

City of Port Phillip submission to the Senate Select
Committee on Housing Affordability in Australia



Submission by City of Port Phillip

Senate Select Committee on Housing Affordability in Australia

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INTRODUCTION & CONTEXT

The City of Port Phillip is located within the south east inner region of Melbourne. The city was created in June 2004 when the former cities of Port Melbourne, South Melbourne and St Kilda were amalgamated. Port Phillip now contains 11 suburbs, 7 distinct neighbourhoods, covers an area of 20.62 kilometres and has a population of 85,012.

The Senate Select Committee on Housing Affordability provides a welcome opportunity for City of Port Phillip to highlight the barriers to home ownership and general lack of housing affordability which heavily impacts upon individuals and communities served by this council. City of Port Phillip has a key role to strongly advocate on behalf of our community.

We base our submission on positions articulated in a number of relevant plans; particularly City of Port Phillip Housing Strategy 2007¹ which provides a clear overview and assessment of the housing situation in the City of Port Phillip, highlighting key areas of concern and Council's response to these concerns. We hope that this inquiry will result in far reaching change which sees the Australian housing system more integrated across all three levels of Government.

Port Phillip's proximity to the bay and the city, its vibrant street life, and cultural diversity are attractive to Melbourne's young adults. As such, the main demographic group consists of young adults aged 25-34, working in professional fields with relatively high incomes. Although Port Phillip comprises a high proportion of young, educated professionals, it is also home to older people, families and single parents, those who are unemployed, and those on low incomes. Council's challenge is to accommodate and cater for all residents so that Port Phillip remains their home, as well as provide a healthy, culturally stimulating and socially equitable environment now and in the future.

Safe, secure and affordable housing is undeniably the foundation for individual, family and community health and well being. Council recognises that there is currently a housing crisis that has been particularly evident across the municipality over the past 10 years. The municipality comprises a broad range of dwelling types including a small amount of crisis and emergency and a larger number of rooming house accommodation. Port Phillip also contains some state-wide and after-hours crisis support services.

¹ <http://www.portphillip.vic.gov.au/attachments/o26016.pdf>

Good quality, affordable housing should be a right and not a privilege. Council wants everyone in Port Phillip to have that right, regardless of tenure. This aspiration is not one which can be achieved easily or quickly. There are complex factors influencing housing provision and the housing market. With sustained investment in internal and external partnerships, advocacy, education, qualified staff, and the production of a robust housing strategy, Council believes that it can help drive change towards a preferred future living environment for all in the municipality.

The City of Port Phillip recognises that there are many factors that influence housing provision and the housing market. In 2007 Council renewed its Housing Strategy which provides a clear overview and assessment of the housing situation in the City of Port Phillip, highlighting key areas of concern and Council's response to these concerns. The City of Port Phillip Housing Strategy 2007 sets out a broad vision for housing and residential development in Port Phillip and makes recommendations regarding the future management of housing and residential development in the City.

The Housing Strategy updates the 1997 Housing Strategy to reflect the changes that have occurred to housing policy since that time. The Strategy also provides a locally relevant response to Melbourne 2030 and the Inner Regional Housing Statement by identifying areas suitable for new residential growth and providing strategic justification for new housing policies in the Port Phillip Planning Scheme.

The Housing Strategy has been prepared to respond to these issues over a 10 year timeframe. The Strategy is important because it will allow Council to pro-actively deal with housing and residential issues by providing certainty for both the community and developers. It sets out a framework to ensure that Port Phillip has a diverse range of housing but at the same time maintains the character and amenity of the city's residential areas.

In addition to addressing housing form, density and location, a critical objective is encouraging and facilitating affordable housing, social (public and community) housing and facilitating a coordinated response to homelessness. The aim is to maintain and create social diversity for the benefit of the lower income socio-economic groups whose needs are not being met by the private sector. Council has had a consistent and leading role in supporting social housing and has been directly involved in the development of community housing between 1985 and 2006.

Council's vision for housing in the municipality is:

"To direct residential growth to locations which offer the greatest access to shops, public transport and other services, and provide housing diversity by facilitating the development of affordable, accessible and suitable housing which meets the needs of all current and future residents, including the disadvantaged and those who are unable to adequately access the private housing market."

Research shows that the housing market in Port Phillip is buoyant with demand for all types of housing outstripping supply, which has led to high prices and affordability problems. As a result, Port Phillip is experiencing high housing stress; issues associated with housing in Port Phillip include changing demographics, community concern over the impact of residential development on neighbourhood character, and achieving the initiatives of the State Government's metropolitan strategy 'Melbourne 2030'.

City of Port Phillip currently operates within the context of affordable private rental affordability no longer being available anywhere in our municipality -an extremely significant issue for our long term low income households. This has resulted in these households relocating to outer suburban locations where they have limited social connections, there is inadequate access to public transport and community services, and there is a poor variety of housing diversity to cater for differing household types. To put this into context-general housing affordability in Port Phillip from 2006 showed only 1% of properties were affordable for someone with an income of \$68,219 and only 2% were available on an income of \$85,456, there were no affordable properties for people earning within the lowest 5 deciles.² The Office of Housing September 2007 Rental Report showed median rents in St Kilda, Sth Melbourne and Port Melbourne ranged from \$260 to \$350 per week for a one bedroom flat to \$340 to \$450 per week for 2 bedroom flat substantially higher than Metropolitan Melbourne median rent of \$270 per week³. None of these properties are close to affordable to low income earners or people on a Centrelink benefit.

The high price of home ownership in Port Phillip is further highlighted by the fact that in June 2004 there were almost 10 times as many low income rental households in the municipality than there were low income home purchaser households. City of Port Phillip welcomes the new initiative of a National Rental

² <http://www.imrhai.com.au/Results.aspx> **Data Sources:** Valuer General unit record files; Australian Bureau of Statistics 2006 Census, Basic Community Profile for Melbourne Statistical Division, Table B28 Gross Household Income (Weekly) by Household Composition; Reserve Bank of Australia, Reserve Bank Bulletin, Statistical Tables, Financial Markets, Interest Rates, Table F05 Indicator Lending Rates (Housing Loans; Variable; Banks; Standard) (Yearly Median)

³ Victorian Department of Human Services, Office of Housing September Quarter 2007 Rental Report

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Affordability Scheme setting a target of 100,000 homes nationally and in particular would like highlight that if this initiative attracts new investment who may seek day to day management within the community housing sector it is vital that investors also consider this sector as potential new developers in light of the Victorian Affordable Housing Association model. This enables the stock to remain affordable in perpetuity.

In Port Phillip, the main constraints to the success of the Housing Strategy can be identified as:

- limited and uncertain resources;
- the nature of the planning system;
- the previous long term lack of integrated Commonwealth and State Government direction and legislation on regulating private sector provision of affordable housing in perpetuity;
- the nature of the housing market;
- the need to improve private partnership and community education, and
- the geography of the municipality.

We would be happy to provide further information and statistics at your request.

RESPONSE TO PARTICULAR AREAS OF INQUIRY:

- the rate of release of new land by state and territory governments;

Council's land resources are limited and there is uncertainty about the continued provision of affordable housing that is targeted to specific households with evident need, particularly ones that are largely unprovided for in the private market. Thus City of Port Phillip supports the expeditious land release by State and Commonwealth Governments.

As a result of limited available land at Council's disposal, City of Port Phillip continues to rely heavily on not for profit and philanthropic organisations as providers of crisis accommodation, rooming houses, and residential aged care. Increased provision of accommodation in the municipality for those most in need of shelter is insecure, as many of these providers rely upon State and Commonwealth Government funding which can vary with every budget.

- proposed assistance for first home owners by state, territory and the Commonwealth governments and their effectiveness in the absence of increased supply;

We understand housing affordability as a joint responsibility of the Commonwealth, State and Local Governments, and an important issue in providing for the needs of local residents. Affordable housing initiatives have been previously slow to come out of Commonwealth and State levels and remained poorly targeted, which have made it increasingly difficult for Council to ensure that the housing needs of the municipality's residents are met.

A lack of affordable housing adversely impacts on personal health and well-being, personal identity and the general sustainability of diverse communities. City of Port Phillip welcomes the recent initiatives of the First Home Saver Accounts and the \$500 million Housing Affordability fund which will encourage more efficiency to address planning delays. This latter initiative needs to take into account that Port Phillip is an area with ageing infrastructure so would not support cost shifting of infrastructure costs unless these could be offset through rates. Social and economic infrastructure that provides community benefits should continue to be funded out of private borrowings, developer contributions and serviced through rates or usage charges.

➤ **the role of all levels of government in facilitating affordable home ownership:**

It is acknowledged that the Commonwealth and State Governments' legislation and policy directly influence the provision and cost of housing in the City of Port Phillip. Local government's role in influencing affordable housing outcomes is crucial given their role as the local planning authority and mandate in fostering diverse and sustainable communities. However in reality local government has often been an inhibitor of affordable housing outcomes through restrictive use of the planning process.

Consequently as a means of improving local government's role in achieving affordable housing in the future two mutual things need to happen-strengthening the participation of local government as the 3rd level of government at COAG and discussion of CSHA while being required to meet affordable housing targets. We strongly support the consideration of Affordable Housing Overlays (through inclusionary zoning)⁴ as a tool to facilitate affordable housing opportunities.

City of Port Phillip supports the expansion of affordable housing, along the lines many of the initiatives suggested by the Affordable Housing Research Consortium, Australians for Affordable Housing, Housing Justice Round Table, National Affordable Housing Summit and National Affordable Housing Agreement.

The State Government in setting planning policy also crucially influences housing provision, through the Victoria Planning Provisions, including the State Planning Policy Framework and the suite of zones, overlays and other planning controls that are made available to Councils as part of their local Planning Scheme. Melbourne 2030, which is the State Government's strategy to guide growth, change and development in the Melbourne over the next few decades, also has significant implications on planning for new housing growth within Port Phillip.

Over the past decade under the policies of the previous Commonwealth Government, responsibility for affordable housing has been devolved and decentralised such that State and Local Government have been forced to try to come up with a variety of incentives and subsidies to encourage the private developer to engage in the provision of affordable housing. The direct role of private development is miniscule, with State policy makers focusing on an expanded role for small-scale not for profit entities with limited track record in

⁴ **Inclusionary Zoning**

This is where all designated residential, commercial, industrial and other development within a district or region would be required to incorporate a given proportion of affordable housing, or pay the cash equivalent to a designated affordable housing provider in the area.

large-scale financing and development. This model has yet to show any signs of working on a grand scale, and City of Port Phillip welcomes newly proposed models that will seek to induce private developers to build more affordable housing as long as affordability can be sustained in perpetuity.

Both the UK and US systems (and to a certain extent NSW) obtain private sector affordable housing contributions through planning system controls, either by requiring a monetary contribution based on the market value of a certain percentage of overall floor space, which is then allocated to affordable housing development elsewhere, or a proportion of that new development as affordable housing. This does not mean to imply that such a system is the preferred or only mechanism to address the affordability crisis, but it highlights that the Australian system has been fragmented and piecemeal in its approach, undercapitalised and lacking a consistent regulatory framework.

- [the effect on the market of government intervention in the housing sector including planning and industrial relations laws;](#)

Many of the planning responsibilities of Local Government have important impacts on housing outcomes including affordability within a municipality. Planning decisions can affect the availability of residential land, the timing and costs associated with development, the design and configuration of new housing, and the preservation of existing sources of low cost housing stock.

In relation to the need and pursuit of affordable housing options in the municipality, the Victorian Planning and Environment Act 1987 has failed to promote any planning mechanisms to achieve affordable housing outcomes. As a result Council continued to find it difficult to attain affordable housing in the municipality through the planning process. We welcome the Victorian State Government current discussion paper and review of zoning in Victoria.

Our situation locally is that high housing costs and pockets of low-cost housing can add an extra problematic dimension as the reaction to them by local communities can increase the social divide, undermine social cohesion and in areas of affluence, develop into a 'Not in My Back Yard' defensive behaviour often leading to hostile and protracted development stages as planning is vigorously challenged. While this often relates to social housing, it also can apply to affordable, private housing. Even amongst moderate to high income households, high housing costs reduce household savings and non-housing expenditure that is important for long-term economic growth. The impediments to social housing result in difficulty achieving an equal distribution across residential areas as well as delays resulting in increased project costs. This should be

remedied by making well designed affordable housing an as of right use in appropriate zoned areas so not subject to 3rd party appeal rights.

- Land use zoning decisions govern the availability of residential land, and the location of new residential development, in relation to transport, services, and employment.
- Development controls influence the way that new housing is designed and configured, and can affect the appropriateness, affordability and the likely cost and tenure of new developments.
- Development conditions can mitigate the social or environmental impact of approved developments, for instance, through the use of developer contributions to fund community infrastructure, or potentially, affordable housing (although the latter has yet to be tested in Port Phillip).

The planning system can stimulate, shape and regulate the housing market as well as build capacity for change; however the planning system can also impose costs if it is slow or lacks transparency. If the system results in too little land being developed, the price of available land and the price of developed land may rise excessively, which has implications for investment as well as affordable housing output.

There are many examples of developers asserting that the planning process is too complicated, too long, too expensive and contains too much uncertainty. Often the only area of common agreement between developers and residents is the lack of certainty in the current system; developers want to know what they will be permitted to do so that they can make business investment decisions in a clearer climate, and residents want to know what sorts of development they can expect in their local area.

In instances where Council seeks to secure more certainty for residents and developers on development and/or use, whether through a revision to a local policy objective or a more comprehensive zone change, an amendment to the Planning Scheme is required. This is a lengthy and arduous process with no guarantee of State support. The potential for providing more clear direction, support and speedy decision making for development is therefore limited.

City of Port Phillip's acknowledgement of, and commitment to, addressing the affordable housing problem in the municipality (and Inner Melbourne generally) is particularly important, given that many effective strategies will require the support of State and Commonwealth Governments. For instance, City of Port Phillip have long expressed interest in expanding State planning mechanisms that achieve the provision of affordable housing such as 'inclusionary zoning' for generating opportunities for expanding affordable or community housing developer contributions.

The buoyant inner urban housing market has led to a shortage of skilled construction workers, which causes delays in building timeframes, in addition to the lack of Commonwealth and State Government commitment to placing some onus upon the private sector to help remediate the deficiency of affordable housing. These factors all hinder Council's ability to provide/ensure affordable housing in the municipality and to raise physical and management standards in the private rented sector.

Two additional areas that will impact on the market and need leadership at Commonwealth and State level will be that of climate change and adapting housing design to ensure access for all abilities as ageing and level of disability in the community increases.

One of the greatest issues facing the worldwide community is that of climate change and the need to slow down the rate at which the global climate is changing.

Climate change is predicted to result in increased average and summer temperatures, reduced rainfall, and warmer, dryer days with increased rainfall intensity during storm events. These changes will result in a multitude of problems, including, but not limited to, a greater risk of heat stress for people, increased cooling costs, a greater risk of being affected by flooding and other extreme weather events, and less water for human consumption.

Whilst it is the responsibility of individuals to minimise their water consumption and household appliance usage, climate change can also be slowed down through the encouragement and enforcement of ecologically sustainable development (ESD). One of the key challenges for all levels of government is to encourage greater contributions to sustainability. Sustainable development as defined by the Brundtland Report on Climate Change entitled 'Our Common Future' as "development which meets the needs of the present without compromising the ability of future generations to meet their own needs."

In the context of housing, the challenge for governments is reducing the impact our residential stock has on natural systems. This can be achieved in two ways – minimising the impact of the built form (materials, fittings, design, etc), and minimising the impact of its occupants (the way in which residents use the building). The benefits of overcoming these challenges bodes well for the natural environment as well as residents, who can save on running costs and enjoy a more healthy indoor and outdoor environment. As a municipality, by making our own municipality's homes more sustainable, we can move towards significantly decreasing our ecological footprint and ultimately ensuring that Port Phillip becomes a better place to live, visit and work for all present and future residents.

Through environmentally sustainable and occupant-focused design, we can significantly reduce the high levels of greenhouse gases our homes emit, produce far less liquid and solid waste, and save money on household running costs. Sustainability Victoria has estimated that an energy smart house can save more than \$800 per year or more than \$20,000 over the average 25 year home mortgage if energy smart design and energy saving appliances are used. This type of saving improves the overall affordability of a home, whilst having the added benefit of retaining high re-sale values.

Sustainable design taking into account environmental impact must also consider accessibility and visitability. Given that Port Phillip is expected to see a significant increase in the aged population by 2030, adaptable housing is a crucial issue. Housing adaptability - the ability of a house structure to be modified or extended (at minimum cost) to meet the changing needs of occupants and visitors is an area that needs to be incorporated into future planning. The Australian Standard for Adaptable Housing (AS 4299-1995) outlines the benefits which arise out of compliance with the standard, although this standard is not called up in the Building Code of Australia.

Policy intervention is therefore required to encourage that housing is designed to be accessible by all sectors of the community including people with a disability, of limited mobility, and/or with young children and prams.

We believe that designing in accessibility at the outset, as part of an overall approach to sustainability, will contribute to housing affordability in the longer term. Inclusion of the above mentioned Standard in the Building Code of Australia will assist in achieving this aim.