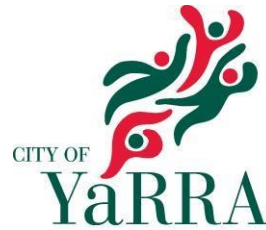


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Dear Madam/Sir

### **Federal Financial Relations' Affordable Housing Working Group Submission**

Thank you for the opportunity to contribute to the Council on Federal Financial Relations' Affordable Housing Working Group ('the Working Group'). I am pleased to see this focus on improving the supply of social and affordable housing and recognise the challenges that have flowed from the significant appreciation of dwelling prices in Australia over the last 15 years.

Yarra Council is an inner-city local government area which includes the suburbs of Richmond, Fitzroy, Collingwood, Abbotsford, Clifton Hill and Princes Hill. As an inner-city area, its heritage cottages, terraces and former warehouses are in high demand, pushing the purchase prices of houses and apartments well above the Melbourne average. Between 1994 and 2014, Yarra saw a 407% increase in median house prices and a 342% increase in unit costs.

I would like to make some general points about social and affordable housing in our municipality that relate to the third objective of the Working Group – the best method to progress any models that are identified as potentially viable.

In summary, the three points we would like to make are:

- Any further work on developing financial models should be undertaken in collaboration with local government,
- Any new models for affordable housing need to remain flexible and responsive to tenant needs, and
- Any subsidy developed to increase the supply of social and affordable housing should deliver a higher social return on investment.

### ***Any further work on developing finance models undertaken should be in collaboration with local government.***

Local government is the tier of government which is closest to its community and who is aware of the micro-issues within its community. The federal government has a major role to play in housing costs through such policy levers as Social Security, First Home Owner Grants, taxation and foreign investment systems. The state government has an important role through land release and zoning as well as managing most of the current social housing stock. Local government is the Planning Authority as well as the Responsible Authority for administering the planning scheme. Its planning for the housing of its inhabitants determines the local social and economic mix of its community and local government can take a leadership role in how its community evolves.

The municipality of Yarra in Melbourne has around 8,000 residents living in 5,196 state-funded community and state-provided dwellings (collectively known as social housing), representing about 10% of its population which in 2014 was 86,500.

In December 2015, there were 1,204 applicants on the waiting list for public housing in Yarra that is managed by the Department of Health and Human Services (DHHS).

With limited additional new public housing during the 1990s and 2000s, as well as increasing the amount of overall housing in the municipality, Yarra has seen a decline in the proportion of public housing and people who live in social and public housing from 15% in 1991 to 10% in 2011.

As the tenant profile of social housing has become more targeted to people living on Centrelink pensions, the revenue base for public housing has declined. At the same time, the gentrification of the inner city has created a wealthy class who live alongside these pockets of social housing.

The private housing market has also squeezed out low-income workers who our community relies on to perform essential services. The number of private rental properties that are affordable to low income earners has declined from 1.4 in March 2002 to 0.9 in March 2014. With virtually no affordable private rental options, Yarra has limited capacity to attract and maintain a diverse community.

The Census showed that Yarra had 3,094 individuals who worked in Public Administration and Safety, 4,774 in education and training and 5,742 who worked in Health Care and Social Assistance. These essential service providers represent important contributors to Yarra's economic and social infrastructure.

With further changes forecast in the demographic mix of our local area, Council conducted a randomised household survey in May 2015 about the views of residents about planning for the future. The survey received 833 responses and provides a snap shot of how residents feel about the current housing market.

The findings from this survey suggest that there may be community support for a private financing model where private developers move more into providing affordable housing. Well over half of respondents (54%) agree with 'new local developments should include a proportion of housing for people on low incomes' and almost two thirds (63%) disagree with 'property developers contributing enough to the community'.

Views are more polarised when it comes to the need for social housing, affordability and the impact of increasing house prices. For instance, 44% of respondents hold the view that 'there must be more social and public housing in Yarra for people on low incomes', whereas 36% disagrees with this statement, and another 20% is neutral (might not have an opinion or don't know). The increase in Yarra's property values are a cause of concern, with 28% holding the view that 'increasing property values have been good for our local community', compared to 38% who disagree with this statement.

These findings suggest that one of the most important issues in progressing any financial models is to involve local government because it knows its local community and can assist in understanding the local dynamics and in translating macro financial reforms into the local planning context.

### ***Any new models for affordable housing need to remain flexible and responsive to tenant needs.***

One of the advantages of the current community housing sector is its capacity to adapt to the needs of different groups such as the aged, women, people with a disability, and aboriginal communities. While Council recognises that scale is an issue for these organisations to offer a favourable asset class for private financing institutions, the

community housing sector in Victoria is best placed to own and manage additional affordable housing. The sector:

- owns and manages over 18,000 dwellings in Victoria with an estimated asset value of \$2.3 billion, and services over \$300 million in debt;
- has the experience, skills, and capacity to inform the refinement of these important policy proposals to ensure their viability; and
- can maximise Government and private investment, ensure appropriate targeting and management and put in place long term capture of outcomes.<sup>1</sup>

***Any subsidy developed to increase the supply of social and affordable housing should deliver a higher social return on investment***

The National Rental Affordability Scheme and the Nation Building Stimulus Program have both been instrumental in increasing the supply of social and affordable housing. Council has also had a strong commitment to providing financial support for the community housing sector which has leveraged on these initiatives. For example:

The *Yarra Affordable Rental Housing Development Fund (YARHDF)* ran from 2009 – 2012 and established a mechanism to allocate capital funding to registered housing associations for the development of affordable rental housing for lower income households experiencing housing need in Yarra. Through the fund:

- (a) over three years \$200,000 was allocated per annum for affordable housing initiatives in Yarra (in total \$600,000) as a means of leveraging of Commonwealth and State Government affordable housing growth funds; and
- (b) Yarra Community Housing delivered a total of 15 affordable housing units at Gertrude Street Fitzroy in 2012. Another project at Flockhart Street, Abbotsford was developed and Council contributed \$200,000 towards building and managing five units in a Yarra Community Housing managed project.

Council also leased the management of the Council-owned building at 239 Brunswick Street to be re-developed in conjunction with Yarra Community Housing. The project was completed in early 2011. The four-storey building with 14 studio-apartments was constructed by Yarra Community Housing in 2009 after Council granted them a 40 year lease of the property with an option to re-new for another 40 years. This project received funding approval under the *Australian Government's Nation Building Economic Stimulus Plan*.

In the absence of federal funding, it is difficult for Councils to replicate such partnerships. AHURI has calculated that Victoria has an estimated shortage of affordable rental properties of 80,000 and over 34,000 people on the public housing waiting list. Dr Judith Yates from the University of Sydney believes that Victoria needs an additional 2,000 social housing properties every year to reach and maintain the national average of 5% of housing stock.<sup>2</sup>

The benefits of building new social housing are not only felt by those who ultimately live in this housing. The community also benefits through increased economic activity and new jobs being created. An expanded supply of social and affordable housing will intervene in the downward spiral of intergenerational social disadvantage. A review of the Social Housing Initiative under the Federal Government's Nation Building Economic Stimulus Plan, commenced as a response to the global financial crisis of 2009, found that for every dollar

<sup>1</sup> Community Housing Federation of Victoria, 'Inclusionary Zoning Position and Capability Statement', 2015.

<sup>2</sup>

spent on construction, there was \$1.30 benefit for the economy.<sup>3</sup> SGS economics has demonstrated that there are measurable economic and social benefits for maintaining the supply of social housing in areas such as Yarra which are well located for employment and services.<sup>4</sup> The avoided social costs (such as health, crime, family support and other welfare services) further support the argument that social and affordable housing are a critical part of Yarra's economic viability.

I look forward to hearing the outcomes from the Affordable Housing Working Group and to seeing new financial models that I hope will improve the availability of social and affordable housing in Yarra. Feel free to contact me on [bruce.phillips@yarracity.vic.gov.au](mailto:bruce.phillips@yarracity.vic.gov.au) should you require further information. I wish you well in your deliberations.

Kind regards

A handwritten signature in blue ink that reads "Bruce Phillips".

Bruce Phillips  
**Director, Planning and Place Making**

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<sup>3</sup> KPMG, 'Social Housing Initiative Review', Housing Ministers' Advisory Committee, 2012.

<sup>4</sup> SGS Economics and Planning, 'Revisiting the Economics of Inclusionary Zoning', 2015, p. 12.