Regional Capitals Australia

REGIONAL HOUSING POLICY PAPER

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Regional Housing Policy

RCA acknowledges the Australian Government's commitment to help address the housing crisis through its $10 billion Housing Australia Future Fund and announced measures, particularly the $500 million Housing Support Program for enabling infrastructure and connection of essential services.

Like all areas of Australia, regional capitals have an increasing shortage of available and affordable housing. In regional capitals this shortage is driven by surging workforce numbers for major regional projects and construction, along with growing internal migration and an undersupply of diverse housing stock.

Regional capitals welcome increased economic activity and population growth. However, the shortage of housing is undermining our ability to support this growth and function as essential service centres for regional populations while also providing an affordable alternative for families and businesses.

State of Play

According to the Regional Movers Index, capital to regional migration is currently tracking at 11.7 percent above the pre-Covid average and shows no sign of retreating to pre-Covid levels.[1]

People are attracted to regional areas by good jobs, the lifestyle and, historically, the availability of affordable housing. However, current growth is driving up rents and house prices, creating a housing shortage that is making regional cities less affordable and less attractive.

Impacts on Rental Market

The rental vacancy rate has more than halved in the last five years, with Domain Research Vacancy Rates October 2023 reporting a regional vacancy rate of 0.8 percent.[2] Some regional cities report rental vacancies as low to zero.

Correspondingly, over the 24 months to September 2023, rents across regional areas have increased by as much as 20 percent.[3]

Impacts on Federal Government Policy Agenda

This shortage of housing is not only impacting on local employment, service delivery and local amenity, but the broader ability of regional areas to deliver on key federal initiatives such as the renewables transition, export capability and achieving a more equitable level of services for regional areas.

In a survey of RCA members, 100 percent reported that local health services are affected by the housing shortage, followed by major local industries (93 percent), infrastructure construction, and tourism/cultural services (87%) and education, major development and business attraction (80 percent).

Impacts on Local Businesses

One council noted that local businesses are unable to recruit staff because they are unable to secure housing, which in turn limits capacity to deliver services, projects, or events. Another said businesses are reluctant to invest in their region without certainty that they can secure the construction and operational staff required for their projects.

Impacts on Working Families

Another reported that local childcare services are limited by a lack of staff, again due to cost of living, mainly related to affordable housing. This inability to secure childcare limits opportunities for parents wanting to re-enter the workforce and in some cases forces them to leave the area.

Land Activation

The release of land for new housing is essential. Eighty-seven percent of RCA members agree it would assist provision of housing for key workers, help the supply of affordable and social housing (80 percent), and increase rental market stock (73 percent).

However, even where land is available, regional housing faces many roadblocks including labour shortages, planning delays and rising construction costs.

[1] https://regionalaustralia.org.au/common/Uploaded%20files/Files/Regional%20Movers%20Index/Regional-Movers-Index-September-2023-Report.pdf.pdf
[2] https://www.domain.com.au/research/vacancy-rates-october-2023-1245973/
[3] https://www.proptrack.com.au/wp-content/uploads/2022/10/PropTrack-Rental-Snapshot-Oct-22.pdf

Skill Shortages

Overwhelmingly, Councils identify a shortage of builders and tradespeople (87 percent) as the most significant barrier to new housing, followed by the costs of enabling infrastructure (80 percent), and state planning processes (60 percent).

Not only is there a shortage of skilled tradespeople for housing construction, 73 percent of RCA members report their own shortages of strategic and statutory planners and other positions necessary to plan and approve residential housing.

It is clear that a different approach is needed; 93 percent of regional capitals do not think current state and federal policy settings can meet their future housing demands.

RCA recommends an approach recognising the diverse nature and challenges of regional cities and providing flexibility for local governments to implement the most effective housing measures for their regions.

In particular, ongoing, dedicated funding is needed for regional councils' enabling infrastructure costs; support is needed for innovative housing solutions including remediation of derelict housing; state planning systems need to be more responsive; and, there is an urgent need for increased training and recruitment of skilled workers.

Fast Facts

- Capital city to regional migration is currently tracking at 11.7% above the pre-Covid average.[4]
- At October 2023, the regional vacancy rate was 0.8%.[5]
- Over the 24 months to September 2023, regional rents increased by 20%.[6]
- 75% of regional capitals identify Construction and Major Project workers as a major driver of housing demand, followed by Internal Migration (56%).
- Within 5 years, it is expected lone person households will be the fastest growing household type across the country.[7]
- 87% of regional capitals identify the shortage of builders and/or tradespeople as a roadblock for land activation, followed by enabling infrastructure costs to council (80%) and state planning processes (60%).
- 75% of regional capitals have derelict housing stock which could be updated to help address housing shortages.
- 93% of regional capitals do not believe existing State and Federal policy settings can meet their region's future housing demand.

Role of Local Government

Local Government understands that its primary role in meeting Australia's housing challenge is through planning and zoning processes and the provision of local infrastructure.

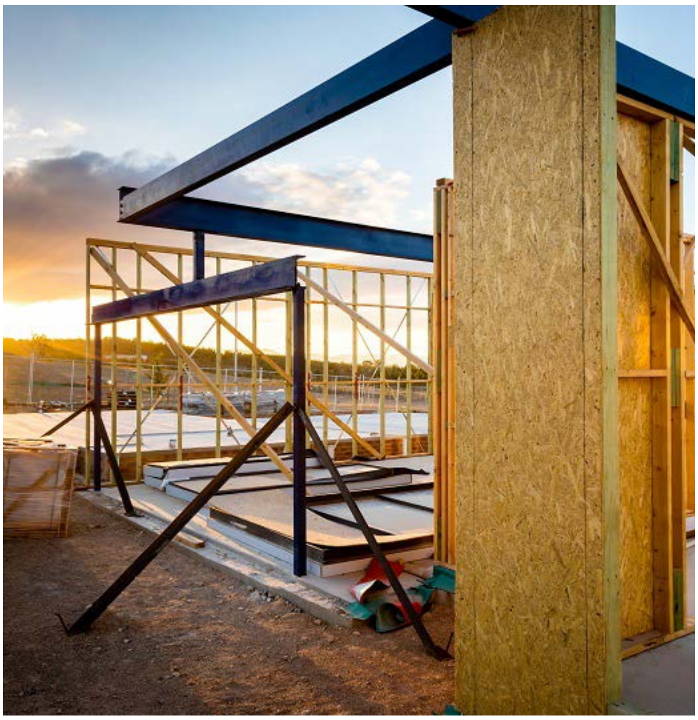
Surging regional migration and traditionally smaller populations and rate bases make this increasingly challenging for regional councils, many of which are operating under rate-capped or rate-pegged systems.

In addition, there is growing demand from local government to partner with the State and Federal Governments to deliver social and affordable housing options, but these partnerships cannot be delivered without financial and policy support.

Infrastructure costs

Activation of land for new housing development requires provision of essential services and enabling infrastructure to be provided by local government. However, 80 percent of RCA members say the increasing costs of providing these services and infrastructure are a roadblock to new housing.

RCA members therefore strongly welcome the Australian Government's $500 million Housing Support Program. RCA members have noted this fund should assist in the provision of essential services such as water, sewerage, energy and NBN, and community infrastructure including site works, streetscape works, conservation reserves, transport hubs and public transport facilities.



[4] *https://regionalaustralia.org.au/common/Uploaded%20files/Files/Regional%20Movers%20Index/Regional-Movers-Index-September-2023-Report.pdf.pdf*
[5] *https://www.domain.com.au/research/vacancy-rates-october-2023-1245973/*
[6] *https://www.proptrack.com.au/wp-content/uploads/2022/10/PropTrack-Rental-Snapshot-Oct-22.pdf*
[7] *https://www.housingaustralia.gov.au/research-data-analytics/state-nations-housing-report-2022-23#:~:text=More%20than%201.8%20million%20new,properties%20(e.g.%20holiday%20homes).*

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RCA members also believe it is important the Housing Support Program provide:

- Recognition of higher service and construction costs for regional cities, with dedicated funding for the regions;
- Flexibility to accommodate a diverse range of regional projects, including infill opportunities;
- Timely announcements of funding so successful projects can be included in councils' budget deliberations; and
- Multiple funding rounds to allow for appropriate planning.

RCA recommends there is a regional stream of the $500 million Housing Support Program to support the provision of essential services, planning support and funding for council infrastructure.

RCA also recommends that the guidelines for the Housing Support Program allow for a flexible approach to project delivery to accommodate the diversity of regional areas.

Local Government Skills Shortages

According to the Planning Institute of Australia, 232 local government areas in Australia (43 percent) have no planners working within them.[8]

Almost three-quarters of RCA members (73 percent) report shortages of both statutory and strategic planners, two-thirds (67 percent) report shortages of building surveyors and almost half (47 percent) report shortages of building inspectors and engineers.

Councils also note shortages of urban designers and environmental health professionals.

RCA members say there is a critical need for more regionally-based tertiary education options in planning, building surveying and environmental health roles.

They also propose education scholarships and subsidies for students in areas of skills shortages, along with state and federal government sponsorship of local governments to employ cadets and trainees in skills needs areas.

"Building surveyors are a 'dying breed'... many LGAs are struggling to fill building surveyor roles. ... a survey a few years ago suggested over 50% of building surveyors were intending to leave the industry due to retirement."

[8] *https://www.planning.org.au/news-archive/2021-2023-media-releases/new-data-shows-growing-shortage-of-urban-planners---bad-news-for-housing-regional-communities-transition-to-net-zero*

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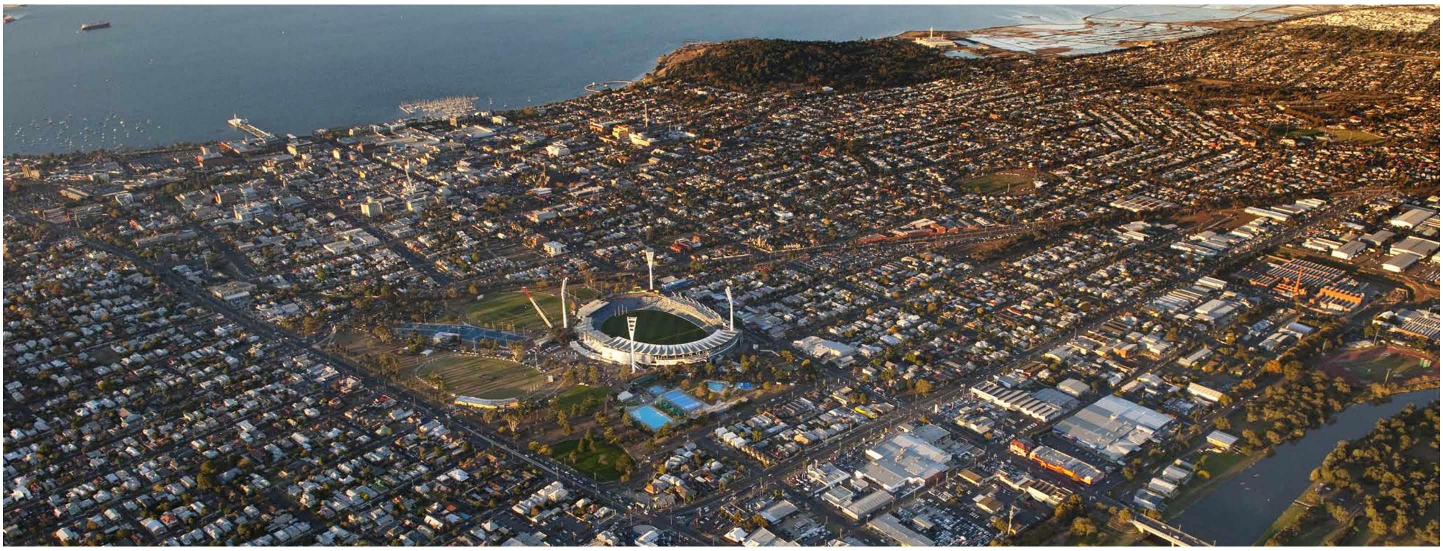

Challenges

Australia's 51 regional capitals play a vital role in the growth and diversification of Australia's economy. These cities are centres for decentralisation, hubs supporting regional industries and mining, and key to Australia's zero carbon economy.

However, the ability of regional cities to fulfil this role is increasingly challenged by the rate of population growth and shortage of housing needed to accommodate the growing regional workforce. Availability and affordability of housing for those relocating to work in regional cities and on major projects are fundamental to future prosperity.

While the need for increased regional housing is clear, boosting supply faces a range of impediments including rising costs, skill shortages, planning delays and supply chain issues.

Supplying Housing for Major Project Workers

The impact of major project and construction workers on housing demand in regional Australia must be understood.

In some cases, major projects will bring hundreds and even thousands of new workers into regional areas, with a need for short to medium term housing:

- Dubbo is the major urban centre in the Central West and Orana Renewable Energy Zone where development of transmission infrastructure and renewables projects is projected to require 6,000 workers;
- The Pilbara Region has a $177 billion pipeline of minerals investment of which more than $46.1 billion is already committed; and
- Projects around Griffith include the new $250 million Base Hospital, Murrumbidgee Irrigation water infrastructure projects and expansion by large private sector businesses.

Without specific measures for worker housing this otherwise welcome economic activity will continue to exacerbate the regional housing shortage (please refer to our Housing Innovation Fund).

Skills Shortages

Construction of new housing in regional cities is held back by the growing shortage of builders and tradespeople, according to 87 percent of RCA members.

While an RCA member survey found dwelling approvals have increased 58 percent on average over the last five years, members report that completions are slowing due to the lack of builders.

This is confirmed by Master Builders Australia, who found during 2022-23, the average build time for detached houses increased from 10.3 months to 11.7 months.[9]

RCA members report shortages in regional trade skills across the board, including: electricians and plumbers (87 percent); carpenters and joiners, construction project manager and civil engineers (80 percent); painters and bricklayers (73 percent); plasterers and cabinet makers (67 percent); and surveyors, quantity surveyors, glaziers, tilers, architects and structural engineers (60 percent).

Regional building industries are also unable to compete with major infrastructure projects for skilled staff.

Master Builders estimate that to meet growth projections and replace workers leaving the industry, 486,000 workers need to enter the building and construction industry between February 2023 and November 2026 – nearly half will need to be in technician and trade roles.[10]

[9] *https://www.mbansw.asn.au/media/industry-news/new-home-building-times-continue-worsen*

[10] *ibid*

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Recommendations identified by RCA members to address regional skills shortages include:

- **Increasing skilled migration;**
- **Scholarships and subsidies for degrees and training in skills shortage areas;**
- **Greater investment in technical education and apprenticeships; and**
- **Investment in vocational education in more locations as travel costs are a major barrier to completion.**

"The issues are across the board - at every level in every industry there are issues filling roles, because demand overall has increased massively, and whilst people want to come and take up the roles, many can't because of the cost and lack of availability of housing."

Social and Affordable Housing

The growing shortfall between the number of social and affordable houses needed in regional capital cities and the number available is well established.

The City of Ballarat estimated that in 2021 the need for social or affordable dwellings was 6,686 dwellings, while there were 1,665 available. Demand is expected to grow by more than 60 percent by 2041 to 10,850.

The shortage of affordable housing is being felt across regional economies from business investment and major projects to service delivery, diversity and liveability.

One hundred percent of regional capitals report local health services are affected, followed by major local industries (93 percent), infrastructure construction, and tourism/cultural services (87 percent) and education, major development and business attraction (80 percent).

Eighty percent of regional capitals nominate provision of social and affordable housing and key worker accommodation as the greatest opportunities if land can be released for new housing.

Regional cities are actively examining a range of local options to boost affordable housing. However, more support is needed from State and Federal Governments including:

- **Release of state land for housing;**
- **Planning guidelines for social and affordable housing, including mandatory inclusionary zoning or pre-set ratios;**
- **Flexibility for infill development in established areas;**
- **Refurbishment or redevelopment of state owned derelict housing;**
- **Innovative housing solutions such as 3D printing, modular and prefabricated housing;**
- **Support to facilitate development of project partnerships with local housing providers; and**
- **Ongoing support for enabling infrastructure costs, such as the Housing Support Program.**

"The Town is committed to building housing for service workers to allow service workers an affordable housing option. However, our studies indicate that our service worker housing project will address 10% of the demand for affordable housing for service workers."

Opportunities

In order to manage regional population growth and help meet nationally agreed housing targets, including affordable housing, RCA members recognise the need for a broader local housing mix.

Within five years, it is expected lone person households will be the fastest growing household type across Australia.[11]

Cities are examining approaches for different dwelling types, including accommodation for smaller households such as major project workers, single person households and aging residents, as well as methods to deliver regional housing more quickly and at a lower cost than traditional family homes.

Innovation

Innovation is key to achieving greater diversity in the housing market, such as entry level and small format homes, and improving the supply of social and affordable homes.

This includes different approaches to housing planning and construction, density options and size of allotments, reuse of existing housing stock, repurposing of buildings and innovative partnership arrangements. RCA members report a range of innovative measures are under consideration, including:

- 3D printing (currently testing with community infrastructure);
- Prefabricated and modular homes;
- Refurbishment of existing buildings for short-term worker accommodation; and
- Innovative approaches for accommodation for major project workers:
  - o Modular villages (a percentage to be retained as permanent dwellings);
  - o Repurposing of council land such as caravan parks;
  - o Development of housing camps close to towns, so on project completion land can be on-sold with council infrastructure already in place; and
  - o Partnerships with major employers to provide secondary dwellings on private properties for worker accommodation.

Funding remains the greatest barrier to progressing innovative local housing solutions. Not only are new approaches usually ineligible for funding under existing government programs, council housing investments are not GST exempt.

RCA recommends the Government consider the establishment of a Housing Innovation Program to fast track innovative approaches to housing projects. This fund could improve supply and overcome supply chain and skills challenges currently in regional capitals.

Density Done Well

Density can help meet regional housing demand by delivering additional housing stock in shorter timeframes. It can also improve affordability of housing through lower costs, including utilisation of existing community infrastructure and essential services.

While density in some cities might include granny flats or apartments, other councils see smaller lot sizes with freestanding dwellings in neighbourhoods within walking distance to amenities as a happy medium.

However, density does not suit every area or neighbourhood and community opposition has been reported by 79 percent of RCA members. It can also place a strain on existing infrastructure.

"There would not be opposition as long as it was in the right areas."

[11] *https://www.housingaustralia.gov.au/research-data-analytics/state-nations-housing-report-2022-23#:~:text=More%20than%201.8%20million%2 new,properties%20(e.g.%20holiday%20homes).*

To deliver density done well, regional cities require:

- **Simpler and improved planning systems, such as the Victorian government's recently announced exemption of small second homes from state or council planning approvals under certain conditions;**
- **Fast tracking planning and zoning changes;**
- **Support from State Governments to incentivise and promote higher density developments in the right locations;**
- **Provision of land from state governments to develop new, higher density housing; and**
- **Investment from state and federal governments (such as the Housing Support Program) in supporting transport infrastructure - particularly bus services, streetscape and amenity upgrades.**

Derelict Housing

Around three-quarters of regional capitals report they have derelict housing stock which could be updated for social and affordable housing. It is estimated that refurbishment or renewal of stock could provide more than one hundred additional homes in some cities.

The majority of derelict housing is owned by state governments, with most of the remainder in private hands.

Options for derelict housing include basic remediation to make houses habitable, which could be completed in as little as six months; or demolition and redevelopment of sites at greater density, which would take one to two years.

Advantages of utilising derelict stock include minimal planning requirements, leveraging of existing civil infrastructure reducing local government costs, and potential to deliver housing at a lower cost and shorter timeframe than new builds.

Utilisation of derelict housing stock requires:

- **State Government prioritisation of derelict housing upgrades;**
- **Local audits of derelict housing to determine ownership, condition and potential use; and**
- **Funding for:**
  - **Upfront capital to upgrade state-owned housing;**
  - **The purchase and upgrade of privately owned homes or to incentivise private owners to renovate; and**
  - **Incentivisation of derelict home investment and remediation partnerships with the private and community sectors.**

"... there is a significant amount of derelict or at least no longer fit for purpose social housing, usually at quite low densities...which could be redeveloped at greater densities, total housing stock increased, and the whole process largely paid for by selling some of the new housing into the private housing market."

Summary of Recommendations

Area	Recommendation
Infrastructure costs	Develop a population policy to encourage businesses and families to move to the regions, and that RCA be consulted during the development of this policy.
	RCA recommends there is a regional stream of the $500 million Housing Support Program to support the provision of essential services, planning support and funding for council infrastructure.
	RCA also recommends that the guidelines for the Housing Support Program allow for a flexible approach to project delivery to accommodate the diversity of regional areas.
Skills	Recommendations identified by RCA members to address regional skills shortages include: • Increasing skilled migration; • Scholarships and subsidies for degrees and training in skills shortage areas; • Greater investment in technical education and apprenticeships; and • Investment in vocational education in more locations as travel costs are a major barrier to completion.
Social and Affordable Housing	• Regional cities are actively examining a range of local options to boost affordable housing. However, more support is needed from State and Federal Governments including: • Release of state land for housing; • Planning guidelines for social and affordable housing, including mandatory inclusionary zoning or pre-set ratios; • Flexibility for infill development in established areas; • Refurbishment or redevelopment of state owned derelict housing; • Innovative housing solutions such as 3D printing, modular and prefabricated housing; • Support to facilitate development of project partnerships with local housing providers; and • Ongoing support for enabling infrastructure costs, such as the Housing Support Program.
Innovation	RCA recommends the Government consider the establishment of a Housing Innovation Program to fast track innovative approaches to housing projects. This fund could improve supply and overcome supply chain and skills challenges currently in regional capitals.
Density Done Well	To deliver density done well, regional cities require: • Simpler and improved planning systems, such as the Victorian government's recently announced exemption of small second homes from state or council planning approvals under certain conditions; • Fast tracking planning and zoning changes; • Support from State Governments to incentivise and promote higher density developments in the right locations; • Provision of land from state governments to develop new, higher density housing; and • Investment from state and federal governments (such as the Housing Support Program) in supporting transport infrastructure - particularly bus services, streetscape and amenity upgrades.
Derelict Housing	• Utilisation of derelict housing stock requires: • State Government prioritisation of derelict housing upgrades; • Local audits of derelict housing to determine ownership, condition and potential use; and • Funding for: o Upfront capital to upgrade state-owned housing; o The purchase and upgrade of privately owned homes or to incentivise private owners to renovate; and o Incentivisation of derelict home investment and remediation partnerships with the private and community sectors.

City of Busselton

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