



Gippsland Workforce Housing Review

March 2024



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Executive summary

Regional Victoria is facing a significant shortage of housing, which is affecting the attraction and support of workers in local industries. Affordable and available housing plays a crucial role in stimulating economic growth and improving the quality of life in regional Victoria.

Victoria's Housing Statement and key initiatives including the Big Build and the Regional Worker Accommodation Fund recognises the urgency to stimulate action to resolve the current housing crisis across the state. Applying these Government led policy initiatives in a regional setting, together with identifying other locally generated solutions, will be important to unlocking housing challenges in regions.

Gippsland is not immune to the shortage of workforce housing and needs. Several economic shocks, such as COVID-19 regional migration, economic transitions in major traditional industries like timber and coal mining, and severe weather events, have impacted the availability of affordable housing for workers in Gippsland. Emerging industry opportunities in renewable energy and mainstay industries like agriculture and health also demand the provision of workforce accommodation in the future.

Currently, Gippsland faces a significant housing stock shortage of approximately 4,850 affordable homes to meet current demands. Although Gippsland represents 19% of the regional population in Victoria, it has over 30% of the total state housing gap. To seize emerging economic opportunities, action needs to be taken now.

Building on the work of the Cube Group and Aerium in 2022, the Gippsland Regional Partnership aims to build further understanding of the workforce housing need and challenge, as well as gain perspective on how government led initiatives from Victoria's Housing Statement could positively stimulate housing activity in regional areas. It has worked extensively with its membership and key regional stakeholders, including local government, education, peak bodies, and industry, to identify current and future workforce housing challenges and needs across Gippsland. Now, it seeks to gain further perspective and lived experience from the voice of the industry in renewable energy, health, and agriculture. These were identified as priority industries that present the greatest need or future economic opportunity for Gippsland.

This document summarizes the three think tanks and one-on-one discussions held between September and December 2023 as we heard it from participants. This 'play back' serves as a record of the conversation and the ideas industry and government stakeholders had to unlock Gippsland's workforce housing challenge.

The learning from these conversations and key recommendations of this report are offered to the Gippsland Regional Partnership to help shape its own advocacy position for Gippsland Workforce Housing.

Key themes to respond to our housing challenge

Three themes emerged as key to responding to Gippsland's housing challenge, noting that they have relevance to supporting housing needs more broadly across regional Victoria. With current and future housing projections, it was unanimously agreed that action needs to start now, with industry, government and community coming together to create a lasting legacy for Gippsland.

To meet our housing challenge Gippsland needs:

- 1 Better regional planning and design to incentivise housing development and growth**
- 2 Planning reform and fast tracking of approvals**
- 3 Funding, tax relief (reform) and insurability to enhance affordability**

What do we already know about workforce housing challenges in Gippsland?

- 1** **30%** **Gippsland is in a lag state with housing availability**

While Gippsland has only 19% of Victoria's regional population, it has over 30% of the regional housing gap.
- 2** **Housing will be an enabler to current and future economic opportunities**

Agriculture, health and community services and renewable energy opportunities present the most imminent workforce housing demand.
- 3** **Workforce housing pressures likely to emerge in regions outside 'growth hotspots'**

This has implications for 'hard' and 'social' infrastructure that is necessary to unlock development and create long-term employment.
- 4** **Rental affordability across all of Gippsland has decreased**

At a significantly higher rate than the rest of Victoria.
- 5** **Gippsland is diverse and drivers of workforce housing shortages and solutions vary**

Climate risk including fire, flood and coastal inundation pose barriers and challenges to housing solutions Need for more housing diversity.

Change in median house prices across Gippsland Oct 2020 – Dec 2021

Bairnsdale	27% increase	Drouin	21% increase
Paynesville	25% increase	Warragul	26% increase
Sale	27% increase	Wonthaggi	46% increase
Rosedale	20% increase	San Remo	54% increase
Traralgon	27% increase	Korumburra	35% increase
Morwell	41% increase	Leongatha	15% increase

Source: Victorian Property Sales Report – Median House by Suburb Quarterly

Key industry challenges

Tourism & visitor economy	Agriculture & primary production	Offshore wind (renewable energy)
<p>Lack of housing identified as a key barrier across half of the LGAs.</p> <p>Key industry in region's economy.</p> <p>Seasonal workforce and relatively low paid.</p> <p><i>Eg. Isle of Wight – Phillip Island</i></p>	<p>Key employer across the region and critical to the state's food supply.</p> <p>Often seasonal workforce.</p> <p>Unique housing challenges posed by proximity to farms and connectivity to towns.</p> <p><i>Eg. Flavorite Food</i></p>	<p>Will attract a diverse range of workers (including overseas) for projects that may ramp up quickly.</p> <p>Locations of potential projects currently not well developed and lack of enabling infrastructure and amenities.</p> <p><i>Eg. Port Abert</i></p>
Health services	Manufacturing & building	Education
<p>Major factor of enabling infrastructure that supports existing community and attracts new workers.</p> <p>Key employer in Gippsland.</p> <p><i>Eg. Latrobe Hospital</i></p>	<p>Manufacturing/processing often have large numbers of employers.</p> <p>With scale, employers have options to develop their own workforce housing.</p> <p><i>Eg. Building industry to support bush fire recovery, East Gippsland</i></p>	<p>Education workforce is a key enabling factor that can attract and sustain workforce across all sectors.</p> <p>Early years education has been highlighted as particularly urgent.</p> <p><i>Eg. South Gippsland towns</i></p>

Source: Cube Group, Bringing Workforce Housing Solutions to Life workshop findings.

Planning Application Performance Reporting – Jan to Dec 2023

	Statewide – All Victoria	Regional Victoria	Gippsland
Applications received	38,706	12,095	2,263
% within timeframe	60.89%	59.33%	50.81%
Average processing days to determination (median)	139.8 days (90 days)	136.3 days (89 days)	144.1 days (96 days)
Average processing days to final outcome (median)	148.3 days (92 days)	142.4 days (90 days)	148.3 days (97 days)
Public Notices	14,882	4,557	776
Referrals	9,066	4,977	1,156
Submissions	5,103	1,204	167
Further information	21,110	5,899	1,004

Planning Application Performance Reporting – Jan to Dec 2023

	Bass Coast Shire *	Baw Baw Shire	East Gippsland	Latrobe	South Gippsland	Wellington
Applications received	408	386	549	318	377	493
% within timeframe	59.87%	35.18%	28.46%	83.33%	13.40%	65.52%
Average processing days to determination (median)	167.9 days (126 days)	182.5 days (122.5 days)	146.5 days (99 days)	119.3 days (90 days)	200.7 days (173.5 days)	67.2 days (32 days)
Average processing days to final outcome (median)	166.7 days (127 days)	200.7 days (127 days)	145.6 days (96 days)	117.6 days (91 days)	202.7 days (175 days)	58.1 days (31 days)
Public Notices	179	170	137	139	176	96
Referrals	62	182	188	246	322	207
Submissions	63	43	27	26	38	19
Further information	213	305	86	184	193	160

Source: [Planning permit activity reporting](#)

* Bass Coast Shire Council was in the process of migrating to a new system during this reporting period and as a result data may not be complete

Our approach

The engagement with stakeholders was undertaken over a three-month period from September 2023 to December 2023 and encompassed the following:

Stakeholder identification

Regional Development Victoria provided Aerium with a list of stakeholders to engage in this review. Demand Industry Representatives from varying industry sectors representing both supply and demand. More than 50 people came together to share their knowledge and experiences via workshops or one-on-one interviews to participate in workshops and interviews.

Think tank workshops

Three online 'think tanks' were organized to provide a platform for property developers, agents, professional service providers, and industry leaders to come together and discuss Gippsland's workforce housing:

- > Problems
- > Probable causes
- > Possible solutions

Summary of solutions

Finally, a collective summary of the solutions suggested by the above stakeholders is presented for Gippsland Regional Partnerships to consider in their advocacy statement.

Interviews

One on one interviews were carried out with Housing Industry Players including developers, engineering consultants, land development consultants, and real estate agents to gain insight into the challenges of the development of land and creating of housing stock.

Partnership Review

Interim feedback and learnings from the interviews and think tanks were consolidated and presented to the Gippsland Regional Partnership for input and identification of themes and priorities.

Limitations

This report provides account of the feedback and terminology used by respondents. It does not seek to validate the feedback or identify root causes, nor reference statistics, trends, or industry analysis. Inclusion does not constitute agreement by Aerium.

Who we spoke to

The following key stakeholder types were engaged in this review. Names of individuals or organisations have been omitted on request of the participants due to confidentiality requirements or concerns of being labelled critical of key authorities and processes.

Housing industry players

Housing Industry Players comprise of developers, engineering consultants, land development consultants, real estate agents.

Following is an account of their feedback and observations on the key challenges they face in developing land, constructing houses, selling housing, and managing rentals.

Demand industry representatives

Demand Industry Representatives comprise of leaders in Health and Community Services, Renewable Energy, Agriculture and Education. Local Government representatives also participated in the conversation

They provided feedback and observations of the issues they see and hear in the housing industry and the challenges they face in meeting the accommodation and housing needs of their workforce.

Regional advocates

Members of the Gippsland Regional Partnership were active participants.

What we heard

The following pages provide a 'play back' of the feedback provided by Housing Industry Players and Demand Industry Representatives.

Their words not ours.....



Housing Industry Players

Lengthy planning approvals

Protracted planning requirements and lengthy approval times were unanimously reported as the most significant barrier to solving our housing needs.

The timeframe for the issuing of planning permits can be lengthy and with significant variance between not only Gippsland Councils but other regionally based Councils. A review of Gippsland Council's planning performance indicates an average of 148 days to final outcome of an application, well in excess of the 60 days target¹.

Some developers have cited that the planning permit decision-making process can take up to 18-36 months. Inconsistency in application, referral and technical study requirements, as well as holdups in zoning and rezoning of land, are major contributors to delays. As an example, a developer in East Gippsland completed 27 technical studies as part of the application process.

Early notification of permit conditions and processes followed by referral authorities can vary significantly making it difficult for developers to know minimum permit standards. Some referral authorities don't place conditions on planning permits, only when starting to build. This makes it difficult to manage costs and time. Some authorities like Melbourne Water can take years to assess design plans, due to the quantum of workload.

"It used to take 4-6 months to get a planning permit. It now takes an average of 3 years for developments of my size".



Feedback and objections to permits

Rightly, planning applicants are required to advertise future developments for open citizen review and objection. While the purpose of consultation is not debated by developers, the ease and the basis by which an objection can be submitted is often a point of significant delay and cost. The matter enters VCAT which requires a minimum 12 months wait time plus time to resolve post VCAT decision. Developers cite it is very rare to begin a development within 2 years and construct housing within 5 years of a new greenfield development.

Not setting aside enough land

All housing industry players stated that insufficient land is being set aside for development and remains a major barrier to know where housing opportunities can be created. Hold ups in zoning and rezoning land in regional areas, particularly farm land is a significant blocker to new subdivisions.

Onerous standards

Consistency in application and technical study requirements can also be a point of frustration for developers. Planning authorities regularly need to introduce new requirements and standards to ensure balanced environmental, social and economic outcomes. This however can have long lead times, increased requirements for external studies, which can increase the time, cost and effort of application and approval. Often developers will side step developments in areas where Councils have perceived too onerous requirements.

Limited council resources

Developers and consultants felt that local planning departments are significantly under-funded due to rate capping, under-resourced and getting 'battered by the system'. Ensuring appropriate resourcing within Planning Authorities is critical to responding to housing opportunities. It was suggested that paying higher fees to fast-track approvals for large developments has merit if more resources could be mobilised quickly. Equally centralising generic applications through a regional agency may allow better utilisation of inhouse Council planning expertise on more complex projects.

Decision making

Strategic decisions relating to growth and re-zoning are managed differently in metropolitan to regional areas. For example, The City of Casey and Cardinia Shire receive approval direct from the Victorian Building Authority due to being designated high growth areas, which bi-passes local council decisions and helps fast-track development.

Higher density, alternative design and temporary housing is discouraged

Precinct structure plans are generally discouraging or silent on higher-density housing, alternative building modes and temporary housing in Gippsland. Alternate methods of living are required to combat our housing challenge and developers/builders/industry need to be rewarded for thinking outside the 'traditional household model'. Prefabricated and modular builders cite many hurdles in obtaining permits.

Sunset clauses – buying from the plan

The Sale of Land Amendment Act 2019 requires permission from the buyer or Supreme Court of Victoria before developers can exercise a sunset clause.

A sunset clause gives the parties to the contract a time limit in which they can act to meet the requirements specified in the contract. The contract may specify that the developer must finish the project by a certain date, and if the project is held up due to issues such as with authorities or other third parties outside of the developer's control, the buyer can walk away from the contract.

Off-the-plan sales are critical to developers managing their cash flow and are required by banks in order to lend funds. While the sunset clauses exist to protect both buyer and seller, the current timeframes and uncertainty of permits and approvals elevates the risk to developers.

Lack of trades

A shortage of skilled tradespeople in civil and housing construction in regional areas was reported by all respondents. Local contractors find it difficult to compete with major metropolitan projects like the North East Link Project. Access to affordable and appropriate housing in regions for these workers and their families is also cited as an emerging issue. One builder said, "the guys get paid more in metro and have better housing choice meaning its not worth their while financially to take up contracts in regional areas".

Time is money

The holding cost of land is increasing and being passed on to the buyers. Interest rates in the order of 12% are common. Access to finance is getting more difficult for developers and builders.

Skyrocketing building costs

The cost to build housing has skyrocketed and million dollar properties in townships like Traralgon are not uncommon. Local builder contracts can be in the order of \$600,000 for 3-4 bedroom houses atop \$300,000 for the block of land and another \$100,000 in fencing, driveways and landscaping.

The cost of supply to builders is increasing.

Volume builders can offer cheaper builds due to their buying power however mainstream news of industry volatility and insolvency is making buyers nervous.

People are steering away from vacant land and preferring to buy 'turn key' houses that don't need any work. Homes that need amount of work or renovation are harder to sell because of a lack of tradespeople.

Stamp duty

Stamp duty is also claimed to be expensive and adding to unaffordability, making it more difficult to make the decision to move house for new employment or to downsize.

Demand for rental properties is high

The demand for rental properties is high across Gippsland and in turn this is driving above average rental returns and fast letting times. Significant bulk rentals by 'corporate renters' in health and education who are requiring accommodation for itinerant and relocating staff is adding to higher clearance rates and weekly returns. These rentals are diminishing the letting lists available and affordability for other renters.

Real estate licenses are getting harder to obtain

For a salesperson or property manager to undertake their trade as a real estate agent's representative, they have to undertake 21 modules over a 12 month period. In more recent years, applicants could sit 4 modules over several weeks and be licensed to work in the industry as an agent under a non-official apprenticeship model. These new requirements are affecting industry's ability to attract and train staff.

Reduced First Home Buyers Grant

According to IBISWorld, first home buyers account for 30% of the housing construction market in Australia. If you are buying or building a new home valued at less than \$750,000 or less, buyers are eligible for the \$10,000 First Home Buyers Grant (FHBG).

Housing Industry Players have stated that this grant has reduced in real terms since introduction and adversely affects the buying propensity.

Tax Reform is needed

Taxation and duties can operate as a disincentive for housing development in regional areas. It was considered a significant barrier to solving our housing challenge

The windfall gains tax was introduced in July 2023 by the Victorian Government to capture a large percentage of the uplift in value that results from land being re-zoned. The tax is imposed on the owner of the land at the time that land is re-zoned. The rate of windfall gains tax can be higher than the equivalent rate of the Growth Areas Infrastructure Contribution that applies in designated high growth areas in metropolitan and outer fringe areas.

The windfall gains tax is of considerable concern to developers and landowners and is often a factor in decisions to 'land bank' land that would be ideal for housing development and infrastructure in rural areas.

Ultimately, the windfall tax cannot be absorbed by smaller developers and will be passed onto consumers. It is predicted it will slow the industry down further, increase holding costs and cash flow challenges, and further compound housing unaffordability.

“Landowners are refusing to have their land re-zoned due to Windfall Gains Tax implications”.

Land development consultant & workshop participant



Demand Industry Representatives

Regional strategic direction

There is a lag in regional and industry strategic planning, master planning, and subsequent precinct structure plans.

Direction is needed from government with respect to infrastructure and housing needs for high-growth industries and localised growth hot spots. A better understanding of the type, quantum, and location of housing for particular demographics is needed.

There is a perception that planning is carried out in industry silos and at a municipal level only, with insufficient collaboration and coordination at regional level.

Fast-tracking approvals is critical

Big Builds and Victorian Housing Statement initiatives are a good step, but they don't go far enough.

Key priorities need to be developed and implemented with regional areas in mind. Growth hotspots should be qualified for fast track approvals like peri-urban high growth areas.

Renewable energy licences

Significant housing demand will come off the back of Gippsland's renewable energy zone. Late notification of offshore wind farming licences and other forms of renewable energy impacts the ability to 'action' workforce housing needs.



Housing density

Appetite for higher density living, shared living, temporary accommodation, and prefabricated accommodation still appears low across Gippsland.

Community desires and expectation, workers expectations, and marketability for builders/developers still appears firmly in low density living. Developers build to the demand.

Higher density housing should be stipulated as a requirement in high growth and high need areas and developers and industry rewarded for innovative housing solutions.

Major industry investment needed

Major industry and big builds need to have an 'allowance' for housing built in, which may include a 'developer contribution'. Broader master plan thinking is needed to ensure new major developments and employers to regions consider housing and liveability impacts, eg. new hospital builds must include worker accommodation, renewable energy developments consider temporary and permanent accommodation.

Pressure on employers

There is pressure for employers to provide accommodation for workers, which is largely outside their control and expertise.

One health services provider cited they require 150 rental properties to meet this need now, with further demand needed with hospital expansions underway.

Corporate renters as often considered 'blue chip' and preferred by landowners impacting access to rentals for other residents at affordable rates.

Employers also cite they are expending significant time administering property arrangements which takes them away from core business and deemed expertise areas. Opportunity to centralise this function across the region similar to large mining sites or Department of Defence was tabled as a potential solution.

Government operating funding models unsupportive

The Health Services funding model doesn't support the industry to solve their own housing problem. Health care funding is specific on service delivery (acquittals for deliverables). Operating surplus is needed to expand on core services or undertake health-related projects and is not available for capital investment in housing.

There are also policy and taxation implications of entities owning and operating housing.

Health Services can only lease property, which increases pressure on the rental market.

Insurability risk

Insurability of more remote properties is an emerging risk and becoming more difficult. New standards for fire safety are also increasing building costs.

Innovative accommodation models

Exploring opportunities for temporary and permanent worker accommodation was identified as needed across the health, renewable energy and agriculture sectors. A pilot project in partnership with Federation University and Latrobe Regional Hospital was identified as an example of collaboration, fit for purpose and achieving increased housing utilisation. Equally collaborative discussions to pool resources to leave a housing legacy to Gippsland communities should progress with Latrobe Valley Authority and Regional Development Victoria.



Summary of solutions

Following is a summary of solutions put forward by Housing Industry Players and Demand Industry Participants for Gippsland Regional Partnerships to consider in their advocacy position. Many of which may have relevance for all regional areas.

Applying a regional lens to planning design to incentivise housing development and growth.

- 1.1** Planning policy needs to be geared to regional Victoria with incentives to stimulate housing action. Advocate for changes in
 - > Planning process and decision making
 - > Tax reform and duty relief – eg. Windfall Gains Tax
 - > Land zoning reform – farming lots and housing density
- 1.2** Identify and support key initiatives of Victoria’s Housing Statement that create positive benefit for Gippsland eg. Worker Accommodation Fund.
- 1.3** Highlight ongoing housing and rental affordability challenges to State and Federal Government.
- 1.4** Secure investment to apply the Victorian Housing Statement Plan with a regional Gippsland lens. Direction is needed from government with respect to infrastructure and housing needs for high-growth industries and localised growth hot spots. A better understanding of the type, quantum, and location of housing for particular industries and household demographics is needed. Establishment of liveability/amenity criteria to ensure communities are supported with hard and soft infrastructure.
- 1.5** Improve renters rights as highlighted in the Housing Statement by establishing an independent body to manage rural and regional workforce housing for key identified sectors eg health, education, agriculture: house matching service, pilot rent subsidy scheme.
- 1.6** Build understanding and acceptance for alternative workforce accommodation models including temporary, higher density, student type across Gippsland communities.

Support housing diversity projects and pilots that provide innovative solutions to workforce house needs and cost of living eg: LRH and FedUni short stay accommodation refurbishment, Uni-town projects, seasonal workers, itinerant workers, Net Zero Planning.

Support projects like modular, prefabricated solutions that utilise innovation to reduce the length of time to build.

Planning reform and fast-tracking approvals

- 1.7 Support initiatives that address Gippsland’s skills shortage or blockers to workforce participation particularly in trade, planning and other identified sectors and professions eg: FedUni industry partnerships, apprenticeships, transport accessibility, pilot lower aged licences.
- 2.1 Amend the criteria for regional developments particularly in Gippsland to be fast-tracked (eg: reduce the \$15m investment minimum for higher density housing).
- 2.2 Tighten the criteria for acceptable grounds for objections to proposed development to reduce delays.
- 2.3 Establish key criterion and priorities with regional areas in mind. Growth hotspots should be qualified for fast track approvals like peri-urban high growth areas.
- 2.5 Support initiatives that recruit, retain and utilise planning resources in areas of highest need in regional areas and enhance planning outcome performance.

Funding, Tax Relief, and Insurance

- 2.6 Support Housing Statement initiatives and Activity Centre Plans that increases housing choice in activity centres and growth areas in regional areas.
- 3.1 Champion taxes and duty reform to provide incentives for affordable regional housing developments
 - > relax the Windfall Gains Tax rate
 - > provide stamp duty relief for social housing and higher density housing
- 3.2 Amend the health funding model to allow rural and regional health services to unlock capital to purchase worker housing to provide relief to housing rental demand in regional areas and support the Housing Statement initiatives of improving renters rights.
- 3.3 Develop a compelling case of support that seek to maximise fund allocations from Government housing programs and Victorian Housing Statement initiatives.
- 3.4 Ensure that that large-scale infrastructure projects have provision for developer contributions and/or workforce housing and accommodation as part of their social licensing requirements.

3.5

Advocate for a review of the insurance scheme to ensure affordability, access to and managing risk.

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