guardian](#). Accessed 18 March 2021

3.1 Recommendation: That Homes Victoria pursue head leasing, short stay accommodation for key workers in the City of Melbourne

Purchase appropriate vacant properties in existing residential developments

The residential vacancy rates in the City of Melbourne spiked in the wake of the COVID 19 pandemic. This is a result of a dramatic decline in the number of international students in the City, sharp decline in domestic tourism and cessation of international tourism. However, the vacancies offer a rare opportunity for Homes Victoria to purchase properties outright to rapidly house people who need social and affordable housing. Examples of appropriate vacant properties are in major residential developments throughout the CBD and Docklands, which are owned by investors rather than owner occupied. Purchasing properties outright has a range of benefits: rapid increase of housing supply in well-located areas, transferring dwellings from investors that may have been loss-making, and improving the City's community and economy by increasing in the number of residents living in the city.

3.2 Recommendation: That Homes Victoria purchase appropriate vacant properties in existing residential developments in the City of Melbourne

Invest in appropriate residential developments (approved development applications) to secure affordable homes and to facilitate construction activity.

Major residential development in Victoria has slowed in the wake of COVID 19, leaving developers and investors in serious financial stress. In other states, such as New South Wales and in cities around the world, there are examples of governments purchasing stranded properties off-the-plan, so that residential projects are able to proceed to development. There is an opportunity for Homes Victoria to follow a similar approach, and purchase private dwellings off-the plan to provide social and affordable housing. These developments would be an efficient investment for Homes Victoria: being shovel ready they would be completed soon and there is opportunity to make minor changes to internal fit outs to make them suitable for target cohorts (for example, people living with a disability). From the development perspective, Homes Victoria investing in a project may allow some projects in danger of being shelved to be completed delivering multiple benefits for the community and broader economy.

3.3 Recommendation: That Homes Victoria invest in a percentage of housing for affordable homes off the plan in appropriate residential developments

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

Adapt and repurpose vacant student accommodation and serviced apartments in the City of Melbourne

Purpose built student accommodation is an important part of the City of Melbourne's residential landscape, built prior to the COVID-19 pandemic. There are 58 purpose built student accommodation buildings in the City, which provide an estimated 12,432 student accommodation units.

We also know that there are seven purpose built student accommodation buildings under construction, which will add an estimated 4,370 units.

This all comes at a time of great uncertainty for student accommodation providers, with international students returning home en masse due to the pandemic. It is estimated that there are 64,000 fewer international students living in Victoria this year compared to a year ago.

The vacant accommodation presents a unique opportunity for Homes Victoria to house local people who need centrally located, affordable housing. This would have the mutual benefit of supporting purpose built student accommodation providers and providing housing to people who need it in the short to medium term.

We propose that Homes Victoria and the City of Melbourne work with community housing organisations and purpose built student accommodation providers to identify opportunities to adapt and repurpose appropriate, high quality student accommodation into affordable rental accommodation for a limited time. This could be appropriate for key workers on low to moderate incomes who do not require additional living assistance and who work locally in the CBD. These tenancies could be managed by community housing organisations.

3.4 Recommendation: That Homes Victoria adapt and repurpose student accommodation site in the City of Melbourne for social and affordable housing

Pursue a staged refurbishment and redevelopment of the North Melbourne Housing Estate

The City of Melbourne has committed to building affordable housing on our land. We call on all agencies of the Victoria Government to prioritise doing the same, particularly within the City of Melbourne.

The North Melbourne Housing Estate is a good example of a site that could be redeveloped in stages, to improve the standard and quality of housing for social housing residents, and increase the amount of social and affordable housing available within the City.

3.5 Recommendation: Homes Victoria pursue a staged redevelopment of North Melbourne Housing Estate

Deliver and enable social and affordable housing across the municipality on well-located sites and leverage the significant opportunity of the State significant urban renewal precincts, to deliver high-quality, accessible and affordable housing at scale.

The City of Melbourne has unique opportunities to build new housing at scale in the short to medium term, in areas that are close to transport, services and employment which makes it well suited to affordable housing.

This can be achieved through direct delivery on Government land, through partnerships with the private sector and through mandating the inclusion of a percentage of affordable housing in all development (as part of value capture in rezoning to higher order use).

The timing is right for social and affordable housing development in our urban renewal precincts. Fishermans Bend residential precincts, Arden and Macaulay urban renewal precincts are all currently, or will commence, being delivered within the 10 year time frame of the Homes Victoria Strategy. For Arden and Fishermans Bend,

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

strategic planning for the precincts both include State endorsed affordable housing target of at least six per cent of affordable housing. However, these areas have the capacity to achieve more.

The Arden area is a particularly significant opportunity which must not be missed. A new metro station will open in the centre of Arden in 2025 providing excellent access by public transport to a large number of jobs and services. In Arden, mixed redevelopment of approximately 13 ha of government landholdings will create a major opportunity for the Victorian Government to deliver multiple policy objectives by delivering affordable housing within the already planned development. The economic return of the precinct will be improved through the delivery of affordable housing in Arden owing to the high level of access to job opportunities within the precinct and connected jobs hubs in the CBD and Parkville. The value creation on private landholdings resulting from the government investment and rezoning in the precinct can, with the right policy mechanisms in place, be captured for a major, privately delivered investment in affordable housing. Getting it right in Arden will set the groundwork for a longer term pipeline of affordable housing to be delivered in emerging urban renewal precincts and other value capture opportunities.

Direct investment in the existing government landholdings in these precincts creates a major opportunity to boost affordable housing in the near term and deliver on multiple policy objectives. Housing contribution requirements for private landholders in these precincts should be attuned to the value creation that occurs as a result of government investment in the precincts and rezoning. We also strongly advocate for contributions to be collected from all land uses in these areas to ensure the most predictable, effective and efficient value capture tool is applied, consistent with interstate and international precedent. The rapid transformation of private land creates an unmatched opportunity in Melbourne to facilitate the private delivery of affordable housing. Delivering high levels of affordable housing in these precincts is a key success factor to the innovation precinct development model being deployed by the government in these areas, and improves the economic return on investment.

There will be significant need for social and affordable housing in places like Arden – as an innovation precinct it creates an opportunity for small-scale testing of new policies. The proposed relocation of the Royal Melbourne Hospital in the precinct will create significant demand for key-worker housing in the area. Proximity to public housing towers located in Macaulay (as well as proximity to the new RMH) also makes this urban renewal area a prime opportunity, creating housing options for existing public housing tenants without displacing them from their established communities and freeing up public housing units.

We advocate that in the short to medium term the State Government should kick start the development of affordable housing on these government owned sites within the urban renewal areas, and collaborate with the City of Melbourne to develop value capture tools that provide certainty, predictability, and efficiency.

3.6 Recommendation: That Homes Victoria deliver and enable social and affordable housing across the municipality on well-located sites and leverage the significant opportunity of the state significant urban renewal precincts, to deliver high-quality, accessible and affordable housing at scale.

Unlock the potential of 'Build to Rent' development in Victoria

Build-to-rent is housing that is purpose-built, retained and managed as long-term rental housing, usually by a single owner. Institutional investors (such as superannuation funds) are often attracted to the model because it can generate a long-term and stable income. Build-to-rent is commonplace in both the UK and United States (where it is known as multi-family residential housing).

Build-to-rent is not an affordable housing product in itself, although it can be made affordable if the dwellings are offered at a discount to market rent. In enabling build-to-rent developments in Victoria, there is an opportunity for Homes Victoria and the State Government, to require an affordable housing contribution.

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

The City of Melbourne supports Homes Victoria, with the Victorian Government, investigating how to unlock Build to Rent development in Victoria, noting support for developments to include an affordable housing requirement.

3.7 Recommendation: That Homes Victoria investigate how to unlock the potential of 'Build to Rent' development with an affordable housing requirement.

A new entity, 'Homes Melbourne', and an innovative and effective partnership between Homes Victoria and the City of Melbourne

Together, we can deliver new pathways out of homelessness, and increase the supply of quality long-term social housing and secure affordable rental housing for key workers. City of Melbourne propose a new, appropriately skilled and resourced entity, 'Homes Melbourne', which will work in an innovative and effective partnership with Homes Victoria, to deliver significant affordable housing within the municipality over the next four years, and implement Council's Affordable Housing Strategy 2030.

'Homes Melbourne' will include a dedicated brokerage team to bring together developers and community housing providers with Homes Victoria in the City of Melbourne. This team will work closely with Homes Victoria to efficiently identify, facilitate and fast track local development opportunities.

The partnership can facilitate the development of affordable housing on private land and Council owned land in the City of Melbourne. It can drive efficient and sustainable housing outcomes in our City, including the four responses discussed above.

We will contribute selected land assets (to be determined through additional feasibility analysis) for long-term social and affordable accommodation. This commitment was formally endorsed in our Affordable Housing Strategy 2030, where we pledged to lease a Council owned site for an affordable housing development.

3.8 Recommendation: That Homes Victoria commit to a new partnership between Homes Victoria and City of Melbourne, through its proposed new entity, 'Homes Melbourne', to deliver significant affordable housing within the municipality over the next four years.

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

4. Sustained investment is required to develop a long-term strategy for affordable housing in Victoria

As stated in our Strategy, 'the solution to this housing crisis is both simple and complex: the simple answer is that we need much more affordable housing. The way we achieve this is more complex'. The lack of social and affordable dwellings in Victoria is arguably the single greatest problem that the 10 year strategy should address. The Discussion Paper then identifies that more than 60,000 new homes are needed for in the next ten years Victoria social housing to reach the national average of 4.2 per cent of social housing to total dwellings.

The current Big Build has funding to construct 12,000 new homes in the next five years. The Discussion Paper identifies that 60,000 social units are needed in Victoria. This means at least 48,000 units remain unfunded. Victoria needs a sustainable plan that maps out how to fund and deliver the additional 48,000 homes, and how to build and maintain social and affordable housing into the future. This requires a strategic approach to increase ongoing funding for affordable housing.

To do this, the City of Melbourne recommends that Homes Victoria, via the 10-Year strategy, commit to clear and affordable housing targets and a tangible approach to achieving them. We propose a series of tangible short, medium and long-term approaches that could be included in the strategy, to underpin and deliver growth. These include:

- A strategic approach to increase ongoing funding for affordable housing, including investigate of a state wide affordable housing levy
- Introduction of state wide Mandatory Inclusionary Zoning across multiple land use types at a rate that can be accommodated in project costs (introduced once the market has stabilised).
- Introduction of higher affordable housing requirements in all urban renewal precincts
- A commitment to develop underused government owned land for affordable housing.

These are explored in detail below.

Annual housing delivery targets

Homes Victoria should commit to clear annual housing delivery targets and annual public reporting

Annual targets will provide clarity and certainty to industry and Community Housing providers and incentivise investment from partners.

State target

The City of Melbourne proposes that Homes Victoria commit to build enough social and affordable housing to meet the national average. As stated in the Discussion Paper, this means building 60,000 new homes which converts to a target of 6,000 per year for the next ten years.

City of Melbourne target

As outlined in the previous section, the City of Melbourne is the ideal location to build much of the new social and affordable housing. Our commissioned analysis by SGS Economics determined that 23,200 new social and affordable homes would be needed in the municipality by 2036 to meet demand, which equates to 15,000 during the life of the life of the Homes Victoria 10 year Strategy.

This is an annual target of just over 1,500 new homes within the municipality.

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

For transparency and accountability, it is critical that these figures are annually reported on in the public. This could be included in the annual State budget.

4.1 Recommendation: That Homes Victoria 10 Year Strategy commit to clear annual housing delivery targets with annual public reporting

A strategic approach to increase ongoing funding for affordable housing, including investigation of a state wide affordable housing levy

For Victoria to build the new housing that is needed and deliver on affordable housing targets, significantly more funding has to be sourced and new funding mechanisms for housing should be considered. In particular, we need a strategic approach that collects funds for affordable housing year-on-year.

Following a suggestion from a development industry body, as part of the 10-Year strategy we advocate for Homes Victoria to investigate an affordable housing levy as a method of collecting significant and ongoing funding. This affordable housing levy could be modelled on the fire services levy, which is applied at a low rate to all businesses and households in Victoria.

As a response, this acknowledges that housing equity is a society-wide issue and that we all have a role to play in the solution.

Case study: Victorian Fire Services Property Levy

Following recommendations from the Royal Commission in the 2009 Black Saturday Bush fires, the Victorian government introduced a Fire Services Property Levy. The levy comprises two parts: a fixed charge and a variable rate, which is based on a property's classification and capital improved value.

There are concessions for pension card holders and exemptions are available.

In the financial year 2018–19 in the municipality of Melbourne, there were 116,393 assessments made. The levy raised a total of \$54.4 million in the municipality and a total of \$709 million across the state.

An Affordable Housing Levy

A similar levy for affordable housing could be used to directly fund new builds, or used as an ongoing subsidy for affordable housing. Using the fire services levy example that raised \$709 million, at an average cost of \$400,000 per new dwelling; we estimate that the levy could fund around 1700 new dwellings each year. Alternatively, this levy could be used as an operational subsidy for community housing organisations.

After rent has been collected, community housing organisations have to cover a gap of around \$20,000 per year per dwelling. An affordable housing levy could potentially subsidise around 35,450 dwellings across the state each year.

4.2 Recommendation: Homes Victoria implement a strategic approach to increase ongoing funding for affordable housing, including investigation of an affordable housing levy across Victoria.

Once the market has stabilised and recovered from the pandemic, introduce state wide Mandatory Inclusionary Zoning across multiple land use types at a rate that can be accommodated in project costs.

The 10-Year Strategy should investigate the introduction of a state wide Inclusionary Zone (IZ) for affordable housing, to be implemented once the market has stabilised and recovered from the pandemic. This action

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

received strong support during community engagement for the City of Melbourne's Draft Affordable Housing Strategy, with 86 per cent of survey respondents supporting this action. Mandatory IZ is a planning control which triggers an affordable housing contribution upon construction of a new development. The contribution can be made as either a percentage of affordable dwellings provided within the new development or as an equivalent in-kind payment. Our research demonstrated that the mechanism embeds the cost of providing affordable housing in the value of the land over time by providing policy certainty to developers. A state-wide approach also establishes a level playing field for the market.

The introduction of Mandatory IZ should be phased in over a period of time so that the market has adequate time to adjust to the change and at a rate that can be accommodated in project costs. The implementation of Mandatory IZ must be supported by guidance to make decision-making clear and consistent. As part of our strategy, City of Melbourne commissioned a) an assessment of the impact introducing Mandatory IZ could have on the feasibility of development across COM, and b) and cost benefit analysis of the affordable housing (agnostic of the tool is used to increase affordable housing) that found \$3 of net benefit was generated for every \$1 invested. This finding is replicated in multiple other studies. Mandatory IZ is not currently available within the Victorian Planning Provisions, its adoption can only be enabled by the Victorian government.

Importantly, this should only be introduced once the development market has recovered and stabilised from the pandemic.

The City of Melbourne's position on Mandatory Inclusionary Zoning:

- A minimum percentage should be introduced across all of Victoria, with consideration given to mandate higher percentages for urban renewal areas.
- Phased in to allow the property market to adjust and incrementally increased over time.
- Applied to multiple land use types including residential, commercial and some industrial land.
- Percentages may vary based on land use.
- Calculated as an equivalent percentage of net developable floor area.
- Transferred at minimal cost to a registered housing organisation.
- For dwellings to be designed to be indistinguishable from market housing.

4.3 Recommendation: Homes Victoria, with the State Government, introduce state wide Mandatory Inclusionary Zoning across multiple land use types at a rate that can be accommodated in project costs, introduced once the market has stabilised.

Higher affordable housing requirements in all urban renewal precincts and direct investment in early residential developments to secure high-quality affordable housing.

The 10 Year Strategy should consider the introduction of higher affordable housing requirements in all urban renewal precincts as a way of ensuring steady growth of social and affordable dwellings into the future.

When a site increases in value due to government intervention, such as rezoning or the addition of new transport infrastructure, a portion of the increase in land value may be captured by the government to provide public benefit. Affordable housing is an example of a public benefit. There have been a series of missed opportunities for the public and government to capture value from large scale planning changes. In Melbourne

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

examples include the rezoning of Fishermans Bend and major planning changes to Southbank and the central city (through planning scheme amendment C270).

To ensure that there is value captured for affordable housing on future sites, we suggest that the government introduce a mandatory affordable housing requirement policy that provides a mechanism to capture this value in urban renewal areas and to attune the value capture to the value created in those specific areas. This can be applied when land increases in value due to direct government intervention, such as a rezoning or the addition of new transport infrastructure. This is similar to an inclusionary zoning tool, but applied specifically to land that experiences a windfall increase in value and set at a higher rate than the state wide inclusionary zoning policy. Examples of where this could be applied in the future in municipality of Melbourne include the Arden, Dynon and E-Gate precincts. Analysis shows that these tools are most effective, efficient and predictable (both for government and for the market) when contribution requirements apply to both residential and non-residential requirements.

Establishing a clear approach and policy for capturing value and delivering affordable housing in urban renewal precincts is common practice across Australia and internationally, and sets the groundwork for a sustained pipeline of privately delivered affordable housing as urban renewal precincts undergo redevelopment.

Arden presents the greatest immediate opportunity for affordable housing to be delivered at scale, both through direct investment by Homes Victoria in early residential developments and through the establishment of ambitious affordable housing percentages across all land use types. The City of Melbourne strongly supports greater ambition than the current target of at least six per cent in Arden to be delivered across government and private landholdings.

4.4 Recommendation: Homes Victoria work with the State Government to introduce higher affordable housing requirements in all urban renewal precincts, including investing directly in developments.

Commitment to develop underused government owned land for affordable housing

As land is one of the most expensive components of a housing development, the 10 Year Strategy should commit to developing underused government land for affordable housing.

In our Affordable Housing Strategy, the City of Melbourne has committed to building affordable housing on our own land. We are calling on the Victorian Government to do the same.

We know there is a significant amount of government-owned land that is currently not being used efficiently, and is close to transport, services and employment which makes it well suited to affordable housing. A 2018 study by the University of Melbourne identified almost 195 hectares of under-utilised government land across greater Melbourne that could be used to deliver more than 30,000 social and affordable homes (Palm, et. al., 2018). It also noted that there were 95 hectares of government land that has already been classified as surplus which could support approximately 2167 homes. At least 1 per cent of any surplus government land allocated to social housing should be allocated to Aboriginal housing organisations, in line with the Victorian Aboriginal Housing and Homelessness Framework.

4.5 Recommendation: Identify accessible underused government owned land sites to bring forward for affordable housing.

Advocate for a National Homeless and Housing Strategy

It is important that efforts to provide affordable housing are coordinated and well informed. The Australian Government has a lead role to play in addressing affordable housing; as a major funder and project partner of state government and the housing sector; and also as the legislator of many of the tax and market settings that

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

influence housing. We call on the Australian Government to deliver a comprehensive National Housing and Homelessness Strategy.

In a study of four major cities – Melbourne, Vancouver, Toronto and Portland – researchers from the University of Melbourne found that vertical governance that aligned funding and priorities across levels of government was one of the most important aspects of delivering affordable housing (Raynor & Whitzman, 2020).

The creation and release of a National Housing Strategy in Canada has been a game-changing strategy for affordable housing and we aspire to a similar outcome in Australia. A National Strategy should be based on a review and subsequent reforms of the housing market – including the private, social and affordable housing markets. The Strategy should provide long term strategic direction and Australian Government funding for affordable housing.

We propose to work with Homes Victoria and other metro Councils to advocate to the Federal Government for a national housing and homelessness strategy. We consider that the Strategy should include:

- Providing capital and operational funding for CHOs to develop housing and build capacity.
- Substantial ongoing investment to build new public housing and enable different investors to participate in the delivery of affordable housing.
- A review of tax and regulatory structures to address housing inequity.
- Strategic review of Australian Government-owned land to identify underused sites that are appropriate for affordable housing.
- A commitment to work directly with and resource Aboriginal housing organisations

4.6 Recommendation: that Homes Victoria partner with the City of Melbourne and other metro Councils to advocate to the Australian Government for a long-term National Housing and Homelessness Strategy.

CITY OF MELBOURNE

Submission to Homes Victoria's *Establishing A 10-Year Strategy For Social And Affordable Housing*

5. Additional recommendations

Affordable housing must be positioned as essential infrastructure

Affordable housing supports an inclusive and diverse city. We need to ensure that people on very low to moderate incomes have access to a place to live which is safe, secure and appropriate. Access to adequate housing is a fundamental human right.

Housing is essential infrastructure for our city and is vital to the functioning of our society and economy. Affordable housing limits the amount of a household's income that is needed for rent, leaving money to spend on other necessities. As essential infrastructure, the availability of affordable housing affects our community's resilience to shocks and major events. To aid in the recovery efforts of this year's crises and to better prepare for future events, we need a sustained and nationwide increase in affordable housing.

5.1 Recommendation: Position affordable housing as essential infrastructure in the 10 year Affordable Housing Strategy.

Homes Victoria housing investment must be based on clear criteria

Homes Victoria is rolling out an unprecedented investment in social and affordable housing across Victoria. We recommend that Homes Victoria clearly define the criteria for investment, to ensure that housing is built in suitable and sustainable locations.

An example of criteria for investment include locations that:

- Are well connected transport services and provide opportunities for residents to choose active transport including high-quality bicycle parking, access to physically protected bicycle lanes and a high-quality walking environment
- Have a high walkability score (The higher the walkability score for a property, the easier it is to walk from that property to meet daily needs including shopping, schools, pharmacies, medical, parks, recreation,, community centres, entertainment, etc)
- Are located in reasonable distance to medical, health and other support services
- Are located in reasonable distance to childcare, primary and secondary schools; retail services.

5.2 Recommendation: Publish clear criteria for Homes Victoria investment, which prioritises locations that are well connected to transport, health, education and retail services.