

# Social and Affordable Housing Strategy Background Paper – draft for consultation

16 March 2011

## Background Paper

This background paper aims to capture the range and complexity of social and affordable housing issues to inform the development of a social and affordable housing strategy through:

- policy analysis;
- collecting local housing data to inform the Strategy development; and
- Setting priorities for the implementation plan.

An affordable and social housing strategy needs to reflect housing's role in creating and sustaining successful places and communities, and at the same time capture the range of challenging issues of affordability and access to appropriate, safe housing within a tightening housing market. Variables likely to impact on Council's response to social and affordable housing issues include the policy context at Federal State and regional level, levels of development of market and social housing in Yarra, and the particular housing related needs of residents in the municipality.. Council's commitment to social justice and social inclusion, and to the health and well-being of Yarra's social and affordable housing tenants, supports the development of a Strategy that will achieve measurable outcomes through a considered approach to the most effective use of Council's limited resources..

## Policy Issues

### Changes in international policy development

Internationally, social and affordable housing policy is in flux. Governments in the UK, Ireland, The Netherlands, Canada and New Zealand, for example, are looking at the consequences of past social housing policies and endeavouring to construct a modernised vision for the future.

A strong international theme is the need to become better place makers as opposed to simply producers and managers of units of social housing. Delivery of social housing is moving away from functioning as though it were separate from the rest of society. There is wide agreement that the welfare approach to non-market housing is too narrow. The need to link affordable housing policies and provision with broader social and economic development has become apparent.

A key issue that these countries are incorporating into their vision for social housing is quality of place – communities that are fairer, more equitable, with greater social mobility, where social housing is seen to be a critical tool for dealing with the multiple dimensions and consequences of imperfect markets. Policy makers recognise that market failure creates unacceptable externalities including unemployment, poor housing conditions, homelessness, affordability problems, and distorted development.

It might be argued that the availability of good quality, affordable rental housing is a precondition for a successful and integrated economy. How this is achieved, the literature suggests, is with careful planning, with an understanding that decisions taken now unfold over decades, and that the old ways of thinking about social housing will not deliver for the future.

### Climate change impact

The *Municipal Public Health Plan 2009-2013* acknowledges climate change is a serious challenge: The Health Plan states: 'The potential effects of climate change within Yarra in coming decades include more frequent and severe heatwaves, storms and drought.' Social and affordable housing residents are often poorly equipped to handle severe weather events. Particularly concerning is the impact of severe and prolonged heatwaves on residents with poor health, and insufficient resources or options to find relief from the heat. High rise public housing is identified as being poorly designed to protect against heat.

Council's response to extreme weather events is therefore an important part of our role in maintaining the health and wellbeing of our most vulnerable residents.

## **Federal, State and Regional Housing Policies**

At Federal level, in 2008 the Rudd Government shifted policy focus onto housing and homelessness through the white paper on homelessness, *The Way Home*, which committed to halving homelessness by 2020, and in 2009 negotiated a National Affordable Housing Agreement with state governments to deliver \$6.2 billion worth of housing assistance to low and middle income Australians in the first five years.

. In response to the global financial crisis, the Federal Government invested a further \$5.6 billion nationally to construct additional social housing and repair existing properties through a Nation Building Economic Stimulus Plan. Victoria was responsible for delivering 4,500 new affordable rental homes and upgrades and repairs to 5,600 existing homes. This has delivered nearly 200 new affordable housing units in Yarra.

*A Fairer Victoria 2005* framed the State Government's policies and provided a commitment to boosting access to social housing as a way of addressing disadvantage. Over the last five years the Victorian government has continued to build new affordable housing, however demand continues to far exceed supply. With the election of a new State Government in November 2010, the new government's commitment to affordable housing issues in Victoria has not yet been clearly articulated.

Council is represented on the Inner Region Housing Working Group, which in 2005 prepared the Inner Regional Housing Statement. The Group was established to provide a regional strategic framework to plan for the housing needs of present and future households in the Inner Region of metropolitan Melbourne to 2031. The Statement notes that due to its complexity, the inner region requires careful management in order to provide for change while retaining the region's valued character and liveability.

Through the Inner Melbourne Action Plan (IMAP) Working Group on Implementing an Inclusionary Zoning Mechanism for the Inner Region, Council has been part of an advocacy campaign since 2007 to include an inclusionary zoning overlay within the Victorian planning scheme to increase the supply of affordable housing. While the previous State Government was not receptive, inclusionary zoning remains one of a range of planning mechanisms which

have been implemented in other states and countries to increase the supply of social and community housing. Due to the inner city context of high land prices and population growth, a better understanding is needed of the potential impacts and consequences of implementing inclusionary zoning in Yarra.

## City of Yarra Housing Strategy

The Housing Strategy is designed to provide a strategic approach to planning for and managing housing growth and change across the municipality. It outlines the breadth of policy areas relating to housing at Federal, State, Regional and local levels, and points out the lack of a comprehensive or integrated approach to housing policy across the levels of government.

Council's Social and Affordable Housing Strategy sits within the local policy context of the Housing Strategy, integrated with the Housing Strategy and other municipal policies and strategies relevant to housing. A core consideration is issues of social justice and social inclusion, through which the diversity, liveability, sustainability and prosperity of the municipality will be strengthened and enhanced.

## The Importance of housing

Secure, affordable and appropriate housing is a critical part of the health and wellbeing of individuals and families.

Housing is a major cost component of income and can decrease the resources available for food, clothing, education, recreation and health care. Housing is also an important part of people's identity and sense of belonging to a community. Social networks, including friends, neighbours and family as well as proximity to services and facilities impact of people's mental health.

Further, population diversity is impacted by housing types, suitability and affordability. Housing will influence the composition in terms such as age, cultural background, resident occupation & education levels, disposable income and in turn impact on local business and industry.

## The Affordability Problem

Generally for the purposes of housing policy, affordability is defined as accommodation that is appropriate for low-income households in terms of size, standards and access to services and facilities, and does not exceed 30% of gross household income for households in the lowest fifth of incomes.. In 2007 there were over 1.1 million Australian households (over 250,000 in Victoria) in housing stress, i.e. they paid more than 30% of their income on recurrent housing costs. Over half of these were private renters.

Research by the Australian Housing and Urban Research Institute in 2008 found that housing affordability problems create risks for the economy as a whole. In Yarra, the municipality's capacity to be a creative and diverse place, able to house a local workforce, has significant economic implications.

Meeting housing need is a perennial problem for government as the private market only manages to meet some housing needs. Building costs are part of the barrier to the affordability of housing although largely housing costs in Australia are based on the relative price of land.

Relative scarcity and demand for land drives housing costs. Australia's prolonged economic boom, and sustained high population growth, has led to an unusually high demand for housing while high employment levels and high wage growth has supported higher prices for rent and property sales. In turn, the increasing wealth tied to housing investment discourages governments from dramatic changes in housing policy.

Government policy has also moved to concentrate more housing and population growth in Melbourne's inner and middle suburbs to make use of existing infrastructure and reduce the growth on Melbourne's fringe.

In Yarra housing prices have grown dramatically in the last 15 years and have essentially created a 'bi-polar' housing market: a significant public housing stock and a small amount of other social housing, and an expensive private housing stock. Consequently there are very few low income households in Yarra outside of social or public housing.

In 2009, around 1% of Yarra's houses and units were available to households on the lowest three income deciles (below \$37,180). The threshold income needed to purchase a median priced dwelling in Yarra increased from \$96,912 in 2001 to \$129,427 in 2006. In 2009, the median price for all dwellings in Yarra was \$608,000 compared with \$400,000 for the Melbourne Statistical District.

## Housing in Yarra

### Home ownership

There has been a steady increase in the number of dwellings in Yarra – 13% growth over the 10 years to 2006 (see Table 1) <sup>1</sup>. However, less dwellings are owned outright (-13%) and there has been only a small increase in the number of properties being rented (6%). Most growth has been in people purchasing households – a 40% growth to 2006.

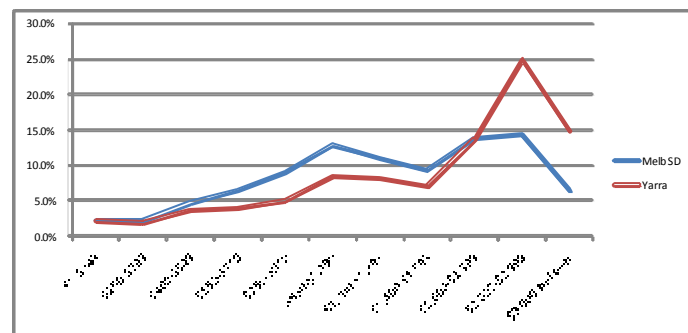
**Table 1: Housing tenure, 1996-2006**

	1996	2001	2006	Change 1996-2006
Fully owned	6,922	7,289	6,045	-13%
Being purchased	4,898	5,471	6,842	40%
Rented	14,249	14,646	15,081	6%
Other	198	270	199	1%
Not stated	1,642	2,415	3,457	111%
Total	27,909	30,091	31,624	13%

In August 2006, most Yarra households (53%) that are purchasing their home paid \$1,600 per month or more on their mortgage, compared to an average of 35% across Melbourne. Annually this equates to \$20,000 per year or more.

As seen in Figure 1, Yarra has relatively few households with low mortgage payments and it is likely that these households purchased their house many years ago when house prices were lower.

**Figure 1: Monthly house repayments for all private dwellings**

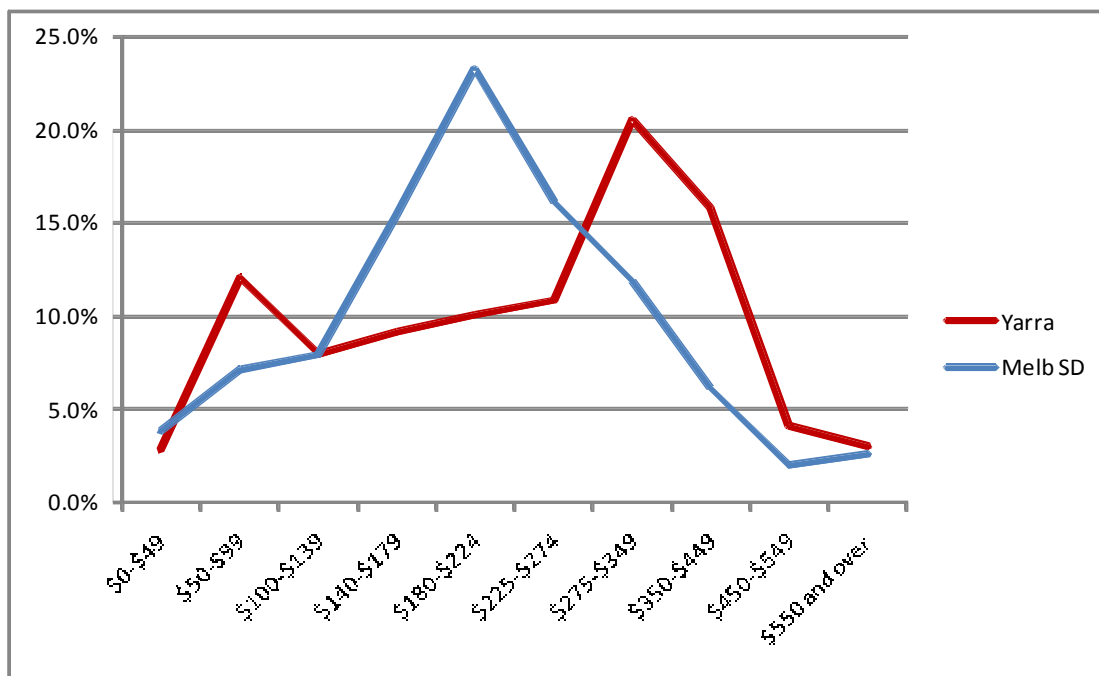


<sup>1</sup> Unless otherwise noted, data referred to in this strategy is drawn from the Australian Bureau of Statistics 2006 Census. Census data does however undercount the true population and caution should be used in interpreting some results where there is a high non-response to the question.

## Home rental

Yarra has a quite 'bi-polar' rental market with a significant number of public and social housing properties at the low cost end and most properties at the high cost end (see Figure 2).

Figure 2: Private dwelling rental, weekly payments (includes public and community housing)



Most of Melbourne's rental housing (55%) was priced between \$140 and \$274 per week in 2006 compared to only 30% of Yarra's. In contrast, Yarra had 23% of rental housing priced between \$0-139 per week and 44% \$275 per week or more, compared to 19% and 23% respectively for Melbourne.

## Disadvantage

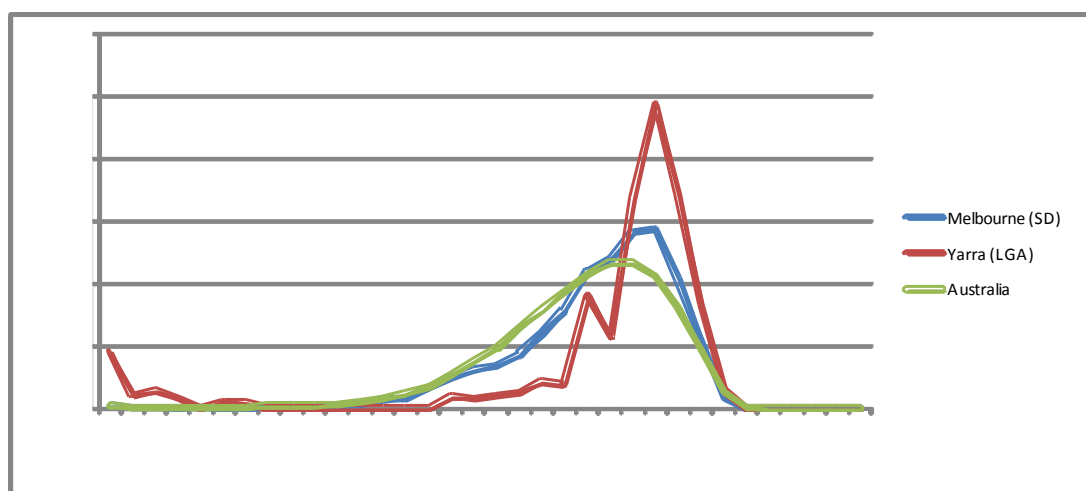
The City of Yarra is unusual in having a significant number of residents at both ends of the scale of relative disadvantage. On the Socio Economic Indexes For Areas (SEIFA) scale Yarra has 9% of its residents rated as very disadvantaged (under 700) and 83% of residents at the other end of the scale as least disadvantaged (over 1,000) (see Table 2).

Table 2: SEIFA Index, relative disadvantage

	Australia	Melbourne (SD)	Yarra (LGA)
Under 700	1%	1%	9%
Over 1,000	59%	68%	83%

This contrasts with the Melbourne and Australian averages where only 1% rated under 700 and a much smaller percentage rated over 1,000 (59% for Australia and 68% for Melbourne). In Figure 3 this contrast is evident, with Yarra having few residents in the middle of the scale.

**Figure 3: Distribution of relative disadvantage (SEIFA)**



Yarra has the 2nd highest median wage in Victoria (\$40,544), behind only Port Phillip (\$43,346) and way above the Victorian median (\$35,231). The median wage is the point at which half of wage earners are above this level and half below (ABS: Wage and Salary Earner Statistics for Small Areas).

Yarra is also home to around 8,000 public housing tenants. Public housing is prioritised to those most in need due to the significant shortage in dwellings. Consequently, most tenants are on Centrelink benefits.

## Population growth

Yarra's population grew slowly between 1996 and 2001 with only an additional 1,811 residents (see Table 3). However, in the 5 years to 2006 growth had accelerated with an extra 4,601 residents.

**Table 3: Estimated Resident Population**

	1996	2001	2006
Estimated Resident Population	67,136	68,947	73,548
Growth over last 5 years		2.7%	6.7%

It is forecast that Yarra's recent high levels of population growth will continue over the next 20 years (see Table 4). Around 5-6,000 more residents are expected in each 5 year period.

**Table 4: Forecast population**

	2006	2011	2016	2021	2026	2031
Forecast population	73,548	78,592	84,908	91,627	97,854	102,928
Growth over last 5 years		6.9%	8.0%	7.9%	6.8%	5.2%

## Dwelling types

Growth in Yarra's dwellings has been in what is typically higher-density housing. Semi-detached houses (such as terrace and town houses) grew by 11% between 1996 and 2006 and flats, units and apartments grew by 20% compared to only a 7% growth in dwellings over this period (see Table 5 and Figure 4).

Table 5: Dwelling types

	1996	2001	2006	Change 1996-2006
Separate house	5,868	5,940	5,618	-4%
Semi-detached, row or terrace house, townhouse	11,087	11,942	12,360	11%
Flat, unit or apartment	8,551	9,133	10,229	20%
Other dwelling	573	491	387	-32%
Structure not stated	568	225	8	-99%
Total	26,647	27,731	28,602	7%

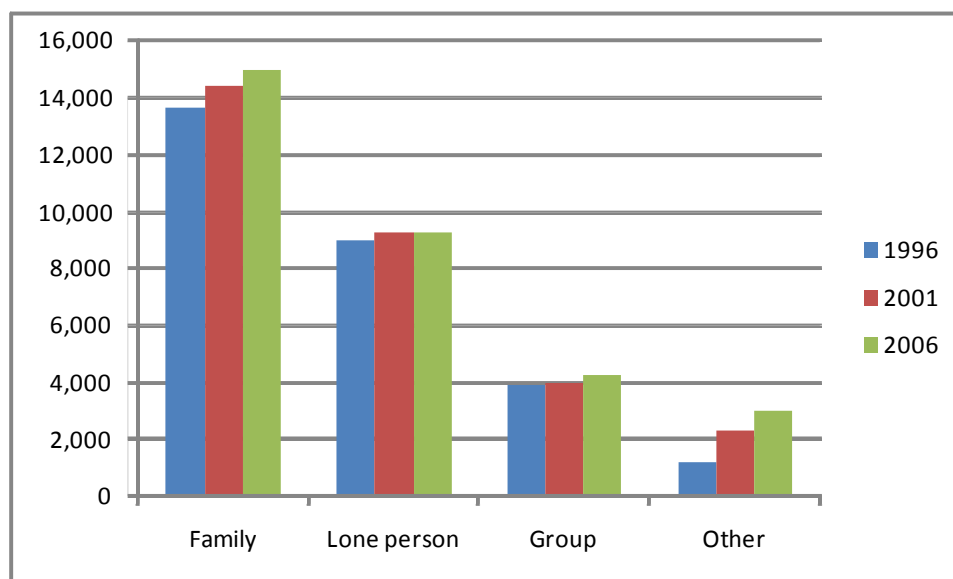
Figure 4: Dwelling types



## Household Composition

Nearly all population growth between 1996 and 2006 was in family households (couples, couples with kids, single parents with kids) and little change in the number of lone person or group households (see Figure 5).

Figure 5: Household composition



## Setting priorities for the Implementation Plan

For historical reasons, Yarra has many housing sector and allied organisations located within the municipality. These organisations and agencies provide a range of flexible responsive programs and projects delivered by workers with expertise, vision and commitment. Council works in close partnership with many of these organisations, resourcing and supporting their service delivery through community grants, services and a range of in kind supports.

In order to set priorities for the implementation plan, it is necessary to clarify Council's roles within the housing sector. These include:

- supply side initiatives such as the Affordable Housing Development Fund (which used Council funds to enable a housing association to leverage finance for 15 affordable housing units); the 239 Brunswick St affordable housing development (Council used its asset at 239 Brunswick St to partner with a housing association to build 14 affordable housing units); and the rates waiver initiative (since 2004, Council has waived the payment of Council rates on the Yarra properties of eligible housing providers);
- service responses which include convening a bi-monthly Yarra Housing & Homelessness Network of locally based agencies and organisations to deliver improvements in service coordination, facilitate networking, and advocate on homelessness and housing issues; delivery of HACC and other universal services to residents in social housing and those who are homeless, coordinating internal and external responses to implement a protocol on rooming house closures; advocacy around improving outcomes for private rooming house tenants; and sustained and meaningful engagement with public housing tenants and tenant groups;
- advocacy at local, regional, State and Federal levels on housing and related issues, such as the *Decent not Dodgy* campaign for minimum standards in private rental properties,

submissions to the Inquiry into the Future and Adequacy of Public Housing in Victoria, and to the Victorian Homelessness 2020 Strategy *A Better Place*; and

- capacity building for social housing tenants through community grants, governance and associated training, and mentoring.

In the context of Yarra's long term and important partnerships with community organisations and agencies, the implementation plan will be developed in close coordination with internal and external stakeholders in order to fully utilise local expertise and integrate responses into existing service provision.

Priorities for the implementation plan will be developed based on:

- inclusivity, where Council's actions are in line with principles of social inclusion and Council's obligations under the *Charter of Human Rights and Responsibilities 2006*. This will require attention to cultural competency, to addressing barriers to participation and engagement, and to putting resources into engaging with the hard to reach;
- sound evidence, where Council has a strong engagement in policy debates and developments which informs actions and priorities;
- meaningful partnerships, where Council is linked with local expertise and other levels of government to achieve the best outcomes for the local community; and
- effective resource allocation, where Council and partners ensure that what is proposed is appropriate to Council roles and capacities considering the wider and variable social and affordable housing context.

## Overview of housing

Term	Working definition and risks	What it means in Yarra
Private - own	ongoing costs are property rates and maintenance – at risk groups particularly older residents on low incomes	6,045 owned 2,587 rate concessions (\$150 p.a.)
Private - purchasing	those on low incomes or with a high mortgage relative to their income are at risk from increasing interest rates or increases in unemployment. This may result in housing stress	6,842 mortgage (a few may also receive rate concession)
Private rental	competitive market pushes rents higher – for some to stay more of their income will go to rent. This group are most vulnerable to housing insecurity and housing stress	Approx. 11,000 rented
Public housing	owned and rented out by Office of Housing rent (at market rates) is capped at 30% of household income (rebated rent)– employment can make rent unaffordable	approximately 5,000 dwellings accommodating 8,000 residents
Rooming houses	a mix of private and non-profit	Approx. 30 in Yarra
Social housing	government funded supported accommodation for vulnerable groups	e.g. Community Residential Units, Youth Hostels, SAAP and transitional housing, Indigenous hostels
Community housing	Community Housing Associations	\$30,000 Council fund for rate waivers 239 Brunswick Street (partnership) Affordable Housing Fund (\$200k x 3 years)
Homeless	comprises those living: rough (in public); sleeping on friends / families 'couches', and inappropriate housing (especially women & children fleeing violence) such as rooming houses	Estimated at five to six times the State average
Affordable housing	refers to an overall attempt at reducing housing costs, though most importantly is concerned with those on the lowest 30% on incomes Federally funded National Affordable Rental Scheme to make private rental more affordable	in Yarra less than 1% of private rental housing is affordable (less than 30% of their income) to those on the lowest 30% of incomes
Appropriate & accessible	housing must suit the particular needs of the occupiers – for example, people living with disabilities may require temperature control or wheelchair access; families require sufficient bedrooms as well as indoor and outdoor space for children	Universal housing

## Local Government Role

The Local Government Act sets out a broad responsibility for local government to develop the economic, social and environmental wellbeing of their communities.

### Overview of housing roles and programs

Housing role	Federal government	Victorian government	Non-government	Local government
Ownership	funding agreements with the States some housing associated with defence bases	builds and develops in conjunction with Federal funding & programs	some or long-term lease from State govt.	rare
Builds	Rare Offers subsidy through the National Affordable Rental Scheme	public housing, redevelopments have been part of Public Private Partnerships	Housing Associations and housing providers National Affordable Rental Scheme – private development through Federal funding	no
Rent out	Indigenous Hostels, otherwise rare	public housing Community Residential Units SAAP dwellings including refuges & hostels	Housing Associations and housing providers Aboriginal housing	rare
Funds	first home-buyers grant rent assistance for benefit recipients negative-gearing for investment properties	first home-buyers grant	Housing Associations leverage finance from financial market entities and State and Federal governments	property rate concessions property rates waiver for Housing Associations
Regulation	n/a	Victorian Planning Scheme	n/a	planning approval enforce building

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Housing role	Federal government	Victorian government	Non-government	Local government
		Building regulations Victorian Building Commission		regulations register of prescribed accommodation
Partnerships	A wide range of developments with contributions and involvement across the spectrum – including 239 Brunswick St			
Service delivery / support	FAHCSIA Indigenous	SAAP services, programs funded through DHS and Dept Health	Housing and homeless services Tenant support Financial support Support for independent living	provides range of community services
Support to participate	Federal Equal Opportunity legislation	A Fairer Victoria, Neighbourhood Renewal, Community Renewal Victorian charter of Human Rights		community grants program local partnerships
Advocacy / lobbying	n/a	Lobbied Federal govt. For increased funding	VCOSS campaign for improved rental rights Council to Homeless Persons It Takes a Home... campaign Australians for Affordable Housing campaign	local projects Support for advocacy campaigns IMAP