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HOUSING AFFORDABILITY:

MORE THAN RENT AND MORTGAGES

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Executive Summary

Increasingly, the gap is widening between those who have access to housing and those who do not. Access to secure and safe housing is a basic human right². In a just, equitable and inclusive society, there should be adequate levels of affordable housing available to people on low incomes. A widely used measure is that when a household in the bottom 40 per cent of the income distribution spends more than 30 per cent of its gross income on housing costs it is in *housing stress*. Failure to ensure access to affordable housing is also linked with a range of other problems such as poor health status and social exclusion.

This paper links the notion of affordability with environmental sustainability and argues that true housing affordability must take into account a wider range of costs than just rent or mortgage price. At a time when Australians are dealing with the twin issues of climate change and increasing petrol prices, consideration of housing affordability must include transport and energy costs.

“The failure to achieve urban sustainability is due to a lack of political support for proper urban planning”

(Anna Tibaijuka,
UN-HABITAT Executive Director)

We must also account for costs to society from the effects of people living in poorly built and designed houses, without sufficient supporting infrastructure; dependent on cars due to a lack of accessible and easily available public transport options.

The Victorian Government states its commitment to Victoria “being the best place to live, work and raise a family” and has a range of policies and initiatives aimed at improving housing affordability. While some progress has been made, many of the policy initiatives are not well integrated with other plans, for example, with *Melbourne 2030*. VicUrban is the Victorian Government’s sustainable urban development agency committed to “creating sustainable communities”. Although VicUrban is undertaking some groundbreaking work in the area of sustainable housing developments, consideration needs to be given to broadening out these practices to ensure that there is an integrated transport and land use planning approach in Victoria that applies to all new urban developments.

The Australian Conservation Foundation (ACF) and the Victorian Council of Social Service (VCOSS) welcome the role the Commonwealth Government has agreed to play in helping address the housing affordability issue. The spending and investment priorities of the Commonwealth Government have a huge influence in shaping Australian suburbs and our economy. The choices the Commonwealth makes, for example, in removing taxes and subsidies promoting car dependency in favour of investment in fast and convenient public and active transport, or in delivering or encouraging the provision of additional affordable housing, will help our suburbs become environmentally sustainable, socially integrated, more productive and therefore more resilient. There are encouraging signs from the Commonwealth Government that it sees a role for itself in working with state and local governments to help households

adapt to the worse impacts of climate change and to create productive, sustainable and liveable cities but more needs to be done.

International experience shows that to ensure affordable housing is delivered the need for targets is important. There is both an economic and social case for redesigning our cities and towns to incorporate transport-oriented, pedestrian and green-oriented developments, and universal design principles that also include an adequate supply of affordable housing, especially for those households in the lowest 40 per cent of the income distribution and who have particular needs.

Recommendations

The complexity of adequately addressing housing affordability and sustainability issues will require close cooperation, and new forms of governance processes between state and federal governments.

In broad terms, this report is a call on governments to take strong action to avoid dangerous climate change and reduce Australia’s oil vulnerability by setting strong carbon pollution reduction targets and rethink the planning of our major cities and regional centres, and to ensure the development of policies and programs on housing affordability that incorporate the full cost to individuals, families and communities of housing including energy and transport costs, as well as universal design principles.

With this in mind, ACF and VCOSS make the following recommendations to Governments:

1. Ensure that the Victorian government advocates for the new *National Affordable Housing Agreement*, the principal agreement on housing between the three levels of government, to redefine housing affordability to ensure energy and transport related costs are incorporated, and require 15 per cent of affordable housing to be included in all new developments, including a proportion of public and community housing;
2. Ensure all new housing including housing built for the *National Rental Affordability Scheme*, meets world best practice design standards, such as the requirement for 7-star, passive solar design, and universal design principles;
3. Scale up and expand national and state government programs to retrofit all homes within a generation to be highly energy and water efficient, including financial and other assistance for low income households, tenants and landlords to implement measures that improve water and energy efficiency;
4. Ensure federal and state infrastructure investments are tied to mandatory requirements for integrated transport infrastructure and land use planning, for example to the principles of Transport Oriented Development;
5. Victorian Government should seek to ensure that all of the recommendations in the *Melbourne 2030 Audit* are adopted;
6. Victorian Government should ensure that all new homes meet a range of low and no cost universal design standards and that VicUrban’s housing affordability performance measures apply to all new urban developments.

The Problem

The problem: housing stress

Increasingly, the gap is widening between those who have access to housing and those who do not. Access to secure and safe housing is a basic human right³. In a just, equitable and inclusive society, there should be adequate levels of affordable housing available to people on low incomes.

Current figures demonstrate the breadth of the problem within Victoria. Population growth in Melbourne is greater than in any other Australian city⁴. This has placed pressure on the housing market so that by the end of 2007, 32.3 per cent of first home buyer income was needed to pay for a new mortgage, compared to 26 per cent in early 2005⁵.

This is reflected in Australian Government figures released in 2008 for home ownership and rentals which show that:

- In 1996, the average home cost four times the average annual wage. A decade later, the average home costs seven times the average annual wage.
- On average, home buyers now spend nearly a third of their income on mortgage repayments compared with 17.9 per cent in 1996.
- Average rents for three bedroom homes have risen by 82 per cent since 1996 compared to a 58 per cent increase in real wages.
- Rental vacancy rates are at critically low levels and below 2 per cent in all capital cities.

In understanding the current approach to this problem of housing affordability, we first need to examine what is currently meant by housing affordability and the traditional approach to tackling this problem.

The Australian Housing and Urban Research Institute (AHURI) state that housing affordability is an expression of the relationship between the cost of housing and household's income.

A widely used measure is that when a household in the bottom 40 per cent of the income distribution spends more than 30 per cent of its gross income on housing costs it is in *housing stress*.

Ahuri research highlights that most households in housing stress are in the private rental market and the impacts of housing stress upon various aspects of their lives is significant.

The Victorian measure of housing affordability⁶ is based on the National Centre for Social and Economic Modelling definition of housing stress when households in the lowest 40 per cent of disposable income are paying 30 per cent or more of that income on housing. The Housing Industry Association uses the Housing Affordability Index which is calculated based on median first home prices, interest rates, average annual household income and qualifying annual income⁷.

The current approach to the problem of housing affordability is typically based on a response to market failure from a supply and demand perspective. A recent Senate inquiry into housing affordability⁸ noted that the "problem of affordability in Australia has been a function of both strong demand and limited supply". Because of the complex nature of the housing market and because it doesn't always deliver social equity outcomes, there is a strong case for government intervention to ensure that there is a greater level of equity. A number of programs already exist but more can be done to ensure that solutions to making housing more affordable deal with the twin challenges of climate change and increasingly expensive oil. Affordable housing is part of the 'fair go' all Australians expect.

The problem: housing stress leads to poorer health and social exclusion

Failure to ensure access to affordable housing is also linked with a range of other problems such as poor health status and social exclusion. The World Health Organisation (WHO) takes an approach to housing and health that to have a home is "more than the mere fact of having a roof over one's head". The features required for adequate shelter include adequate and accessible location with regard to work and basic facilities as well as suitable environmental quality and health related factors. All of these features should be available at an affordable cost. WHO⁹ also lists two of the most important determinants of health as participation and influence in society and economic and social security. Neither of these can be achieved in the absence of affordable housing.

Linking housing to health in the context of the social determinants of health resonates with the current focus on ensuring social inclusion. Affordable housing is a key to participating in a socially inclusive society. Being forced to move out to cheaper areas away from established supports and networks or moving frequently due to an unstable rental market has a detrimental impact on social capital, the norms, networks and support that people depend on.

Auditors of *Melbourne 2030* have noted that "for those in greatest need, the consequences of high housing costs affect not only the individuals themselves but all of us through the costs of health care, social services and declining economic viability and liveability in poor areas"¹⁰.

A recent study¹¹ of Australian cities and socio-economic deprivation has noted that, "a nation that grows at the expense of inclusiveness risks significant social dysfunction that can in the extreme, challenge all levels of government and bring into question the shape and function of the nation's social fabric."¹²

The problem: climate change and petrol price increases make housing stress worse

The additional and increasingly important dimensions to the problem of housing affordability are the twin challenges of climate change and increasingly scarce and expensive oil. We need housing solutions that reduce our greenhouse gas emissions and energy use, help us to adapt to the anticipated impacts of climate change, and also significantly reduce our consumption of, and reliance on, fossil fuels such as petrol.

Compelling scientific evidence¹³ suggests that the impact of climate change on Australian society will be widespread. These changes will increase the cost of energy and water and flow through to most goods and services.

The impacts of climate change and increasing petrol prices will be particularly harsh on low income¹⁴ households and disadvantaged communities, for the following reasons.

Firstly, they tend to live in areas more likely to be adversely affected by climate change, and have far less ability to move or make other necessary adjustments to their living circumstances.

Secondly, on average, low income earners spend a greater proportion of total weekly household budget on energy, water and transport, 8.44 per cent, than wealthier households, 5.99 per cent¹⁵. In Dodson and Sipe's recent report¹⁶ reference is made to the Sensis survey which shows that households on low or modest incomes have reported cutting spending in an effort to cope. "By February 2008, petrol pressures were nominated in the Sensis Survey as the greatest financial fear of households on annual incomes of up to \$55,000.¹⁷"

Thirdly, lower income households are currently less able to introduce measures to improve their energy efficiency or easily switch to lower fuel consumption vehicles. Few households with low incomes are able to afford investment in significant energy efficiency measures such as insulation, new hot water systems or rainwater tanks. One in four Australian households are in private rental or public housing and do not have rights or incentives to make capital improvements. In addition, energy consumption in low income households is partly shaped by the market in second-hand appliances and cars. Many second-hand appliances are inefficient, wasting energy and increasing bills. Factors affecting efficiency include design, technology, age and maintenance. Appliance efficiency details (energy ratings) are usually removed at first purchase, making it difficult for subsequent buyers to choose wisely. Historically, buyers of new cars (businesses, governments and wealthier individuals) who usually own a car for only a few years and around a quarter of the car's lifetime emissions have had a low concern for low fuel consumption vehicles. However, these wealthier purchasers are the purchasers who dictate the emissions and running costs for later purchasers.

Australia is one of the most urbanised and automobile-dependent¹⁸ countries in the world. Our major cities have been shaped by cheap and abundant oil, and along with significant population growth and a preference for larger houses, has led to an expansion of our city boundaries. Australia is very oil vulnerable because our vehicle fleet is 97 per cent reliant on

oil-based fuels and we have declining reserves of conventional oil. In 2002, Geoscience Australia forecasted that by 2015 Australia will be importing 70 per cent of its oil.

Congestion is also an increasing challenge for commuters and for the economy, with the increasing cost of travel another concern. If fuel costs continue to rise, it is anticipated to have a greater than average financial impact on households in outer-suburban locations, whose occupants typically travel further and have few transport options other than the private motor vehicle¹⁹. The Future Fuels Forum held in 2008 examined a range of different oil prices scenarios and in its worse case, predicted that the price of oil could reach \$8/litre by 2018 if oil supply dramatically reduced over the next 10 years. With the price of a barrel of oil currently over US\$100 per barrel and the long term price expected to be somewhere between US\$60-US\$150²⁰, it is critical that we build and redesign houses and suburbs that are affordable and will be resilient to climate change impacts and increasing oil prices.

Many low income and disadvantaged households, especially those in the rental market, lack the ability to transition to a lower carbon future for a variety of reasons as outlined above. The Senate Inquiry into Housing Affordability²¹ noted that,

"The way to improve housing affordability is not to build cheap houses on the outskirts of cities away from employment, services and public transport links. This simply shifts costs from housing to the cost – in dollars and time – of transport. Rather, the aim must be to build affordable housing in areas where infrastructure can provide for and attract new residents. In considering longer-term changes in the housing stock, thought must also be given to it being environmentally sustainable for it to be truly 'affordable' in a broader sense".

People on low incomes forced to live in outer suburbs where rent or purchase price is lower, are extremely vulnerable to increasing petrol prices and the subsequent rental increases, interest rates and inflation. Inadequate public transport forces car dependency and any savings gained through cheaper rent are lost in travel costs for pursuing employment or education opportunities.

Dodson and Sipe²² show that oil and mortgage vulnerability is worsening. Comparing their analysis of 2006 and 2008, they wrote "The number of areas in which oil and mortgage vulnerability improved, however, was substantially outweighed by the number of areas where vulnerability increased over the 2001-2006 period ... Melbourne therefore saw a marked rise in local oil and mortgage vulnerability during the 2001-2006 period."²³

The Current Victorian Government Approach

The Victorian Government states its commitment to “being the best place to live, work and raise a family” and has a range of policies and initiatives aimed at improving housing affordability.

A *Fairer Victoria* was first established in 2005 as a whole of government social policy action plan to address disadvantage and promote inclusion and participation and has since been revised every year including in May 2008. One of Fairer Victoria’s policy statements on *Developing Liveable Communities* is committed to boosting social housing and affordable housing. This commitment consists of 80 new public housing properties, 50 affordable homes delivered through Not-For-Profit (NFP) housing associations, 30 more homes through the Aboriginal Rental Housing Program, the intent to improve planning from metropolitan councils to reduce impediments to housing supply and strategies to improve efficiency in the housing market.

While some progress has been made, many of the policy initiative are not well integrated with other plans, for example, with *Melbourne 2030*.

Melbourne 2030, released in 2002, was intended to be a strategic plan to manage urban growth and change across metropolitan Melbourne. This was to be achieved through restricting development to occur within an urban growth boundary, which also included non-residential zones. There were also relevant housing, growth area and transport implementation plans that accompanied the release of *Melbourne 2030*. However, despite this intent, more than half of Melbourne’s population growth measured in the 2006 census was in fringe municipalities.

Melbourne 2030’s transport plan contains a number of contradictions between the provision for private motor vehicle travel and public transport and there is an almost complete avoidance of issues relating to oil vulnerability, and at best only vague commitments to improving public transport. There is also very little discussion of oil vulnerability as a planning problem in the housing implementation plan of *Melbourne 2030*. Table One below, shows how vulnerable Melbourne is to oil vulnerability with the percentage of new population growth

served by public transport being 24 per cent, compared to 66 per cent for new population growth areas in Sydney.

A decision in March 2008 by the Victorian Government to zone all available land within the urban growth boundary as residential, if strictly implemented, will exacerbate the imbalance of inner and outer development. While subsequent decisions have indicated a shift back to promoting growth in established areas there needs to be a greater range of policy interventions to ensure that the original principles of *Melbourne 2030* are delivered.

As part of a review process and also to address concerns about the implementation of *Melbourne 2030*, the Victorian Government commissioned an independent audit of *Melbourne 2030*. This audit has been an opportunity to respond to the unforeseen increase in population growth as well as to better factor in climate change as a recognised factor in planning and policy development. The audit team noted that providing more development opportunities on the urban fringe will not increase the supply of affordable housing:

“When the full cost of housing, transportation and new services are considered, new homes on the urban fringe are not ‘affordable housing’, whether to households or to agencies providing infrastructure or services. By comparison, new homes built in established neighbourhoods can take advantage of existing facilities and services. Closer location to shops and jobs means that walking, cycling and public transport reduces the need for several cars”²⁴.

The Victorian Government published a response to the *Melbourne 2030 Audit* which includes a section on environmental sustainability and climate change. The response is still predicated around an acknowledgement that housing affordability has continued to decline and that *“the most affordable housing in Melbourne is still located on the fringe and adjoining suburbs.”*²⁵ This statement appears to contradict the finding of the audit team which takes a broader view of housing affordability and points to the requirement to more actively encourage and mandate affordable developments in inner and middle suburbs to ensure diversity and social mix.

Table One: Assessment of metropolitan plans in dealing with oil and mortgage vulnerability

	Brisbane	Melbourne	Sydney
Basis of assessment – documents examined	SEQRP, SEQIP, Translink Network Plan	Melbourne 2030, Linking Melbourne, Meeting our Transport Challenges	Cities of Cities Metro Strategy, Urban Transport Statement
Recognition of oil vulnerability as a planning problem	Limited discussion	Very little discussion	Mention of oil prices only
Percent of new population growth served by public transport	79% (Brisbane City only)	24%	66%
Overall assessment	Weak	Weak	Weak

Source: Dodson, Jago and Sipe, Neil (2008) *“Planned household risk: Mortgage and oil vulnerability in Australian cities”, in Australian Planner, vol 45, no 1, March*

The section in the response focussing on environmental sustainability and climate change does not link affordability with sustainability; however the intent to “develop urban design standards that build on the Neighbourhood Principles in *Melbourne 2030* to promote walkable and less car-dependent communities in both existing and newly developed areas”²⁶ is a positive signal and could have a beneficial impact on affordability by reducing transport costs.

The Victorian Government’s proposed approach to address housing affordability reflects an overly cautious approach that seeks to minimise the role of the State. In its response to the *Melbourne 2030 Audit* the Government states that the “State Government’s ability to affect housing affordability outcomes is limited but important. The main areas of State Government contribution include effective management of land supply, planning system efficiency, timely information on housing demand and supply, and investment in social housing.”²⁷

This caution is not surprising as the data the Government uses to monitor housing affordability is based on a traditional view of housing affordability. For example, the data provided in the housing affordability section of the DPCD-produced *Melbourne Atlas 2006-Housing* measures housing affordability based purely on housing costs of either rent or purchase in relation to household income. Indeed in its recent draft report the Victorian Competition and Efficiency Commission pointed to the need to strengthen reporting around housing affordability. However far more appropriate government intervention can be undertaken.

Planning for sustainable communities: VicUrban

VicUrban is the Victorian Government’s sustainable urban development agency committed to “creating sustainable communities”. Its responsibilities are outlined in the *Victorian Urban Development Authority Act 2003 (VicUrban Act)*, which

includes responsibility for implementation of urban development policies, including *Melbourne 2030*. VicUrban has joined forces with the Department of Sustainability and Environment and the Office of the Victorian Government Architect to deliver the Sustainable and Affordable Housing Initiative to produce energy efficient homes that the average family can afford in inner and outer Melbourne. The first three display homes will be built in the second half of 2008. VicUrban has also developed assessment tools for use when planning sustainable communities. Measures are based on the five sustainability objectives of:

- Commercial success
- Community wellbeing
- Housing affordability
- Urban design excellence
- Environmental leadership

The housing affordability performance measures take a broader view of the full costs on housing affordability and include measures that plans should:

- Offer house and land designs that deliver demonstrated whole of life savings in household expenditure and energy savings
- Locate affordable housing close to, or with, easy access to public transport, services and employment
- Promote public transport use through the preparation and communication of public transport travel plans

While there is recognition that VicUrban is undertaking some groundbreaking work in the area of sustainable housing developments, consideration needs to be given to broadening out these practices to ensure that there is an integrated transport and land use planning approach in Victoria that applies to all new urban developments.

Commonwealth Government’s Approach

The spending and investment priorities of the Commonwealth Government have a huge influence in shaping Australian suburbs and our economy. Despite the fact that in recent years the Commonwealth has not played an active role in development of cities it has funded public housing and roads for many years.

The choices the Commonwealth makes, for example in removing taxes and subsidies promoting car dependency in favour of investment in fast and convenient public and active transport, or in delivering or encouraging the provision of additional affordable housing, will help our suburbs become environmentally sustainable, socially integrated, more productive and therefore more resilient.

The Commonwealth Government released its report *Making Housing Affordable Again* earlier this year. While it is welcome to see the Commonwealth re-engaging with housing issues it takes a traditional approach around land supply, rental schemes and first home owner saver accounts, all strategies based on an understanding that housing affordability is no more than a factor based on rent or mortgage payments.

The one innovation with potential to assist in the delivery of affordable housing in a holistic way is the National Affordable Rental Scheme (NRAS). This scheme is slated to deliver 50,000 newly built properties with both a Commonwealth and State/ Territory subsidy to ensure that the home is rented to a low or moderate income single or family at least 20 per cent

below market rent. If the housing is well located and combined with features to ensure it is efficient to heat and cool the tenants in these properties are likely to benefit substantially from the scheme.

The Commonwealth has also committed to a new National Affordable Housing Agreement with the States, Territories and Local Government. With a commitment to include not just public housing grants, as the existing Commonwealth State Housing Agreement does, but rental assistance, first home owners grant and homelessness funding, this agreement has the potential to reshape housing policy and programs. Incorporating broader principles that look at the whole of life cycle cost of housing is essential for governments at all levels to genuinely tackle housing affordability in Australia. The opportunity afforded by this new agreement is significant to deal systemically with the problem.

There are also encouraging signs from the Commonwealth Government that it sees a role for itself in working with state and local governments to help households adapt to the worse impacts of climate change and to create productive, sustainable and liveable cities. This will include the adoption of more environmentally sustainable housing design principles, helping to provide more social housing, and the provision of much needed infrastructure. With over \$2 billion already committed to housing initiatives, and the announcement of the Major Cities Unit, Infrastructure Australia and the Housing Affordability Fund, there are significant opportunities for coordinated and integrating planning that includes better access to affordable housing. By funding energy and water infrastructure, the Commonwealth Government also has an important role in

securing sustainable water and energy supplies for our cities. These recent initiatives by the new Commonwealth Government are welcome and must be built upon if we are to deal with some of the big challenges ahead.

Rethinking our approach to the development of urban infrastructure will also be important if we are to create liveable cities. Distributed water infrastructure such as rainwater tanks and water recycling should be prioritised over dams and desalination plants to improve the sustainability and resilience of our suburbs. Similarly, the Commonwealth could encourage the transformation of our energy supply from distant polluting coal-fired power stations to clean roof-top renewables with a change in investment priorities. There is a wonderful opportunity to use the roofs of our homes to capture rainwater and solar energy. The Commonwealth Government has taken some good first steps through for example its green loans and solar schools program, but a more integrated approach at a larger scale is still needed. The environmental, social and jobs dividend that will be reaped from investment in smart energy and water efficiency is substantial.

The Commonwealth Government has made a good start with 5 star standards but more is needed. More stringent environmental standards for the construction of new homes, for example, 7-star standards, as well as a substantial commitment to retrofit all existing building stock will be needed. Environmentally friendly buildings are more comfortable to live in and cheaper to run. This is particularly important when considering housing affordability for low income households. Investment in improving the energy and water efficiency of public and community housing needs to be a priority.

The Alternative Approach

The setting of affordable housing targets for any major developments

International experience shows that to ensure affordable housing is delivered the need for targets is important. Targets show a level of commitment from Government and, once made, become part of plans for implementation by both Government agencies and those involved in the development of housing. Governments in Australia, with the exception of South Australia and the ACT, have not shown a willingness to sign up to targets and to require developers and builders to abide by them. The Senate Committee on Housing Affordability in Australia concluded that there “is a need for Australia’s planning frameworks to set a target for affordable housing”.²⁸ The use of targets is common in Europe and also practiced in the United States. The United Kingdom has a range of National and Authority specific targets including those that relate to housing. The City of London has a range of targets which include an aspirational target of 50% and stronger targets of up to 35% for all new residential development to include affordable housing

(although they use a much broader definition of affordable housing than is typically used in Australia). The South Australian Government’s legislated 15% affordable housing target includes 5% for high needs housing.

Affordability must consider the full range of costs

There is both an efficiency and an equity imperative to ensure that housing affordability is environmentally sustainable and socially equitable. The opportunity exists to take a much wider view of the benefits that may be derived for individuals, households and society by investing in cost effective affordable housing that incorporates more broadly how we design and redesign our cities and towns. We will incur a greater cost to individuals and society at a later date if we don’t invest now in appropriate infrastructure and urban design models that include environmentally sustainable affordable housing.

The *Melbourne 2030 Audit* concluded that with continued high growth rates in Melbourne, it was increasingly important for government, councils and industry to work together to provide

more housing opportunities in established areas in accordance with *Melbourne 2030*'s principles. "These include activity centres, Transit Cities, strategic redevelopment sites near public transport, and well designed and managed infill housing to provide choice as our population ages and changes."²⁹

Government Affordable Housing Design Guidelines

Definitions of housing affordability used by the Victorian Government in response to the *Melbourne 2030 Audit* are limited. They do not take into account indirect costs such as accessing employment areas, services and facilities and household expenditure on electricity, gas and water or costs of adapting housing for older or disabled people.

A paper prepared by the *National Affordable Housing Forum* (2006) which includes the views of housing, development and finance sectors as well as unions, community groups, churches and local councils, defines affordable housing as housing which is reasonably adequate in standard and location for a lower or middle income household and does not cost so much that a household is unlikely to be able to meet other basic living costs on a sustainable basis. They suggest the requirement of reasonable accessibility could include work opportunities and services relevant to that type of household and could include consideration of costs of transport and utilities.

The *Melbourne 2030 Audit* refers to the costs of "affordable living" that incorporates the full range of costs a household faces to live in Melbourne and *A Fairer Victoria* supports the development of improved indicators of housing affordability.

The Queensland Government has taken a lead role in responding to declining levels of housing affordability and linked this with principles of sustainability. As part of implementing the state's *Affordable Housing in Sustainable Communities Action Plan*, a suite of tools has been developed by the Queensland Department of Housing, including the Affordable Housing Design Guidelines adopted in 2004. The aim of the guidelines is to "facilitate the new construction of well-designed and well-located affordable housing". The planning design component provides "specific guidance on planning parameters for affordable housing and its integration into a sustainable community, and a framework of general design principles to deliver well-designed, affordable housing".

Similar guidelines have been adopted in South Australia to help developers, designers and policy makers consider the impact of design on affordable housing. The guidelines also include principles of universal access. The objectives of the guidelines are:

- To provide well located affordable housing that has access to services and facilities, employment and education, preventing concentrations of low-moderate income earners in disadvantaged locations
- To consider long term affordability of housing and incorporate environmentally sustainable design techniques
- To provide adaptable housing to suit changing life and consumer demands

- To offer a diverse choice of housing forms to suit contemporary families
- To establish safe and community minded neighbourhoods and
- To provide affordable housing that is well integrated into the neighbourhood and the streetscape.

Perhaps the Victorian Government could consider an index of housing affordability that includes the broader concepts of 'affordable living'. A useful starting point could be the Affordability Index³⁰ that consists of a formula combining mortgage or rental costs and transport costs. This index could be expanded to include other direct and indirect costs associated with housing, building on the principles of the Queensland Government's Design Guidelines.³¹

Transport Oriented Development

One of the costs that must be factored into affordable housing is transport, and therefore it makes sense to design houses and suburbs that have access to good transport choices. There are also significant environmental and health benefits to be derived by reducing dependence on cars and increasing the use of efficient public and active (pedestrian and cycling) transport. Transit or Transport Oriented Development (TOD) is the creation of compact, walkable communities centred on high quality train and other public transport systems. It is being promoted as a major solution to the problems of increasingly expensive oil, climate change and urban traffic congestion. The best examples exist in Europe and there is a strong push for cities in the USA to adopt TODs. A few examples of TODs in Australia include Kelvin Grove (Brisbane), Chatswood (Sydney) and Subiaco (Perth). Components of TODs include:

- Walkable high quality architectural design with pedestrians as the highest priority
- Train station as prominent feature of town centre
- A regional node containing a mixture of uses in close proximity including office, residential, retail and civic uses
- Substantial value capture for local businesses as a result of higher pedestrian access
- High-density, high quality developments within a 10 minute walk circle surrounding train station
- Mixed-use dwellings including social housing that allows for a range of different stages and ages of life
- Collector support transit systems including trams, light rail and buses
- Designed to include the easy use of bicycles, scooters, etc as daily support transport systems
- Reduced and managed parking inside 10 minute walk circle around town centre

A recent study³² compared the economic costs of inner city development (a TOD) and conventional fringe development taking into consideration infrastructure provision, transport costs, greenhouse gas emissions, and inactivity-related health costs for an estimated 1000 dwellings. The findings show that there are substantial cost savings associated with urban

redevelopment. By far the largest savings are associated with reduced investment in infrastructure and transportation while carbon pollution emissions and health constitute smaller portions of total costs. However, over a 50 year period, for every 1000 dwellings built within a TOD, 4,400 tonnes of greenhouse gas per year will be saved, with the costs of infrastructure investment reduced (around \$86 million upfront) and costs of investment in transport infrastructure reduced (around \$250 million annualized over the 50 years). There are also a number of health benefits associated with reduced car usage such as opportunities for greater activity, and reduced air and noise pollution.

Green-Oriented Development

Green-Oriented Development (GOD) implies the development of substantially more sustainable forms of energy supply to our homes than the current oil and coal dominated supply sources. It also implies superior energy and water efficiency in buildings, production processes, appliances, services sector, and transportation systems. There are also significant implications for the development and redevelopment of our urban form generally as well as better use/reuse of our waste stream. It recognises that improving the energy and water efficiency of our homes will reap financial and environmental rewards in the longer term and help create suburbs that will become virtual power plants through the mass investment of, for example, solar photovoltaic rooftops and virtual dams through storm water harvesting and rain water tanks. There are already a number of living examples in development with the future solar cities of Australia being Adelaide, Townsville, Blacktown (Western Sydney), Alice Springs, Central Victoria, Perth and Coburg.

To improve the energy efficiency of our homes, measures such as home insulation, high efficiency appliances and lighting offer potential to significantly reduce home energy use and greenhouse emissions with these technologies already readily available and cost effective today. A recent report³³ shows that an energy efficient household would save on \$658 per annum on their household electricity bill in 2030, relative to an average home that makes no effort to be energy efficient. Of course for low income consumers, assistance in providing the needed upfront investment in becoming more energy efficient will be necessary if those kinds of savings are to be realised. Given that 95 per cent of households live in current building stock, a major retrofit program will need to be undertaken if our homes are to be adequately adapted to cope with the impacts of climate change and the transition to a low carbon economy.

The Federal Government's planned introduction of the Carbon Pollution Reduction Scheme, will for the first time, place a cost on carbon emissions. It is likely to increase the costs of electricity as most of our electricity is generated by fossil fuels such as coal. Any investments in energy efficiency made before then will moderate the impact on household energy bills. If governments introduced well-supported policies to improve energy efficiency in conjunction with a carbon price, appropriate pricing tariffs and a safety net, no consumer should be worse off and greenhouse emissions should fall.

For new houses and housing estates, if they were planned around passive solar design, where solar radiation would be

An Australian example of Transit Oriented Design

The West Australian City of Subiaco has adopted transit oriented development principles in its development strategies. The latest addition to the SubiCentro Transit Oriented Development will be Centro North, Subiaco. This is the redevelopment of a one hectare former TAFE site to create a mixed use precinct of office, residential, commercial and retail uses. The development is within 300 metres of the Subiaco train station and will complete the significant northern pedestrian entry point into Subi Centro. Centro North will provide 10-15 percent of dwellings for social and affordable housing.

This development is consistent with the City of Subiaco Integrated Transport Strategy which identifies current and future access needs for people, places, goods and services in Subiaco. The plan ensures these needs will be met and *“assesses the transport networks, the land use system, major destinations and all modes of transport including private vehicle, public transport, cycling and walking.” A significant objective of the plan is to “contribute to the sustainability of the Subiaco community by improving the lifestyle, amenity, environment and transport options for its residents and visitors.”*

used for space and water heating, every house could enjoy excellent solar orientation with sunlight and warmth in all rooms, north and south. However current planning regulations and the resulting housing designs are creating the slums of the future with no solar retrofitting potential and high mass suburban density that creates heat islands, resulting in a growing need for ever more air conditioners and their inevitable compounding heating effect on the local environment and escalating energy consumption.

A number of progressive developers are keen to design housing estates that minimise their impact through the development of so called carbon-neutral “smart suburbs” or “one planet” developments. However, dealing with different government jurisdictions can be quite complicated. Integrating government decision making for all development and redevelopment options is essential to facilitate the easy spread of improvements to our buildings.

Pedestrian-Oriented Development

Development that provides pedestrian and bicycle friendly access to commercial and residential areas and transport hubs, that disperses motor vehicle traffic away from the city centre, and enables the creation of lively community centres is appropriately called a Pedestrian-Oriented Development (POD). It has a discernable town centre or square, most dwellings are within five minutes walk, there are a variety of housing types for mixed use such as for younger and older people, singles and families, and both the poor and the wealthy may find places to live. Schools and playgrounds are within easy reach and can be accessed by walking or cycling.

Conclusion

Housing affordability performance measures should take a broader view of the full costs that affect housing affordability. These measures need to include plans for offering house and land designs that deliver demonstrated savings in household expenditure on electricity over time, incorporate universal design principles, locate affordable housing close to, or within easy access to public transport, services and employment, and promote public transport use through the preparation and communication of public transport travel plans.

Without appropriate government intervention, the market will continue to deliver more of the same. The political risk of acting against the short term interests of those who have benefited from increased housing prices must be weighed up against the broader and longer term social and environmental risks of not acting. The benefits of having well designed and liveable houses and suburbs that have access to good public and active transport are substantial with the environmental, social and health benefits to the community paying substantial dividends.

To ensure our society is socially equitable and resilient to future challenges such as climate change, we need to ensure there is

Universal design principles

Accessible housing is another important dimension of affordable housing. Considering the full range of costs that impact on housing affordability links together a wide range of issues covering green design principles, new urbanism, transit oriented design, health, social inclusion and accessibility.

Universal design principles take into account the adaptability of housing for people with limited mobility due to a disability or the effects of aging. Building according to universal design principles means that housing can be sustainable for life and that the cost burden of adapting a home as mobility and ability changes does not have to be borne by the home owner. Increasing the number of universally designed homes is significant due to Australia’s increasingly aging population. It is far more cost effective to invest up front in housing that is safe, accessible and enables people to live at home among established social networks than to bear the cost of residential care and medical treatment caused by people no longer being able to live in their own homes. This has been recognised in the United Kingdom where the *Lifetime Homes, Lifetime Neighbourhoods Strategy* published in February 2008 mandates that all housing be built to universal design standard by 2013. A recent VCOSS Paper “Universal Design, Universal Benefits” outlines both the social and economic benefits to the community of mandated universal housing design.

an adequate supply of affordable housing designed around green, pedestrian and transport-oriented developments, and universal design principles.

Recommendations

The complexity of adequately addressing housing affordability and sustainability issues will require close cooperation, and new forms of governance processes between state and federal governments.

In broad terms, this report is a call on governments to take strong action to avoid dangerous climate change and reduce Australia’s oil vulnerability by setting strong carbon pollution reduction targets and rethink the planning of our major cities and regional centres, and to ensure the development of policies and programs on housing affordability that incorporate the full cost to individuals, families and communities of housing including energy and transport costs, as well as universal design principles.

With this in mind, ACF and VCOSS make the following recommendations to Governments:

1. Ensure that the Victorian Government advocates for the new *National Affordable Housing Agreement*, the principal agreement on housing between the three levels of government, to redefine housing affordability to ensure energy and transport related costs are incorporated, and require 15 per cent of affordable housing to be included in all new developments, including a proportion of public and community housing;
2. Ensure all new housing including housing built for the *National Rental Affordability Scheme*, meets world best practice design standards, such as the requirement for 7-star, passive solar design, and universal design principles;
3. Scale up and expand national and state government programs to retrofit all homes within a generation to be highly energy and water efficient, including financial and other assistance for low income households, tenants and landlords to implement measures that improve water and energy efficiency;
4. Ensure federal and state infrastructure investments are tied to mandatory requirements for integrated transport infrastructure and land use planning, for example to the principles of Transport Oriented Development;
5. Victorian Government should seek to ensure that all of the recommendations in the *Melbourne 2030 Audit* are adopted;
6. Victorian Government should ensure that all new homes meet a range of low and no cost universal design standards and that VicUrban's housing affordability performance measures apply to all new urban developments.

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The Victorian Council of Social Service (VCOSS) is the peak organisation of the non-government social and community services sector. VCOSS raises awareness of the existence, causes and effects of poverty and inequality, and contributes to initiatives seeking to create a more just society.

VCOSS provides a strong, non-party political voice for the community sector and consults regularly with more than 500 members, in order to effectively represent issues relating to disadvantage to government and the wider community. We do this by developing and critiquing government and related policies, speaking out through diverse networks, carrying out research and promoting these views through publications and the media.

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