
Does the Big Housing Build address the housing crisis in Victoria?

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What's next...



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Acknowledgement of Country

We at the Centre for Urban Research and Sustainability & Urban Planning acknowledge the people of the Woi wurrung and Boon wurrung language groups of the eastern Kulin Nation on whose unceded lands we conduct our research, teaching and service. We respectfully acknowledge Ancestors and Elders past, present and emerging who have always been caring for Country. We pay our respects to Country, the lifeworld that sustains us all.

Our research, education and service are already in a relationship with Country and the people of Country, here and in all the places we undertake our business. As mostly non-Indigenous people, we acknowledge our obligation in this relationship: to uphold the ngarn-ga [understanding] of Bundjil and practice respect for community and culture. Though there is much we still need to learn, especially about ourselves, we affirm our dhumbali [commitment] to that work. We hold as central to our business, dhumbali to a shared future with Indigenous peoples everywhere and especially Kulin Country and peoples.

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Analysis

There are four components of the Big Housing Build that are about housing construction:

Fast-Start projects starting now:

1. \$532m to build housing on Homes Victoria owned land
2. \$948m to buy / 'bring forward' private housing developments

Projects to start soon:

3. \$1.38b in the Social Housing Growth Fund for projects led by Community Housing Organisations
4. \$2.14b for partnerships to build private and community housing on vacant public land

We analysed each component to examine what will actually be delivered. Victoria has 100,000 people – about 50,000 households – on the social housing waiting list. The Big Housing Build claims it will deliver 12,000 new homes. A generous assessment based on our analysis below demonstrates around 8,000 new social units will result with the balance in

'affordable' and private homes. Because allocation models differ across the tenures, only 6,000 of these will be available to those in greatest need.

Clarification of terms:

- to be considered **public housing** a dwelling must be both owned and managed (tenancy and maintenance) by DHHS / Homes Victoria. Public housing caps rents at 25 percent of tenants' income, provides secure tenure, and prioritises people in greatest need.
- **Community housing** refers to dwellings that are managed and / or owned by private non-profit community housing organisations (CHOs). Tenants pay 30 percent of income in rent, the tenure is less secure, and only 75 percent is allocated to those in greatest need.
- the term **social housing** is an umbrella category referring to a range of non-market forms of housing including both public and community housing.

In this report, we use the term that most accurately reflects the category that the dwellings will fall into based on what is stated in the Big Housing Build.

1. Fast-Start housing on Homes Victoria (DHHS) owned land

This component nominates 6 sites, 5 of which are existing public housing estates, and 1 open space located within an existing public housing estate:

- Dunlop Ave Ascot Vale
- Victoria St / Holland Crt Flemington (sometimes called the Debney Precinct)
- Bills St Hawthorn
- Tarakan St Heidelberg
- Markham Ave Ashburton
- Elizabeth St North Richmond (existing open space)

Each of these sites except Elizabeth St North Richmond previously had or currently has public housing dwellings – owned and managed by DHHS. Together, these sites housed a total of 446 public housing homes. Some still have existing buildings.

Four of the sites (Ascot Vale, Flemington, Hawthorn and Heidelberg) were originally part of the Public Housing Renewal Program (PHRP). That program demolishes existing public housing, replaces it with a mix of private and community housing units and privatises virtually all of the public land.

The table on the next page sets out the existing and proposed social housing situation at each of the 6 named Fast-Start sites.

The Big Housing Build states that 500 new community housing dwellings will be built, 0 public housing units, along with 540 new private dwellings. There is no detail provided about the configuration of community to private dwellings per site. There are no projected dwelling counts provided for Elizabeth St Richmond.

Accounting for the loss of the 446 public housing dwellings that were already on these sites, this means a total net gain of 54 social housing dwellings across 6 sites (a 10% uplift). The total cost of this component of Big Housing Build is \$532m, which is \$9.85m per dwelling. The housing will be built by private developers, and while the advice from Homes Victoria is that the land and houses will be retained in public ownership, there is no guarantee of that result. All of the housing will be owned and / or managed by community housing organisations and will not be public housing.

Community housing organisations are only required to make 75% of their allocations to people from the priority section of the Victorian Housing Register (the social housing waiting list). This means that the potential of this component to provide dwellings to relieve the lengthy priority waitlist is reduced. Considering that the new dwellings replace public housing, which already housed people in need, at best the contribution is 54 dwellings (100% of uplift allocated to people on the VHR) and at worst a loss of 71 dwellings (375 [75%] of the 500 allocated to people on the priority waitlist).

	Dunlop Ave Ascot Vale	Victoria St / Holland Crt Flemington	Bills St Hawthorn	Tarakan St Heidelberg	Markham Ave Ashburton	Elizabeth St Richmond	Total numbers
Part of the PHRP?	Y	Y	Y	Y	N	N	
Current use	100% Public Housing	100% Public Housing	100% Public Housing	100% Public Housing	100% Public Housing	Open space	
Existing / previous number of dwellings	80	198	52	60	56	0	446 public housing
BHB total dwellings promised	200 community and private	200 community and private	200+ community and private	130 community and private	unstated	178 community and private	>908 community and private
BHB commu- nity housing dwellings	500 is the stated total of new community housing dwellings across all 6 sites. No breakdown by site is provided.						500 community housing

Some of the new 540 private dwellings on the Fast-Start sites will be sold as 'affordable' housing. No definition is provided for 'affordable'.

The Victorian Planning Scheme defines affordable as prices pegged at 80% of market rates, which in Melbourne is not affordable.

2. Fast-Start Purchase Program

This component of Big Housing Build is to spend \$948m to purchase private housing developments that are either already commenced or ready to start. Private development companies are invited to put forward proposals through a tender process where DHHS would purchase the dwellings for use as social housing.

The Urban Development Institute of Australia stated that this "call out for pre-existing projects offered private residential developers a real opportunity to repurpose housing stock they hadn't been able to sell or settle due to COVID19 into much-needed affordable housing", thus keeping "the pandemic-hit industry afloat".

This component of the Big Housing Build is thus a \$948m bailout to the private sector on failed, stalled or otherwise no longer viable developments.

Inclusionary zoning is where a proportion of affordable or low-income housing is included as part of large private housing developments. The purpose of inclusionary zoning is to both ensure a supply of low-income

housing and also to ensure that private developers making profits from land development return some of that gain to the public good through providing low-income housing units. Inclusionary zoning has never been mandatory in Victoria.

If inclusionary zoning was mandatory in Victoria, a similar outcome could be achieved at no cost to government. The documentation states that 1600 new social housing dwellings will be the result of these purchases. At a total cost of \$948m, that is a pricetag of \$592,500 per dwelling.

The documentation for Big Housing Build provides no details as to the ongoing ownership of dwellings purchased. There is no use of the term public housing in the documentation, therefore it is logical to conclude that the dwellings will end up being owned and / or managed by community housing organisations. If so, approximately 1,200 units (75%) will be available to people on the priority waitlist.

3. Social Housing Growth Fund for projects led by Community Housing Organisations

The Social Housing Growth Fund was originally a \$1 billion capital fund designed to create partnerships with community housing providers or provide rental subsidies for properties in the private market. It was developed in response to the NSW Government's Social and Affordable Housing Fund pilot to provide low interest loans and government guarantees to community housing providers.

The fund operates by generating return on investment, which is then redirected into other build programs. It cannot be drawn down and serves as capital to leverage investment opportunities in new projects. According

to the Government of Victoria in 2017, the fund was determined to create 2,200 new social housing over five years to 2022 through new constructions and rental support, the balance of which will be market determined. To date, there is no publicly available data on social housing dwellings that have been built as result of this fund.

The budget announcement is a \$1.38 billion increase on the fund, but to be paid out as capital grants. This suggests significant differences from how the SHGF has run in the past, yet detail remains unclear. All of the housing delivered will be community housing.

4. Private and community housing built on public land

This component seeks partnerships with private sector and community housing organisations to use existing vacant government-owned land to deliver new market and community housing. It will cost \$2.14b and promises to deliver 5200 new homes. As there is no land cost, this means the cost per dwelling is \$411,538.

No detail is provided about how many of those 5200 new homes will be private and how many will be community housing. Based on previous mixed-tenure projects, including the PHRP, it is likely that profit feasibility will decide the numbers of community housing units within each new development.

Australian housing research on this is comprehensive, empirically-informed and real-world tested. A 2018 Australian Housing and Urban Research Institute study modelled the cost to government of delivering social housing across 5 different scenarios that included combinations of private debt finance, direct capital investment, use of the NHFIC bond aggregator and eligibility of tenants for Commonwealth Rent Assistance (CRA). The study found that direct state investment in public housing is far and away the most efficient model for providing housing that is actually affordable. This is particularly so on land already owned by government, as the land cost is removed.

The report found that the capital grant model, with direct capital investment by government:

- Is clearly the cheapest option and the most cost effective over the long term

The alternative

We modelled the yield of public housing dwellings possible from direct capital investment by government for the same cost of \$5.3bn. It is reasonable to assume a cost of \$300,000 to deliver one public housing dwelling. The cost would be cheaper on public land, particularly if the barriers to the transfer of public land between government agencies in Victoria were removed, to align with systems in other States.

- delivers permanent and secure low-income housing to those who need it most in the places where it is needed
- Reduces risk because it does not rely on commercial providers
- Keeps rents sustainably low
- Ensures sites in high-cost areas are retained and used for public housing rather than exploited in a once-off asset recycling exercise
- Enables governments to steer appropriate housing delivery according to local needs and contexts
- Offers more flexibility to providers and agencies
- Minimises and in some cases entirely avoids risk
- Enables savings in other areas of housing assistance (eg CRA)

We modelled the yield of public housing dwellings possible from direct capital investment by government for the same cost of \$2.14bn. It is reasonable to assume a cost of \$300,000 to deliver one public housing dwelling on public land. This means that a direct capital grant model would deliver approximately 7,100 public housing dwellings. In addition, the asset (land and housing) would remain in public ownership and deliver significantly reduced costs in other areas of housing, health and other social services currently funded by government.

This means that a direct capital grant model using public land would deliver approximately 20,000 public housing dwellings. The asset (land and housing) would remain in public ownership and deliver significantly reduced costs in other areas of housing, health and other social services currently funded by government.

Further Information

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Acknowledgment of Country

RMIT University acknowledges the Wurundjeri people of the Kulin Nations as the traditional owners of the land on which the University stands. RMIT University respectfully recognises Elders both past and present. We also acknowledge the traditional custodians of lands across Australia where we conduct business, their Elders, Ancestors, cultures and heritage.