

Housing Taskforce Report

Unlocking Housing For All

October 2023

Acknowledgement of Country

The Victorian Chamber acknowledges the Aboriginal and Torres Strait Islander peoples of this nation. We acknowledge the Traditional Custodians, the Wurundjeri people of the Kulin Nation, of the lands on which the Victorian Chamber head office is located and extend this respect to all lands across the country.

We pay our respects to ancestors and elders past and present and support the continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples. We endeavour to develop stronger and enduring partnerships with First Peoples and work together to achieve economic, social and cultural equity and prosperity across Victoria.

We are committed to honouring Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to the land, waters and seas and their rich contribution to society.

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Foreword

Victoria is not immune from the global housing crisis that is threatening our most basic right to appropriate accommodation. Although the issue has been consistently in the headlines over recent weeks, it has been bubbling away for years and the Victorian Chamber of Commerce and Industry has had a strong focus on our housing crisis for some time.

In 2021, during the statewide lockdowns, the Victorian Chamber did what it does best, we looked to the future, to the next opportunities, and to a re-imagining of what we could achieve as a State. The Victoria Summit 2021 united some of our most eminent thought leaders to help create a vision for a brighter, fairer and more prosperous Victoria for all.

At the top of the list under the pillar of retaining our reputation as the “most liveable” state, was the ambition to create a pathway to solving the housing crisis. We identified that housing shortages and affordability were serious problems facing Victoria.

The very words “the great Australian dream” leave little room for interpretation. For generations, people have travelled from all corners of the earth to this wide brown land and most with a shared goal of home ownership. And yet for many, this goal is now out of reach.

Whether you are wanting to buy or rent, access to good quality, affordable housing is fundamental to wellbeing. And that means choice beyond what is on offer at present. Choice of price point, choice of renting or buying, choice of apartment or housing, extending to Regional Victoria. It's clear something must change to enable choice at all levels, speed to increase supply, and acceleration of approvals to remove bottlenecks.

Business is interested in this issue. In both Metropolitan and Regional Victoria, we know that worker shortages and housing shortages go hand in hand. Communities who cannot cater for their workforces cannot prosper. Rapid population growth, limited housing availability and supply chain problems for new builds have created a significant demand-supply gap in the State, putting pressure on regional communities. This has led to increased homelessness, rough sleeping and couch surfing, and is making it increasingly difficult for first-time buyers and low-income earners to enter the market.

Over the past 18 months, the Victorian Chamber has prioritised our Housing Taskforce which has included six online roundtables, 11 regional visits, many one-on-one meetings with engaged stakeholders and dedicated surveys to ascertain gaps in housing supply and demand.

We cannot and should not ask governments alone to shoulder the responsibilities of solving a crisis of one of our most basic needs. Our unwavering commitment to propose solutions has helped shape our approach in this report. We have collaborated with key stakeholders and experts, examined the existing and emerging problems, and sought to find solutions that would have tangible and meaningful outcomes.

Now is the time to innovate, to simplify and to be bold.

Because there's no place like home.



Paul Guerra
Chief Executive of the
Victorian Chamber of Commerce and Industry

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Executive summary

The Australian housing market is facing a major crisis that has been evolving over the past three decades. This crisis spans local, state and federal tiers of government and has been caused by a multitude of issues including insufficient and inconsistent planning, skyrocketing house and rent prices, growth in the short-term stay market like Airbnb and limited adoption of new financing models. At its heart is a failure of supply to meet demand.

The current housing system is failing Australians, particularly low-income earners. Access to safe and affordable housing is a basic human need that is currently at risk. 'Affordable housing' in this document refers to housing that is appropriate for the needs of very low to moderate-income households.¹ The housing crisis is exacerbating wealth inequality as house prices have quadrupled over the last 50 years while average full-time earnings have only doubled.²

Australia is a nation of almost evenly split homeowners, mortgage holders and renters. In 2021, 31 per cent of occupied private dwellings were owned outright, 35 per cent were owner-occupied with mortgages, and 30.6 per cent were rented.³ Designing a housing system that takes into consideration all these different interests and meets the needs of the entire population should be at the centrepiece of housing reforms.



In 2021, the Victorian Chamber released the Victoria Summit 2021 Playbook,⁴ which contains 189 actions captured during an intensive State-wide consultative process to find solutions to ensure the successful

future of the State. Solving the housing crisis was identified as the primary pathway to making Victoria once again the most liveable place in the world.

It is within this context that the Victorian Chamber decided to embark on this Housing Taskforce. Through this process, the Victorian Chamber continues our work putting forward policy recommendations to all levels of government. Our hope is that, if implemented, these policies will contribute to tackling the housing crisis.

This crisis is bigger than business. It affects us all: children, workers, employers, migrants, retirees and transient workers. We must ensure that policy changes benefit all of us. Businesses, particularly in regional areas, are forced to operate at reduced capacity or shut shop entirely when they cannot find workers because there is nowhere affordable for them to live. This has drastic impacts on the productivity and prosperity of our state and, more broadly, our nation.



The purpose of this Housing Taskforce is to bring together business and housing industry leaders to develop business-led policy recommendations to improve housing across Victoria and Australia. The findings from the Taskforce will assist industry and governments to build the competitiveness of our economy, through improving housing stock and affordability.

The ideas put forward in this Housing Taskforce Report are the product of six industry roundtables with housing experts including developers, Local Government representatives, architects, mum-and-dad investors, academics, tax lawyers, room sharing advocates and many other industry professionals that work intimately with the housing sector.

The key themes explored in our extensive consultation with housing specialists encompass planning, Local Government, tax, rentals, supporting infrastructure, innovation, and Regional Victoria. We highlight the many issues with the current housing system and demonstrate multiple pathways forward through strategic long-term planning, reforms, streamlining processes and collaboration.

A constant pain point is the planning system. Slow, fragmented planning processes leave applicants frustrated and, importantly, unable to advance housing projects. Simplifying and streamlining the planning process would increase the speed of approvals and the transparency and therefore accountability of decision-makers.



Local Governments also have a role to play. Setting housing targets in local areas would help to meet the needs of those communities. A long-term vision for the State is necessary to adequately address our housing needs now and into the future. Medium-density housing is one of the more favourable housing types, which will help to stop urban sprawl.

The tax system includes important levers that can influence housing developments. They should be used to incentivise the development of large-scale social and affordable housing, particularly build-to-rent schemes, in both Metropolitan and Regional Victoria.

Rents are skyrocketing and there is a significant lack of supply in the rental market. Exploring new models such as build-to-rent and rent-to-own schemes can provide rental relief and assist entry into the housing market.

Revising funding mechanisms for these new rental schemes and supporting infrastructure would unlock the finances required to support their immediate construction. Empowering institutional investors is particularly appealing to solve this part of the housing crisis.

Innovations in construction and financing can also unleash housing stock at a more rapid rate. Prefabricated houses and 3D construction printing are a more efficient (and therefore less costly) means to roll out new builds and require less skilled labour.

Finally, Regional Victoria is desperate for more homes to house the growing regional population. A dedicated planning strategy for Regional Victoria, which incorporates incentives for developers, supporting infrastructure, skilled labour, and managing the number of short-term stays in each region, would help to ensure local essential workers have places to live.

A multifaceted approach is needed to safeguard the basic need to safe and affordable housing for all Australians.

Top Eight Recommendations

Recommendation 3: Establish a state-wide Victorian Housing Plan that details the design, quantity, location, and type of housing required across Victoria, as well as the investment required, to prevent future housing crises.

Recommendation 7: Establish a central planning agency that is responsible for ensuring fast, consistent approvals to speed up housing approvals and increase transparency and accountability of planning decisions.

Recommendation 15: Establish a permit process assistance service, equipped with advisers to discuss the process, initial feasibility and constraints, and components of successful applications with applicants for housing approvals to speed up approval processes and maximise the success rate of applications lodged.

Recommendation 5: Encompass and enforce stringent timelines for planning approvals within statutory requirements to ensure faster planning processes and increased accountability.

Recommendation 1: Reform Victoria's planning and environment legislation and framework to make Victoria's regulatory settings appropriate for modern housing and infrastructure demands.

Recommendation 6: Increase urban density, especially in areas that are well-served by transportation infrastructure, to limit urban sprawl.

Recommendation 28: Incentivise the wide uptake of innovative construction technologies and methods (e.g., prefabs, timber cassettes, 3D printing) by fast tracking the approval of housing builds that use these methods to deliver new housing stock quickly.

Recommendation 32: Develop a dedicated planning strategy for Regional Victoria, which includes medium-density housing, to ensure housing and supporting infrastructure meet regional population demands.

Full List of Recommendations

in order as they appear in the Housing Taskforce Report

- 1** Reform Victoria's planning and environment legislation and framework to make Victoria's regulatory settings appropriate for modern housing and infrastructure demands.
- 2** Incorporate housing considerations into all large-scale infrastructure and industrial builds, particularly in Regional Victoria, to ensure all future construction workers, employees and end-users of these new facilities have an affordable place to live.
- 3** Establish a state-wide Victorian Housing Plan that details the design, quantity, location, and type of housing required across Victoria, as well as the investment required, to prevent future housing crises.
- 4** Clarify the role of densification and urban sprawl prevention in housing and infrastructure plans in Victoria, including in Plan Melbourne.
- 5** Encompass and enforce stringent timelines for planning approvals within statutory requirements to ensure faster planning processes and increased accountability.
- 6** Increase urban density, especially in areas that are well-served by transportation infrastructure, to limit urban sprawl.
- 7** Establish a central planning agency that is responsible for ensuring fast, consistent approvals to speed up housing approvals and increase transparency and accountability of planning decisions.
- 8** Relax zoning and rezoning laws in appropriate locations for social and affordable housing developments to fast-track their construction and provide housing certainty to low-income workers.
- 9** Leverage inclusionary planning practices to set a percentage of new housing developments for social and affordable housing.
- 10** Set housing targets and construction timeframes, including for social and affordable housing for each Local Government area to ensure all Australians, particularly low-income earners and essential workers, have a safe place to live.
- 11** Encourage collaboration between all tiers of government and different council areas to improve best-practice information sharing.
- 12** Incentivise Local Governments to fast-track approval processes for medium-density dwellings in areas where there is great housing demand.
- 13** Allow dual occupancy and multi-title land blocks to enable the construction of multiple dwellings on a single block and increase housing supply.
- 14** Ensure temporary dwellings, including granny flats, with full amenities (including a bedroom, kitchen, and bathroom) are allowed under planning frameworks to increase housing options.

Full List of Recommendations

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- 15** Establish a permit process assistance service, equipped with advisers to discuss the process, initial feasibility and constraints, and components of successful applications with applicants for housing approvals to speed up approval processes and maximise the success rate of applications lodged.
 - 16** Incentivise skilled staff to work in councils and ensure salaries are competitive to improve staff attraction and retention.
 - 17** Further provide land tax and/or stamp duty relief for all affordable housing developments.
 - 18** Simultaneously consider the social impact caused by any tax or charge applied and all potential effects on the market when reforming the tax system.
 - 19** Reform the current tax and social security rules on extra rental income earned, particularly for pensioners who rent out spare bedrooms, to usher in more incentives to make unused accommodation available to soften the accommodation urgency.
 - 20** Incentivise developers through tax breaks to invest in affordable housing.
 - 21** Encourage widespread adoption of alternative housing models (e.g., build-to-rent, rent-to-own) by incentivising their development.
 - 22** Ensure regulation concerning short-term stay accommodation, such as Airbnb, is in line with national settings to avoid hindering tourism in Victoria.
 - 23** Facilitate a culture of longer-term rentals by applying incentives such as fixed-rate loans and unlocking institutional investment into social and affordable housing to incentivise the development of build-to-rent housing.
 - 24** Repurpose vacant and underutilised buildings to provide quality long-term housing for people at risk of homelessness.
 - 25** Develop a consistent, efficient and transparent infrastructure contribution system that better reflects the true cost of infrastructure in different development settings and supports use of existing infrastructure.
 - 26** Reform developer contributions to ensure that money is used to fund value-adding and in-demand infrastructure aligned with housing developments.
 - 27** Establish a supporting infrastructure fund for developers to tap into to incentivise housing construction.
 - 28** Incentivise the wide uptake of innovative construction technologies and methods (e.g., prefabs, timber cassettes, 3D printing) by fast tracking the approval of housing builds that use these methods to deliver new housing stock quickly.
 - 29** Incorporate career education into school curriculum and deliver targeted promotional and work experience activities in schools to increase women in the construction industry.

- 30** Encourage banks to recognise and grant loans for multi-lot blocks to enable alternative housing options.
- 31** Task the State Treasury with the responsibility of leading impact investing in Victoria to provide innovative financial solutions that unlock capital for local social and affordable housing.
- 32** Develop a dedicated planning strategy for Regional Victoria, which includes medium-density housing, to ensure housing and supporting infrastructure meet regional population demands.
- 33** Reform zoning laws to allow farming lots of 50 acres or less to be converted to rural residential zones to allow for the construction of more housing in Regional Victoria.
- 34** Double the investment into the Regional Worker Accommodation Fund and consult with relevant regional housing experts to decide where the funds are best spent to meet pressing demands.
- 35** Release government land for social and affordable housing, where appropriate, to increase the supply of affordable housing.
- 36** Incentivise developers to invest in Regional Victoria to stimulate growth in housing supply in the regions.



Approach

To produce this Housing Taskforce Report, the Victorian Chamber adopted a mixed-method approach analysing both qualitative and quantitative data. The Report is based on industry insights gathered through extensive policy research, stakeholder and member consultation and Victorian Chamber survey data.

Through preliminary research, we identified seven key themes that were the topics of our discussions with industry. These themes also form the subsections of the Findings chapter:



Planning



Supporting infrastructure



Local Government



Innovation



Taxation



Regional Victoria



Rental market

Throughout August 2023, we held six public industry roundtables dedicated to this Housing Taskforce attended by 136 people and participated in several one-on-one conversations with housing experts. From these discussions, we distilled the industry insights gathered, coupled with our own policy research, into 36 policy recommendations aimed at all tiers of government, financial institutions, developers and other stakeholders in the housing sector.



Findings

This chapter is divided into seven sections or key themes: Planning, Local Government, Tax, Rental Market, Supporting Infrastructure, Innovation and Regional Victoria. It is designed to be read in a chronological order as there are many overlapping areas and cross-references. Each subsection identifies the main problems relevant to the theme in question and then puts forward several possible solutions.



The planning system should be the centrepiece of housing reforms

The planning system should be the centrepiece of housing reforms. Australia has long enjoyed single-story housing with front and back yards.⁵ However, this model is failing to provide all Australians with sufficient housing stock to meet our growing population needs.⁶ It is time to consider a broader and more consistent pro-densification stance.⁷ Planning is one of the biggest supply-side levers that could be better leveraged to address the housing crisis.⁸

11.2m

population growth in
Victoria by 2056

34%

increase in approvals for
residential building in
Regional Victoria in 2021

Population growth in Victoria is forecast to reach 11.2 million by 2056⁹, up from 6.7 million today.¹⁰ In the next 20 years, we will have a huge transfer of property ownership. The next generation of landowners should be able to easily subdivide or upgrade their properties for more housing close to established city and town centres to increase supply. Town planning also needs to favour increased density in inner city areas.¹¹ Embracing a European style living model would halt unsustainable urban sprawl.

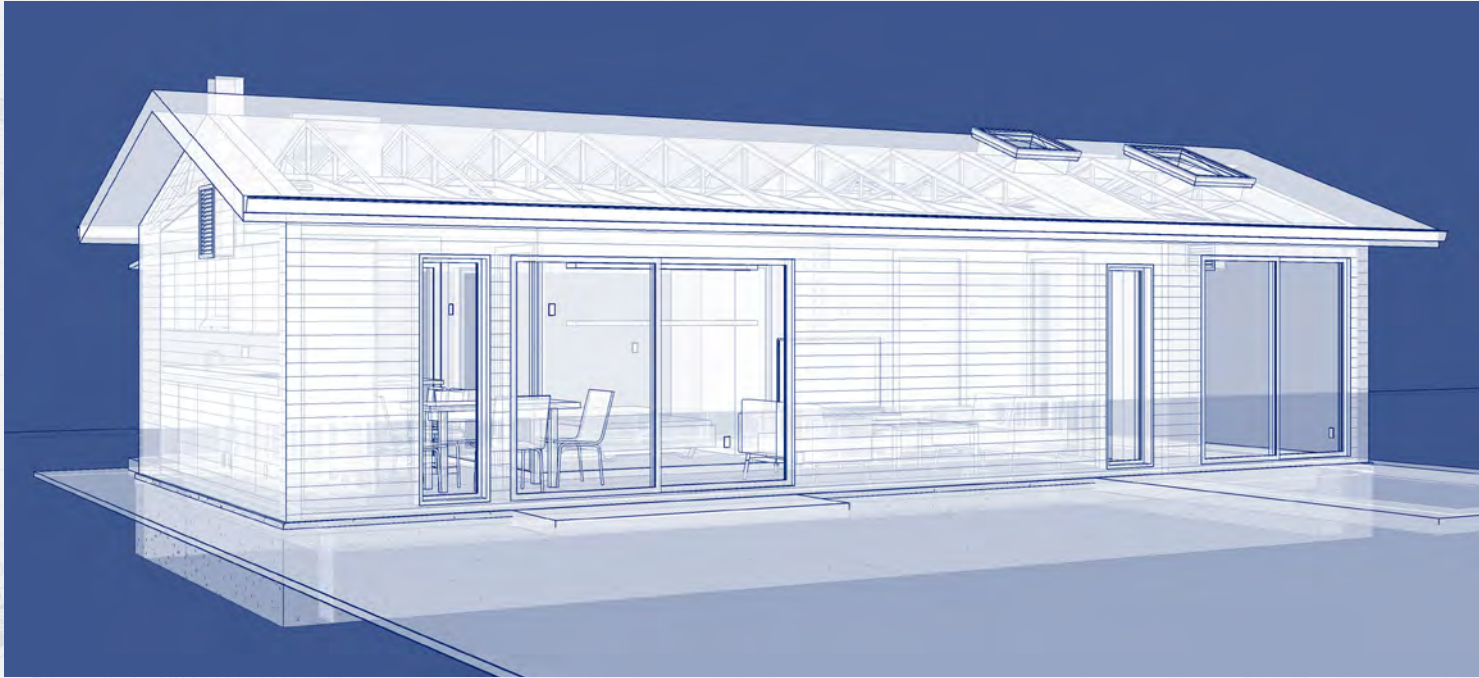
Households of all sizes – single occupants, couples, families with children and intergenerational living – should be considered for medium-density builds going forward. According to the last census, 20 per cent of Australian households living in apartments were families with children and they are projected to represent the highest rate of growth in Victorian households to 2056. Despite this, only five per cent of Melbourne apartments have three or more bedrooms.¹² Australia should look to the Canadian housing model in Vancouver for inspiration. The Housing Vancouver Strategy aims to build 72,000 new homes by 2027, 50 per cent to serve lower-income households and 65 per cent for renters.¹³

Our planning system must take into consideration growth strategies for the whole state – Metropolitan and Regional Victoria.



Findings

The planning system should be the centrepiece of housing reforms



Problems with the planning system

In Victoria, **environment and planning legislation is outdated and no longer fit-for-purpose**. Changes and amendments have increased complexity and inconsistencies in planning processes and decisions, which hinders efficient development.¹⁴ Current legislation and planning frameworks do not adequately account for the changing demographics, contemporary market trends, innovations and the increased impacts of natural disasters and climate change. For example, housing demand is no longer purely concentrated in major cities. In 2021, there were 16,500 approvals for residential buildings in Regional Victoria, or a 34 per cent increase on the previous 12 months.¹⁵

Further, the range of dwelling types, such as temporary dwellings (i.e., granny flats, studios), is restricted in current planning frameworks, which impedes additions to housing stock. Councils usually only approve either a kitchen or a bathroom, but not both, in studios, which are typically treated as secondary or temporary dwellings.¹⁶ Under Victorian law, only one person can

live in a granny flat at any time. That person must be dependent on the person/s in the main home.¹⁷


These planning frameworks are unnecessarily restrictive in the context of the current housing crisis and must be repealed.

A whole-of state housing plan is lacking to guide decision making for housing. An overly complex decision process impedes the creation of accessible and secure homes and communities. One private company, Building Surveying Victoria, has published a 20-point checklist for documents required to build a domestic dwelling, but warns in postscript that further information may be required.¹⁸

While Victoria needs a robust and accountable State Housing Plan, we also require short-term interventions at the regulatory level to ensure that housing supply meets demand. Local councils, town planners and private developers are basing their decisions on the information they currently have, without the broader context which could endanger longer term larger builds, such as important transportation corridors that could service new housing developments.

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The planning system should be the centrepiece of housing reforms



Developers are quick to call out **protracted and confusing planning processes** as one of the biggest impediments to new building works.

Melbourne's population growth has typically focused on development on the City's fringe, leading to undesirable urban sprawl, often lacking transport infrastructure posing challenges to sustainable development. There are continuing calls from infrastructure experts to "be smart about delivering the land use and infrastructure planning policies which will enable us to absorb and make the best of that population growth" and concentrate on high-density builds in middle suburbs.¹⁹

Higher density neighbourhoods can also improve the viability of infrastructure delivery by promoting better use of existing infrastructure.²⁰ Achieving this does not require reinventing the wheel. *Victoria's infrastructure strategy 2021-2051*²¹ explores ways to better use and manage existing infrastructure, including timing and delivery considerations for new infrastructure where necessary.

The Victorian Government's *Plan Melbourne 2017-2050* contains initiatives to ensure housing keeps up with population demand.²² However, authors of Plan Melbourne say little is being done in the execution of the plan to encourage more dense development in middle suburbs.²³

Developers are quick to call out protracted and confusing planning processes as one of the biggest impediments to new building works. Local Governments are reporting backlogs of hundreds of planning approvals, while failing to retain staff and attract new talent.²⁴ Council backlogs are frequently the cause of delayed planning timelines. Master Builder's Victoria director, Megan Peacock, told ABC news that current "lengthy delays" can be attributed to "the lack of resources in councils."²⁵

A perceived lack of transparency and accountability in planning processes further contributes to uncertainty and stalling housing stock. Currently, many complaints about decision making, transparency and fair processes can only be addressed through the Victorian Civil and Administrative Tribunal (VCAT) – typically a long, intensive, and costly process.²⁶ This leaves developers, investors and landlords unable to escalate their case

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when planning processes draw out over extended periods, which has been compounded by a backlog at the Tribunal following the COVID-19 pandemic.²⁷ This is ineffective at facilitating incremental feedback between stakeholders and efficiency improvements to the system. Additionally, responsibility for delays in planning and approval processes is shared among different organisations and tiers of government.²⁸

Holdups in zoning and rezoning mean that property owners on bigger blocks are unable to subdivide their land for additional housing.²⁹ Land size is only one metric for a viable subdivision. All subdivisions are governed by local area planning schemes and all land is zoned for a specific use. Rezoning farmland in regional areas is one key concern for many of the Victorian Chamber's regional business members.

The plan to produce necessary social and affordable housing in Victoria is slow. It has been six years since the State announced its Big Housing Build. The Victorian Government promised to develop surplus government land for affordable and social housing, yet it has been reported that not a single social or affordable home has been built under the initiative.³⁰ The pilot program for inclusionary zoning – a system used in the US, Europe, South Australia, the ACT and parts of NSW – that requires a proportion of social or affordable housing be delivered as a condition of approval for larger housing projects, has come to a halt in Victoria.³¹

Solutions to achieve a fit-for-purpose planning system

Victoria's environment and planning legislation needs to be updated. Reform should modernise this legislation and related frameworks accounting for climate change, the increased occurrence of natural disasters, innovation, changing behaviours, the need for higher densification, ageing infrastructure, and the housing crisis. It must accommodate and enable growth strategies for the whole State – Metropolitan and Regional Victoria.



Environmental factors must continue to be taken into consideration when planning new housing developments to ensure homes are resilient and insurable. An example given in one of the Victorian Chamber's housing roundtables was that commercial and residential developments should never be allowed on floodplains. This environmental factor was brought into clear focus during the Maribyrnong flood disaster of October 2021, where more than 525 homes were flooded.³² More significant issues have been seen in other States, particularly New South Wales and Queensland. Pressure to build in marginal areas is exacerbated by the impacts of a changing climate.

Further, sensible approaches to planning should be enabled, such as easily facilitating simple additions to established blocks that increase housing stock. This could include not requiring substantive approvals but instead only notification of construction of granny flats and student accommodation. This would enable families to more easily upsize or downsize their living arrangements.³³ Other approaches that have been used elsewhere, such as the review and adjustment of planning laws to facilitate transportation solutions³⁴ and renewable energy projects need to be utilised for housing.

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The planning system should be the centrepiece of housing reforms

Additionally, modern planning legislation and frameworks need to account for pre-approved new ways of constructing houses, such as prefabricated housing and construction systems. These novel housing types provide significant opportunities to deliver housing solutions quickly and put downward pressure on prices.³⁵ There needs to be an easier means for their assessment and approval through the planning system. Regulation also needs to evolve so that several types of construction can be considered. Ideally, this would be dictated at a federal level, however at a state level would be sufficient in the short to medium term.

Updates to this legislation should incorporate **a housing plan for all major infrastructure builds**. Construction projects like wind farms, hospitals and airports should all take into consideration housing to accommodate not only workers during the construction phase, but also housing or accommodation for the employees and users of the new facilities going forward. The plan should consider not only the existing demand but also anticipate increases in demand in the given area, driven by the improved desirability resulting from the build. This should be integrated into all large-scale infrastructure and industrial builds, particularly in Regional Victoria.

A new Victorian Housing Plan needs to be developed and prioritise housing solutions for forecast demand and population growth. The Housing Plan should provide leadership and vision for all stakeholders making decisions for new dwellings and supporting infrastructure in Victoria. The Housing Plan must detail who is responsible for new builds, what type of housing is needed, when it is required by, where it must be located, why it is needed and how it will be built. The Housing Plan should also include annual housing approval targets for the next 10 years at the Local Government level.

Housing development targets need to be set.

Unanimously, roundtable participants expressed the need for housing development targets to be set across Australia that meet forward demand and hold stakeholders accountable for meeting those targets. Targets, guided by the proposed Victorian Housing Plan, would enhance accountability at the Local Government level and also speed up housing developments.³⁶ More accountability for actions and justification for decisions would provide guidance for councils to speed up performance and delivery of services. In particular, infill developments need bolder targets and facilitation. They are a cost-effective housing product for leveraging infrastructure and services.³⁷

Design and forecasting of future housing and infrastructure needs to take place at a large scale to build interconnected regions, towns, cities and freight hubs. This would ensure deliberate and cost-effective connections between individuals, their workplaces, social infrastructure, leisure venues and wellbeing facilities. Leadership and vision are required to deliver meticulous, integrated housing plans, as opposed to retroactive and piecemeal measures that often result in higher costs and suboptimal outcomes.

Part of this statewide housing plan would outline the role of densification in meeting housing needs. Australia must increase and diversify its housing stock significantly. We need to take a sensible approach to the location of new builds and constructing denser housing developments alongside pre-existing



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infrastructure, specifically transport routes, which would facilitate mobility to and from the city and other employment centres.

Densification is the pathway forward. The 2021 census data revealed that one quarter of Australia's population lives alone.³⁸ New builds should align with demographic changes and a greater proportion should be small dwellings. There was overwhelming support in the Victorian Chamber's housing roundtables for planning rules to be changed to allow more than one dwelling on blocks to accommodate smaller houses.

Local Governments should be incentivised to fast-track approval processes for medium-density dwellings in areas where there is great housing demand. Conversely, families with children or grandparents living with them would benefit from apartments with more than two bedrooms. As rising inflation, interest rates and building costs increase the cost of traditional family homes,³⁹ high-density family apartments are one way to service the housing needs of our growing population.

Further, the Victorian Government should refresh Plan Melbourne⁴⁰ to limit urban sprawl. High-density residential developments will need to be established in the outer suburbs as well as in the central city. Adjustments to the planning process should also facilitate medium-density dwellings and build-to-rent housing. This would lead to greater land utilisation which, in turn, would raise housing stock and lower prices. Medium-density dwellings also allow housing facilities to be aligned with public transport corridors, offering the community essential transport links and better access to amenities.⁴¹

Reform that addresses slow approval times, inconsistent planning processes and poor transparency and accountability needs to occur. Australia's ability to respond to housing demands depends on the efficiency of our planning system. The Australian Bureau of Statistics reported in July 2023 that across Australia the total number of dwellings approved fell by 8.1 per cent and was down by -18.3 per cent for that month in Victoria.⁴² Accountability and transparency are needed

8.1%

fall in total number of dwellings approved across Australia in July 2023

56%

of Victorian Chamber members surveyed want one central planning agency focused on housing

to ensure a high performing, contemporary planning system. Stringent statutory timelines for approval processes should be established, with self-reporting requirements and performance measures put in place and publicly published.

The most common-sense approach to reform of the planning system is to establish a centralised planning agency. Fifty-six per cent of Victorian Chamber members surveyed want one central planning agency focused on housing.⁴³ A centralised agency, dedicated to housing sector planning, that takes responsibility for oversight and quality, encompassing or potentially replacing local delivery and planning processes, would offer more clarity over accountability. It could be headquartered in Melbourne and elect regional council members to be part of an approvals and advisory committee. The agency would consult heavily with local bodies, including councils during planning processes. The initial approval stage could be carried out by the agency to alleviate pressure on Local Governments. All stakeholders would be given set timeframes to respond to applications and the agency would have a mandate to accelerate housing planning approvals.

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The planning system should be the centrepiece of housing reforms



A centralised planning agency would help to avoid real corruption risks in Victoria's planning system, whereby local council members may attempt to improperly influence planning in their jurisdiction. Recommendations by Independent Broad-based Anti-corruption Commission's (IBAC) Operation Sandon, after a five-year investigation into alleged corrupt conduct involving councillors and property developers in the City of Casey, include removing some planning powers from councils.⁴⁴

The customer-facing side of the planning process experienced by those applying for permits should also be streamlined into a consistent user experience journey, regardless of Local Government area. **A single online portal** that all approval applicants use when applying for a planning approval would minimise duplication, reduce inconsistent processes, fast-track applications and increase productivity and efficiency statewide. This would also allow poorly resourced local councils to invest more in essential services, rather than individually designed and maintained planning administration systems.

A centralised administrative system through an online portal would provide greater transparency to the public and regulatory officials about the length of application and approval process. It would also enable the sharing of information between councils and Victorian Government bodies.

One further solution to reduce approval times is automating parts of the planning process. Victoria should seek to leverage advancements in technologies such as AI and automated learning. Utilising these technologies could automate repetitive processes and allow skilled planners to focus on higher-value decision making tasks that would speed up the end-to-end approval process.

An accessible, third-party escalation point and complaints process should also be established to maintain accountability and transparency. This process needs to be more accessible than VCAT and be housing specific. A housing-specific escalation point would facilitate housing planning processes to address the housing crisis. This function could sit in the centralised planning agency, alongside other responsibilities. Alternatively, it could fit in with a regulation-wide escalation point, sitting in Better Regulation Victoria, as recommended previously by the Victorian Chamber's Regulatory Reform Policy Paper.⁴⁵

Different interventions should be used to create more social and affordable housing. In England, 20 to 40 per cent of new housing developments are expected to be affordable.⁴⁶ Victoria could implement a new requirement called 'social use zoning' to accelerate the conversion of greenfield sites and unused or underused property like commercial buildings into social and affordable housing.

Different planning interventions should be used to create more social and affordable housing. Inclusionary zoning, which sees a portion of residential developments set aside for social and affordable housing,⁴⁷ is an effective measure.

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The planning system should be the centrepiece of housing reforms

72%

of Housing Survey respondents think rezoning land should be fast-tracked

More inclusive housing with different price points allows essential workers to live in places that may be otherwise financially prohibitive. Australia should allocate a percentage of housing developments to social and affordable housing. This should be done in a phased approach. According to the Victorian Chamber's Housing Survey, seventy-two per cent of respondents think rezoning land should be fast-tracked.⁴⁸

Local Governments could release land to key social and affordable development works, complemented by the provision of concessional loans⁴⁹ from the State Government, which would be made available to developers.⁵⁰ Concessional loans for early infrastructure work are beneficial, especially for regional development. Special consideration should be applied for loans that support medium-density, affordable and social housing. This would help to tackle front-end investment challenges and unlock capital in regional areas that struggle to provide developers with incentives to offset higher regional costs and reduced return on investment.

Australia should look internationally for inspiration. International models, such as those in Scandinavian countries and Vienna, offer valuable insights into successful planning and affordable housing solutions. Vienna has clear density targets, providing social and public housing options for more than a century. The city invests more than 500 million euro a year into affordable housing, and more than 60 per cent of its population live in these dwellings.⁵¹



Findings

The planning system should be the centrepiece of housing reforms



Recommendations

- 1** Reform Victoria's planning and environment legislation and framework to make Victoria's regulatory settings appropriate for modern housing and infrastructure demands.
- 2** Incorporate housing considerations into all large-scale infrastructure and industrial builds, particularly in Regional Victoria, to ensure all future construction workers, employees and end-users of these new facilities have an affordable place to live.
- 3** Establish a state-wide Victorian Housing Plan that details the design, quantity, location, and type of housing required across Victoria, as well as the investment required, to prevent future housing crises.
- 4** Clarify the role of densification and urban sprawl prevention in housing and infrastructure plans in Victoria, including in Plan Melbourne.
- 5** Encompass and enforce stringent timelines for planning approvals within statutory requirements to ensure faster planning processes and increased accountability.
- 6** Increase urban density, especially in areas that are well-served by transportation infrastructure, to limit urban sprawl.
- 7** Establish a central planning agency that is responsible for ensuring fast, consistent approvals to speed up housing approvals and increase transparency and accountability of planning decisions.
- 8** Relax zoning and rezoning laws in appropriate locations for social and affordable housing developments to fast-track their construction and provide housing certainty to low-income workers.
- 9** Leverage inclusionary planning practices to set a percentage of new housing developments for social and affordable housing.
- 10** Set housing targets and construction timeframes, including for social and affordable housing for each Local Government area to ensure all Australians, particularly low-income earners and essential workers, have a safe place to live.



Case Study 1

The Melbourne Racing Club (MRC)

Eight hectares of freehold land, identified as a major urban renewal opportunity, sits vacant and “shovel ready”, despite plans for a project that promises to deliver housing diversity, including a provision for affordable housing, and opportunities for mixed-use development.

The primary tenant of the site, the Melbourne Racing Club (MRC), relinquished the area from horse training and stabling in 2021 to facilitate precinct renewal after it was prioritised as a major activity centre in 2017.

Following a number of media announcements about the proposal, technical evaluation and strategic planning, the City of Glen Eira council assumed responsibility for finalising the structure plan in 2020 and adopted community consultation in 2022.

Known as the Western Precinct, the development proposal is founded on maximising the value and amenity of new and existing public open spaces, ensuring community access and utilisation.

A diverse array of housing has been incorporated in the proposal, and the MRC is willing to consider an additional affordable housing contribution as part of its proposal.

Keeping the neighbourhood aesthetic and heritage in mind, plans have incorporated retention and reuse of heritage buildings and retention of landscape features such as mature trees.

And importantly, the precinct has excellent access to a variety of transport options, including train, tram and bus services all within a 10-minute walk.

According to the council’s own predictions, the population in Glen Eira is predicted to increase rapidly in line with broader metropolitan trends, with an anticipated growth of approximately 30,000 people by 2036.

Thus, more housing is required in the municipality to meet projected population growth.

And yet, the process has stalled. There is a real risk that continued delays without a clear plan or timetable for the rezoning will occur under the status quo timetable and that the land will remain vacant, without a use for years to come, delaying much needed investment in the Caulfield major activity centre.





Local Government efficiency needs revitalising

Responsibility for housing in Australia is complex, sitting across three levels of government, with some overlap in responsibilities. Local, state and territory governments are generally responsible for areas of land release, planning, zoning and delivery of housing services. The Federal Government is responsible for some aspects of delivery and funding of housing services and assistance. It is at the Local Government level that many people, organisations and businesses experience obstacles in housing development.

There are 79 councils in Victoria alone,⁵² making for a confusing system.

80%

say that the culture of government regulators is a barrier to doing business

Problems identified at the Local Government level

Local Governments often struggle with fragmentation, conflicting local priorities, lack of clear objectives, and under resourcing. They can take an overly conservative approach to planning approval processes, sometimes to the detriment of feedback and open dialogue with approval applicants.

Better collaboration and communication between all parties involved is required. The process is unnecessarily adversarial. Councils need to work with applicants on their planning applications. Better consistency and information and resource sharing among councils, as well as applicants with planning proposals, would fast-track approval processes and see more houses on the ground faster. One reoccurring theme from the Victorian Chamber's housing roundtables was the need to change the culture in councils to one that is supportive and welcoming to development proposals.



Findings

Local Government efficiency needs revitalising

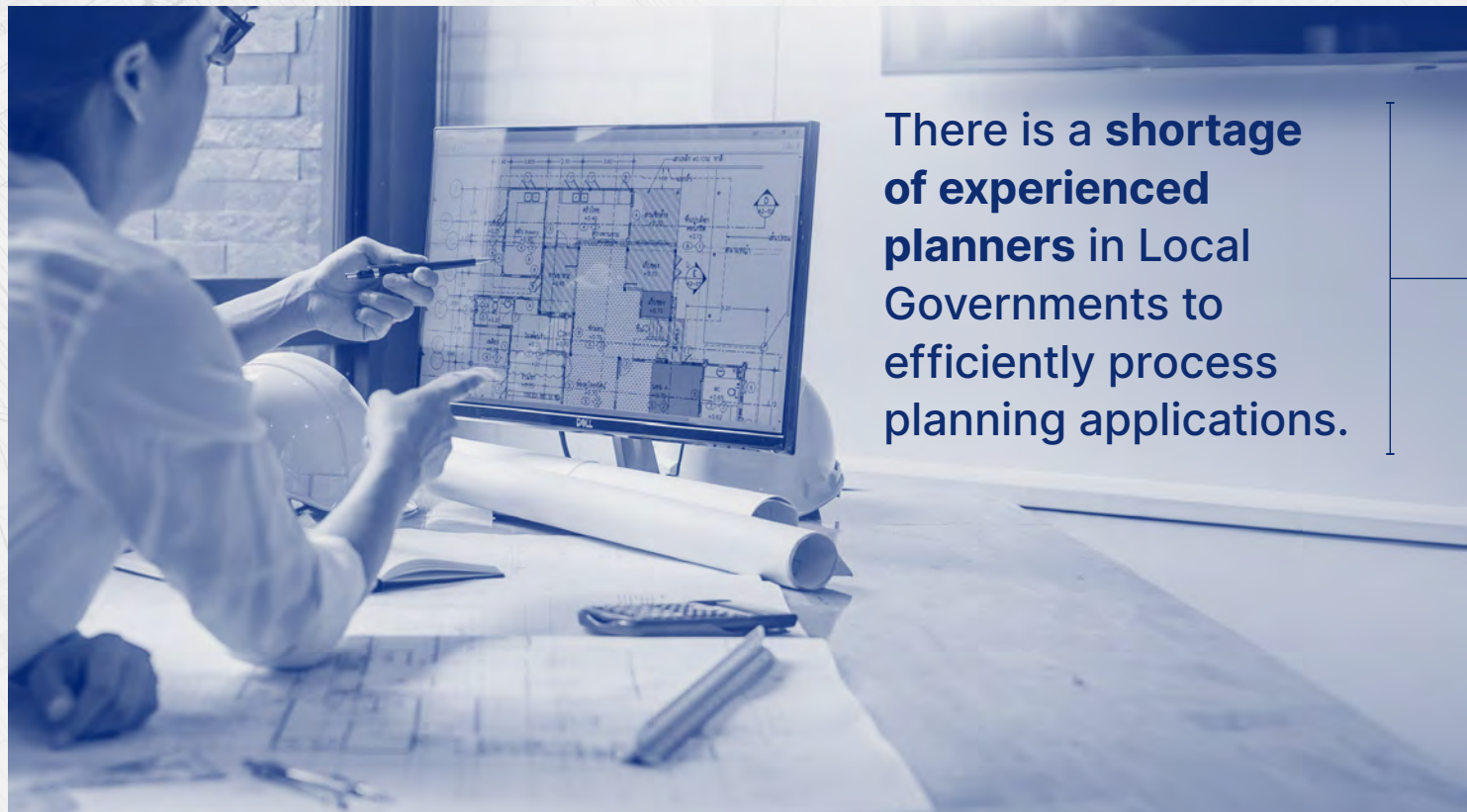
This cultural change in councils needs to occur alongside regulatory and structural change. In the Victorian Chamber's *Cost and Ease of Doing Business in Victoria Taskforce* report, more than 80 per cent of survey respondents said that the culture of government regulators is a barrier to doing business.⁵³ We must ensure governments and regulators work with approval applicants to rapidly build more houses.

Local Governments lack sufficient skilled staff, particularly planners, to review and approve planning applications in a timely manner. It was highlighted in the Victorian Chamber's housing roundtables that councils frequently experience a high turnover of staff and difficulty recruiting, contributing to planning delays. "Staff churn is particularly apparent in regional areas," one roundtable participant said.

Further compounding this issue is labour and skills shortages in planners and engineers within Local

Governments to process planning applications in a timely manner. "There is a shortage of experienced planners in Local Governments to efficiently process planning applications", a Local Government representative stated in one of the housing roundtables. This causes long delays in planning approval processes. One other roundtable participant voiced that "experienced planners that understand the economics of development are vital to ensuring Victoria meets housing demands."

Inexperience at the Local Government level is attributed to inconsistency and delays in planning and has meant that approvals have not occurred at the required rate. These workplace inefficiencies are causing slow development, or in some cases, preventing development altogether. However, the peak body for councils, the Municipal Association of Victoria, says their workforce should not be held accountable for the current housing crisis.⁵⁴



**There is a shortage
of experienced
planners in Local
Governments to
efficiently process
planning applications.**

Findings

Local Government efficiency needs revitalising

Councils insist they process most applications for apartment buildings on time. Analysis this year by The Age newspaper found that on average, the planning system approves 37,400 multi-unit dwellings for development statewide each year, almost 90 per cent are processed and about 25 per cent do not commence.⁵⁵ Conversely, councils claim developers are increasingly seeking extensions to existing planning permits – most are meant to be acted on within two years – because the conditions have not been right to start work⁵⁶

Many councils try their hardest to provide incentives to staff such as remote and flexible work arrangements to meet workforce needs. “Some councils are even renting housing for staff due to housing availability issues”, one council member of the Victorian Chamber said. Budget inefficiencies and competing salaries with metropolitan areas result in a high turnover of staff. Local Governments, especially in the regions, cite staff retention as a key challenge. This has a flow-on effect to approval processes, which “frequently stall when the

staff members working on planning applications leave”, a roundtable participant said. Australia must ensure that salaries in Local Government are competitive to retain talent.

Local Governments hold much responsibility for housing and are ill-equipped to act as enablers for the outcomes Australia currently requires. Victoria can lead Australia to avoid placing more pressure on councils and instead look at new, more efficient measures to planning and housing.

Solutions to enhance Local Government efficiency

Coordination of Local Government resources needs to be transformed via clustering to achieve efficiencies and consistency. One method of improving the resourcing and efficiency of councils is through clustering. Clustering council resources, so platforms and processes pooled together provides the opportunity



Findings

Local Government efficiency needs revitalising

for improved service delivery achieved through economies of scale. In a clustered model, staff would be easily seconded, providing greater experience and exposure to new projects to staff. Some councils with close proximity do this in times of emergency, such as in floods and fires, but those could be facilitated even further through leadership from the Victorian Government. The Victorian Chamber has brought up clustering previously, including in the 2023 Regulatory Reform Policy Paper.

A permit process assistance service available statewide is needed to aid applicants through, what can be, a lengthy and complex process. The service must include open feedback, better engagement with all parties and suggestions on how to reach a successful permit approval. Collaboration and communication with applicants prior to submitting a permit for approval is needed to increase the quality of applications and positive outcomes. Some councils have a service such as this, for instance the City of Melton with its *Business Permit Enquiry Process*.⁵⁷ This service provides an end-to-end support service and single point of contact for those applying for business permits. Victoria should look at rolling this service out across the entire State. It could be housed within clustered councils or a centralised planning agency.

Councils should explore further staff incentives to attract and retain staff. Sensible ways to mitigate staff shortages should be encouraged, including resource sharing and secondments between councils, or a clustered approach to resource sharing as previously proposed in the Victorian Chamber's Regulatory Reform Policy Paper.⁵⁸ According to the Victorian Chamber's Housing Survey, 69 per cent of members think that further staff incentives need to be used to attract and retain Local Government staff.

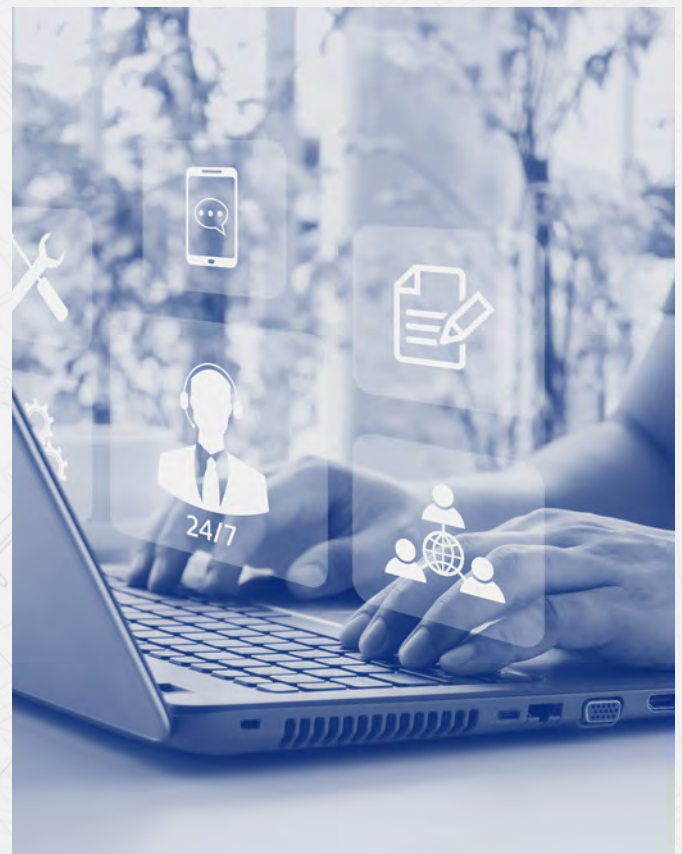
Improving Local Government efficiency through providing greater assistance to approval applicants, streamlining and harmonising planning processes, and investing in council staff attraction and retention strategies will make it easier to build houses in local areas.

25%

of processed multi-unit dwellings do not commence

69%

think further staff incentives are needed to attract and retain Local Government staff



Findings

Local Government
efficiency needs revitalising



Recommendations

- 11** Encourage collaboration between all tiers of government and different council areas to improve best-practice information sharing.
- 12** Incentivise Local Governments to fast-track approval processes for medium-density dwellings in areas where there is great housing demand.
- 13** Allow dual occupancy and multi-title land blocks to enable the construction of multiple dwellings on a single block and increase housing supply.
- 14** Ensure temporary dwellings, including granny flats, with full amenities (including a bedroom, kitchen, and bathroom) are allowed under planning frameworks to increase housing options.
- 15** Establish a permit process assistance service, equipped with advisers to discuss the process, initial feasibility and constraints, and components of successful applications with applicants for housing approvals to speed up approval processes and maximise the success rate of applications lodged.
- 16** Incentivise skilled staff to work in councils and ensure salaries are competitive to improve staff attraction and retention.



The tax system needs to be reformed

Australia's tax and benefits system is difficult to navigate and frequently disincentivises measures that would provide more housing for Australians, such as downsizing and renting out spare rooms.

The primary taxes and levies that are directly applied to housing in Victoria are predominantly at a state level. It is the State Government that has the greatest levers to reduce the tax-imposed disincentives on housing. While there is an acknowledgment that the State Government needs to raise revenue, the current taxation mechanisms applied to housing are inefficient and regressive. Structural adjustment is required to create a more progressive taxation system and encourage greater housing stock, while still providing a state revenue stream.

Problems identified with taxation that impact housing

Victoria's taxation system can operate as a disincentive to mobility of labour and increases in property stock. The predominant form of taxation most purchasers encounter in the State is land transfer duty, more commonly known as stamp duty, paid by the transferee or buyer. There is substantial literature that illustrates that stamp duty can be an inefficient tax.⁵⁹ According to a recent study by the Grattan Institute, "stamp duties... discourage people from moving to housing that better suits their needs, and sometimes they discourage people from moving to better jobs."⁶⁰ This has a significant impact on housing supply and development, hindering use of the current housing stock and deterring more strategic investment.

72%

think the current tax system hinders mobility and disincentivises downsizing homes

38%

support replacing stamp duty with a broad-based land tax



Findings

The tax system
needs to be reformed



This tax has an impact on labour and capital mobility, effecting the ability of workers to move locations and investors to deploy capital. In the Victorian Chamber Housing Survey, 72 per cent of respondents reported that the current tax system hinders mobility and disincentivises downsizing homes.⁶¹

There are additional costs that also have an impact on new housing development. These include Landholder Duty, the Metropolitan Planning Levy, Growth Areas Infrastructure Contribution (GAIC), and the Victorian Windfall Gains Tax.⁶² The challenge with Windfall Gains Tax is that it increases uncertainty on land transactions and can act as a disincentive to developers. How it is applied and at what rate needs to be clear from the outset.

The principal justification for most of these charges is to help provide the supporting infrastructure that is required where new developments or upgrades take place. However, the rate at which they are applied is not always the same, negatively impacting the overall appetite for developers. This would provide greater transparency both for homebuyers and developers.

Federal taxation settings related to housing are confusing. At a federal level, the principal taxes that impact housing are the ability to negatively gear income taxes through real estate investment and the capital gains tax. Negative gearing arguably provides benefits in the form of lower rents and increased housing supply.⁶³ Negative gearing is available for investment in existing stock as well as new developments. However, there are some challenges to these assumptions.

Findings

The tax system
needs to be reformed

Negative gearing can arguably also have converse effects. The principal adverse effect of allowing negative gearing is that it increases demand for buying real estate as an investment, due to the potential tax benefits. This can result in rising house prices. There have been occasional suggestions to restrict negative gearing exclusively to new property constructions, with the aim of promoting new housing development by restricting access to this tax benefit.⁶⁴

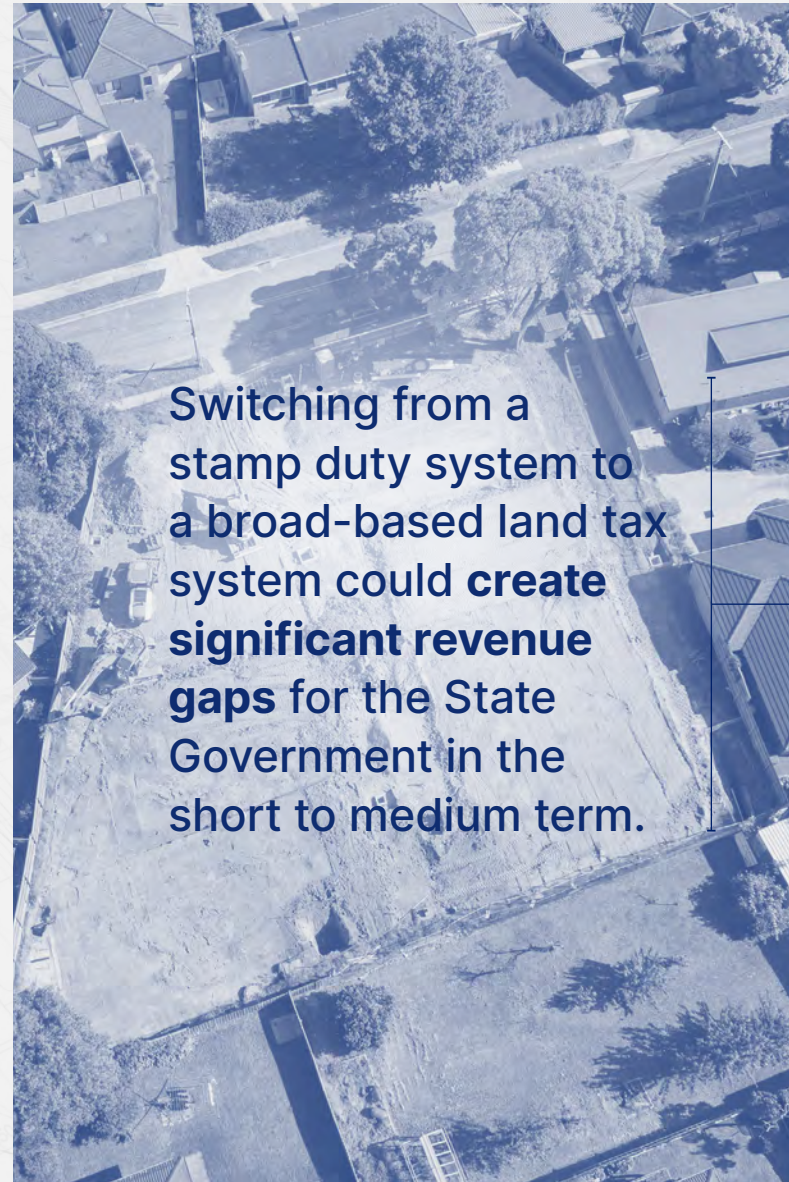
Similarly, capital gains tax can also discourage investors to sell for fear that they will have to pay a substantive sum in tax. Consequently, some investors will not sell stock if the total cost, once they factor in capital gains, is too high.

Under existing income tax regulations, when an individual rents out a section of their primary residence, it will result in a corresponding income and capital gains tax liability. In the case of a homeowner who is a pensioner, any supplementary income generated from this rental activity could potentially impact their eligibility for pension benefits.⁶⁵ Australians should be incentivised to provide alternative housing options to others, not disincentivised.

Solutions for a fit-for-purpose taxation system for housing

At the state level, the role of stamp duty and land taxes needs careful consideration. Switching from a stamp duty system to a broad-based land tax system could create significant revenue gaps for the State Government in the short to medium term. However, importantly, over the long term it would likely lead to greater stability and consistency in revenue. The process has already commenced for commercial and industrial land, which the Victorian Government shifted from stamp duty to a broad-based land tax thanks, in part, to the Victorian Chamber's advocacy.⁶⁶

While replacing stamp duty with a broad-based land tax may have its merits, it's important to consider the potential effects on individuals who are asset-rich but



Switching from a
stamp duty system to
a broad-based land tax
system could create
**significant revenue
gaps** for the State
Government in the
short to medium term.

income-poor. Only a mere 38 per cent of Victorian Chamber businesses surveyed support replacing stamp duty more generally with a broad-based land tax.⁶⁷ The current stamp duty system allows people to borrow money from banks to pay for the fee when financing the house purchase. Transitioning to an annual land tax model could present challenges for certain segments of the population who do not have the cashflow to foot the fee.

Findings

The tax system needs to be reformed

While one of the intents of a broad-based land tax may be to encourage multi-property landlords to sell some of their houses, increasing supply in the market, low-income landlords could lose or no longer be able to maintain important income sources. This double-edged sword effect needs to be carefully considered.

Federal taxes have a role to play as well when it comes to solving the housing crisis. In relation to renting out spare bedrooms or portions of people's properties, any additional rental income earned should not be subject to regular income taxation. The Australian Government should reform the current tax rules on extra rental income earned and associated Capital Gains Tax, particularly for pensioners, to usher in potentially millions of unutilised bedrooms that would immediately soften the accommodation urgency.⁶⁸

Overall, the balance to assess what changes to make to the taxation system is difficult. The Australian

Government should specifically focus on creating a more efficient and effective tax system that prioritises boosting housing stock. Within this assessment, Australia should simultaneously consider the social impact caused by any tax or charge applied and the potential negative effect on the market. These negative impacts may discourage developers from undertaking construction or everyday Australians from investing in housing or even opening up their properties to provide alternative housing solutions.

The taxation system should also be leveraged to increase stock of affordable and social housing.

Tax incentives such as concessions applied to the taxation rate can be placed on developers to undertake housing projects in areas that they might otherwise be reluctant to build in (e.g., regional areas). Policy changes have shown significant increases to the private contribution of affordable housing in other jurisdictions around the world.



Findings

The tax system needs to be reformed



Recommendations

- 17** Further provide land tax and/or stamp duty relief for all affordable housing developments.
- 18** Simultaneously consider the social impact caused by any tax or charge applied and all potential effects on the market when reforming the tax system.
- 19** Reform the current tax and social security rules on extra rental income earned, particularly for pensioners who rent out spare bedrooms, to usher in more incentives to make unused accommodation available to soften the accommodation urgency.
- 20** Incentivise developers through tax breaks to invest in affordable housing.



More build-to-rent housing is a necessity

The rental market in Australia is becoming unaffordable for many. The current high level of mum-and-dad investors means that when interest rates go up, mortgage costs rise and therefore rent increases soon follow. Renters are being priced out of the rental market. Anglicare's 2023 Rental Affordability survey revealed that affordability of rental properties in Australia has plummeted to historic lows. Only 1.1 per cent of rentals are affordable for an aged care worker and 0.9 per cent are affordable for an early childhood educator.⁶⁹ Australian governments need to rethink their policy approach to renting.

1.1%

of rentals are affordable
for an aged care worker

68%

believe there should be
greater incentives to
construct build-to-rent
housing

Socio-economic parameters associated with adequate housing also cannot be ignored. Issues around homelessness are related to stable incomes⁷⁰ and not just supply and demand challenges. When people are in insecure jobs or low paying jobs, they are cut out of many rental opportunities, and for some, the housing market altogether. Australia needs to ensure that our housing system does not breed further inequality.

Problems with the current rental market

The current structure of the rental market does not deliver affordable housing. High reliance on the individual mum-and-dad investor⁷¹ model has resulted in a market that is very cost sensitive and runs the risk of rapidly pricing low-income workers and younger generations out. In Australia, buying multiple properties is a popular and effective way for the everyday Australian to generate wealth and additional income alongside their jobs. For some Australians, investing in properties – or buying, renovating and flipping properties – has become a full-time job. While beneficial to mum-and-dad investors, the primary motivation of these investors is not tailored towards the provision of affordable housing.



Findings

More build-to-rent housing is a necessity



People will go on holidays to other states if Victoria restricts accessibility to tourist housing

Underuse of some dwellings is exacerbating the problem. A significant proportion of the population have a second house, a holiday home that they only stay in a few times a year. For instance, five per cent of Melbourne residents have a holiday home.⁷² These secondary houses often sit empty for most of the year when they could be used for workers in need. In some regional holiday hotspots, property prices increased drastically during the COVID-19 pandemic due to the 'treechange', relocations supported by internet connectivity, making it difficult for essential workers in the lower income bracket to find accommodation.

Changes in the short-term stay market have also contributed to rising rents. In regional areas, there has been a significant shift to short stay accommodation from long-term rentals.⁷³ The cost of housing in small towns has skyrocketed, pushing out locally based essential and seasonal workers in the hospitality and tourism industries. Despite this, the general sentiment in the Victorian Chamber's housing roundtables opposed taxing short-term stays in Victoria. "People will go on holidays to other states if Victoria restricts accessibility to tourist housing", one roundtable participant stated.

Landlords play a pivotal role in the availability of rental properties within any housing market. They are key stakeholders in ensuring that a diverse range of housing options is accessible to individuals and families seeking rental accommodation. It is crucial that we do not inadvertently create disincentives that discourage landlords from participating in the rental market.

One of the factors that make platforms like Airbnb more attractive to landlords is the perceived simplicity it offers. With short-term rentals, landlords can avoid the perceived risk of poor tenancy long-term experiences, with limited mechanism for dispute resolution. It is therefore essential to strike a balance between protecting the rights of tenants and landlords to maintain a thriving rental market.

Overall, addressing the supply issue in the housing market is crucial. When there is a sufficient supply of rental properties, tenants have the flexibility to choose from a variety of options, reducing the power imbalance that can sometimes lead to poor behaviour on either side. An adequate supply of rental properties would mitigate problems arising from a skewed power dynamic and provide tenants with the freedom to choose accommodation that best suits their needs.

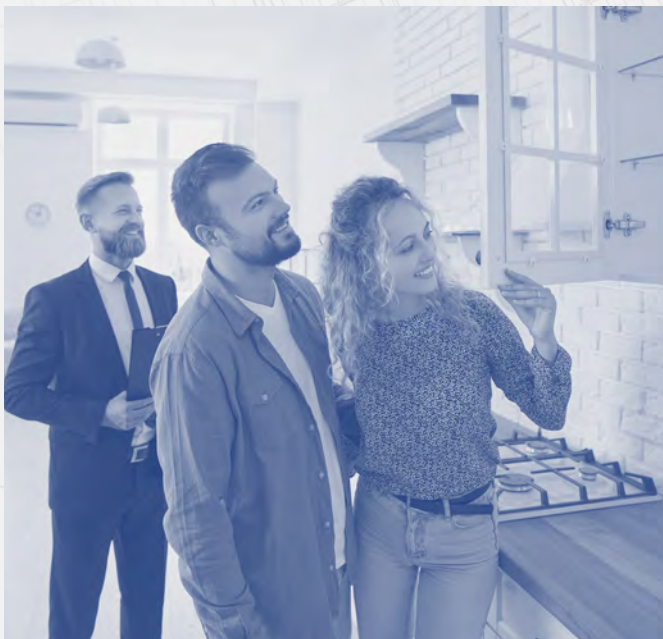
Findings

More build-to-rent housing is a necessity

Solutions to improving rental supply and affordability

Large-scale institutional investment is needed to unlock build-to-rent housing options⁷⁴ and help alleviate the housing crisis. Institutional investors, such as superannuation funds and other private capital investors, together with promoters of shared equity models need greater scope and support to deliver affordable housing options to low-income workers and vulnerable communities.

Embracing more build-to-rent housing would also provide greater housing stock and meet current and future housing demand. There needs to be some planning controls in place so that a portion of new builds are affordable housing. Sixty-eight per cent of Victorian Chamber members surveyed believe there should be greater incentives for developers and investors to construct build-to-rent housing.⁷⁵ Governments must implement a whole range of settings to encourage build-to-rent housing such as incentivising superannuation funds, investors and developers to invest in these types of housing developments.



Investment in rent-to-own housing can also make the dream of owning a home a reality.⁷⁶ Rent-to-own schemes are another way to make saving for a house deposit more achievable and facilitate entrance into the housing market. They grant first-time homebuyers access to the housing market by enabling banks to co-invest in properties when homebuyers do not have sufficient house deposits. The Federal Government should empower young people to rent and then buy a home. With the rising cost of housing, young people may never enter the market. Supporting young people to get into the housing market without a deposit and then build up equity to buy properties would help fight housing inequality.⁷⁷

We need to find a balance between short-term stay accommodation and long-term rentals. In any housing conversation, short-term stay accommodation, such as Airbnb, is a frequent feature of debate. Throughout all the Victorian Chamber's housing roundtables, capping the number of stays per year was not viewed as a solution to fix the housing crisis. Capping trading periods of Airbnbs and other short-term stay accommodation will not fix the problem⁷⁸, it will only exacerbate it. "Placing caps on Airbnbs will mean that properties sit empty when not in use. It will gut the tourism market", a roundtable participant expressed.

Instead, one proposal in Victorian Chamber housing roundtables was to cap the number of short-term stay accommodation available in any given area. In such a system, landlords would need a permit to rent their properties out on sites such as Airbnb. This would help manage the amount of Airbnbs in local areas and ensure enough long-term rentals to meet demand. A permit system of this nature would have to be designed so that it is administered fairly and transparently, and without the costs outweighing the benefits.

Overall, whatever settings put in place to manage short-term stay accommodation and rental properties should be in harmony with nation-wide settings. We need to encourage visitors to our state and landlords to rent out their properties.

Findings

More build-to-rent housing is a necessity

Better incentives should be implemented that encourage people to invest in long-term rental housing. One possible resolution is to have fixed-rate loans for long-term rentals and first-time home buyers. Such a system could take inspiration from the Federal Government's HECS-HELP loan scheme that provides eligible university students with interest-free loans. This would encourage investment in the long-term rental market. Australia should avoid just relying on increased land taxes and rent freezes, which have driven rental providers away from market.

Better utilisation of existing properties as a source of housing should be explored. Australia needs to encourage alternative living arrangements. Renting out spare bedrooms can provide immediate relief to individuals or couples looking for short or long-term living arrangements. There are many big houses with empty bedrooms that could be rented out to those in need. The 2021 census data exposed that there are one million empty homes and 13 million unused bedrooms in Australia.⁷⁹ Local Governments should promote house, apartment and room sharing as alternative housing options.

Changes will need to be made to the tax system to incentivise landlords to take on boarders in their spare bedrooms. For example, senior citizens should not be penalised for renting out rooms by having the added income impact their pensions.

Further, the shift to working from home means that vacant office spaces in CBDs and commercial properties could be repurposed into affordable rental housing.⁸⁰ There should be a focus on bringing empty premises and homes back into the affordable rental market. Governments should provide assistance to vacant homeowners to get their properties up to scratch to meet rentals standards.

Addressing affordability of rental properties as well as supply of suitable housing is crucial to fixing Australia's housing crisis.



Findings

More build-to-rent housing is a necessity



Recommendations

- 21** Encourage widespread adoption of alternative housing models (e.g., build-to-rent, rent-to-own) by incentivising their development.
- 22** Ensure regulation concerning short-term stay accommodation, such as Airbnb, is in line with national settings to avoid hindering tourism in Victoria.
- 23** Facilitate a culture of longer-term rentals by applying incentives such as fixed-rate loans and unlocking institutional investment into social and affordable housing to incentivise the development of build-to-rent housing.
- 24** Repurpose vacant and underutilised buildings to provide quality long-term housing for people at risk of homelessness.



Case Study 2

National Affordable Housing (NAH)

National Affordable Housing (NAH) is an organisation dedicated to facilitating affordable housing and champions a balance in commercial, social, and environmental outcomes.

The objective of the NAH's Empty Homes Initiative is to partner with State water authorities, the State Revenue Office, and the M9 Group of councils, to discover which properties are empty. With the owner's consent, the empty dwellings can be made available as affordable housing. As an incentive, the home would be refurbished in return for making the property available at an affordable rent for a designated period of time.

Through data from 2019-20, NAH has identified in metropolitan Melbourne there are more than 22,680 properties using zero litres of water a day, and a further 69,000 using less than 50 litres a day, strongly indicating that they are vacant.

Preliminary analysis by the City of Maribyrnong also suggests that up to 5,000 residences could be vacant in the municipality.

While some can be classified as holiday homes or second residences, NAH believes that through incentives, unutilised houses could be brought into the affordable housing market.

The vacant homes identified would receive State-funded capital to uplift their quality, either in the form of government grants or through an energy systems upgrade. NAH believes the pilot program would be a win-win for renters, for property owners, the environment, and the community.

Unoccupied housing is brought back into the rental market and made available at an affordable rental price. Low-income renters have access to more affordable housing, and landlords receive the benefits of a rental return through an upgraded property. The energy efficiency of the housing stock is improved, leading to a reduction in greenhouse gas emissions. The community benefits from the refurbishment and active use of degraded housing in their neighbourhood.

For property owners, bringing their home into the affordable rental market would reduce or remove their obligation to pay the Vacant Residential Land Tax (VRLT). The Victorian Government would be assured that any properties brought into the Homes Victoria affordable program would be offered to eligible renters at a discount to market rent.

Due to State Privacy laws, the NAH would need the SRO to invite owners of the vacant homes on its behalf to participate in the Empty Homes scheme rather than pay the VRLT. Currently, homeowners must self-nominate for the tax if their property remains empty in any year for a designated period of time.





Supporting infrastructure must be prioritised

Housing and supporting infrastructure go hand in hand. The location of new homes significantly impacts both the quantity and the positioning of necessary infrastructure. New builds in urban growth areas and greenfield developments require new critical infrastructure linking them to essential utilities such as water, sewage, energy and transportation routes like roads and public transport.

It is also essential that they are located in close proximity to social infrastructure including childcare centres, schools, hospitals and recreational areas. Without strategic planning and foresight of supporting infrastructure, new and existing housing developments are unattractive to residents. There are many issues with the current supporting infrastructure system in Victoria.

63%

believe development contributions should be extended to social infrastructure

Problems with supporting infrastructure

Inconsistent and inefficient methods of funding and delivering supporting infrastructure are impeding housing development. According to Infrastructure Victoria, access to supporting infrastructure such as public transport is central to residents embracing housing options in greater urban density areas.⁸¹ Victoria does not have a single dedicated funding mechanism to support infrastructure that can keep up with extra demand outside of new growth areas. This has caused inconsistent and insufficient infrastructure contributions, which constrains new housing supply. Contribution schemes in Victoria include:

- > *Growth Areas Infrastructure Contribution (GAIC)*: a one-off payment by developers towards essential state infrastructure in most of Melbourne's greenfield suburbs.
- > *Infrastructure Contributions Plans (ICP)*: a system for funding basic and essential local infrastructure for a new community that is paid for by property developers to the State Government.
- > *Development Contributions Plans (DCP)*: payments or in-kind works, facilities or services that developers provide towards the supply of infrastructure necessary for the future needs of the community.

In Victoria, the GAIC was created to provide infrastructure to Melbourne's sprawling suburbs.⁸² Developers have to pay a percentage of revenue from development sales to the State Government to build supporting infrastructure alongside those developments. Calls to increase the percentage of the GAIC should be considered very carefully as developers already contribute significant amounts in state taxes, including the GIAC, ICP and DCP and, ultimately, most of these charges will flow through to new home buyers in these developments.

Findings

Supporting infrastructure
must be prioritised



Findings

Supporting infrastructure must be prioritised

As for development contributions, they cover the costs of building essential infrastructure when land is developed, helping to reflect infrastructure costs in the prices of new homes and promoting more efficient use of infrastructure. Yet, in parts of Australia, builders have no idea how much they are going to pay in levies prior to a project commencing.

Different development types – infill, brownfield, greenfield and existing – need specific consideration and coordination. For infill developments, supporting transport and utilities infrastructure may need to be upgraded to meet mounting demand. However, in rapidly expanding new suburbs, people move in before much of the supporting infrastructure is in place.⁸³ Therefore, connectivity and mobility of citizens are impacted due to lack of supporting infrastructure.

Building new supporting infrastructure in greenfield areas can cost four times more than adapting existing infrastructure in established suburbs that have capacity to grow.⁸⁴ Conversely, in some existing housing areas, the cost of upgrading and expanding supporting infrastructure for housing may be higher than new developments due to the state of existing infrastructure, complexity of planning and accessing existing infrastructure, rate of population growth and uncertainty.⁸⁵

Australia and Victoria do not have an agreed stance on the methods of value capture of improved property values to pay for supporting infrastructure. Houses are worth more and are more desirable if they are located close to supporting infrastructure. Feedback from the Victorian Chamber's housing roundtables indicated the costs of infrastructure are being pushed



Findings

Supporting infrastructure must be prioritised

onto developers or individuals and families through the prospective increased value of their houses due to nearby supporting infrastructure instalments or upgrades.

However, frequently landlords buy properties when surrounding infrastructure does not exist because it is cheaper. Placing the monetary burden on them to pay for that infrastructure when it eventually comes may seem unfair. Conversely, there are those who suggest that property owners benefiting from the uptick in property value because of nearby amenities and supporting infrastructure should contribute towards this value appreciation.⁸⁶

Greenfield areas will continue to play a key role in Victoria's future growth.⁸⁷ But balancing their role with that of established suburbs is important to continue to provide a good quality of life to residents with access to jobs, education and social and leisure opportunities.

Skills and labour shortages in the construction industry can lead to delays and increased costs in building new homes, reducing the overall housing supply.⁸⁸ When skilled workers are in short supply, labour costs tend to rise, making construction more expensive and driving up housing prices. Inadequate supply of skills in the construction workforce can also risk lower quality homes, which can lead to maintenance issues and housing instability. Chronic skills shortages can also discourage potential investors and developers from entering the housing market, further limiting housing supply and driving up prices.

Solutions to future proof supporting infrastructure

The Australian and Victorian Governments need to arrive at a clear stance for value capture and contribution models. Any contributions model needs to be consistent and to provide developers and property owners certainty of the payments and costs that will be incurred, prior to transacting.



An appropriate balance between developer and Local Government contributions to supporting infrastructure, including social infrastructure, is essential. Feedback from the Victorian Chamber housing roundtables urged Local Governments to cover the costs of basic infrastructure, such as water, sewage and electricity. This would free up funds from developers to contribute to social infrastructure like surrounding hospitals, schools, and childcare centres. Sixty-three per cent of Victorian Chamber members surveyed believe that development contributions should be extended to social infrastructure (e.g., hospitals, schools, public spaces).⁸⁹

The Federal Government could consider a nationwide process for infrastructure and development contributions. However, there would need to be clarity and transparency of when the funds would be made available to developers and the criteria for their allocation including timing and quantum. Just as for the planning system, transparently disclosing who is responsible for the different development contributions (e.g., essential versus social infrastructure) is key to unlocking adequate funds for supporting infrastructure. This would further act as an incentive for developers to build housing in locations where there is a pressing need.

Findings

Supporting infrastructure must be prioritised



Careful consideration is needed to avoid burdening homebuyers with excessive costs. Developer contributions should be reformed as they have ballooned, adding significant costs to the development of housing⁹⁰ – which is often passed on buyers – and have failed to provide increased infrastructure.⁹¹ Victoria needs to ensure that developer contributions are only expended on their intended purpose – developing infrastructure and services. Whatever the solution, we need a consistent approach to infrastructure contributions to provide certainty

that infrastructure upgrades and improvements will support new housing developments to meet the needs of Australia's growing population. A Victorian infrastructure charge could be structure-based, such as the New South Wales draft reforms, or area-based.⁹²

Current supporting infrastructure should be better utilised by strategically targeting housing developments and densification around existing, good quality supporting infrastructure that can support servicing a larger population.

Incentives for developing housing, supporting infrastructure and affordable and social housing also need to be considered. Victoria should explore ways to incentivise developers to invest in affordable housing projects. Instead of increasing GIAC, ICP and DCP contributions, tax incentives should be considered for developers willing to take on affordable housing developments.

Establishing a fund to pay for supporting infrastructure could also be explored. The establishment of a supporting infrastructure fund in Australia holds significant benefits for addressing the housing supply challenge. A dedicated fund would enable more strategic, long-term planning to tackle housing shortages and ensure the creation of sustainable, well-connected communities. By addressing infrastructure bottlenecks, such a fund could potentially contribute to moderating housing prices, making homeownership more attainable for a wider range of individuals and families. Such a fund would accelerate infrastructure development, encourage private investment, enable long-term planning, and potentially help stabilise house prices, making housing more accessible.

Addressing infrastructure challenges in housing development requires a multi-faceted approach. Targeted investment, addressing labour shortages and ensuring accountability in infrastructure planning all need to be balanced.

Findings

Supporting infrastructure must be prioritised



Recommendations

- 25** Develop a consistent, efficient and transparent infrastructure contribution system that better reflects the true cost of infrastructure in different development settings and supports use of existing infrastructure.
- 26** Reform developer contributions to ensure that money is used to fund value-adding and in-demand infrastructure aligned with housing developments.
- 27** Establish a supporting infrastructure fund for developers to tap into to incentivise housing construction.



Innovation will help solve the housing crisis

It takes a long time to build a house. In Melbourne, a new build currently takes 12 to 18 months, whereas in pre-pandemic times it took only six to eight months.⁹³ COVID-19 caused widespread supply chain disruptions, the closure or insolvency of many construction companies that could not complete fixed-price contracts and a huge backlog of people awaiting construction of their new homes.

Innovations in the construction and financial industries can unlock new ways to build and fund housing. Advances in housing construction technology, building materials and processes accelerate housing construction and drive down costs.⁹⁴ It is clear governments play a key role in embracing innovations by adopting new technologies and methods, and changing policy and regulatory levers.⁹⁵ Faster means to construct houses are needed to meet the ballooning housing demand. There is a pressing need for more efficient and less expensive methods of house construction to keep up with the increasing demand for housing.⁹⁶

Problems preventing the wider uptake of housing innovations

The opportunity for faster, more efficient construction has not yet been widely adopted in Australia.

For instance prefabricated houses (or prefabs) are a faster means of constructing new builds than traditional building methods.⁹⁷ Timber cassette systems, a subset of prefabricated housing, for roofing and walls significantly reduce construction time to under two months by streamlining the construction process and enhancing efficiency.⁹⁸ Fifty-five per cent of Victorian Chamber members surveyed think governments should incentivise the construction of pre-fabricated homes.⁹⁹ Governments should enable the assembly and manufacture of rapid housing solutions, for instance by fast-tracking the approval of pre-endorsed high-quality innovative housing structures.

Modular homes are also considered an innovative approach to housing, but they come with certain scalability challenges caused by increased labour demands.¹⁰⁰ Increasing automation in residential construction can mitigate skills shortages, as can a dedicated focus on getting more women into trade roles.¹⁰¹

55%

think governments should incentivise construction for pre-fabricated homes

Findings

Innovation will help
solve the housing crisis



13%

of workers in the Australian
construction industry
are women

61%

believe financial institutions should be
incentivised to grant loans for multiple
dwelling blocks and innovative housing

3D construction printing is another rapid innovative construction method, which leverages 3D printing technology to build affordable housing, including semi-detached and detached homes. It is also a more cost-effective housing solution than traditional builds.¹⁰² Australia needs to incentivise the wide uptake of this efficient construction technology to address the housing crisis.

Inexperience with innovative approaches hinders the planning, funding and construction of housing.

The current lending model in the financial sector restricts the adoption of innovative housing solutions. At present, banks find it hard to recognise single land titles that have been divided into multiple lots, meaning that many property owners struggle to get loans at an early stage of development. Small lots of land appeal to low-income individuals and families as they are more affordable, yet accessing bank loans remains a challenge. Innovations in the financial sector are required to meet modern living arrangements.

Despite the need for rapid housing solutions, throughout the Victorian Chamber's housing roundtables, there was a strong resistance to tiny houses as a viable solution to the housing crisis.

It is feared that if rolled out at a large scale, tiny homes – though viewed as an alternative housing option that is quick to construct – will further socio-economic division in society.¹⁰³ “We need to ensure that innovative housing solutions do not carry a social stigma or fall short in quality compared to traditional homes”, one roundtable participant claimed. They must present as regular houses and adhere to environmental sustainability standards if Australia is to reach its net zero targets by 2050.

The ongoing skills and labour shortages that impact housing remain a challenge. Australia is experiencing an acute shortage of construction workers, particularly bricklayers, carpenters and roofers.¹⁰⁴ The root causes of this labour shortage again stem, in part, from the pandemic-era's border closures and the impact on the flow of migrant workers. However, the issue dates back further than that. According to the National Centre for Vocational Education Research, trade apprenticeship completion rates were 48.2 per cent for the 2016 cohort.¹⁰⁵

Findings

Innovation will help solve the housing crisis

Solutions to overcome restrictions to housing innovations

Financial institutions must rethink their approach to lending to enable alternative housing options. This would encourage landlords to develop their properties to accommodate several dwellings. Sixty-one per cent of Victorian Chamber members surveyed believe that financial institutions should be incentivised to grant loans for blocks with multiple dwellings and innovative housing options.¹⁰⁶

Concerted efforts to skills and labour shortages need to be undertaken Construction workers, tradespeople such as builders and electricians, engineers, planners and more are essential to deliver the housing we need.

One solution is to change the administration and delivery of VET funding. At present, Victoria boasts a free-TAFE model, which is effective for removing some barriers to getting more people into trades careers. However, careful consideration is required on how to incentivise apprentices to finish their qualifications.

In addition to this, career's education in schools that highlights career opportunities and reduces stigma about different careers paths could lead to increased

long-term pipelines. Promotion of careers in trades and STEM is also essential to addressing acute skilled labour shortages. Further promotion and work experience opportunities need to be available, particularly for young women to increase female participation in typically male-dominated construction roles. Currently, women only make up 13 per cent of the workers in the Australian construction industry.¹⁰⁷ Victoria must ensure it implements effective strategies to build gender equality in construction jobs.

Australia must look to incentivise commencement and completion in trades to provide the country with a pipeline of construction workers to build our houses of the future.

The Victorian Government, led by Treasury, should take the lead on impact investing. Impact investing needs proper coordination, leadership and promotion. Impact investing has been proposed as a financial potential solution to some of Australia's greatest challenges including affordable housing.¹⁰⁸ It is investing with purpose and not just for profit. It aims to deliver measurable social and environmental benefits as well as financial returns. Different cohorts of investors group together to invest in purposeful investments like social housing for vulnerable communities. This is done on a small scale and at a localised level.

One promising aspect of impact investing is its capacity to tackle regional housing crises. Unlike big developers that seek large-scale investment projects, impact investors channel their funds into smaller, community-based projects.¹⁰⁹ This more flexible and purpose-driven investment style can efficiently overcome housing issues in regional areas. Not driven solely by investment profit, impact investing will need tax or other incentives to successfully compete with other investment opportunities.

Embracing emerging construction technologies, alternative housing types and new financing frameworks will address the supply, affordability, skilled labour and land-use restrictions that currently hinder innovations in the housing sector.



Findings

Innovation will help solve the housing crisis



Recommendations

- 28** Incentivise the wide uptake of innovative construction technologies and methods (e.g., prefabs, timber cassettes, 3D printing) by fast tracking the approval of housing builds that use these methods to deliver new housing stock quickly.
- 29** Incorporate career education into school curriculum and deliver targeted promotional and work experience activities in schools to increase women in the construction industry.
- 30** Encourage banks to recognise and grant loans for multi-lot blocks to enable alternative housing options.
- 31** Task the State Treasury with the responsibility of leading impact investing in Victoria to provide innovative financial solutions that unlock capital for local social and affordable housing.



Regional Victoria requires a dedicated planning strategy

Regional and rural areas are in dire need of affordable housing solutions. At present, essential workers cannot find places to live that meet their budgets.¹¹⁰ COVID-19 encouraged a 'treechange' relocation, which has drastically reshaped Regional Victoria. City siders relocated to the regions, drying up rental stock and while simultaneously driving up house prices and rents. This exacerbated the housing crisis in Regional Victoria.¹¹¹ A multi-faceted approach must be applied when solving the housing crisis in regional areas.



76%

believe there should be incentives for regional housing projects

Problems impacting housing in Regional Victoria

There is no consistent and uniform planning strategy for Regional Victoria. Regional residents who attended the Victorian Chamber's housing roundtables emphasised that the lack of a consistent approach to planning in Regional Victoria has negative impacts for regional housing. "This means that people relocate to the regions without anywhere to live and little supporting infrastructure to support the influx in population", one participant said. To help address the problem, Regional Victoria requires a dedicated planning strategy.

The planning process in Regional Victoria is known for its complexity and resource shortages, as is experienced statewide. During the Victorian Chamber housing roundtables, we heard stories of conflicting council rules affecting properties that sit between two or more Local Government Areas. This places an unnecessary burden on property owners who grapple with abiding by multiple council laws. This limits the repurposing of land for residential use. Further, Local Governments play a pivotal role in shaping housing policies. Their input is crucial to creating effective planning decisions that suit regional needs.

Rezoning farmland can appear near impossible in Regional Victoria. Subdivisions and rezoning farmland are pain points for landlords. There is good reason for this measure as it is designed to safeguard farmland. However, farmland of 20 acres and under is very generally seen as borderline from a profit sustainability perspective and should be considered for rezoning.

There is little incentive for developers to embark on housing projects in the regions. Limited capital growth and increased costs of developments make regional and rural areas unattractive to developers.¹¹²

Findings

Regional Victoria requires a dedicated planning strategy



High infrastructure costs act as a barrier for investors in regional areas.

Improving housing and development policies in regional areas should be at the centrepiece of Australia's housing reforms. A concern is the impact of windfall gains tax on developers' willingness to invest in regional areas. "Developers require incentives to encourage investment in regional towns, rather than imposing additional taxes that could deter contribution to regional growth", one roundtable participant argued. A reward-based approach should be considered to effectively stimulate development activity.

Regional Victoria also faces key infrastructure challenges. High infrastructure costs act as a barrier for investors in regional areas.¹¹³ Issues related to water and sewage infrastructure add significantly to development costs. The overall tone of regional participants in the Victorian Chamber's housing roundtables indicated that overly complicated governance structures, such as multiple councils in the one region, hinder development efforts and obscure responsibility of supporting infrastructure.

Regional areas can particularly struggle to attract and retain skilled staff, especially planners, which means approval processes reportedly move at unacceptable glacial speeds. Once staff do acquire a certain level of experience, regional roundtable participants complained that they either get poached or seek new job opportunities in Metropolitan Melbourne where salaries are higher. Skills and labour shortages continue to make it difficult to find skilled tradies in the regions, such as plumbers and electricians, to install supporting infrastructure and construct housing. This leads to chronic delays in housing developments.¹¹⁴ Australia needs to focus on attaining more blue-collar tradespeople to meet growth demand.

Regional areas can have limited housing options for staff. Regional Victoria needs more low-cost, medium-density housing,¹¹⁵ as well as social and affordable options. However, constructing more medium-density dwellings in the regions comes with its challenges. "People generally move to the regions for space, not to live on top of one another", one roundtable participant claimed.

Findings

Regional Victoria requires
a dedicated planning strategy

55%

believe short-term stay
accommodation makes it
more difficult to secure
longer-term rentals

Airbnbs are partly responsible for the lack of availability
of housing in the regions, including rentals.¹¹⁶

Fifty-five per cent of Victorian Chamber members
surveyed believe that Airbnb and short-term stay
accommodation is making it more difficult for people
to secure longer-term rentals.¹¹⁷ However, capping the
number of stays is not a viable solution. Other means
to address the influx of Airbnbs must be explored.

Solutions to replenish housing stock in Regional Victoria

**A dedicated planning and housing strategy for
Regional Victoria should be established.** When
developing a dedicated housing strategy for our
regions, the State Government must take a holistic
and long-term approach. Regional Victoria needs to be
explicitly considered in an interconnected plan for the

whole state. A dedicated planning strategy for Regional
Victoria, tailored to meet contemporary housing needs,
will fuel housing supply in the backbone of our state.

A centralised planning approach with regional
variations would streamline processes while preserving
local nuances. A balance must be struck between
centralised decision-making and local input. The
centralised planning agency, previously mentioned
in this report, should consult with councils so that
they still get to input. Consultation with the regional
business community has confirmed a desire to establish
a state-wide centralised planning agency. This agency
would ensure consistent and timely application reviews
and address the variations that currently exist between
different council areas.

Further, **rezoning farmland in Regional Victoria can
immediately free up more land for housing.** Small
farmland blocks could be rezoned for residential use
when located close to towns.¹¹⁸ Seventy-two percent
of Victorian Chamber members surveyed agree that
rezoning land should be fast-tracked.¹¹⁹ Rezoning is
a straight-forward measure that can help solve the
housing crisis.

**Further government-owned land should be released
where appropriate for housing initiatives.** This strategic
allocation of resources would further help address
housing shortages.

The Victorian Chamber welcomes initiatives such
as the \$150 million Regional Worker Accommodation
Fund¹²⁰, but the investment is insufficient. The State
Government should double the funding allocation
and consult with a variety of regional housing
organisations and developers to decide where
the money is best spent.

**Densification in Regional Victoria's housing stock
should also be considered.** Medium-density dwellings
in regional centres would help to meet housing needs.
These developments should be located close to town
centres and local jobs so that disadvantaged people
do not get pushed out, exacerbating the situation.



Findings

Regional Victoria requires a dedicated planning strategy



One regional roundtable participant expressed that “we must shift regional mindsets to welcome the European style of country living.” Only then, will we stop the sprawl in rural areas.

As for addressing the influx of Airbnbs in regional hotspots, feedback from regional roundtable participants supports **capping the number of Airbnbs in each local area**, as previously mentioned. In such as system, people would need a permit to be on Airbnb. Whatever settings put in place to manage short-term stay accommodation and rental properties should be in line with nation-wide settings.

The shortage of social and affordable housing in regional areas necessitates a supply-side response. Feedback from regional roundtable participants consistently supported the notion that developers should be required to allocate a portion of their projects to affordable and social housing and be incentivised to look regionally.

Barriers to constructing secondary dwellings on blocks like granny flats need to be reduced. The Victorian Planning Scheme does not have provision for secondary dwellings, such a granny flats.¹²¹ Similar to Metropolitan Melbourne, regional areas should have fewer barriers for dual occupancy blocks. Roundtable participants across the board emphasised the need to set reasonable timeframes for planning application responses to prevent delays.



Incentives for regional housing projects are needed, as evidenced through all Victorian Chamber housing roundtables. Seventy-six per cent of Victorian Chamber members surveyed believe that there should be incentives, such as lower taxes or other charges, in regional areas.¹²² In particular, there should be greater incentives for developers and investors in regional areas. Seventy-four per cent of survey respondents agree with this statement.¹²³

Skills and labour shortages in the regions need a targeted approach, including through skilled migration. A fit-for-purpose migration system would ensure skilled people are brought into regional areas to alleviate shortages.

Findings

Regional Victoria requires
a dedicated planning strategy



Recommendations

- 32** Develop a dedicated planning strategy for Regional Victoria, which includes medium-density housing, to ensure housing and supporting infrastructure meet regional population demands.
- 33** Reform zoning laws to allow farming lots of 50 acres or less to be converted to rural residential zones to allow for the construction of more housing in Regional Victoria.
- 34** Double the investment into the Regional Worker Accommodation Fund and consult with relevant regional housing experts to decide where the funds are best spent to meet pressing demands.
- 35** Release government land for social and affordable housing, where appropriate, to increase the supply of affordable housing.
- 36** Incentivise developers to invest in Regional Victoria to stimulate growth in housing supply in the regions.



Background



Housing in Australia

Owning a home is considered the 'Great Australian Dream' and is a core part of the Australian way of life. Housing is considered an essential human need and central to a thriving economy. It is crucial to our 'classless society' and to wealth equality, childhood outcomes and democratic stability.

However, over time it is becoming unrealistic for all Australians to own their own home, and too many Australians do not have access to affordable housing. According to census data, in 2021, 67 per cent of Australians owned their own home, down from 71 per cent in 1966.¹²⁴ In addition, as of May 2023, the national rental vacancy rate is at a low of 0.9 per cent, with Melbourne also sitting at that same figure.¹²⁵



74%

of Australia's overall housing stock was detached housing

The Victorian Chamber hosted the Victoria Summit 2021 process in partnership with the Victorian Government, a unique opportunity for thought-leaders across Victoria to work together to create a shared, bold, compelling and aspirational vision for Victoria. A key recommendation out of the published Victoria Summit playbook was action 118: *Ensure all Victorians have access to secure, quality housing to support participation in the economy and society.*¹²⁶ Solving the housing crisis was a key theme identified in this process.

Australia's housing stock is currently dominated by detached houses, and this has been a trend over the last three decades. According to research conducted by the Grattan Institute, in 2016, detached housing comprised 74 per cent of Australia's overall housing stock, compared to 78 per cent in 1976. Research suggests that there is a shortfall of semi-detached houses or apartments in suburbs that people want to live (close inner-city suburbs).

Housing affordability has changed dramatically in Australian in the last few decades. In approximately 40 years, the average house prices has increased 14 times, while full-time salaries have increased only 4.7 times.¹²⁷

Melbourne will need about 1.3 million new homes between 2021 and 2051, or around 44,000 new homes every year.¹²⁸



Context

The housing crisis in Australia



This housing crisis is one of the most significant challenges of our time. Supply of our housing stock has not been able to keep up with the demand required. Within the next five years, Australia faces a shortage of more than 100,000 homes and more than half of that will be in apartments.¹²⁹

Changing needs, population growth and shifting trends in households has created a significant need for new housing stock in Australia. Further, rents are soaring with low vacancy rates in the rental market, making it difficult for individuals to find affordable rentals.

In addition, the construction sector is struggling to meet the demand of new builds¹³⁰ and the private sector has been stifled from investment due to high interest rates. We know that small and micro businesses are crucial to the construction sector in Victoria. The sector includes

more than 23,000 registered builders, 27,000 registered plumbers and nearly 28,000 registered electrical contractors. The majority of these are sole traders or businesses with fewer than 20 employees.¹³¹ Australia needs to ensure it nurtures these essential businesses and workers.

Further, the business community is struggling to attract key workers to certain roles due to housing constraints. Innovative thinking is required to solve this important crisis. Melbourne will need about 1.3 million new homes between 2021 and 2051, or around 44,000 new homes every year.¹³² It is predicted that there will be a shortfall of 79,300 new dwellings Australia wide over the projected period of 2023-2033.¹³³

Barriers and challenges to housing

There are several contributors that can explain Australia's housing crisis. Firstly, **house prices are growing at a greater rate than what people are earning.** According to the Grattan Institute, since the mid-1990's, Australian house prices have grown much faster than incomes. These rising house prices have meant that Australians now pay 23 per cent of their median incomes on housing costs, higher than most other comparable countries.¹³⁴

Further, **saving for a house deposit is also becoming more difficult for younger Australians.** The Grattan Institute noted that saving for an initial deposit is a larger barrier to owning a home than affording the mortgage repayments.¹³⁵ It was found that it now takes more than 10 years for an average household to save for a 20 per cent deposit, compared with six years in the early 1990s.¹³⁶ In addition to the time it takes, younger householders face larger higher education debts and higher superannuation contributions than the generation before.¹³⁷ These additional costs further compound the problem.

Thirdly, **Australian cities have not built enough housing.** As Australia's population grows, more housing will be required. According to the Grattan Institute, Australia has more than 400 dwellings per 1,000 people, which is one of the least in the developed world.¹³⁸ In addition to this, Australia has less housing per adult in 2016, compared to 2011.¹³⁹

And lastly, **housing policy and planning has restricted supply.** Australia's land-use planning rules are incredibly complex. Zoning, regulations and lengthy development approval processes reduce the ability for housing markets to respond to demand and therefore restrict development in Australia.¹⁴⁰ This results in limited housing and apartment supply, and ultimately higher housing prices. Research conducted by the Reserve Bank has estimated that restrictive planning rules added up to 40 per cent to the price of houses in Melbourne.¹⁴¹

What are governments doing?

A large amount of work has been completed by both the Australian and Victorian Governments in housing policy. Policy initiatives include:

Federal Government initiatives

Housing Australia Future Fund

The Federal Government is currently in the process of negotiating the *Housing Australia Future Fund (HAFF)*, which will establish a \$10 billion fund to build 30,000 new social and affordable housing properties in the first five years.¹⁴² The fund is designed to generate investment returns that will be used for continual funding of social and affordable housing projects in the future.

National Housing and Homelessness Agreement

In July 2018, the *National Housing and Homelessness Agreement (NHHA)* commenced and provides \$1.6 billion each year to states and territories to improve access to secure and affordable housing. The NHHA includes \$129 million set aside for homelessness services and states and territories match this funding.

Under the agreement, to receive funding, states and territories are required to have publicly available housing and homelessness strategies, and these must address the NHHA housing priority policy areas and priority cohorts relevant to each state and territory.¹⁴³

National Housing and Homelessness Plan

In October 2022, the Government announced its commitment to the development of a new *National Housing and Homelessness Plan (the Plan)*. The Plan will be a 10-year strategy and will set out a shared vision to inform future housing and homelessness policy in Australia, it will be developed by the newly established, National Housing Supply and Affordability Council.¹⁴⁴ The Plan will be developed in collaboration with key stakeholders including state and territory governments, local government, the not-for-profit sector, industry bodies and experts in housing, finance and urban development.¹⁴⁵

Social Housing Accelerator

In June 2023, the Australian Government announced a \$2 billion Social Housing Accelerator to deliver new social housing across Australia.¹⁴⁶ The Social Housing Accelerator payment will be delivered to State and Territory Governments, and they will have flexibility in how they increase social housing stock through new builds, expanding programs, renovating or refurbishing existing but unhabitable stock.¹⁴⁷

Commonwealth Rent Assistance

The Federal Government has a Rent Assistance Scheme, which is a non-taxable income supplement payable to eligible people who rent in the private rental market or community housing. Rent Assistance is for a person or family who qualifies for an eligible social security payment.¹⁴⁸

Inquiry into housing affordability and supply in Australia

In 2022, The Federal Government released the *Inquiry into housing affordability and supply in Australia* report.¹⁴⁹ The inquiry, led by Chair of the Committee, Mr Jason Falinski MP, was a seven-month process which heard from federal, state and local governments,

industry groups, peak bodies, think tanks, academics, economists, unions and the general public. The inquiry and subsequent report investigated the challenges facing Victorian renters and factors causing the rental and housing affordability crisis in Victoria.

Other relevant reports and inquiries include:

- > Report on the inquiry into home ownership, House of Representatives Standing Committee on Economics (December 2016)
- > Out of reach? The Australian housing affordability challenge, Senate Standing Committee on Economics (May 2015)
- > A good house is hard to find: Housing affordability in Australia, Senate Select Committee on Housing Affordability in Australia (June 2008)
- > First Home Ownership: Productivity Commission Inquiry Report, Productivity Commission (March 2004).

The ongoing inquiry into this topic further demonstrates how important housing is to Australians. However, failure to act on recommendations has seen continued limited supply, rising rents, housing insecurity, unsustainable housing affordability and decreased house ownership. Action is needed. The way regulators engage with small businesses directly impacts on how easy or difficult it is for businesses to understand and comply with regulation.

National Housing Accord

In October 2022, the Federal Government announced the National Housing Accord. This is a landmark agreement that addresses the supply and affordability of housing. The Accord brings together all levels of government, institutional investors and the construction sector, and identified targets of building one million new well-located homes over five years from 2024, and immediate and longer-term actions for all parties to support the delivery of more affordable homes.



State Government initiatives

The Big Housing Build

In November 2020, the Victorian Government announced the Big Housing Build. This project would construct more than 12,000 new homes (9,300 will be social housing) in Metropolitan and Regional Victoria within four years, and support 10,000 jobs annually until 2024. The rest will be considered affordable or market-rate housing. The project would aim to increase Victoria's social housing supply by 10 per cent and it will replace 1,100 old public housing units. In the 2021-22 Victorian Budget, the Government \$5.3 billion was allocated to the Big Housing Build.¹⁵¹

The Victorian Homebuyer Fund

Launched in October 2021, the Victorian Homebuyer Fund is a shared equity scheme to make it easier for Victorians to buy a home. If an individual contributes a five per cent deposit, the Victorian Government will contribute up to 25 per cent of the purchase price, in exchange for an equivalent share in the property.¹⁵²

Stamp Duty

The Victorian Government abolished stamp duty for first time buyers on both new and existing homes valued up to \$600,000.¹⁵³ In addition, first home buyers purchasing a home valued up to \$750,000 will receive a tapered discount.¹⁵⁴

First Homeowner Grant

The Victorian Government created a \$10,000 First Homeowner Grant, available to those who buy or build their first new home. The Grant is available for those buying or building a new home valued up to \$750,000. To be eligible for the grant, the home must not have been previously sold or occupied.¹⁵⁵

Social Housing Growth Fund

The Victorian Government has allocated more than \$17 million to build 55 new social homes across Regional Victoria as part of the Social Housing Growth Fund.¹⁵⁶



End notes

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- 4 Victoria Summit 2021 Playbook. (2021). <https://victoriasummit.com.au/index.html>
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