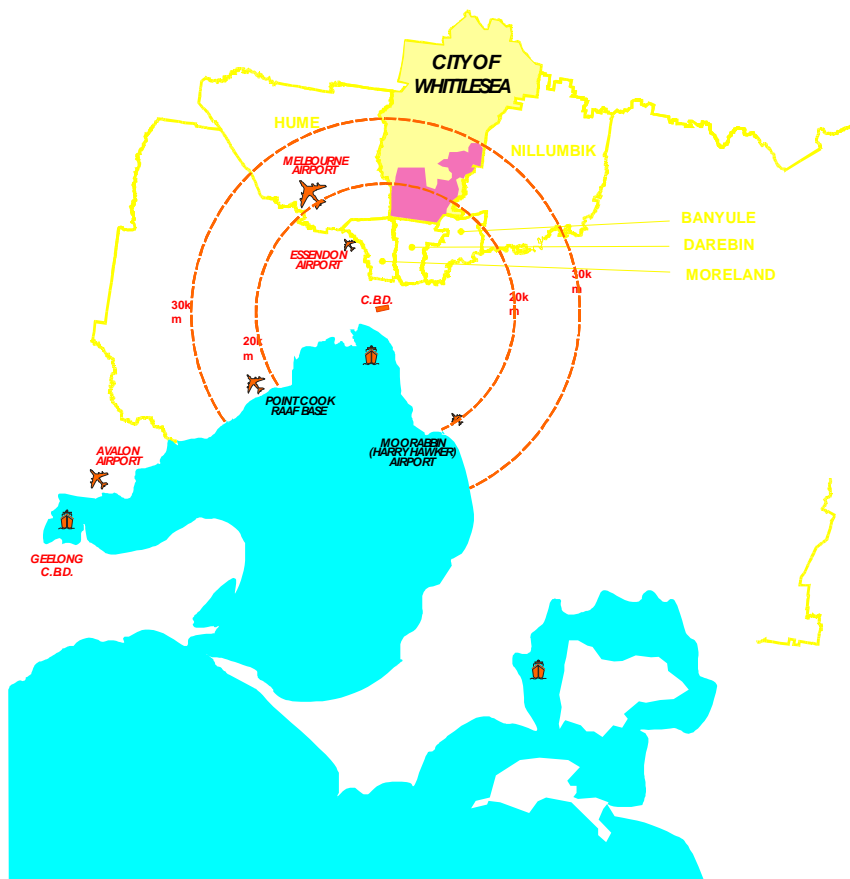


**Submission to the  
Productivity Commission  
Public Inquiry  
on  
First Home Ownership**



**City of Whittlesea  
Melbourne  
Victoria  
November 2003**



City of Whittlesea

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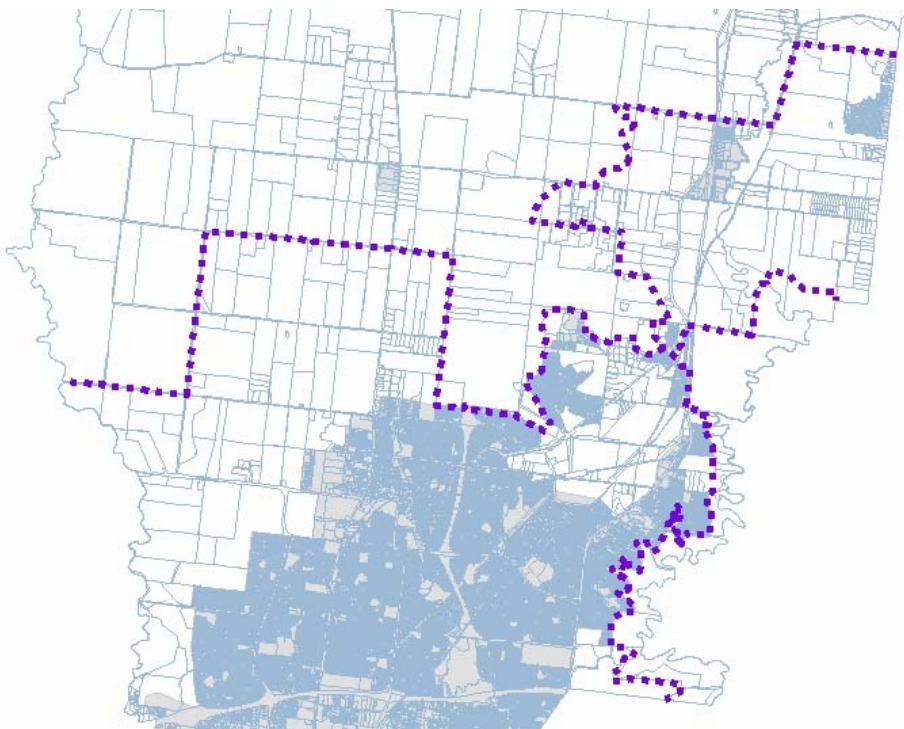
## Summary

- 1.0 The City of Whittlesea contains three growth areas that will lead to a population increase from 120,000 to 240,000.
- 2.0 Home purchase is becoming increasingly unaffordable particularly when considering the income levels of the Cities' residents. Almost one quarter of households are in "mortgage stress", paying between one quarter and half of their income on home loan repayments.
- 3.0 City of Whittlesea initiatives to increase housing affordability have included the encouragement of medium density housing in new estates. Additional state and federal government incentives are required to encourage a more diverse housing form.
- 4.0 The implications of Melbourne 2030, are critiqued in relation to the introduction of the Urban Growth Boundary in October 2002 which has resulted in the price of greenfield land increasing by \$150,000 per hectare. Creating opportunities for the Victorian State Government land developer Vic Urban (former Urban and Regional Land Corporation) to play the lead role in the Government's affordable housing provision should be encouraged. Particularly in the 8,000 lot Aurora development in Epping North where the minimum house and land package is proposed to be \$330,000.
- 5.0 The Federal Government has the opportunity to encourage affordability in terms of decreasing the ongoing running costs of buildings. This will also lead to environmental objectives being reached.
- 6.0 Specific questions raised in the inquiry paper are addressed which include deregulation of building inspectors and increases in insurance levies, infrastructure charges and stamp duty taxation.
- 7.0 Other important housing issues should also be investigated which include public housing stock and waiting lists, private rental stock and affordability and homelessness.

## 1.0 Location and Status of the City of Whittlesea as a Growth Area

The City of Whittlesea is located 20km to the north of Melbourne, Victoria. The City of Whittlesea is a designated growth area of metropolitan significance. The City has a current population of approximately 120,000 persons and is projected to accommodate an ultimate population of approximately 240,000 persons.

Figure 1 Urban Growth Boundary



Growth is to be contained within three designated growth areas located at South Morang, Mernda and Epping North. The Urban Growth Boundary or UGB (refer Figure 1) designated in the State government's planning framework *Melbourne 2030* is located around these three growth areas. The land to the north of the growth boundary is to remain rural with a minimum sub division of 40 hectares. All urban development can only occur within the UGB. An important issue with regard to market driven affordability is that the imposition of the Urban Growth Boundary creates a limit to the land supply. It is assumed that the land availability within the 2030 boundary is sufficient until that year but

within particular corridors land supply will continue to be restricted by servicing constraints.

### **South Morang**

The suburb of South Morang is located 25 kilometres north of central Melbourne between the areas of Mill Park and Mernda. It has a total area of about 568ha. This is already zoned for urban use and development has been underway for four years. It is the municipalities fastest growing area with 672 lots released in 2002.

<b>South Morang</b>	<b>2001</b>	<b>2016</b>
<b>Total Population</b>	5,832	20,334
<b>Dwellings</b>	1,821	6,727
<b>Household Occupancy</b>	3.09	3.15

### **Mernda**

Mernda is located 30 kilometres north of central Melbourne, north of the developing South Morang area. Mernda has significant environmental values and an area of 1,790ha area. This is already zoned for urban use and development will commence early next year.

<b>Mernda</b>	<b>2001</b>	<b>2016</b>
<b>Total Population</b>	1,332	12,677
<b>Dwellings</b>	434	4,440
<b>Household Occupancy</b>	3.23	2.93

### **Epping North**

Epping North is located 25 kilometres north of central Melbourne, north of the suburbs of Lalor and Epping. It has a total area of about 1,345ha. One quarter of this land is zoned for urban use and development is expected to start in mid 2004. Masterplanning has been completed for the entire site and rezoning of the remainder will be considered when a sewage servicing strategy is completed.

Epping North	2001	2016
Total Population	228	14,470
Dwellings	72	4,813
Household Occupancy	3.21	3.07

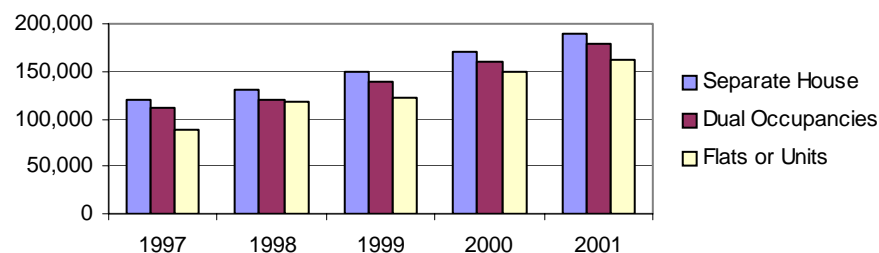
## 2.0 Current Trends in Home purchase affordability in the City of Whittlesea

### Housing Prices

In 2001, the median price for a separate house in Whittlesea was \$190,000. Median prices for each dwelling type in Whittlesea have increased annually, as demonstrated below.

(City of Whittlesea Statistical Yearbook, 2001).

Median Selling Price by Dwelling Type 1997-2001



The above graph shows that prices increased over 2000-2001 by 13.68% for a separate house, 15.73% for dual occupancies and 12.03% for a flat or unit. This by far exceeds the annual price increases experienced in Melbourne. While median house prices in Melbourne are higher, \$335,000, median house prices rose by just 6% over the year to 2003 (REIA, Home Loan Affordability Report, 2003).

The average annual price increase from 1997 to 2001 in Whittlesea was 10.9% for separate houses, dual occupancies 11.0% and flats or units 15.4%. Prices for flats or units increased faster than prices for other dwellings, indicating increased demand over supply. While house sizes are decreasing, costs are increasing with the average house

in Whittlesea in 2002 being 208 sq m, with 4 bedrooms and cost \$243,900. In 2003 average dwelling size fell to 191 sq m with 3.6 bedrooms and a price of \$262,500.

In 2000 the median price for the most affordable dwelling type was \$128,500 for a flat or unit in Whittlesea Township (approx 35 km from Melbourne CBD), a increase of 16.67% from the previous year. The most expensive median price was \$280,000 for a separate house in Blossom Park, a rise of 5.06% from 2000 (City of Whittlesea Statistical Yearbook, 2001). Areas in Whittlesea with low house prices are rising faster, posing implications for future housing affordability.

South Morang was named by the Real Estate Institute of Victoria as one of ten housing markets in Melbourne set to experience exceptionally high price increases from 2003. Relative affordability will generate growth and lead to further house and land price increases. Prices have already risen by 9.52% for houses and 3.42% for land per sq m. in 2000-2001, any additional increases would reduce the relative affordability in South Morang (City of Whittlesea Statistical Yearbook, 2001).

### **Housing Stress**

Housing stress is defined by the National Housing Strategy (1991) as,

‘Where this is the case [a person’s income falls in the two lower quintiles] and that person spends more than 25% to 30% of his or her income on housing payments, that individual is deemed to be experiencing ‘housing stress’.

### **Capacity to Purchase**

The median weekly individual income in Whittlesea is \$300 - \$399. This is lower than the Melbourne median of \$400 - \$499 (ABS 2001 Census).

## **The Implications for Home Purchasers in Whittlesea**

On average 29% of households in the City of Whittlesea, are home purchasers compared to 27% for Victoria (ABS 2001 Census of Population & Housing). Certain areas within Whittlesea however, have a greater percentage of home purchasing households. For instance, 65% of households in Mill Park Lakes have mortgages (City of Whittlesea New Residents Survey, 2002). While this is typical of new estates, it leaves households vulnerable when circumstances changes such as interest rate rises and loss of employment.

A considerable number of home purchasing households in Whittlesea are paying a quarter or more of their income on home loan repayments. According to the ABS 2001 Census, 22.02% of households are paying between 25-50% of their income on mortgages. This exceeds the housing affordability parameters defined by the National Housing Strategy.

## **Capacity to Rent**

Almost half, 48%, of City of Whittlesea households own their home, higher than Victoria 43% (ABS, *Census*, 2001). A little over half of households in Whittlesea must therefore meet house payments, which is evidently becoming increasingly difficult.

A report into the reasons why City of Whittlesea residents seek emergency relief found that over two thirds of respondents (67.4%) were struggling to meet basic household needs due to housing payments. When asked whether respondents were able to pay their housing costs, 15.5% were frequently unable to pay and 43% were sometimes unable to pay (Community Information Whittlesea, 2002).

At North East Housing Service (a local transitional social housing provider) in 2001, inadequate accommodation, affordability and pending eviction accounted for 85.3% of issues presented. Another local social housing organisation, Whittlesea Housing states that the most common reason for seeking assistance in 2002 was financial difficulty. The evidence indicates that many households are struggling to maintain secure tenure due to housing costs.



## **Home Purchasing Households**

Almost one quarter (22.02%) of households in Whittlesea are in 'mortgage stress,' paying between one quarter and half of their income on home loan repayments. Another 5.77% of households are paying 50% or more of their income on mortgage payments (ABS 2001 Census of Population & Housing).

## **Implications**

- Due to price increases across the Northern region of Melbourne people are seeking more affordable housing in the City of Whittlesea which is resulting in increasing demand and therefore prices.
- Prices for all dwelling types in Whittlesea have increased markedly, rising at a higher rate than Melbourne median prices.
- A flat or unit is still the most affordable dwelling type in Whittlesea, but prices have increased more than separate houses and dual occupancies.
- Median incomes in Whittlesea are lower than Melbourne as a whole. Lower incomes and higher unemployment levels in Whittlesea mean home ownership is less sustainable for more households in Whittlesea than Melbourne.
- For 29% of households in Whittlesea purchasing their home, higher in new estates, more are forced to spend increasing amounts of income on housing payments. This has resulted in a third of home purchasers in Whittlesea being in 'mortgage stress'.
- Whittlesea has fewer rental dwellings below \$150 per week compared to metropolitan Melbourne and median rent prices are increasing faster than Melbourne.
- Tenure is insecure for many households in Whittlesea, evident by high levels of housing stress, a total of 27.79% of household's pay 25% or more of income on mortgage repayments.
- Based on the above indicators affordable housing in Whittlesea is becoming less attainable. Affordable housing strategies need to be implemented to avert a growing crisis in affordable housing in Whittlesea.

### **3.0 City of Whittlesea Initiatives to Address Home Ownership affordability**

The City of Whittlesea considers that the following roles are those that are most appropriate to facilitate home ownership affordability. Several of these points are further expanded upon in section 7.0.

- Establishment of local planning policies and guidelines, assessment of planning permit applications and setting planning permit conditions.
- Negotiation with developers and service providers.
- Data collection and monitoring of housing supply and demand at a local level.
- Data analysis and advocacy based on local information.
- Coordination with and support for local agencies in their attempts to address community needs.

#### **Housing Choice**

It is now clearly apparent that housing sub markets in Whittlesea are complex with a diverse range of needs. This diversity in housing sub markets is an issue of critical importance for the inquiry to understand as the role of fringe areas is far more diverse than provision of affordable first home buyer house and land packages.

There will continue to be a significant demand for family housing in fringe areas of Melbourne, however there will be a requirement for a range of dwelling types to cater for an increasing diversity of household types. By reference to the table following it can be seen that while the dominant household type through to the end of the projection period (2016) is couple families with dependents (50.1% in 2016), there is considerable diversity emerging within household structures within the City of Whittlesea.

**City of Whittlesea Estimated Resident Population and Household Structure Projections 2001 - 2016**

<b>Estimated Resident Population</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2011</b>	<b>2016</b>
Total population	118292	120976	123736	126801	129673	148152	163693
Population in private dwellings	117703	120359	123081	126113	128950	147230	162556
Population in non-private dwellings	589	617	655	688	723	921	1137
Dwellings	37313	38454	39610	40874	42118	49450	55600
Households	36300	37410	38539	39774	40993	48144	54142
<b>Household Structure</b>							
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2011</b>	<b>2016</b>
Couple families with dependents	19538	20024	20506	21046	21566	24533	27159
Couples without dependents	7854	8185	8554	8930	9330	11698	13566
Lone parent families with dependents	3468	3571	3661	3761	3859	4431	4933
Other families	1162	1178	1194	1213	1231	1357	1470
Lone person households	3608	3765	3919	4102	4268	5297	6107
Group households	670	687	705	722	738	829	907
Total households	36300	37410	38539	39774	40993	48144	54142

**Source: City of Whittlesea Statistical Bulletin *Population Characteristics 2002***

**Housing Markets**

The markets traditionally attracted to the fringe were new households forming in suburbs near or on the fringe. This has changed somewhat in the last 10 years. Over this period large developers have significantly increased their share of the market for new dwellings on the fringe. Large experienced developers such as the Vicurban, Delfin-Lend Lease,

Mirvac, Lensworth and Investa (formerly Silverton) have developed and marketed 'lifestyle' estates offering a range of infrastructure and services and attracting a broader market. These developers have the economies to 'invest in place'. They improve the marketability of their developments by providing some 'community building infrastructure' – a phenomenon that has increasingly occurred throughout Melbourne's fringe in places like the Shire of Melton, the City of Wyndham, the City of Hume, Shire of Cardinia and the City of Casey.

These developments have attracted a broader range of housing markets than traditional fringe development. Council encourages the provision of housing diversity within the growth areas in response to the new demands of diminishing household sizes. This diversity needs to be further encouraged by State and Federal Government to ensure there is diversity in number of bedrooms, ability to add to homes later, tenure, affordability and adaptability. Various measures will be required including Ministerial Directions regarding what Councils can require of developers, tax and other incentive schemes, use of planning and legislative mechanisms (implemented and well documented elsewhere).

#### **4.0 Implications of Victorian State Government Policy, *Melbourne 2030***

##### **4.1 *Melbourne 2030* and the role of the Urban Growth Boundary on the price of Greenfield land**

###### **Recent Price Increases within the Urban Growth Boundary**

*Melbourne 2030*, through the application of the urban growth boundary, proposes the most significant change to the way fringe urban development has been planned and implemented since the 1960s.

*Melbourne 2030* seeks to ensure that a supply of affordable housing is provided throughout the metropolitan area. It identifies the need to ensure an adequate supply of well-located affordable housing for Melburnians. This is a critical issue in fringe areas. There is little analysis of the affordability impacts of limiting fringe urban development in the strategy. This is an issue that needs to be given further attention as the fringe traditionally has catered for a range of housing markets including first homebuyers. This

has been the case in the City of Whittlesea in recent times, particularly with development around Mill Park and Epping.

*Melbourne 2030* acknowledges and supports the growth area status of the City of Whittlesea and includes the designated growth areas at South Morang, Mernda/Doreen and Epping North within the Urban Growth Area Boundary. Council has been aware that in the 12 months since the Urban Growth Boundary was established in October of 2002 the value of land has increased by \$150,000 per hectare. Developers are prepared to spend substantial amounts of money to ensure their supply of developable land into the future with the additional costs passed onto the future home purchasers.

Specific examples of the exponential growth in land prices are demonstrated by the two following cases of prices paid for land within the Urban Growth Boundary:

- Developer A paid \$35 million for 214ha within the Mernda growth area in mid 2002 (\$163,555 p/ha)
- Developer B paid \$35 million for 100ha within the Epping North (lower quality land) growth area in mid 2003 (\$350,000 p/ha)

#### **4.2 *Melbourne 2030* and Actions to Address Affordability**

The strategy within *Melbourne 2030* to promote affordable housing is set out in the Housing Implementation Plan Actions 2 and 3. We are critical of these actions.

##### **Action 2 – Pursue affordability in housing**

The first heading is “Monitor housing affordability” – Lead agent: DOI (this function has now transferred to Department of Sustainability and Environment DSE) with the Office of Housing and other key stakeholders

- The DOI (now DSE) will “investigate and analyse trends in the provision of affordable housing. With the Office of Housing, it will develop a process to monitor changes in the supply and distribution of affordable housing across the metropolitan area
- “Research will be extended to other cities and countries to uncover valuable lessons that could lead to better solutions for addressing affordability in local, metropolitan and regional environments”

### **Commentary**

Local Government and welfare agencies are well equipped with data regarding the trends in homelessness, public and private rental needs and home purchase affordability. Housing research bodies such as AHURI and the NSW office of Housing Policy have also produced extensive documentation outlining examples of solutions to promotion of housing affordability that are achievable within the planning system. What is needed is a state government strategy with federal support to achieve these solutions.

The second heading is "Increase the supply of affordable housing" – Lead agent: DOI (now DSE) with the Office of Housing, other government agencies and key stakeholders

- Through coordination of the resources of government and non government agencies the Government can seek to promote innovative and flexible affordable housing opportunities for renting or purchasing. "Strengthening alliances and partnerships between agencies is an important way of maximising opportunities. DOI will work with the URLC (now Vic Urban), the Office of Housing, local Councils and the not – for profit sector in this way. "

### **Commentary**

Vic Urban (former Urban and Regional Land Corporation) the Victorian State Government Land Developer, have not shown any corporate interest or proposals to provide affordable home purchase in the 8,000 lot Aurora development in Epping North. The minimum house and land package is proposed to be \$330,000. Vic Urban may sell some land at a price set by the valuer general to a community housing organisation to be used for community rental but so far has been reluctant to make any commitment towards this.

*Melbourne 2030* makes reference to the increasing importance of Vic Urban in providing affordable housing opportunities. This initiative will however require a shift in focus as the Vic Urban are primarily operating as land subdividers in fringe locations rather than developers of housing. Explicit actions and targets will therefore be required to achieve affordable housing both within activity centres and in greenfield locations.

### **Action 3 - Lead by Example**

Provide a range of Housing in Transit City developments – Lead agent: DOI with government departments, agencies, local government and other key stakeholders.

- DOI (now DSE) will work with the non-profit sector as well as the private sector to provide for a mix of affordable housing, and will liaise with the Office of Housing and other departments and agencies to promote a whole of government response to opportunities for residential, commercial, institutional and government investment in Transit Cities.

### **Commentary**

The Epping Activity Centre within the City of Whittlesea has received the designation of Transit City within Melbourne 2030. The Transit Cities program aims to restructure parts of metropolitan Melbourne by focusing higher-density mixed-use development around key transport nodes. Projects at Transit Cities will be focused on strategic transport interchanges and associated facilities and may involve upgrading or redevelopment of railway stations, bus interchanges, and other infrastructure, in order to encourage nearby commercial investment in mixed-use and high-density residential development. Master planning and identification of development opportunities may be complemented by land assembly, development facilitation and demonstration projects.

The state government has allocated \$100,000 for consultant studies for each Transit City. For the City of Whittlesea planning framework for the establishment of Epping as a Transit City the brief for this work states that the key project outputs must include:

- increases in densities in appropriate locations
- locations and strategies for delivery of affordable housing in line with the *Melbourne 2030* Housing Implementation Plan Actions 2 and 3. This is to include housing managed by community housing associations and the office of housing as well as general affordable housing
- a broadening of the mix of land uses at major nodes

In preparing the brief for the Epping Transit City it was important that affordability be included as an outcome because tenders have been accepted for all of the other Transit City consultant's briefs and the Epping and Dandenong Transit Cities are the only ones that refer to affordability of housing.

## **Conclusion**

There is scope for the state government to promote home purchase affordability in a growth area context through directing Vic Urban to provide affordable home purchase housing in the vast 8,000 lot Aurora estate. Further detail on how the *Melbourne 2030* action plans will lead to provision of affordable housing would also be beneficial.

## **5.0 Federal Government Mechanisms for Improving Affordability**

### **Life Cycle Costing**

The Federal government has the opportunity to create legislation to enable the life cycle costs of housing to decrease. These will also have environmental benefits. For example requiring a higher standard of insulation, solar hot water, solar electricity, low emission glass, five star electrical appliances, AAAA water appliances etc. While these features can make housing more expensive up front, the ongoing costs of the dwelling are more affordable. There is an opportunity for the federal government to subsidise these initiatives either as part of an affordable housing initiative or as part of the National Greenhouse Strategy.

### **Revitalisation – Building Better Cities Program**

Another opportunity to provide for more housing diversity and potentially affordability is through the regeneration of areas due to out-migration or mortality of residents. It is considered that there is a substantial opportunity for the Federal Government to provide funding for this through a program such as the Building Better Cities program which provided community rental housing in Pyrmont/Ultimo. With assistance Council could pursue urban renewal projects in centres such as Lalor, Thomastown and Bundoora. These lower order activity centres need to be recognised for their ability to contribute to opportunities for higher density housing near transport and services, in addition to designated transit centres. As the cost of this land increases market intervention will be required to provide affordable housing



**Adaptable Housing**

Adaptable housing is housing that can be easily and inexpensively changed to meet the needs of residents if they become frail or experience a disability. The provision of adaptable housing in activity centres is particularly appropriate as it will be well located to take advantage of public transport and services, particularly for people who have mobility impairment.

As the population ages over the next 30 years there will be a corresponding increase in the number of people with a disability. The ageing of Melbourne's population can be seen in the table below. As many people choose to "age in place" the ability of their home to meet their physical requirements is important. This is particularly when people become frail aged or have an age related mobility impairment.

	<b>2001</b>	2011	2021	<b>2031</b>	2041	2051
65+	<b>621,553</b>	779,473	1,066,991	<b>1,355,667</b>	1,563,192	1,665,247
85+	<b>68,303</b>	102,316	127,628	<b>176,672</b>	267,432	333,151

**6.0 Questions raised in the Issues Paper**

**6.1 Planning, land use policies and building controls**

*What evidence exists of unnecessary or inappropriate regulation of building? Is there evidence that the costs of such measures exceed the benefits?*

The cost to purchase the building regulations documentation is prohibitive at \$4,000. The regulations are becoming increasingly complicated and are being continually updated, requiring compulsory resale to those who subscribe. The regulations should be simplified and provided to the public at a printing cost only.

*Is there evidence that any insurance arrangements and building guarantee schemes are adding unnecessarily to building costs?*

Deregulation of building inspectors in Victoria has been a dismal failure for the quality of housing construction. This has led to work not being inspected, work being inspected by people without the knowledge to undertake the task and therefore resulting in poor housing quality. This has led to more claims and an increase in insurance premiums, the costs of which are passed onto home owners which is having a negative impact on affordability.

The City of Whittlesea building inspectors are approached on a daily basis by upset residents whose dwelling construction work has been privately certified and is now falling apart. Common complaints are that there is no sub strata installed and no insulation. There is also no chance of home owners receiving redress as insurance claims are often blocked by insurance companies. Council has no examples of residents receiving payment from insurance companies for faulty work. As a large proportion of residents speak a language other than English this has implications for the ability of home owners to access information about rights and responsibilities during dwelling construction.

*Is land release delayed unnecessarily either by inadequate supply of infrastructure services or a lack of responsiveness on the part of infrastructure service providers? If so what extent is this affecting development costs?*

Yarra Valley Water currently is taking two years to provide water and sewage strategies for the three Whittlesea growth areas. This is causing pent up demand and an increase in land and house prices.

### **Restrictive Covenants and Affordability**

Restrictive covenants are widely used by developers to control the type and quality of development. For example many developers place covenants on their estates only allowing brick and tile construction. The actual impact on quality and the impact on housing affordability has not been evaluated. Council has no control over the application of these covenants.

**6.2 Performance of the building and land development industries (p17 Inquiry Paper)**

**Infrastructure Charges**

The social issues experienced in growth area include postnatal depression, children at risk and low school retention rates. This highlights the need for the upfront provision of social infrastructure such as community activity centres which enable community service providers such as maternal and child health nurses rooms to meet with new mothers. It is Council's perspective that the upfront provision of basic social infrastructure such as Community activity centres is non-negotiable. In designated growth areas it needs to be recognised that development contributions only fund a small portion of basic community infrastructure, they do not fund all community service infrastructure requirements nor do they fund the services and programs that are required.

The federal and state governments may decide that it is inappropriate for the development community to pay for this infrastructure, if that is the case then they must be prepared to pay for this infrastructure themselves, councils do not have the resources to do this.

**City of Whittlesea Development Contributions Rates**

<b>Growth Area</b>	<b>Per hectare Development Contribution</b>
South Morang	\$42,500
Mernda	\$50,000
Epping North	\$45,000

The amount described above typically covers roads, unencumbered open space for parks, off road pedestrian and cycle trails and construction of outdoor recreation fields. Community infrastructure typically includes land and construction of neighbourhood centres, land for childcare facilities and land and construction of a youth facility. The proportion of the levy used for community infrastructure is in the order of \$4-5,000 per hectare or 10% of the total. It is not considered that the inclusion of the community infrastructure component of the levy is the causal factor to making housing significantly less affordable.

## **Embodied costs of land development**

The early provision of infrastructure can reduce costs in the long term. For example at the City of Whittlesea developers contribute to the cost of up-front provision of the underground conduit capable of carrying broadband coax or fibre optic cabling. This early infrastructure investment will greatly reduce the cost of a full broadband underground rollout at a later date. The potential future economic benefits far outweigh these up front costs. Although this is an additional cost it is marginal compared to other infrastructure.

Likewise it is anticipated that infrastructure costs may increase, as new environmentally friendly systems such as reticulated grey water become mandatory in new estates. Although such innovations can increase the cost of new dwellings, such investments have significant economic and environmental benefits that need to be measured over the life of the estate.

## **Infrastructure Charges and Rezoning Options**

Currently the situation in the City of Whittlesea Growth area is that land speculators buy up land in areas that may be rezoned in the future for urban uses. When the land is rezoned they sell to the development industry and reap the profit. In the case of the Mernda and Epping North growth area this has been in the order of tens of millions of dollars. The developer buys at an inflated price and then passes this onto the home purchaser. If a mechanism was created to levy the landfall inflation in property value created by the rezoning towards infrastructure provision this would prevent the cost ending up solely with the developer and the home purchaser while the land speculator walks away with millions.

## **Inclusionary zoning**

Inclusionary zoning is implemented when a Council or Government Department identifies that a direct social benefit should be returned to the community in a tangible form, in

recognition that the rezoning to a residential zone significantly increases the value of land.

Willoughby City in Sydney, NSW applied Inclusionary Zoning to a surplus State Rail Authority Site that was being rezoned to a residential zone. The features of the Local Environmental Plan that rezones the land are as follows:

- 4% of the floor space is to be used for community managed housing. (The rationale for the 4% is that Willoughby currently has 3.5% of its housing stock in public and community housing)
- The community managed housing (called Willoughby Local Housing) is housing to be rented to Willoughby City residents who are in the lowest 50% of the median household income bracket at a maximum of 30% of their housing income.
- The developer can either dedicate the dwellings to Council or enter into a management agreement with the Community Housing operator for them to be managed in perpetuity.
- The developer can choose to provide a monetary contribution the equivalent market value of the dwellings (as documented by the Rent and Sales Report NSW).
- It is intended that the Willoughby Local Housing Program be applied to all sites that are the subject of residential zoning applications.

The rezoning provisions (Local Environmental Plan) has resulted in the title of ten one and two bedroom apartments, two of which are designed to be adaptable for people with disabilities or the frail aged, being dedicated to Council to be managed by a community housing organisation.

### **Applicability**

It is considered that inclusionary zoning be utilised to include development contributions or infrastructure charges written into the rezoning provisions. In this way these costs are known about and when the land is on sold to development interests this may result in developers factoring in these costs into their purchase price, which will then lower the land cost. To implement this strategy it would require a minor restructure in the way that most planning schemes in Australia operate.

### **6.3 Taxation Issues**

## **Stamp Duty**

The mobility of the global economy means that the current Australian workforce needs to relocate frequently to follow employment. It is grossly unfair to tax people up to 15% of the cost of their principle place of residence every time they move. It may be appropriate to levy stamp duty for the first purchase but then to keep levying it when people relocate their principle place of residence is totally inappropriate and disadvantages Australians in following employment.

## **7.0 Other Important Housing Issues**

### **7.1 Public Housing Stock and Waiting Lists**

Public housing properties in Whittlesea comprise less than one percent of all public dwellings across Victoria and acquisitions have declined.

The total number of applicants on the Public Waiting List in the Preston Broadband area, of which Whittlesea is a part, was 3,194, the third highest in Victoria (Office of Housing, 2001).

The waiting lists for low density public housing in the area is about two years (Anglicare Victoria, *State of the Family Report*, 2002).

The role of Government in provision of public and community housing in growth areas needs urgent attention. It must be recognised that home purchase is not an option for many people at the fringe. Those who do manage to establish a home loan are often financially stressed. Local financial counselling agencies report that their services are overrun by inquiries with each interest rate increase. Private and affordable rental investment therefore needs to be encouraged by Government in these areas. Low cost housing loans should be continued in some form. Acquisition targets for public housing should be reviewed and increased, particularly in strategic fringe locations.

The Office of Housing is reluctant to develop any housing in fringe areas that are not well serviced by public transport. Normally early provision of public transport does not occur

in fringe developments in Australia. The Office of Housing is therefore reluctant to invest in new estates. It would be preferably for governments both state and federal to invest in the early provision of public transport to new residents. The social and environmental benefits would be many fold. Vic Urban, the Victorian State Government land developer, of the 8,000 lot Aurora development in Epping North has stated that it intends to provide early public transport by a bus connection to Epping Station. There needs to be some interdepartmental liaison on the issue of land acquisition for public housing and transport provision.

## **7.2 Private Rental Stock and Affordability**

Private rental properties constitute only 14% of all properties in Whittlesea (23% Melbourne). Of the residents likely to move however 23% would prefer to *rent* (*City of Whittlesea Housing Survey, 1998*).

There is a need for greater diversity in housing stock. While 3 bedroom houses are oversupplied by almost 25%, 2 bedroom houses are under supplied by more than 5% (*City of Whittlesea Housing Survey, 1998*).

The City of Whittlesea has fewer rental dwellings below \$150 per week than Melbourne or Victoria and a higher proportion of rents between \$150 - \$199 (2001 ABS Census).

The median weekly rent was \$150 - \$199, the same as Melbourne, yet the median weekly individual income was \$300 - \$399, Melbourne \$400 - \$499 (2001 ABS Census).

Median rent prices have continued to rise, limiting rental affordability. For a two bedroom house in Whittlesea, only 17 of 100 available properties were deemed affordable in 2003 (*Office of Housing, Rental Report, 2003*).

Of households in private rental 38.23% are in housing stress, equating to more than 2000 households in Whittlesea paying 25% or more of income on rent (2001 ABS Census).

The financial stress on households in Whittlesea meeting rental payments is evident. Clients accessing SAAP services in Whittlesea were more inclined to come from private rental and or be in rental arrears (28%, Victoria 18%).

### **7.3 Homelessness**

A crisis in the housing sector is evident by the growing level of homelessness and the inability of existing support networks to meet increasing demand.

On first contact, 8% of North East Housing Service (NEHS) clients were homeless and a further 30% were living in temporary and insecure situations. However NEHS only has 230 properties across 4 LGAs including Whittlesea and an average turn away rate of 98.8% (NEHS 2000).

Whittlesea Housing is also unable to meet demand for supported housing in 54.5% of cases yet 54.2% of clients were at imminent risk of homelessness (SAAP 2001-2002).

The housing crisis and homelessness is particularly acute for people with a mental illness. In this region, at least 220 people with a mental illness urgently need permanent supported housing. Of those needing housing, 67% are homeless (NEAMI, *Housing Deficit Report*, 2002).

Such statistics are indicative of a greater demand for affordable housing leading to greater impact on the most disadvantaged.

### **8.0 It is recommended that:**

- The issue of land supply on the urban fringe of Australian cities is addressed in ways that avoid the speculation and market distortions that occur currently.
- The Inquiry recognises the role of fringe areas as a provider of affordable housing is a dated generalisation that does not take into account the diversity of housing sub markets that exist in outer urban areas.



- Land development costs on the fringe be examined in light of maintaining affordability while improving sustainability.
- A national policy commitment to urban planning and development should address a range of issues including, population and migration policy, infrastructure investment strategy and Commonwealth/State housing fund.
- The concept of 'green' loans that are linked to energy efficient house design need to be encouraged through incentives in order to create housing that is cheaper to run for the lifetime of the building. For low income tenants lower energy costs can contribute to their ability to save for home ownership.
- The commonwealth government explore ways of encouraging private investment in 'low end' rental stock. Current return ratios are insufficient despite market distorting tax benefits.
- State and Federal government consider the issue of urban land supply. Public infrastructure investment in regional centres and a plan based policy for urban growth that is environmentally sound and socially equitable is required urgently.