Transforming Housing

Affordable Housing Summit
The University of Melbourne
April 30 - May 1, 2015

The Transforming Housing project team at the University of Melbourne, together with Carlton Connect, hosted an Affordable Housing Summit on April 30 - May 1, 2015. It brought together a range of actors from private, non-profit and government sectors to deliberate on the next steps for scaling up Melbourne's affordable housing industry.

The summit was attended by representatives from:

- **The development and architecture industries** - Australand, Harlea Properties, MGS Architects and 6 Degrees Architects;

- **Peak bodies** - Australian Institute of Architects, Property Council of Australia and Council to Homeless Persons;

- **State agencies and departments** - Metropolitan Planning Authority, Office of the Victorian Government Architect, VicTrack, Places Victoria, Land Development Agency, ACT Public Housing Renewal Task Force, Department of Land, Water and Planning, Department of Treasury and Finance, and Department of Health and Human Services;

- **Private and philanthropic investors** - ISPT Super Property, Lord Mayor's Charitable Foundation, Colonial Foundation, Buckland Foundation, Summer Foundation, and Bendigo Bank;

- **Local governments** – the Cities of Melbourne, Port Phillip, Moreland, Whittlesea, and Yarra, as well as the Eastern Housing Alliance;

- **Community housing organisations** – National Affordable Housing Consortium, Women's Housing Ltd, Homeground Services, Housing Choices Australia, and Common Equity Housing Limited.

Key directions arising included:

- Working with state and possibly federal government to help them **develop an integrated affordable housing strategy, with numeric targets** (including a diversity of housing types) for each region in metropolitan Melbourne

- **Developing a set of 4-5 demonstration projects** to showcase local community participation and innovation in financing and policy as well as design and construction

- **Continuing a deliberative partnership** towards policy and practical outcomes (not just a 'talk fest')

Introduction

Transforming Housing is a research project that has been working since 2013, building a partnership to transform Melbourne's affordable housing industry. The overarching aim of this project is collaboration: fostering partnerships between key stakeholders interested in improving and expanding the provision of affordable housing. The project is supported by Carlton Connect, the University of Melbourne's strategy body to improve environmental and social sustainability outcomes, as well as multiple industry partners from private, non-profit and government sectors.

The basis for discussion at the summit was an options paper prepared by the Transforming Housing project team, drawing on their research conducted in Melbourne, Portland (US), and Vancouver and Toronto (Canada).

The options paper suggested ten ideas for improving the provision of affordable housing in Melbourne, with a number of possible options within each idea. The ideas included in the paper were:

1. **Integrated Policy**

2. **Inclusionary Zoning**

3. **Density Bonuses**

4. **Greater Regulatory Efficiency**

5. **Direct Government Funding**

6. **Social Investment and Philanthropic Options**

7. **Using Government Land**

8. **Partnerships**

9. **Design and Construction Strategies**

10. **Demonstration Projects and Solutions Competitions**

Overview of Summit Activities

The professional facilitator of the Affordable Housing Summit, Kimbra White, worked with the Transforming Housing research team to develop an action-oriented agenda. Only two hours of the day and a half long hour Summit was given over to speeches from researchers and political leaders. The focus was on discussion leading to concrete recommendations for action.

There were three sessions for group deliberation during the summit, focusing respectively on policy and regulation, investment and finance, and partnerships and future actions. During each session, attendees had an opportunity to participate in a group discussion of their choice, based on the ten ideas outlined in the options paper. Discussions were facilitated by researchers at the University of Melbourne and were aimed at identifying whether options were workable and what actions would need to occur to achieve these.

Key points from discussions were recorded on posters by group facilitators. Following each discussion, participants were invited to look at the outcomes of other groups' discussions and make further contributions by attaching Post-It notes to these posters.

The discussions did not assume or require total agreement among participants, recognising that partnerships are possible between actors with disparate interests and worldviews. Instead, they aimed to identify shared values and goals, and draw on a wide range of knowledge and experience, to suggest how the options might be refined to produce workable solutions acceptable to most, if not all, key players.

On Thursday, April 30, following a welcome from Professor Tom Kvan, Dean of the Faculty of Architecture, Building and Planning at the University of Melbourne, the summit was opened by the Hon Martin Foley, the Victorian Minister for Housing, Disability and Ageing. Mr Foley spoke of challenges related to housing in Melbourne and Victoria and how his government was addressing these.

The first keynote speaker at the forum was Dr Nicole Gurran, Professor of Planning from the University of Sydney, who spoke on policy and regulation issues relating to affordable housing. She outlined the context in which housing generally and affordable housing specifically sit in Australia, including what she termed a "governance failure", including a lack of a national policy framework and a disjuncture between planning and infrastructure provision. Professor Gurran discussed a number of inclusionary housing approaches, such as mandatory inclusionary zoning, incentive schemes, and removing barriers to affordable housing, and how these might be applied to Melbourne. This was followed by the first group discussion session, during which there was the choice to discuss the first four ideas discussed in the options paper.

After lunch, attendees were asked to think about what actions they or their organisations could offer to do to help take the next steps towards more and better affordable housing, including whether this offer was conditional on something first occurring or an action being taken by another actor, such as state government. These responses were recorded onto cards and are discussed later in this report.

The second keynote speech was delivered by Marc Jahr, Director of Community Development Futures LLC in New York. Marc outlined an approach that treats affordable housing as 'key public infrastructure', and the importance of a mechanism such as the federal Low Income Housing Tax Credit in ensuring a continual pipeline of projects (which in turn, raises investor and housing industry confidence). He described tools that have used to finance affordable housing in New York

Small group discussions

City, such as capital subsidies, tax-exempt financing, tax credits, and providing cheap or no cost access to government land, as well as how demonstration programs had been used to test the effectiveness of these models. He made the point that operating subsidies in the form of rent assistance are necessary to keep housing for low income people affordable, even after the buildings are constructed.

He also discussed the work he had undertaken while President of the New York City Housing Development Corporation (HDC), a non-profit corporation established by the State of New York and the City of New York. He detailed how HDC had worked with major investment banks and private investors to issue bonds and provide finance to developers of affordable housing. This was followed by the next group discussion session, focusing on investment and finance (ideas 5-7 in the options paper).

The first day of the summit concluded with a Q&A session with a panel consisting of the keynote speakers and Professor Whitzman, followed by informal discussions over drinks.

Friday morning began with Professor Whitzman leading a brief discussion on framing the agenda for the next steps of an

affordable housing partnership, before the final keynote speech was delivered by Michael Shapcott, Director of Affordable Housing and Social Innovation at the Wellesley Institute in Toronto. Michael discussed examples of where partnerships had succeeded in the Canadian context.

Following the final group discussion session focused on partnerships and next steps (ideas 8-10), attendees were asked to identify enablers to the development of a Victorian housing and homelessness strategy in small groups. These enablers were recorded on paper and were organised into emergent themes with the input of attendees. These are also discussed later in this report.

Following group discussions on priorities to be included within a housing and homelessness strategy, how to use demonstrate projects to drive innovation in affordable housing, and how to continue and improve affordable housing partnerships, the closing address was given by the Hon Kelly O'Dwyer, Parliamentary Secretary to the Federal Treasurer. She provided an overview of federal government initiatives on affordable housing, with an emphasis on the current tax reform discussion paper.

Professor Carolyn Whitzman ordering ideas contributed by attendees into themes

Large group deliberation on priorities for a housing and homelessness strategy

The Hon Kelly O'Dwyer delivering the closing address to the summit

Key Directions for Action Arising from the Summit

From the number of comments made in relation to various ideas and options, it was apparent that some generated more interest and discussion than others. The five options that generated the greatest amount of discussion were:

1. The State Government needs to provide an integrated affordable housing policy, with regional targets, to facilitate and encourage new construction.

2. Concrete ways, such as tax incentives, to encourage social impact and philanthropic investors to contribute financing for affordable housing projects, in partnership with community housing organisations, developers, and local and state governments

3. Leveraging under-utilised land assets owned by state and local government for affordable housing

4. Streamlining planning permit applications for affordable housing, potentially including limiting third party appeal rights

5. The idea of demonstration projects as a way to engage local communities in the notion of high quality affordable housing and to demonstrate innovative practices that could then be scaled up, with a key role for philanthropic organisations.

While a high level of discussion did not necessarily mean a high level of support for an option, the overwhelming majority of comments made across all ideas were either supportive or contributed suggestions for how these could be developed into workable solutions (89%). A minority (10%) expressed concerns, questions or barriers to the implementation of options. A yet smaller minority of the comments (1%) indicated opposition to options such as keeping the Urban Growth Boundary fixed or removing third party appeal rights in relation to affordable housing.

Aside from suggestions specific to individual ideas and options, a number of themes consistently emerged from the comments being made on a range of topics. These indicate there is significant consensus on elements for successful next steps in affordable housing in Melbourne, which are detailed on the following page.

It was clear from the list of participants and the conversation that was generated that a large range of relevant actors were engaged in this conversations, bringing considerable knowledge to the table. This demonstrated the strength of such cross-sectoral partnerships and the deliberative approach as ideas could be both offered and critiqued from a range of viewpoints to move towards workable solutions and share information.

"Would need stronger density controls before bonuses can be negotiated effectively"

"Reward councils to that deliver real affordable housing"

"Study and analyse existing and future demonstration project"

"[Inclusionary Zoning] linked to infrastructure improvement and minimum standards"

"Remove barriers in Local Government Act for innovative housing"

"Be clear about legitimate community concerns, limit third party [appeal] rights to those"

"Philanthropy can be catalyst for new idea - support risk government won't"

"Design for different household formations - how to adapt when they change"

Comments contributed during group discussion on Options Paper

Key themes from comments made during discussion of options paper:

- Policy certainty, including clarity on definitions (including, importantly, very specific definitions of "affordable housing", with a continuum approach including housing for very low or no income households as well as moderate income households)

- Clearly set out responsibilities for action and accountability (eg., the notion of numeric targets)

- Coordinated planning, both horizontally across state portfolio areas (e.g. planning, human services, infrastructure, finance) and vertically across federal, state and local governments

- Progress towards greater stability and long term planning, including politically bipartisan support for affordable housing

- Leadership to effect change, including "champions", particularly within the development industry

- A broad-based conversation to sell the benefits of affordable housing, in order to gain the support of both community and important stakeholders within government and the private sector

- Greater capability, particularly within the community housing and local government sectors, including more sophisticated understanding of development economics

- Appropriate "carrots" and "sticks" to create the correct conditions for the development of affordable housing, drawing on successful models in Australia and internationally

- The removal of barriers to affordable housing, whether these be legislative, policy, political or cultural

'Offers' from Summit Participants

Attendees were also asked to consider what actions they or their organisations could offer towards taking the next steps for affordable housing in Melbourne. In total, 81 offers were made by individuals representing 30 organisations. In recognition of the fact that some important actions could not be taken unilaterally or under current conditions, there was the option to nominate a "condition" that would be necessary for the offer to be carried out. However, half of the offers were made without conditions.

By a considerable margin, the sector that made the largest amount of offers was local government (27 offers, 33% of the total). This was followed by community housing organisations (13 offers, 16%), and then architecture and development organisations (10 offers each, 12%).

The highest proportion of unconditional offers was made by development-related organisations (80%), with local government, state government, community housing and university organisations also making a significant proportion of unconditional offers (ranging from 50% to 56%).

Presentation given by keynote speaker Michael Shapcott

The types of offers made by type of organisation* are summarised below:

- **Local Government:** A large amount of offers were made, with several offers in relation to local government planning, advocacy, and identifying sites for the development of affordable housing. Local governments appeared keen to work in partnership with state government to develop policy instruments, and with developers to deliver built outcomes. While there was enthusiasm for inclusionary zoning, there was also recognition that partnerships and negotiations with developers would be necessary to make projects "stack up". Just over half of the offers were unconditional, while conditions generally related to securing state government support, as well as agreement from councillors.

- **State Government:** Offers were made in relation to trialling the use of inclusionary zoning on government land, identifying government owned land for affordable housing projects, and assisting with implementation and evaluation. There was a willingness to work with community housing organisations and local governments to facilitate projects and guide implementation within policy frameworks.

Conditions related to working within state government policy frameworks and the fact that government land could not be provided for free.

- **Private Developers:** A number of offers were made relating to the potential for affordable housing development by the private sector, including finding sites, bringing investors to the table, assisting with asset purchase, and being involved in a pilot project. There were also offers to facilitate meetings and roundtable discussions, as well as working with government to develop a suite of incentives for affordable housing. Most offers were unconditional, but conditions specified included that inclusionary zoning not be the only tool available for achieving affordable housing, and that any discussions actually generate action and not just be a "talk fest".

- **Community Housing Organisations:** Offers generally centred on the ability of these organisations to play a role in partnerships, drawing on key competencies such as development and management of affordable housing, as well as advocacy. There was a willingness to act as a "conduit" between actors such as developers, local government, social housing tenants and the community in terms of information sharing, facilitating development and assisting in policy development. Conditions generally related to subsidy or fees associated with the development or management of housing.

- **Investors:** Some offers were made relating to financing affordable housing, including encouraging social impact investment, supporting housing organisations, arranging a bond issue and structuring financial solutions for affordable housing projects. There were also offers to help ensure that affordable housing projects meet the needs of tenants with disabilities, working with government to develop inclusionary housing models, and facilitating conversations about affordable housing both with the general community

and within the philanthropic sector. Most offers were conditional, with some requiring support from government or other funding partners, while others, such as those relating to partnerships, requiring a willingness to collaborate and to take an integrated approach to housing.

- **Architects:** A broad range of offers including assistance in developing case studies, participating in a design competition or pilot project, and engaging in advocacy. Although most offers were conditional, conditions generally focused on ensuring there was a commitment to action and important stakeholders were involved, rather than conditions that involved significant policy or funding changes.

- **University of Melbourne:** The University offered to continue playing a lead role in facilitating discussion, using design studios within the Melbourne School of Design to generate case studies, and provide evidence based policy advice. Conditions related to the fact that funding from government or other partners would be necessary to employ staff.

*NB: "Architects" includes the Australian Institute of Architects; "Community Housing Organisations" ncludes Council to Homeless Persons, a homelessness peak body; "Private Developers" includes Linked Solution Pty Ltd, a developers services organisation, and the Property Council of Australia, a development peak body; "Investors" includes charitable foundations; and "Local Government" includes the Eastern Affordable Housing Alliance, a coalition of seven local governments, and Darren Ray, a local government advocate.

Next Steps

Several key actions were identified during the summit as important next steps towards tangible progress in meeting the affordable housing challenge in Melbourne. Some principles for these actions are outlined in the box on page 5 of this report.

Advocacy on policy was seen as a major area for action by many attendees, and very timely given the update of metropolitan planning strategy Plan Melbourne by the Victorian Government. Following earlier meetings with several key Victorian ministers, the Transforming Housing team was recently represented at a meeting convened by the Plan Melbourne Ministerial Advisory Committee to discuss policy updates on housing. Project partners and other summit attendees have also committed to collaborating in this important area, although recognising there are areas of disagreement between them.

Despite some difference on opinion, such as on mechanisms like inclusionary zoning, there was general consensus expressed at the Summit on the need for long term, stable and coordinated planning, including a stand-alone affordable housing strategy based on both human rights and on a sound economic basis, allowing for flexibility and innovation. There was also recognition of the importance of a champion state government department or agency that would be tasked with and accountable for an Affordable Housing Strategy and its implementation, including identifying land, appropriate funding sources, and working with local governments, finance groups, social housing providers and private developers to enable affordable housing. Some possibilities discussed were whether the lead might be the Metropolitan Planning Authority, the Department of Health and Human Services, Infrastructure Victoria, Places Victoria or a new organization. There was also considerable discussion on what sorts of policy and funding mechanisms could help fund affordable housing, such as exempting affordable housing development from stamp duty, and introducing

density bonuses into the planning system, and ideas such as these will continue to inform advocacy work.

Several excellent ideas for innovative funding mechanisms were discussed at the summit and new relationships were formed between individuals and organisations that have the potential to enable new cross-sectoral partnerships and collaboration. Several promising offers were made, especially from attendees in investment and philanthropic sectors, They indicated a willingness to trial new funding mechanisms for affordable housing, such as issuing bonds through the community banking sector, or positioning affordable housing as an important area for philanthropic and impact investment. Cross-sectoral discussions also assisted in attendees learning about the activities and needs of others, and what would be necessary for successful partnerships.

There was broad support for tangible built outcomes such as demonstration projects and enthusiasm for an affordable housing solutions competition. Attendees representing a range of organisations offered to assist to this end, including identifying appropriate and affordable sites, facilitating a solutions competition, working together towards a built outcome, assisting in tenanting and management, and engaging in documentation and evaluation. There is a sense of the chain of events that would be necessary to undertake these demonstration projects, including establishing a working group, developing strategies capable of gaining bi-partisan political and industry support, including industry and government on the steering committee for an affordable housing solutions competition, involving intermediaries to support impact investment in affordable housing, and committing to accountability through evaluation processes.

These will become the basis for work on the project for the rest of 2015.

Professor Tom Kvan welcome attendees to the summit

Small group delberation on ideas in Options Paper

Offers from organisations organised into themes

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