

Building for Diversity

Social and Affordable Housing in
the City of Yarra

DRAFT



This page has been left deliberately blank

Table of Contents

Mayor's foreword	5
Definitions	6
Headline data	11
Council's vision and commitment	12
1. Strategy	13
<i>Strategic Direction 1 (SD1): Be a leading local government in realising affordable housing outcomes at new developments across Yarra.</i>	<i>15</i>
<i>Strategic Direction 2 (SD2): Make effective and prudent direct investments in social and affordable housing.</i>	<i>17</i>
<i>Strategic Direction 3 (SD3): Partner, facilitate and engage with all stakeholders to increase affordable housing in Yarra.</i>	<i>18</i>
<i>Strategic Direction 4 (SD4): Continue to pursue evidence-based, strategic advocacy to other levels of government for improved outcomes.</i>	<i>19</i>
2. Context	22
2.1. Why Social and Affordable Housing matters	23
2.2. Alignment with other State and Council policies	24
2.3. Policy context and initiatives.....	25
2.4. Local government's role in supporting Social and Affordable Housing	29
3. Research	31
3.1. Research and consultation	32
3.2. Creating social equity and valuing diverse communities	41
3.3. Spectrum of needs and identified target groups.....	43
3.4. Planning tools: Affordable housing in new developments.....	56

Table of Tables

Table 1: Annual income ranges - households eligible for Affordable Housing (excl. social housing)	6
Table 2: Income limits for eligible households applying for social housing in Victoria	7
Table 3: State and local legislative and policy context.....	24
Table 4: Selected quotes from interviews with Housing Agencies (2019)	45
Table 5: Key Stakeholders – Financing, Development and Management of Affordable Housing	58
Table 6: Potential outcomes arising from different delivery models.....	60

Table of Figures

Figure 1: Housing types under the umbrella term of Affordable Housing	6
Figure 2: Types of registered housing agencies	8
Figure 3: Council's Four Strategic Directions.....	14
Figure 4: Housing spectrum.....	22
Figure 5: Council's roles in supporting Social and Affordable Housing.....	30
Figure 6: Median weekly rents in Yarra's suburbs (May 2019)	32
Figure 7: Income growth and dwelling cost growth - Percentage change 2006-2016, Yarra	33
Figure 8: Change in household tenure in Yarra, 1996-2016 (N).....	34
Figure 9: Change in household tenure in Yarra, 1996-2016 (%).....	34
Figure 10: Share of Social Housing dwellings in Yarra – State and Community Housing Agencies.....	35
Figure 11: Yarra residents entitled to Commonwealth Concession Card, December 2018.....	36
Figure 12: Rental dwellings affordable for households on Centrelink incomes (2008-2018)	37
Figure 13: Housing stress in Yarra	38
Figure 14: Breakdown of Yarra households in housing stress.....	39
Figure 15: Community perceptions on increasing subsidised housing in Yarra	40
Figure 16: Total unmet affordable housing need in Yarra	44
Figure 17: Yarra target households	46
Figure 18: Affordable housing products and target group needs	47
Figure 19: Yarra homelessness age profile.....	48
Figure 20: Age specific net migration for Yarra, 2011-2016.....	53
Figure 21: Major net migration flows for Yarra – 2011-2016.....	53
Figure 22: Proportion of dwellings in the lower quartile affordable for Yarra key worker groups, 2017.....	55

Mayor's foreword

To be inserted when finalised

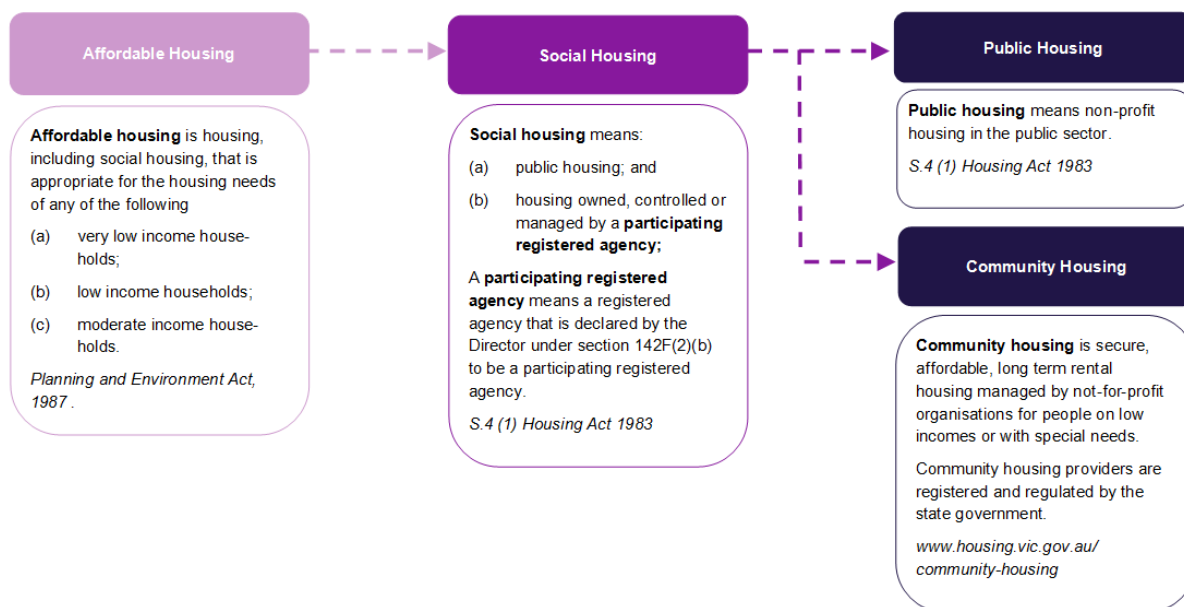
DRAFT

Definitions

Affordable Housing

Affordable Housing comprises various forms of housing solutions that can include Social Housing, but also includes other housing initiatives and or support services that provide for the housing needs of very low-income households, low-income households and moderate-income households.

Figure 1: Housing types under the umbrella term of Affordable Housing



Source: Victorian Government DHHS, 'Affordable Housing voluntary contributions: Public Housing as an Affordable Housing contribution', June 2018

Low-to-moderate income households have been defined by the Victorian Government based on household income distribution derived from the most recent Census of Population and Housing undertaken by the Australian Bureau of Statistics. Very Low income is defined as less than 50 percent of the median household income of Greater Melbourne, Low is 50-80 percent of the median, Moderate is 80-120 percent of the median and High is more than 120 percent of the median.

Table 1: Annual income ranges - households eligible for Affordable Housing (excl. social housing)

Household type	Very low income range (annual)	Low income range (annual)	Moderate income range (annual)
Single adult	Up to 25,220	\$25,221-\$40,340	\$40,341 - \$60,510
Couple, no dependent	Up to \$37,820	\$37,821 - \$60,520	\$60,521-\$90,770
Family with one or two parents and dependent children	Up to \$52,940	\$52,941-\$84,720	\$84,721-\$127,080

Source: Victorian Government Gazette, 29 May 2018

Housing affordability

It is important to distinguish between affordable housing (as defined above) and housing affordability, which is a 'general term, used in reference to the whole housing system, expressing the relationship between housing costs (prices, mortgage payments and rent) and household incomes.'¹

Social Housing

Social Housing includes both Public Housing and Community Housing (as per the *Housing Act 1983*).

Table 2: Income limits for eligible households applying for social housing in Victoria

Household type	Weekly gross income for inclusion on the Victorian Housing Register	Weekly income for priority housing
Single	\$1,003	\$561
Couple	\$1,535	\$970
Family (one or two parents with dependent children)	\$2,070	\$1,005
Each additional dependent	\$336	\$35

Source: *Social Housing Eligibility*, HousingVic, DHHS, October 2018

Public Housing

Public Housing is non-profit housing that is delivered on behalf of the Government and or the relevant department (as per the *Housing Act 1983*).

It usually refers to rental housing that is targeted to very-low and low income households – predominantly those in receipt of Commonwealth income support such as the disability or aged pension – on an affordable basis (no more than 25 percent of income on rent). Public Housing is owned and managed by the State Government housing authority, or managed by community housing providers on the government's behalf. Tenure is not time limited but is subject to tenants meeting rental conditions contained in their tenancy agreement with the Department of Health and Human Services.

Community Housing

Community Housing is housing that is owned, controlled and or managed by a registered community housing agency.

It is targeted to low-to-moderate income and/or special needs households who meet income and asset tests, in accordance with the *Residential Tenancies Act 1997*. Community Housing is managed and generally owned by a non-government housing provider such as not-for-profit charitable organisations including housing associations, housing providers and cooperatives.

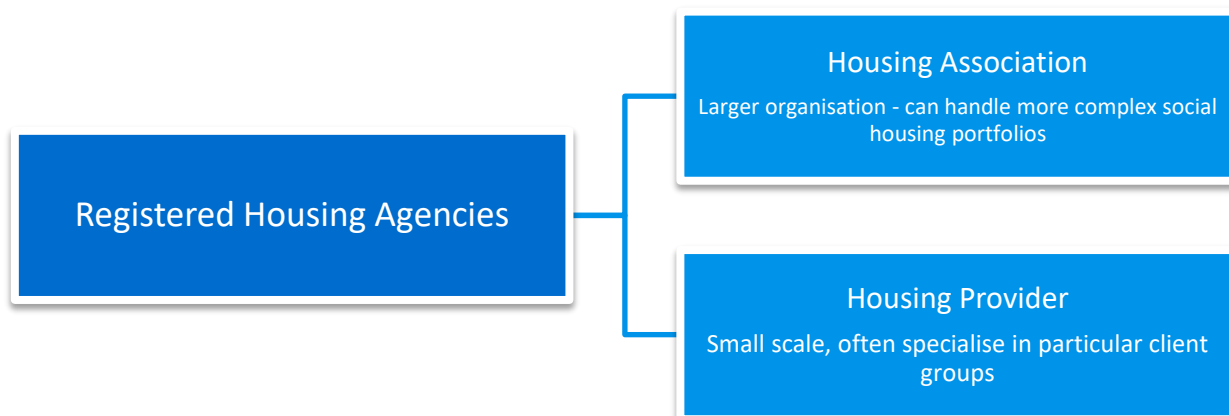
Rents are commonly capped at between 25 percent and 30 percent of household income and can be up to 75 percent of market rent. Many providers incorporate local support services and tenant participation in maintenance and management.

¹ Australian Housing and Urban Research Institute, Glossary, https://www.ahuri.edu.au/policy/glossary?result_1751_result_page=H (accessed 14/03/19)

Registered Housing Agency

Registered housing agencies are experienced not-for-profit organisations that provide and/or manage affordable rental housing for low income households. They are registered under the *Housing Act 1983* as either housing associations or housing providers and are regulated by the Victorian Registrar of Housing Agencies.

Figure 2: Types of registered housing agencies



Registered agencies seek to balance affordability for tenants and financial viability for the agency in a fair and transparent way. The rent paid by tenants enables registered agencies to largely pay for the costs of owning, maintaining and managing the agency's rental housing.²

Registered Housing Association

There are currently a total of ten Registered Housing Associations (RHAs) in Victoria who own and manage affordable rental housing to lower income households. Housing associations are larger, more complex businesses with the skills, expertise and resources to manage, maintain and grow a viable social housing portfolio. They expand new housing through construction, purchase or acquisition, using a mix of government funds and private sector investment. They also manage housing properties owned by them or leased from other parties, such as the Director of Housing.³

Victorian Policy is that 75 percent of their social housing tenants must come from the Priority list of the Victorian Housing Register.

Registered Housing Provider

There are currently 30 Registered Housing Providers operating in Victoria. They range in size and primarily manage rental housing portfolios for other parties, such as the Director of Housing (DoH). Some housing providers own properties, however their growth is small scale compared with housing associations. Housing providers often specialise in particular client groups which may include disability housing, aged tenants and youth housing.⁴

² Victorian Housing Registrar, <http://www.housingregistrar.vic.gov.au/Who-we-regulate> (accessed 10 Dec 2018)

³ Victorian Housing Registrar, <http://www.housingregistrar.vic.gov.au/Who-we-regulate/Housing-associations> (accessed 10 Dec 2018)

⁴ Victorian Housing Registrar, <http://www.housingregistrar.vic.gov.au/Who-we-regulate/Housing-providers> (accessed 10 Dec 2018)

Victorian Housing Register

The Victorian Housing Register manages applications for long-term social housing in Victoria. The waitlist now combines public and community housing applications for housing so that people only need to apply once and can be considered for both types of housing.

Priority Access is given to those people who are homeless and receiving support, are escaping or have escaped family violence, living with a disability or have significant support needs and with special housing needs.

Supported Housing

Supported Housing is a type of Community Housing targeted to households in high need, including people who are often homeless or at-risk. It is coupled with other support services, and owned and managed by the government and/or a non-government housing provider.

Rooming House

A rooming house is a building where one or more rooms are available to rent, and four or more people in total can occupy those rooms. In most rooming houses residents share bathrooms, kitchens, laundries and other common areas.

Rooming house operators must comply with minimum standards set out in the Residential Tenancies (Rooming House Standards) Regulations 2012. These standards relate to privacy, security, safety and amenity in rooming houses.

Rooming houses are not necessarily an affordable housing product.

Crisis accommodation

Crisis and emergency accommodation includes a range of specialist services for people who are homeless, at risk of homelessness, escaping family violence, or in other emergencies.

These services are available 24-hours a day, however they are temporary and designed to immediately assist people in crisis to stabilise and move on to something more permanent.

Transitional Housing

Transitional Housing is a supported short-term accommodation program. It acts as a stepping stone to more permanent housing in public housing, community housing or the private rental market.

People moving into transitional housing have often been victims of a change in circumstance. For example, a lost job has meant the rent can't be paid, a marriage break-up leaves one partner with no money or support, or a person may lose the support of – or can no longer live with – other family members.

A key element of transitional housing is that it's a temporary option, and tenants must be actively working with their support provider to apply for long-term housing.

Key workers

Key workers have been defined based on traditional key worker occupations (providing essential human services to the community) as well as a selection of occupations specific to the role and function of the Yarra economy.

Traditional occupations defined as key workers:

- School teachers
- Midwifery and Nursing Professionals
- Defence Force Members, Fire Fighters and Police
- Health and Welfare Support Workers (includes ambulance officers and paramedics)

Additional key worker occupations based on the role and function of the Yarra economy:

- Artists, musicians and other arts professionals (to support the ongoing presence of the artistic and creative industries that characterise Yarra’s cultural landscape)
- Hospitality Workers (to support amenity required for business attraction)
- Child Carers (to support participation rates)
- Cleaners and Laundry Workers (to support operations of the hospital cluster)
- Automobile, Bus and Rail Drivers (to help access to jobs)

Department of Health and Human Services

The Department of Health and Human Services (DHHS) is an agency of the Victorian State Government. DHHS delivers policies, programs and services for children and families, women, gender and equality, sport and recreation health and wellbeing, ambulance services, public health, ageing, disability, mental health, alcohol and other drugs and housing and homelessness.

Director of Housing (DoH)

The Director of Housing is the body corporate established under section 9(2) of the *Housing Act 1983*. The Director of Housing, sits within DHHS and is the landlord of Victoria’s public housing. The Director has powers to purchase, develop, lease and sell property.⁵

⁵ VAGO ‘Managing Victoria’s Public Housing’, June 2017

Headline data

6,000 households in housing stress

- It is estimated that more than 6,000 Yarra households, which is 15 percent of households, are in housing stress (households with very low, low and moderate incomes spending more than 30 percent of income on mortgage or rent).
- More than 3,000 of those in housing stress are rental households on very low incomes.
- Almost 1 in 4 single households (23 percent) in Yarra are in housing stress.

3,570 households have an unmet need for affordable housing

- 9 percent of households (N=3,570) in Yarra are estimated to have an unmet need for affordable housing (homeless, marginally housed and households in long-term rental stress).

9.5% of households currently live in social housing

- 3,790 households, or 9.5 percent of households currently live in social housing, the highest number and proportion across Victoria.

697 people are waiting for social housing

- There are 697 applicants on the Victorian Housing Register North Eastern Melbourne (Collingwood, Fitzroy and Richmond), of which 355 are for Priority Access.

14 affordable private rental properties in Yarra

- Currently there are 14 (0.7%) advertised private rental properties in Yarra that are affordable to people on statutory (Centrelink) incomes.

~1,000 homeless people

- It is estimated that there are 1,000 or more homeless people in Yarra (AIHW: 1,070 homelessness services clients, Census: 838 estimated homeless, and StreetCount 2018: 29 rough sleepers).

85% of workforce live elsewhere

- 85 percent of those who work in Yarra live outside the municipality.

Council's vision and commitment

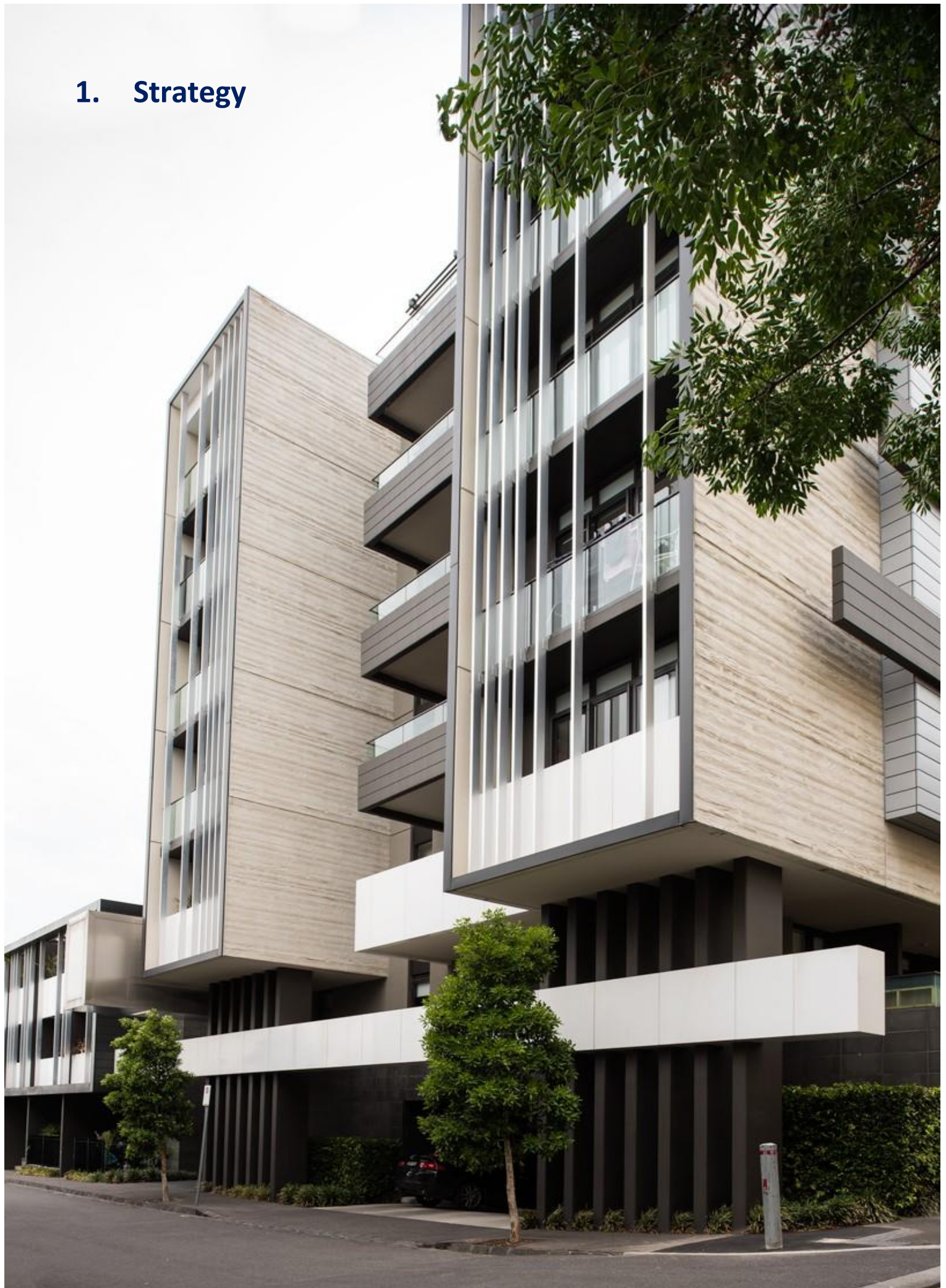
Yarra City Council commits to protecting our vibrant and diverse municipality by supporting initiatives that lead to an inclusive and welcoming city for all. Sustaining a diverse population requires a diversity of housing available at prices that can be afforded by households with modest or low incomes. We want to see an increase in social and affordable housing in our municipality and are committed to equitable housing outcomes for our current and future population. Council will focus its attentions on the mechanisms within its control that result in a higher proportion of new housing being affordable to very-low, low and moderate income households.

Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

Article 25.1 of the Universal Declaration of Human Rights

This strategy invites all levels of government to work together to resolve the affordable housing crisis.

1. Strategy



Council's overarching strategy is to:

Ensure a diverse population by increasing the supply of affordable housing suitable to households at various income levels and requirements.

The four strategic directions stated in this plan flow from this overarching strategy and are based on the roles identified for local government to support an increase of social and affordable housing supply at the municipal level.

Figure 3: Council's Four Strategic Directions



Strategic Direction 1 (SD1): Be a leading local government in realising affordable housing outcomes at new developments across Yarra.

Council has had success in achieving affordable housing outcomes at several major redevelopment sites. Council will continue to use the statutory means at its disposal and in doing so, will seek outcomes that increase the supply of affordable housing and promote the viability of the community housing sector.

SD1 will be realised through the following strategic directions:

SD1.1 Enhance Council policy and practice in regards to affordable housing agreements at redevelopments

Direction 1.1.1	Council recognises the essential cost differences - and corresponding levels of subsidy required - in delivering different affordable housing products (i.e. affordable to purchase and affordable to rent for very low, low or moderate incomes) and in varied built form and dwelling typologies (multi-unit developments, semi-detached and detached housing).
Direction 1.1.2	Council's expectation for affordable housing requirements from development proponents will be adjusted in accordance with presence or absence of subsidy from other levels of government or where incentives are provided by Council.
Direction 1.1.3	In instances where the Schedule has a Development Plan Overlay, Council will continue to request Housing Diversity Reports from proponents and will also request project feasibility studies to better facilitate negotiations.
Direction 1.1.4	At its discretion, Council will consider agreements that enable a Registered Housing Agency to sell dwelling stock that has been acquired through an affordable housing requirement to help these organisations in the securing of debt to grow their portfolios and in enabling financially sustainable management of their total housing portfolio.
Direction 1.1.5	The needs of target groups will be addressed by Council through the identification of development opportunities and the facilitation of dialogue between the relevant service providers, Registered Housing Agencies and development proponents.
Direction 1.1.6	To demonstrate strategic justification, Council will publish up-to-date statistics on demand for affordable housing for the municipality to its website and make reference to these within the Policy Guidance Note on Affordable Housing in Significant Redevelopments (the Policy Guidance Note).
Direction 1.1.7	<p>The Policy Guidance Note is to be updated to have new provisions in regards to target households and key workers.</p> <ul style="list-style-type: none">• Insert a provision within the Policy Guidance Note regarding Council's objective to secure housing for identified target households, which are as follows: homeless people, victims of family violence, Aboriginal people, people with a disability, older people, young people, families with children, lone person households and key workers.• Insert a provision within the Policy Guidance Note regarding Council's objective to secure housing for key workers (i.e. school teachers, midwifery and nursing professionals, defence force members, fire fighters and police, health and welfare support workers, hospitality workers, child carers, cleaners, laundry workers, automobile, bus and rail drivers, artists, arts workers and musicians).

Direction 1.1.8	<p>New assessment criteria are to be developed for considering:</p> <ul style="list-style-type: none"> • when an affordable housing requirement has been triggered (e.g. based on residential floor area, dollar value or dwelling yield); and • how requests for the quantum and type of dwellings, including numbers of bedrooms, are to be determined. <p>Upon completion, Council commits to considering whether the Policy Guidance Note is to be amended to include these assessment criteria.</p>
Direction 1.1.9	<p>An investigation is to be completed in regards to whether there are particular circumstances where cash-in-lieu of dwellings delivered in-situ is either warranted or advantageous and how such funds could be managed (for instance a trust). Upon completion, Council commits to considering whether the Policy Guidance Note is to be amended to include these assessment criteria.</p>

SD1.2 Seek quality, 'tenure blind' outcomes at developments which are to include affordable housing

Direction 1.2.1	<p>Council expects that any affordable housing should be integrated seamlessly in new developments, meaning it is not readily distinguishable from private housing by its form and aesthetics.</p>
Direction 1.2.2	<p>Council expects both affordable and private dwellings to have equal access to all communal indoor and outdoor spaces.</p>
Direction 1.2.3	<p>Council expects affordable housing dwellings should be built to a high standard in terms of durability (i.e. decreased costs associated with upkeep and maintenance) and DDA requirements (i.e. designed for all ages and abilities).</p>

Strategic Direction 2 (SD2): Make effective and prudent direct investments in social and affordable housing.

Council owns land and buildings across the municipality. This strategy proposes to investigate Council contributing its own assets, such as air space above car parks or community facilities, for social and affordable housing. Additionally, Council will continue to contribute grants or other seed funding to support projects contributing to affordable housing.

The best way to manage any potential development on Council land would be determined by the *Local Government Best Practice Guidelines for the Sale, Exchange and Transfer of Land* (2009). The process will be subject to careful Council deliberation to ensure the best outcome for the municipality is achieved.

Direct investments by Council for affordable housing outcomes would illustrate that affordable housing is a significant priority for this Council.

SD2 will be realised through the following strategic directions:

SD2.1 Continue the Community Housing Grant

Direction 2.1.1	Council recognises the benefits for our vulnerable communities that arise from the annual Community Housing Grant. The Community Housing Stream sits within the broader Council Community Grants Program, with \$50,000 provided annually to support local affordable housing initiatives.
------------------------	--

SD2.2 Investigate the merits of gifting Council assets including air-space

Direction 2.2.2	A report on the financial and practical feasibility of developing affordable housing through Council property assets, including air space, is to be provided to Council for its consideration.
Direction 2.2.3	Within the framework of its Property Strategy, Council will give due consideration as whether any assets earmarked for renewal or disposal could be suitable for affordable housing and on what terms (commercial or non-commercial).

Strategic Direction 3 (SD3): Partner, facilitate and engage with all stakeholders to increase affordable housing in Yarra

Effective relationships are key to good outcomes. Council will continue to play its role as facilitator of direct outcomes and as a valued partner in research and advocacy. Working across regions and sectors produce synergies, scale and impact.

SD3 will be realised through the following strategic directions:

SD3.1 Work in partnership with key stakeholders

Direction 3.1.1	A Yarra Social and Affordable Housing Advisory Committee is to be established to share information about housing programs locally and knowledge of effective policy and practice beyond the municipality. The Committee will advise Council on relevant issues and opportunities as required.
Direction 3.1.2	Council will continue to create the platforms and forums by which all principal stakeholders (e.g. Registered Housing Agencies, developers, bankers, academics and government representatives) can forge relationships and establish a clear understanding of each other's roles and requirements.
Direction 3.1.3	Council will continue to facilitate connections between developers and registered housing agencies, both opportunistically and proactively.

SD3.2 Learn from and collaborate with our peers

Direction 3.2.1	Council will continue to be an active participant in inter-Council forums and work with peak bodies such as the MAV and VLGA to address the shortage of affordable housing.
Direction 3.2.2	Council will maintain a courageous and constructive dialogue with the Victorian Government and its agencies (esp. DHHS and DELWP) to enable sharing of information and achieving the best outcomes for our community, especially low income households.

SD3.3 Academic partnerships

Direction 3.3.1	Council will continue our proud tradition of effective collaborations with academics and academic institutions.
------------------------	---

SD3.4 Facilitate planning applications for Registered Housing Agencies

Direction 3.3.4	The streamlining of planning approvals to support Registered Housing Agencies is to be investigated and a report is to be provided to Council for its consideration.
Direction 3.3.5	The merits of, and means by which, affordable housing development proponents could be exempted from third party appeals, parking requirements and height provisions is to be investigated. A report is to be provided to Council for its consideration.

Strategic Direction 4 (SD4): Continue to pursue evidence-based, strategic advocacy to other levels of government for improved outcomes.

To be effective in planning for our strategic advocacy in the area of social and affordable housing it is vital to understand the main issues, opportunities and challenges, stay up to date on policy changes and maintain constructive relationships with our peers and partners.

Council will continue to monitor population changes, including demand for social and affordable housing, and support our current social housing residents. Council will seek to make well-informed decisions in the interest of our current and future community and capitalise on any opportunities that arise through new grants and programs. Council will prioritise fair treatment of current residents, particularly those who are vulnerable, and seek to influence other levels of government to make sound decisions that support social and affordable housing outcomes.

SD4 will be realised through the following strategic directions:

SD4.1 Proactively monitor the legislative, policy and funding environment

Direction 4.1.1.	Council will continue to respond to relevant Federal and State Government reviews and inquiries in relation to affordable and social housing as they arise.
Direction 4.1.1.	Council will monitor the performance of National Housing and Homelessness Agreement (NHHA) and the initiatives of the Commonwealth Government (e.g. National Housing Infrastructure Facility and the Aggregator Bond, First Home Loan Deposit Scheme) and Victorian Government (the Victorian Inclusionary Housing Pilot on government land, Social Housing Growth Fund, HomesVic Shared Equity Initiative, Victorian Property Fund, Public Housing Transfer and Public Housing Renewal Program).

SD4.2 Advocate for appropriate tenant services and management that puts the tenants' needs first, irrespective of the landlord

Direction 4.2.1	Council supports a no disadvantage standard for social housing tenancies. Over the coming years, many tenants of social housing will be residing in dwellings managed by community housing providers and not the Director of Housing (through DHHS). Tenants of community housing should be afforded the same rights as tenants of public housing.
Direction 4.2.2	Council believes wrap-around services (social, health and financial) should be readily accessible for social housing tenants. Tenants of social housing live with social inequities and many tenants are living with complex physical and/or mental health conditions.
Direction 4.2.3	Council supports initiatives which help people at risk of becoming homeless to maintain their tenancies and seeks continued and adequate resourcing for programs like 'Tenancy Plus' (formerly known as the Social Housing Advocacy Support Program).

SD4.3 Advocate for the Victorian and Commonwealth Governments to close the funding gap

Direction 4.3.1	The funding gap is the difference in revenue that can be achieved from selling or renting something at market value as compared to selling or renting at a subsidised rate (which can range from high to low). Affordable housing is subsidised housing and Council requests that both the Victorian Government and Commonwealth Governments provide the necessary grants to Registered Housing Agencies for capital costs (developing and/or purchasing stock) or rental subsidy (long term head leases of privately owned dwellings).
------------------------	---

SD4.4 Ensure community benefit from any redevelopment of public housing is maximised

Direction 4.4.1	The Public Housing Renewal Program (PHRP) is a \$185 million program led by the Department of Health and Human Services (DHHS) to redevelop ageing public housing estates into 'modern, mixed-tenure neighbourhoods'. Council acknowledges that some public housing stock, especially 'walk-ups', is rundown and of poor standard, including non DDA compliance, and housing should be fit for purpose.
Direction 4.4.2	Council seeks the publication of asset management data in regards to the condition of the 1,100 dwellings within the PHRP, along with any other dwellings into the future. Data on the current occupancy or vacancy of the dwelling should also be published. Until such information is provided, Council believes there is no way for the community to feel confident that dwelling refurbishments were unfeasible or that the PHRP represents public value.
Direction 4.4.3	Council holds reservations regarding the social benefits of 'public private partnerships' (PPPs) as this method of redevelopment may generate quick wins and short-term revenue relief at the expense of gains for the community. Council asks that the Victorian Government articulate, and evidence, how future development value uplift is being captured by the government for public benefit. The Victorian Government should disclose the profit delivered to the government and developer consortia and be transparent about any future reinvestment of profits.
Direction 4.4.5	Council holds significant concerns that vulnerable public housing tenants will be negatively impacted by the PHRP in both the short and longer term. A principal objective of the PHRP or any future renewal program should be providing existing households with a sincere and genuine right of return. Council wishes to see a like-for-like housing commitment (i.e. replacing a three-bedroom with a three-bedroom dwelling) so that current households are not disadvantaged by the redevelopment and each has a genuine option to which they can return.

SD 4.5 Advocate for inclusionary zoning

Direction 4.5.1	Council continues to support the introduction of inclusionary zoning into the Victorian Planning Provisions, to be employed either at specific precincts or for regions. Inclusionary zoning is a requirement for developers to supply a proportion of new developments as affordable housing. This can be seen as a form of legitimate value capture in that some of the benefits to a developer in rezoning land is returned to the community in the form of affordable housing.
------------------------	--

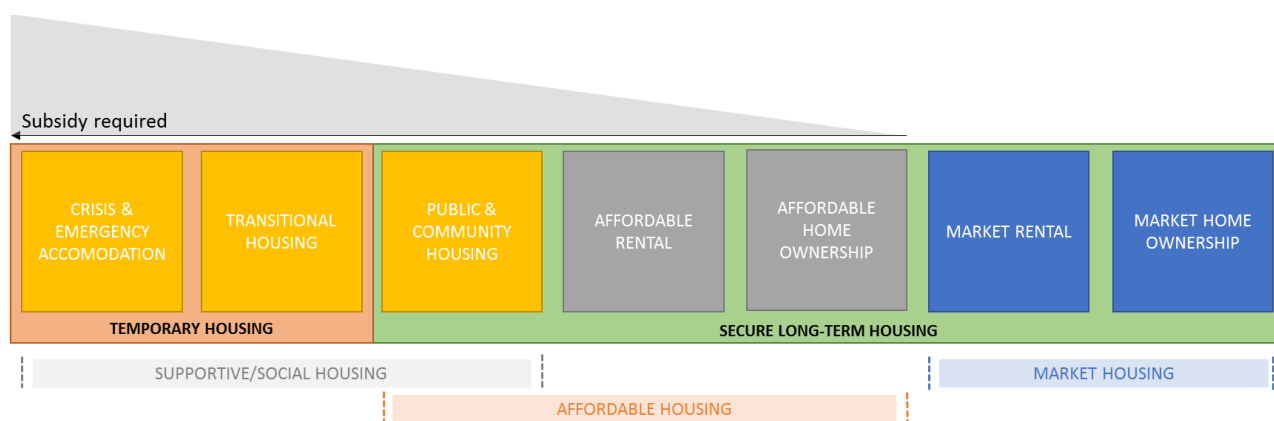
DRAFT

2. Context

There is a commonly held view that there is a housing crisis across the country, manifesting primarily in urban centres with access to jobs, facilities and services. Across Australia dwelling prices have grown much faster than incomes, rising steeply from the mid-1990s. In Melbourne, house prices have increased by 50 percent from 2012 to 2018.⁶

House prices in the City of Yarra (Yarra) have increased at a rate of 130 percent between 2006 and 2016, as compared to a 63 percent increase in salaries. Overall, the population has become increasingly wealthy and lower and moderate income households have gradually become priced out of the local housing market. This has affected a range of income groups, from the increase in those sleeping rough on our streets, to key workers who are forced to travel ever long distances to work in our municipality or are placed under financial stress to remain here. What is clear is that the private market is unable to adequately address these issues, and that there is a need for a diverse range of subsidised housing to accommodate the spectrum of affordable housing needs.

Figure 4: Housing spectrum



Source: Adapted from Whitzman, Newton & Sheko, 'Transforming Housing: Affordable Housing for All', 2015, in conjunction with Kate Breen, Affordable Development Outcomes, 2019

It is estimated that around 3,570 households in Yarra have an unmet need for affordable housing. This represents about 9 percent of the current population and is based on the number of persons who are homeless, marginally housed and households in long-term rental stress.⁷

In order to maintain a socio-economically diverse population it will be important to consider the spectrum of affordable housing needs and products, and aim to ensure that affordable and accessible options are available to a mix of income ranges. In addition to supporting our most vulnerable in the community to have a safe and stable home, housing affordability is also about ensuring that those who are vital to our community and economy - including key workers - have local housing options that are affordable and appropriate to their needs.⁸ Providing options and opportunities for people on moderate incomes to live affordably takes pressure off the system, and further, it addresses the polarised nature of the current municipal housing market where there is a finite supply of social housing and the balance can only be afforded to rent or purchase by those with the high incomes.

'Today, home-ownership largely depends on income, and how wealthy your parents are. Housing is contributing to widening gaps in wealth between rich and poor, old and

⁶ Grattan Institute (2018) 'Housing Affordability: Re-Imagining the Australian Dream'

⁷ ABS Census of Population and Housing, 2016, analysis by .id Consulting. Further explanation is available in Section 3.3.

⁸ Further analysis on key workers is presented in Section 3.3.

young. Lower income households are spending more of their income on housing, and are under more rental stress.’ (Grattan Institute, 2018)⁹

Access to safe, secure affordable housing is a right that should be afforded to all of our citizens and it is a pressing issue that all three levels of government need to work together to address. None of the current policy measures proposed by the state and federal governments to improve the supply of social housing will be sufficient to meet the ever-growing need in our municipality, and a shared effort is needed to find creative solutions.

Recent changes to the *Planning and Environment Act 1987* signal the Victorian Government’s intent for local government to play a part in contributing to affordable housing supply through its role as a planning authority. The impact in terms of dwellings provided through this process will likely be modest and will test the efficacy and capacity of partnerships between developers, housing agencies, councils and other players in providing affordable housing in the coming years.

In Yarra’s Council Plan (2017-2021), Council affirms its ongoing commitment to social justice, diversity and inclusion. Affordable housing is a prime contributor to ensuring a diverse community in Yarra. Council has a long and proud tradition of advocating for better social and affordable housing outcomes and continues to support our current social housing residents, of which Yarra has the highest proportion in the state. Council will continue to research, educate, partner and directly invest to improve access to safe, appropriate and secure affordable housing.

This document outlines the strategies Yarra City Council will employ to increase the supply of social and affordable housing and mitigate the inequities in the contemporary local housing market. These strategies are positioned within the context of current data and public policy and focus upon those issues where Council can have the most significant impact.

2.1. Why Social and Affordable Housing matters

Council has long advocated for housing that best ensures the wellbeing of its community and has supported diverse models of housing suitable for households on low incomes within its municipality. Yarra was one of the first Councils to witness the rise of large public housing estates in the 1960s and 1970s, in what were then the cities of Collingwood, Richmond and Fitzroy, and the later development of smaller, walk-up housing estates. The residents who live there are valued members of our community and Council has seen first-hand the fantastic outcomes that affordable housing can offer individuals, families and communities. As a result, Council has been a leader in advocating for the state government to deliver improved housing conditions for existing tenants, and to further increase the local supply of social housing.

Council has also contributed its own funds and assets to facilitate an increase in affordable housing and improved outcomes for social housing tenants in the municipality. A 40-year lease was granted to Yarra Community Housing (now known as Unison) to enable the redevelopment of a Council-owned building at 239 Brunswick Street into 14 studio-apartments. The project received funding approval under the Australian Government’s Nation Building Economic Stimulus Plan and was completed in early 2011. The lease to Unison includes an option to renew for another 40 years.

Yarra also administers a \$50,000 per annum Community Housing Grant through our annual grants program. Launch Housing has been the recipient for the past four years and in 2019 they are delivering a Community Housing Tenants Support Program (CHTSP). This is the only assertive outreach program of its kind, which aims to support community housing residents to remain in their tenancies and prevent homelessness. The target population are people experiencing housing stress or who are at risk of homelessness. The program will support 21 disadvantaged people in 2019.

Social and affordable housing is important for our community because:

- A socially, culturally and economically diverse population requires a diversity of housing, including those that can be afforded by households with moderate, low or very low incomes.

⁹ Grattan Institute, ‘Housing Affordability: Re-imagining the Australian Dream’, 2018

- Access to safe, secure and affordable housing is a cost-effective way of achieving social and economic benefits.
- The decline in affordable housing in Yarra has placed an unfair burden on those households who can least afford to pay.

Furthermore, access to secure and affordable housing is integral to tackling social inequities. Housing affordability is an issue for a broad range of households and a number of groups face particular challenges when it comes to accessing appropriate and affordable housing. Council has identified nine target groups in Section 3.2 of this strategy.

Council holds the following views on three areas of social inequity that require particular consideration with regard to housing:

- The evidence-based model *Housing First* is the best way to address homelessness. *Housing First* is where individuals and families experiencing homelessness are provided secure, affordable housing as quickly as possible and then provided the supportive services needed to keep their housing.¹⁰
- Reducing family violence and its effects requires victims having quick access to safe, affordable and appropriate accommodation and housing services. Family violence is the number one cause of homelessness for women with many victim survivors having to choose between their safety and the streets.¹¹
- People with disability should have access to individualised and flexible housing and support options that are responsive to their needs and preferences. People with disability face a lack of housing options outside group homes and forced co-tenancies. Private landlords can be reluctant to rent to people with disability who may require housing modifications. There is a lack of alternatives to nursing homes for young people with high support needs, with young people occupying more than 20 percent of all aged care places in some parts of the country.¹²

2.2. Alignment with other State and Council policies

Yarra's Social and Affordable Housing Strategy sits within a state and local policy and legislative context as outlined below.

Table 3: State and local legislative and policy context

Legislative	<ul style="list-style-type: none"> • Planning & Environment Act • Housing Act • Residential Tenancies Act
State policy	<ul style="list-style-type: none"> • Homes for Victorians • Plan Melbourne • State Planning Policy Framework
Local policy	<ul style="list-style-type: none"> • Social and Affordable Housing Strategy • Housing Strategy • Local Planning Policy Framework
Local strategies	<ul style="list-style-type: none"> • Planning negotiations • Direct investment • Partnerships • Advocacy

¹⁰ AHURI Brief: What is the Housing First model and how does it help those experiencing homelessness? (2018) Available at: <https://www.ahuri.edu.au/policy/ahuri-briefs/what-is-the-housing-first-model> (Accessed 27 May 2019).

¹¹ State of Victoria, Royal Commission into Family Violence: Summary and recommendations, Parl Paper No 132 (2014–16).

¹² Australian Human Rights Commission (April 2017). Available at: https://www.humanrights.gov.au/sites/default/files/PWD_and_Housing.pdf (Accessed 15 Mar 2019).

At a local level, this Social and Affordable Housing Strategy will sit within with and respond to initiatives and resolutions in Council's strategies and plan as follows:



2.3. Policy context and initiatives

Governments impact the housing market at two levels. At a structural level they determine the system in which the market operates and at a direct level they intervene in the market where it is unable to provide for particular groups, or to achieve specific outcomes.¹³

Commonwealth Government

The Commonwealth Government provides national policy and funding to the social and affordable housing sector. Given the potential taxation and funding levers available to the Commonwealth Government, the Commonwealth Government has a principal role in capital funding for social housing and individual rent assistance schemes. A bi-lateral housing policy and funding arrangement also exists between the Commonwealth and State governments since 1945.

Funding initiatives

In 2018, the Commonwealth and state and territory governments developed a National Housing and Homelessness Agreement (NHHA) to cover the period from 2018 to 2023. This agreement aims to improve the supply of new housing across the housing spectrum, including social and affordable housing and the homelessness service system.

The NHHA will combine funding previously provided under the National Affordable Housing Specific Purpose Payment (NAHSPP) and the National Partnership Agreement on Homelessness (NPAH) and will provide around \$1.5 billion per annum to state and territory governments from 2018-19. Under the NHHA, funding to state and territory governments will target jurisdiction-specific priorities including supply targets, planning and zoning reforms and renewal of public housing stock while also supporting the delivery of frontline homelessness services.

¹³ Australian Government, Department of Social Services, Housing. Accessed from <https://www.dss.gov.au/housing-support/programmes-services/housing> on 17/12/18

It also commits to the Commonwealth Government's National Housing Finance and Investment Corporation (NHFIC) to deliver:

- an affordable housing bond aggregator to provide lower cost and longer tenor finance to community housing organisations; and
- the National Housing Infrastructure Facility to provide grants, equity investments and concessional loans to build the critical infrastructure needed to bring forward the supply of housing.

The affordable housing bond aggregator aims to encourage greater private and institutional investment and provide cheaper and longer-term finance to registered housing agencies.

Tax concessions and assistance schemes

There is a variety of monetary and taxation programs at the Commonwealth level to provide incentives, which can impact on affordability both positively and negatively. For example, the First Home Owners Scheme, which is also supplemented by a state level scheme of Stamp Duty Concessions, increases the purchasing power of individuals but can result in increased market prices.

Commonwealth Rent Assistance (CRA) provides a capped 'top-up' income support for households on income-support payments, based on the rent households pay in the private or community housing market but not public housing. CRA does not contribute to new supply and affordability is not guaranteed.

The National Rental Affordability Scheme (NRAS), which commenced in 2008, provided financial incentives to developers to encourage development of housing that is available to rent at 80 percent or below of market rent. NRAS homes are not social housing – they are affordable private rental homes. The incentives were offered annually over a period of ten years. The original ten-year period has now come to an end, and under the current government NRAS is being wound down, with the first properties to participate losing their subsidy shortly.

The recently elected Coalition Government have proposed a First Home Loan Deposit Scheme to support eligible households (annual income up to \$125,000 for singles and \$200,000 for couples) to purchase a house with a deposit of only 5 percent. The scheme will start in January 2020 and be supported by up to \$500 million being provided in equity through the NHFIC. In addition to a lower deposit home buyers won't have to pay lenders mortgage insurance (LMI) with the government underwriting their home loans and serving as guarantor.¹⁴

Victorian Government

The Victorian Government produces policy, plans for, incentivises, and is the main supplier and manager of social housing in the state. In June 2018 there were 64,295 public housing dwellings in Victoria (owned and managed by the state government).

The two key policies outlining the plans of the state government with regard to affordable housing are *Plan Melbourne 2017-2050* and *Homes for Victorians* (2017). The two documents outline a number of initiatives and funding streams to increase the number of social and affordable housing dwellings in Victoria, largely through public-private partnerships, but crucially sets no target of how many dwellings that need to be added in the coming period.¹⁵

The *Homes for Victorians* strategy aims to increase the supply of affordable housing in Victoria through:

- a \$1 billion Social Housing Growth Fund;
- the development of 6,000 social housing dwellings;
- renewal of 2,500 ageing public housing dwellings;
- \$100 million in low cost loans; and

¹⁴ Available at: <https://www.liberal.org.au/latest-news/2019/05/12/helping-australians-buy-their-first-home> (Accessed 31 May 2019)

¹⁵ Infrastructure Victoria have estimated a need for approximately 30,000 new affordable dwellings across Victoria within 0-10 years. In 'Victoria's 30-year Infrastructure Strategy', December 2016.

- \$1 billion in government guarantees to housing associations to enable them to expand their stock.

The strategy also introduces a couple of schemes that support households to access the private housing market. In Victoria there is a stamp duty exemption for first home buyers on homes up to \$600,000 and cuts to stamp duty on homes valued up to \$750 000, and the government is also trialling the co-purchasing of properties between first home buyers and the Government. This is done under the HomesVic Shared Equity Initiative whereby first home buyers earning up to \$77,325 (single person) or \$97,945 (multiple persons) can qualify for a home loan with a deposit of 5 percent or more. Applications opened in February 2018 and the scheme is available to up to 400 households. As of May 2019, 160 homes have been purchased.¹⁶

Acknowledging the increasing number and proportion of households who are renting, the Victorian Government is rolling out a range of rental reforms, starting by 1 July 2020 and including new long-term lease arrangements and other changes focussed on strengthening tenants' rights.¹⁷

The government has also identified 52 parcels of land across the state for development into social housing. These development opportunities are all intended to increase supply of social housing in partnership with the private sector.

Plan Melbourne 2017-2050, also includes a focus on increasing affordable housing, including opportunities to expand the supply of social housing. It outlines how the Victorian Government will:

- utilise government land to deliver additional social housing via trialling an inclusionary housing pilot on six surplus sites;
- streamline decision-making processes for social housing proposals;
- strengthen the role of planning in facilitating and delivering the supply of social and affordable housing; and
- create ways to capture and share value uplift from rezoning.

Funding initiatives

The Victorian Property Fund (VPF) grants program is a two-stage funding round to support housing development projects that will increase the supply of affordable and environmentally sustainable community housing for low income and disadvantaged Victorians. Over three years (2018-19 to 2020-21), \$21 million has been reserved for grants.

The Social Housing Growth Fund is an initiative where the Victorian Government will act as guarantor for up to \$1 billion in loans for private and philanthropic developers who wish to develop social housing. The \$1 billion fund will be used as leverage and investment returns will underpin funding agreements for projects.

The Social Housing Growth Fund provides an ongoing mechanism for the Victorian Government to partner with the community, private, not-for-profit and local government sectors to deliver housing assistance to Victorians. It has two underlying programs to support this.¹⁸

The Build and Operate Program (BOP) applies to the construction of new social and affordable rental housing on non-Victorian Government land. The new social and affordable dwellings could be part of mixed developments including private housing, or any other form of development that a consortia may wish to propose. It is comparable to the commercial 'Build to Rent' model, with the difference being that rental dwellings will be affordable and operated by registered housing agencies. The Director of Housing will be listed on any certificate of property title and there will be regular competitive funding rounds.

The New Rental Developments Program (NRDP) involves recurrent funding to lease new dwellings from the private sector to registered housing agencies to increase the availability of social housing rental stock and

¹⁶ Information available at: <https://www.vic.gov.au/homesvic-shared-equity-initiative> (Accessed 27 May 2019)

¹⁷ Further information available at: <https://www.vic.gov.au/rentfair-rental-reforms-victorians> (Accessed 27 May 2019)

¹⁸ From the Department of Health and Human Services, <https://dhhs.vic.gov.au/victorian-social-housing-growth-fund> (Accessed 17 December 2018)

facilitate investment in new social housing for the rental market. The Victorian Government, through DHHS, will provide funding to cover the gap between private rent income and affordable rent income.

There is also \$100 million in low-cost loans to be made available to registered housing associations.

The Social Housing Investment Planning (SHIP) Grants provided up to \$200,000 to local governments for work on strategies, feasibility studies and affordable housing projects. There has been one funding round in 2018.

Victorian Government Inclusionary Housing pilot

As part of the initiatives announced in *Plan Melbourne* the Victorian Government will be piloting inclusionary zoning for affordable housing on limited surplus government land to create 100 new social housing units. This process will market-test the capacity of both property developers and housing providers to work together on different sites and provide an indication of the possible community housing yields. Pilot sites went onto the market at the end of 2017 and each site will have an advisory committee to give recommendations on the appropriate rezoning and to consider the concept plan.

It is intended that these pilot projects will inform the government's development of future planning legislation, policy development and statutory controls to support greater provision of affordable housing. The outcomes of these pilot projects may result in changes in planning policy and powers to achieve affordable housing and at that time it will become clearer what further planning measures are possible for Council to consider. It will be important to monitor the work being undertaken and determine how it can provide an improved planning policy framework and controls.

Public Housing Transfer

The State Government has committed to transferring 4,000 public housing dwellings to the community housing sector.¹⁹ This will enable community housing providers to gain additional revenue from the Commonwealth Rent Assistance, which tenants in public housing are not eligible to receive. Conditions for tenants are expected to be unaffected, however it needs to be carefully monitored at the local level to ensure that no tenant is disadvantaged by the process.

Public Housing Renewal Program

The Public Housing Renewal Program (PHRP) is part of a long-term plan of the Victorian Government to renew rundown and poor standard residential buildings on and around housing estates, especially walk-up stock, by introducing new private housing on site with the profits generated to pay to refurbish or replace dwellings. The earmarked assets are purported to be beyond maintenance and are not DDA compliant, meaning disability or aged clients can't use them.

The Government has committed \$185 million for renewal of nine public housing estates.²⁰ In total, eleven sites will be renewed in Stage 1 (including two that are funded by the DoH) all in prime locations near social and health infrastructure and jobs and transport. These estates make up 2.9 percent of Victoria's public housing.

The Government had originally committed to delivering an additional ten percent in social housing across these sites. The first three renewals to progress are at North Melbourne, Northcote and Preston and are being delivered by developer MAB Corporation in collaboration with community housing provider HousingFirst (formerly Port Phillip Housing Association). The increase in social housing post redevelopment is fifty percent and a portion of the private housing is also to be priced for First Home Buyers. Tenants who return will go from public housing to community housing and will need to claim Commonwealth Rent Assistance. The new housing is also expected to have fewer multi bedroom dwellings.

¹⁹As per: <https://dhhs.vic.gov.au/management-transfers> (Accessed 28 May 2019). In July 2012, in its submission to the Victorian Government Discussion Paper Pathways to a Fair and Sustainable Social Housing System and Social Housing, Council opposed the transfer of ownership or management of public housing in Yarra to community housing providers.

²⁰ The first round of redevelopments have since been announced with a 50% increase in dwellings across three estates, but a reduced number of bedrooms overall.

DHHS consulted with tenants and stakeholders in 2017 to inform the redevelopment of a walk-up housing estate in Noone Street, Clifton Hill, but the redevelopment of this site has not yet progressed.

The PHRP could deliver additional social housing, however, there are likely to be some detrimental aspects for existing tenants and community. In its submission to the Legislative Council's Legal and Social Issues Committee (LSIC) Inquiry into Public Housing Renewal, Council communicated its reservation about the form of private investment on public land posited in the PHRP and expressed its concerns that the then proposed uplift of ten percent in social housing slated for Noone St and other sites was not large enough to warrant the loss of public ownership of the land. Council also expressed its concern about the net loss of social housing bedrooms and the disruption of tenants in the process, as well as the lack of overall financial transparency and community input into the design and planning implications.

The report of the LSIC recommended that there be greater transparency regarding the financial implications of the program and evidence that any funds received from sales to private developers are cordoned off for investment in more social housing. It also questioned the adequacy of the proposed ten percent uplift in social housing dwellings. LSIC reported that the consultation process with tenants, neighbours and other stakeholders had been poorly handled because of the continually unclear parameters of the redevelopment program. These are all issues which had been identified by Council in its submission.

A critical policy analysis of the PHRP by researchers at RMIT and Deakin expressed concern over the loss of public land to private developers through the 'real-estate development model', the loss in total number of bedrooms, the impacts on residents of displacement and the evidence base supporting purported 'social mix' benefits. The authors also question 'the capacity for the program to genuinely address the "housing crisis" with small increases in unit numbers.'²¹

To date, the State Government has not published information from an asset management perspective on the state of the existing dwellings across these sites (i.e. the numbers that could be maintained or must be upgraded or replaced) or provided a transparent reasoning for why they are pursuing this particular model of redevelopment (public-private partnership) instead of completing upgrades or redevelopment through an arm of government (e.g. Development Victoria).

2.4. Local government's role in supporting Social and Affordable Housing

It is important to note that although councils have a part to play in increasing social and affordable housing, they are not the main player. Local governments across Victoria are committing to this topic in various ways and to varying degrees, with approaches ranging from advocacy programs through to the gifting of council assets. Increasingly, innovative ideas are sought to respond to the growing demand for affordable housing, and given that this is an evolving area, a level of flexibility is required to capitalise on new information and approaches.

Local government has a critical role in shaping the spatial distribution of new housing in the municipality and influencing the diversity of dwelling types. Local government can support social and affordable housing through a number of routes, including its role as a planning authority, contributing land and buildings, partnering with and facilitating the work of other stakeholders, and advocating to other levels of government.

²¹ From a research project with Moreland, Darebin and Yarra. Kelly, D and Porter, L (May 2019) 'Understanding the assumptions and impacts of the Victorian Public Housing Renewal Program', RMIT University Centre for Urban Research.

Figure 5: Council's roles in supporting Social and Affordable Housing



Yarra City Council has a longstanding interest in and commitment to increasing and improving social and affordable housing and will continue to position itself as a leading local government in this space.

3. Research



3.1. Research and consultation

Social statistics

The forecast population of Yarra in 2019 is estimated at 100,305.²² There are approximately 47,500 dwellings in the municipality in 2019, with an average household size of 2.1.²³

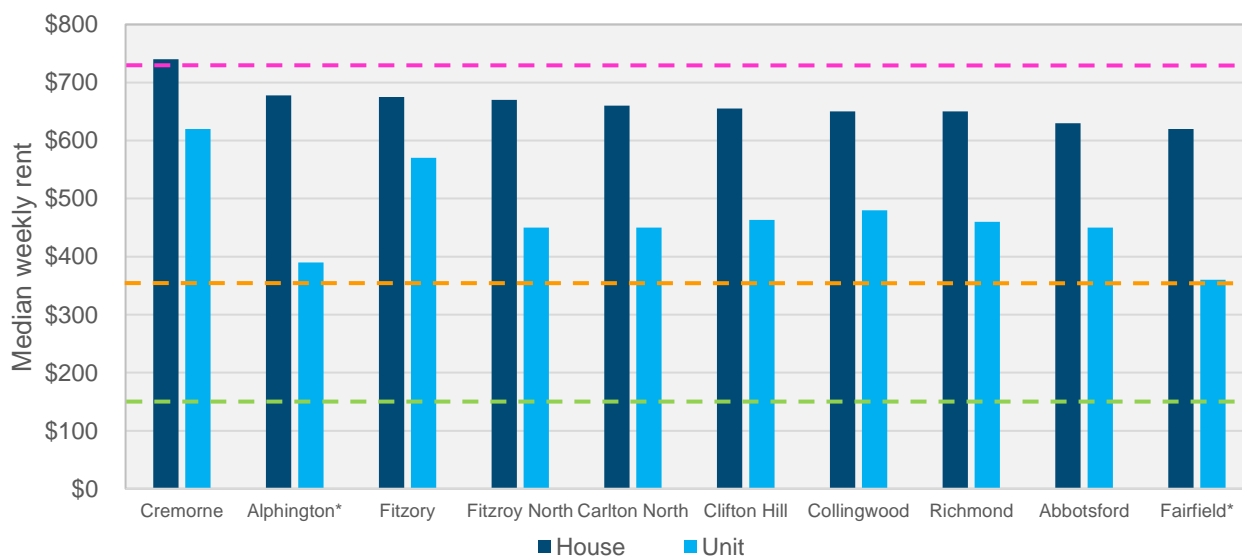
Yarra has had high levels of new apartments and town houses supplied via the private market, with the total number of dwellings projected to rise to more than 62,000 by 2029. This represents an increase of 14,500 dwellings over 10 years, or an average of 1,450 new dwellings a year, and equates to a forecast residential population of 126,462 in 2029.²⁴

The majority of these new dwellings will be apartments catering to smaller households, with a large proportion anticipated to be rented on the private market. Close to half of all apartments and units in Yarra are currently rented privately and most of Yarra's recent population growth is made up of private renters (+3,565 households between 2011 and 2016), a large proportion of whom were rental households in the highest rental quartile (paying more than \$417 per week)²⁵.

Local rental housing remains expensive with virtually no new private rental houses or apartments in Yarra that are affordable to households with very low and low incomes. There are, however, opportunities to leverage this housing growth to generate social equity by encouraging social and affordable housing to be included in the new stock that is built.

Figure 6, below, compares median weekly rents across Yarra's suburbs against affordable price points for very low, low and moderate income.²⁶

Figure 6: Median weekly rents in Yarra's suburbs (May 2019)



Indicative affordability for: — Very low income - Single — Low income - Couple — Moderate income - Family

**This includes all of Fairfield and Alphington, including outside of Yarra*

Source: realestate.com.au suburb profiles and 30% of income of Greater Melbourne income limits for a selection of very low, low and moderate income households

²² Population and household forecasts, 2016 to 2041, prepared by .id the population experts, August 2018.

²³ Yarra City Council rates database, April 2019, counting general rates residential.

²⁴ Population and household forecasts, 2016 to 2041, prepared by .id the population experts, August 2018.

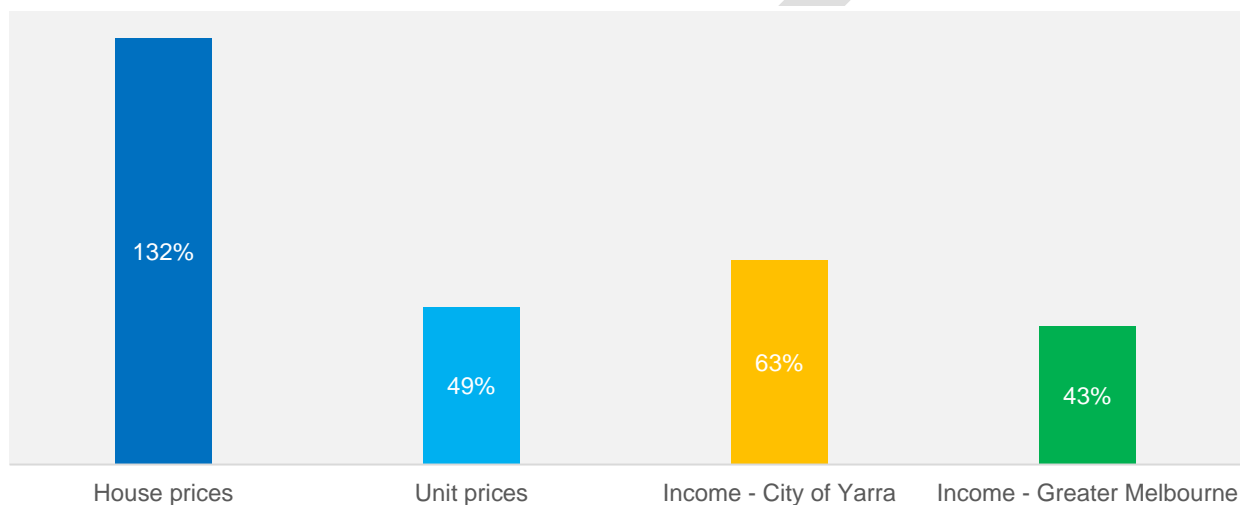
²⁵ ABS Census of Population and Housing, 2011 and 2016

²⁶ Based on analysis of realestate.com median weekly rent prices from May 2018-2019 and Greater Melbourne income limits for very low, low and moderate income households, assuming 30% of income is available for rent.

Figure 6 shows that moderate income families can afford a majority of rentals at the median price point, however, when looking to purchase the results are considerably more stark. The only affordable dwellings to purchase at the median price point are apartment units in Abbotsford, which are likely to be unsuitable to family living.²⁷ Housing affordability for families and moderate income workers is explored further in Section 3.2.

Figure 7 shows property prices and household incomes in Yarra and Greater Melbourne between 2006 and 2016. In this period, prices for medium and high density dwellings increased considerably but this trend seems modest when compared with the growth in house prices. Incomes in Yarra, as opposed to Greater Melbourne, have increased faster than purchase prices for medium and high density dwellings; however, this could be reasonably explained by the rising cost of housing attracting higher income earners to the municipality.

Figure 7: Income growth and dwelling cost growth - Percentage change 2006-2016, Yarra



Source: Valuer-General Victoria, 2018 and ABS Census of Population and Housing, 2006 and 2016²⁸

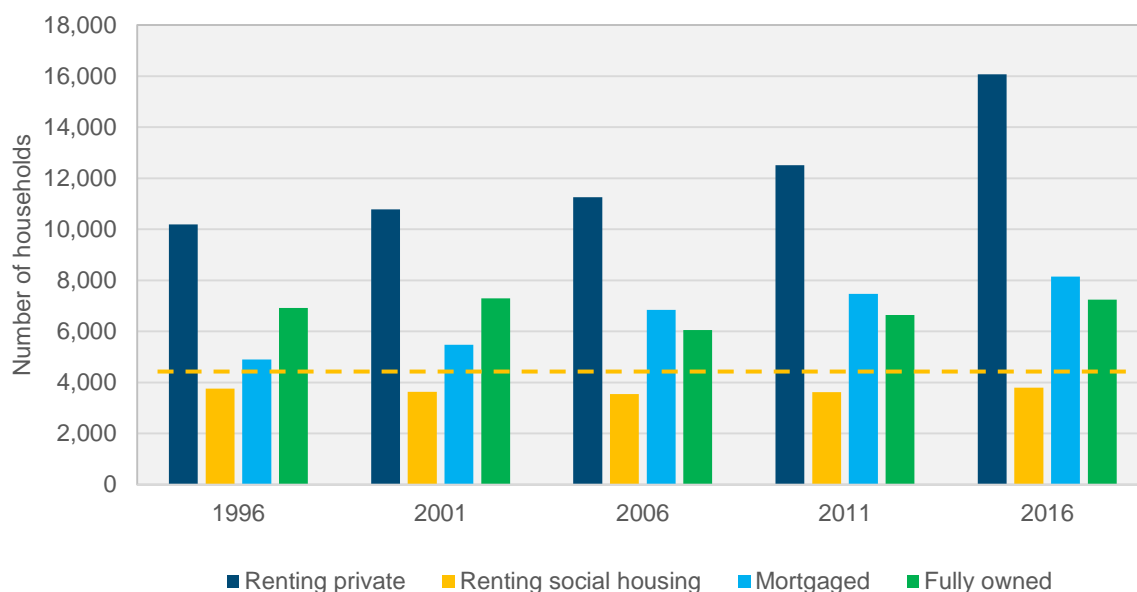
As a result of home-ownership becoming unaffordable to larger cohorts of the population, Yarra has seen long-term trends in household tenure shifting towards greater proportions of private rentals, a considerable decline in those who fully own their homes and a proportional decrease in social housing households.

Between 1996 and 2016, almost all of the population increase has been from households who are either renting or paying a mortgage, while the number of households that are fully owned or renting in social housing have remained fairly static. Households renting privately have increased by almost 6,000 (N) or 58 percent. The number of households with mortgages has also increased substantially, by 3,000 (66 percent), and this has become more common than those owned outright. The proportion of households living in social housing has decreased from 13.4 percent of households in 1996 to 9.5 percent in 2016. Figures 6 and 7 illustrate these trends.

²⁷ Based on analysis of realestate.com median property prices from April 2018-2019 and affordable purchase points as estimated by Affordable Development Outcomes based on 30% of income being available to service a mortgage with an assumed 10% deposit, 25 year loan term and 7.2% interest rate over the life of the loan.

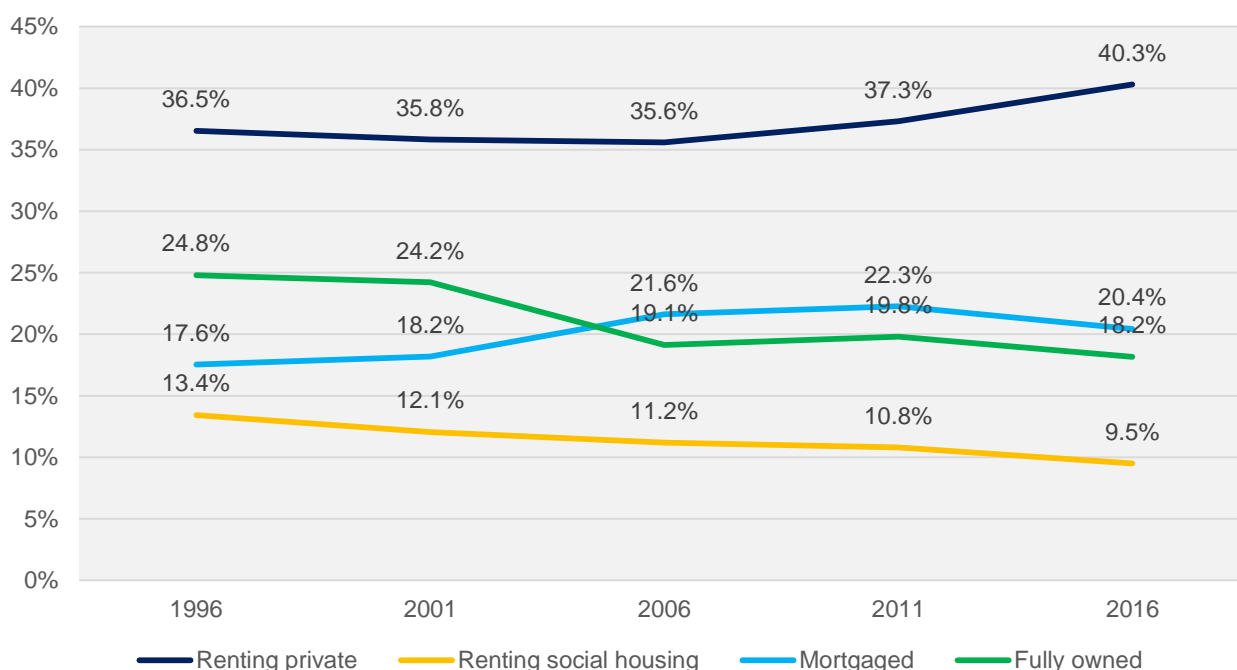
²⁸ As prepared by .id Consulting for Yarra City Council

Figure 8: Change in household tenure in Yarra, 1996-2016 (N)



Source: ABS Census of Population and Housing, 1996-2016

Figure 9: Change in household tenure in Yarra, 1996-2016 (%)



Source: ABS Census of Population and Housing, 1996-2016

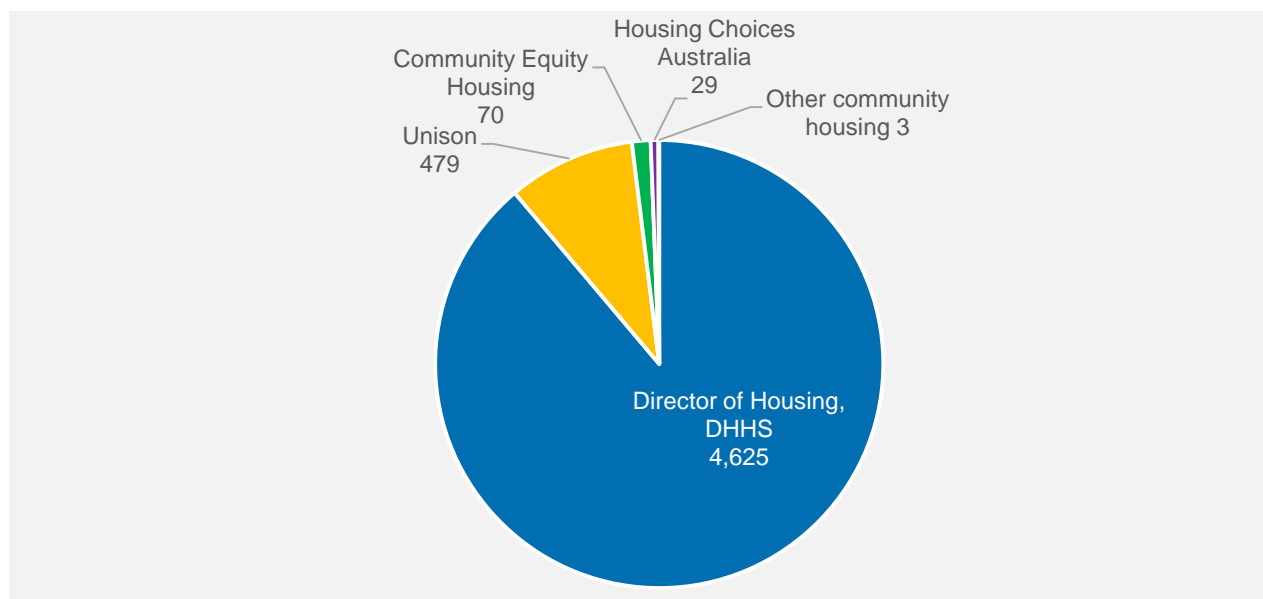
There have been recent reforms which have recognised that there will be a greater number of households who will be renting permanently. For example, there are the amendments to the Victorian *Residential Tenancies Act 1997* (mentioned above in section 2.3) which are premised on offering greater control for private rental tenants by ensuring security of tenure and offering tenants more control over a range of issues, as well as recognising the specific needs of people experiencing family violence who are renting.

Social housing in Yarra

Despite only nominal growth in the number of social housing dwellings over the last 20 years, Yarra still has the highest number and proportion of public housing dwellings and residents of any local government in Victoria.

As of mid-2018, 11 percent of the 45,887 residential dwellings in Yarra (5,233) were social housing dwellings.²⁹ Of these, 4,625 dwellings were public housing, 581 were community housing and 27 were rooming houses. Figure 10 shows the market share of social housing providers in Yarra. The Director of Housing retains the vast majority of social housing in Yarra with only about 12 percent let by registered housing agencies.

Figure 10: Share of Social Housing dwellings in Yarra – State and Community Housing Agencies



Source: Yarra rates database, June 2018

Current households and affordability

Yarra is characterised by the socio-economic divergence of its residential community. While more than a third of households earn more than \$2,400 per week, and 60 percent of employed workers are in managerial and professional occupations, 20 percent of households earn less than \$740 per week and many are living with economic hardship and social disadvantage.³⁰

As of December 2018, there were:

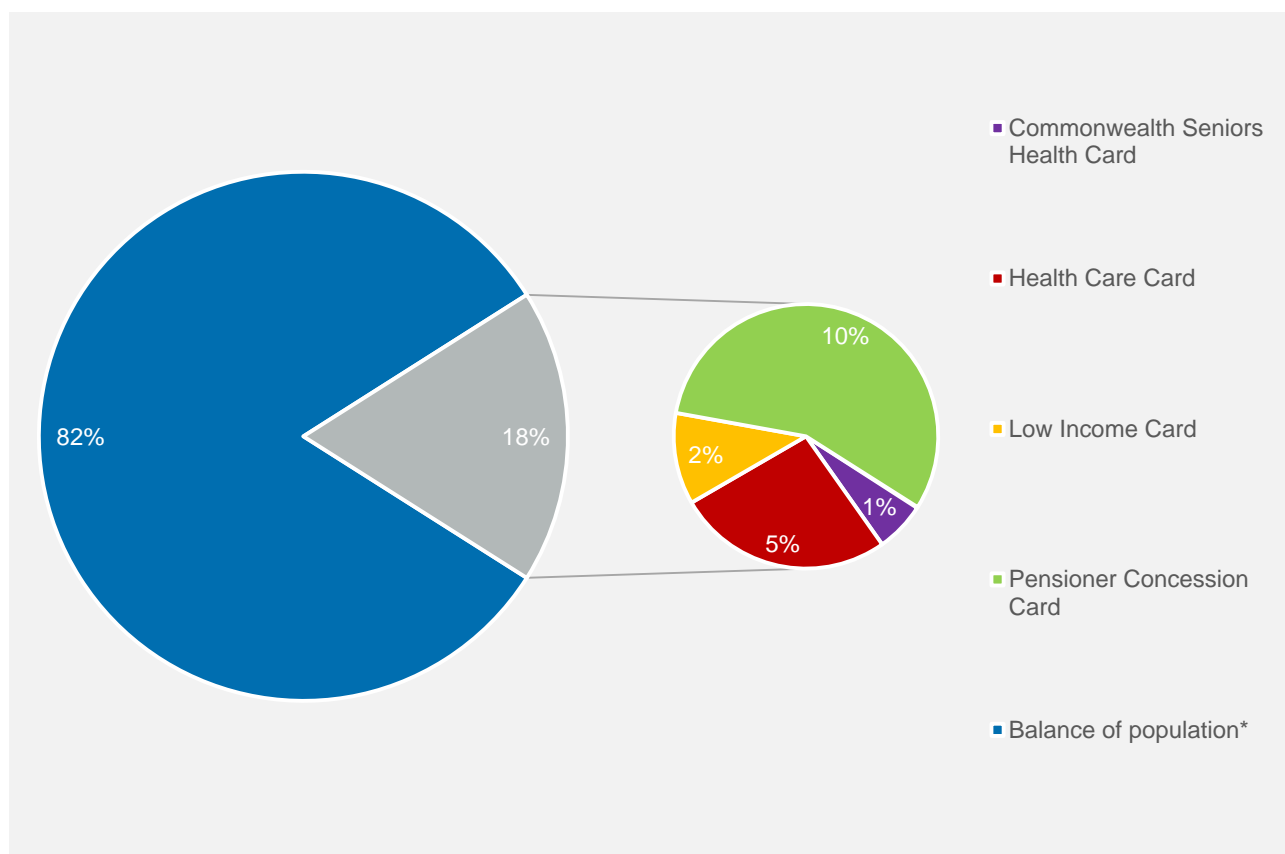
- 4,753 recipients of the age pension
- 4,612 health care card holders
- 2,452 recipients of Newstart Allowance
- 2,526 recipients of the Disability Support Pension and
- 1,955 low income card holders living in Yarra.

Overleaf, Figure 11 further illustrates the divergence of Yarra's current population, with fewer than one-in-five residents currently in receipt of a Commonwealth Concession Card – implying very low or low incomes.

²⁹ Based on the City of Yarra rates database as at June 2018, including rooming houses (each bedroom in a rooming house is counted as a separate unit). N.B. There is a notable difference between the count (and proportion) of social housing from the 2016 Census and the 2018 Yarra rates database. The difference in numbers can be accounted for by the one-in-ten households who did not record a response for housing tenure in the Census, particularly renters. Therefore, the Yarra rates database is considered the more accurate source.

³⁰ ABS Census of Population and Housing, 2016

Figure 11: Yarra residents entitled to Commonwealth Concession Card, December 2018³¹



Source: Department of Social Services (DSS) Demographics, December 2018

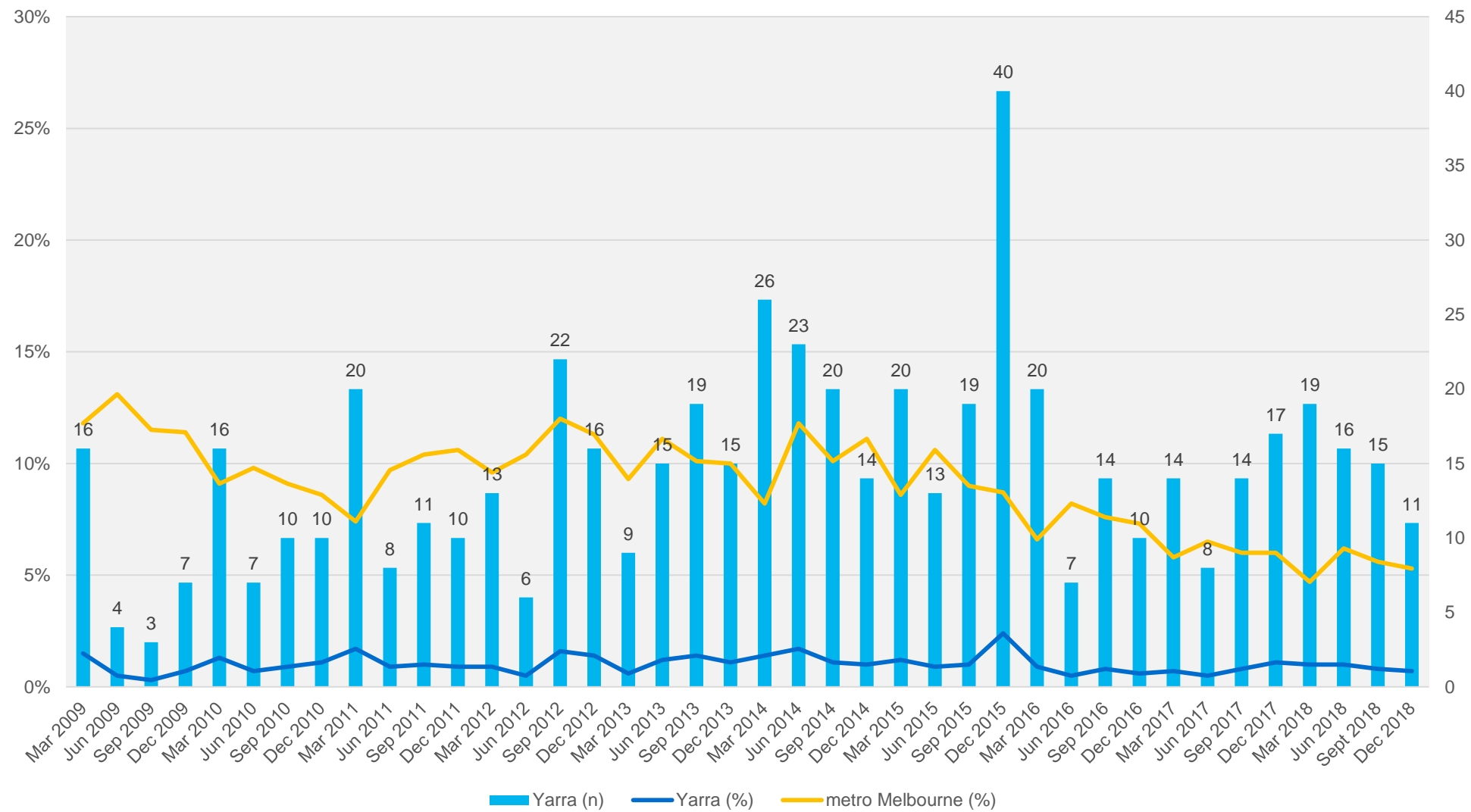
Figure 12 (overleaf) illustrates the stark decline in the number of private rentals affordable to persons on Centrelink incomes over the past decade across Greater Melbourne and especially in Yarra.

The best period for affordability during this period was the December quarter of 2015 when 40 dwellings could be afforded (just 2.4 percent). By the December quarter 2018, the percentage of private rental properties advertised in Yarra that could be afforded by persons on Centrelink incomes was 0.7 percent (N 11) versus metro Melbourne at (also a very low) 5.3 percent. By comparison, almost half of the rental housing in non-metropolitan areas was affordable (47 percent), creating a social divide between the city and regional areas because of the cost of housing.³²

³¹ Available at: <https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/distribution/dist-dga-3c69d15e-5ac1-48d9-9ae4-56957c63485a/details?q=> (Accessed April 2019)

³² DHHS, Affordable lettings by local government area, December 2018 quarter. Based on the supply of affordable new lettings as per Rental Tenancies Bond Authority data. The affordability benchmark used is that no more than 30 per cent of gross income is spent on rent.

Figure 12: Rental dwellings affordable for households on Centrelink incomes (2008-2018)



Source: DHHS, Affordable lettings by local government area, December 2018 quarter

Households in housing stress

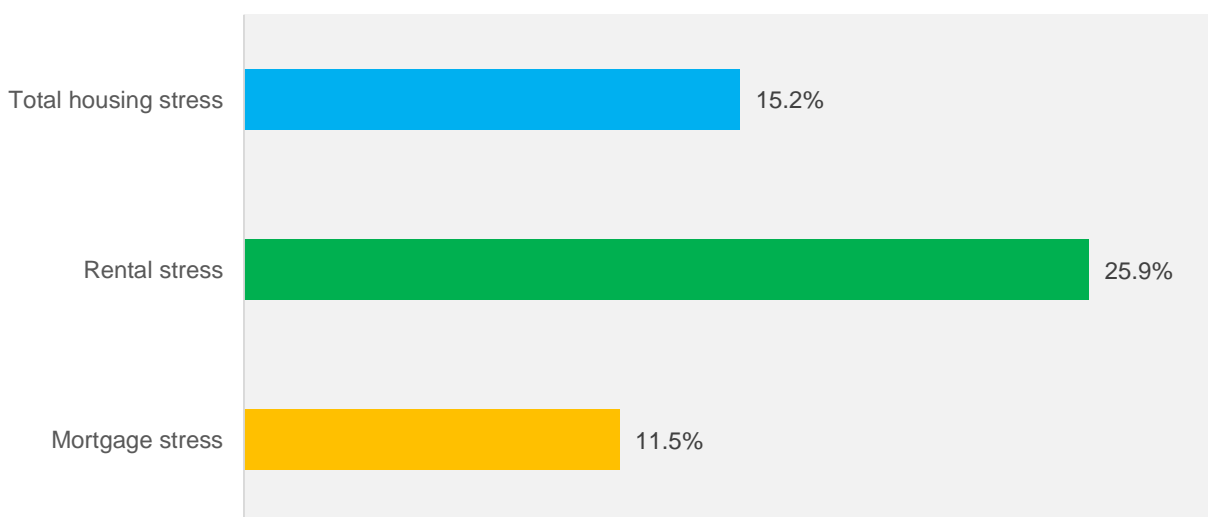
Lack of affordability, although most apparent at the lowest incomes, impacts households on a range of incomes.

Housing affordability is based on the relationship between a household's income and housing costs, and housing stress occurs when housing costs rise too far above incomes and households end up paying a large proportion of their income in housing costs. This reduces their capacity to spend on other household essentials, such as food and health.³³

There are different ways to measure housing stress. The 30:40 indicator has been a preferred method for defining housing stress and is based on when low income households (bottom 40 percent) spend more than 30 percent of their income on housing costs. More recently, however, the Victorian government legislated income ranges eligible for Affordable Housing based on very low income households (less than 50 percent of median), low income (50-80 percent of median) and moderate income (80-120 percent of median).³⁴

In 2016, 15.2 percent (or 6,000) of Yarra's households were in housing stress. This is based on very low, low and moderate income households spending more than 30 percent of their income on housing costs (mortgage or rent). For renting households, this figure goes up to 25.9 percent as compared to 11.5 percent of households with a mortgage, as illustrated below.³⁵

Figure 13: Housing stress in Yarra



Source: .id Consulting Report 'Analysis of Housing Demand and Affordability', 2019. Data from ABS Census of Population and Housing, 2016

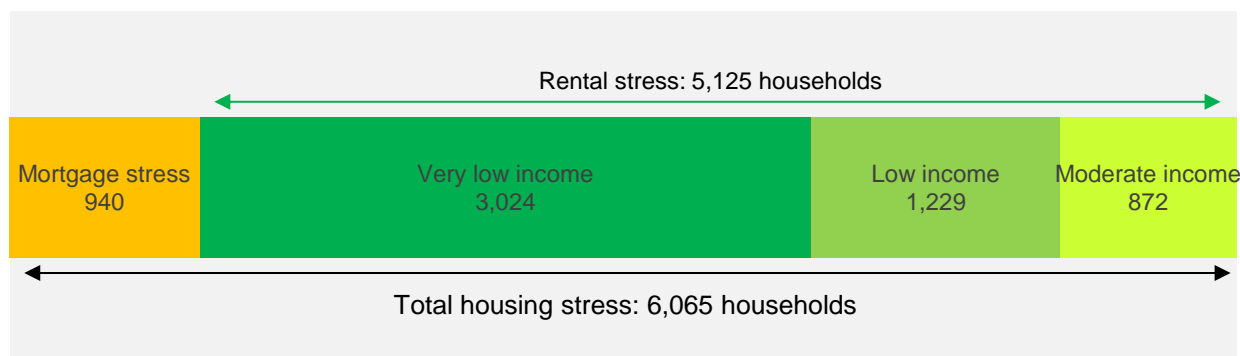
Of the 6,000 households in the very low to moderate income range spending more than 30 percent on housing, over 5,000 were renting and over 3,000 were rental households with very low income levels (see Figure 14 overleaf).

³³ AHURI Brief, 'Understanding the 30:40 indicator of housing affordability stress', 2016. Available at: <https://www.ahuri.edu.au/policy/ahuri-briefs/2016/3040-indicator> (Accessed 20 May 2019)

³⁴ As defined in Section 3AB – Specifications of Income Ranges in the *Planning and Environment Act 1987* for Greater Capital City Statistical Area of Melbourne.

³⁵ From .id Consulting Report 'Analysis of Housing Demand and Affordability', 2019. Based on data from ABS Census of Population and Housing, 2016

Figure 14: Breakdown of Yarra households in housing stress



Source: .id Consulting Report 'Analysis of Housing Demand and Affordability', 2019. Data from ABS Census of Population and Housing, 2016

In Yarra, particular household types are more susceptible to housing stress. Lone person households in the area are more likely to be in housing stress, with close to one-in-four of this household type in stress (2,712 households). This is compared with one-in-eight family households (1,114), and one-in-fifteen couple only households (676).

Of the 2,712 lone person households in housing stress 88 percent were rental households and almost half were rental households with very low incomes. The other household types showed similar splits with the greatest proportion of those in housing stress being very low income renters. Interestingly, when looking at households with a mortgage who are spending more than 30 percent on housing costs, a greater proportion are moderate income earners.³⁶

Together, this data reveals what the challenges are for affordable housing in Yarra and who and how many households in the municipality are currently suffering housing stress, or unable to live in the municipality altogether.

There have been few opportunities to develop permanent, safe and affordable housing, at volume, in the municipality. The long-term stagnation of social housing, coupled with ever increasing costs of private rental, let alone purchase, has meant those living on fixed incomes such as the pension, or whose incomes derive from lower paid and/or casual employment, would experience difficulties remaining or entering the local housing market.

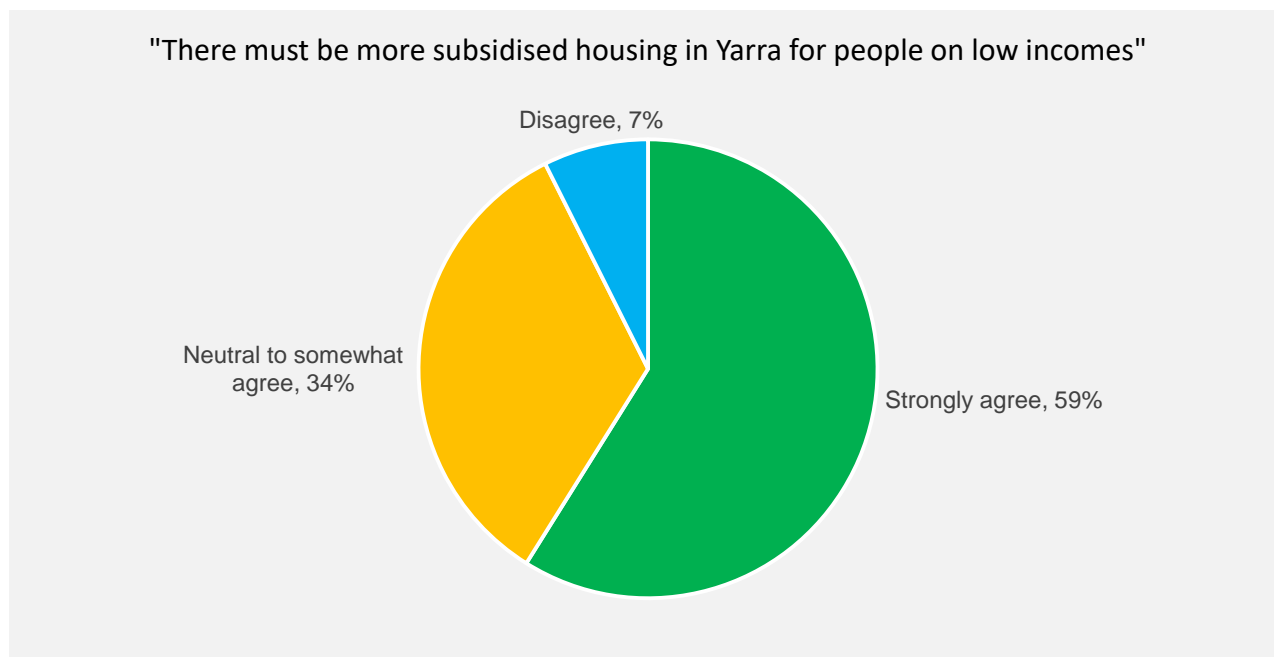
Social research

Community surveys

Results from Yarra's 2019 annual household customer satisfaction survey, a randomised sample of 800 households, showed strong agreement from the local community that there must be more subsidised housing in the municipality for people on low incomes.

³⁶ From .id Consulting Report 'Analysis of Housing Demand and Affordability', 2019. Based on data from ABS Census of Population and Housing, 2016

Figure 15: Community perceptions on increasing subsidised housing in Yarra



Source: Yarra City Council, 2019 Annual Customer Satisfaction Survey

The 2015 deliberative engagement, Liveable Yarra, found resident support for Council prioritising the development of affordable housing in the municipality as a way of maintaining economic and social mix. Respondents were in favour of more affordable housing in new developments to enable an increase in the number of dwellings available to people on low incomes, even if it came at an increased cost to other housing in the development or of *higher* density.

Yarra's 'Planning for the Future' Survey, a randomised household survey conducted in 2015 – the baseline study for Liveable Yarra – found that 72 percent of the 833 respondents agreed with the statement that 'new local developments should include a proportion of housing for people on low incomes' while almost two thirds (63 percent) disagreed that 'property developers are contributing enough to the community'.

Interviews with community housing organisations

Primary research was commissioned with community housing agencies with a known presence in Yarra to gain an increased understanding of housing need in the municipality. Results are presented in Section 3.2.

Stakeholder engagement

In preparation for this Strategy, Council hosted a workshop in April 2019 with stakeholders from community housing, property development, banking and finance, and academic sectors to discuss the current housing environment and how to make the most of it, considering the roles and responsibilities of the various stakeholders.

Meetings with individual organisations have also been arranged on an ad-hoc basis, including tenant associations, community housing organisations and developers.

Council held previous stakeholder forums in August 2015 and April 2016. In 2015, Council consulted representatives from the community housing sector about appropriate measures for Yarra to adopt to facilitate the expansion of public and community housing. In 2016, Council met with the community housing sector and property development industry to enable each sector to discuss current development opportunities and find further potential for partnerships and collaboration.

3.2. Creating social equity and valuing diverse communities

According to the *Local Government Act 1989*, the 'primary objective of a local council is to endeavour to achieve the best outcomes for the local community having regard to the long term and cumulative effects of decisions'.³⁷

Maintaining economic diversity has been linked to positive community benefits such as stronger levels of social trust between different economic groups, higher perceptions of local safety, and greater social acceptance of difference. Conversely, international evidence suggests that increasingly stark economic divisions, can lead to significant physical, psychological and social costs to the local community.³⁸ The continuing socio-spatial polarisation of Greater Melbourne is rightly a source of major concern.³⁹ The housing market dictates where people live in a city and can consolidate or intensify inequalities between different social groups. Geographic locations have different levels of access to employment, education, retail, recreation and services and lower income households may find themselves having to sacrifice better access to services for an affordable home.⁴⁰

'Declining housing affordability...has spatial implications, as lower income households are pushed to areas with lower access to employment, services and infrastructure – often at the city periphery.'⁴¹

Introducing a range of housing products in well located areas such as Yarra can help to ameliorate the effects of socio-spatial polarisation in Melbourne. Providing safe, secure and affordable housing can also have positive economic, social, safety and health impacts at an individual and societal level.

Recent discourse is attempting to position social housing as essential infrastructure rather than a form of welfare. This is to highlight the wider benefits to society that come from ensuring stable and affordable housing to households and is hoped to support increased investment into the system. A recent Australian Housing and Urban Research Institute (AHURI) report emphasises the economic and social benefits of social housing in promoting engagement in education and employment, and suggests developing a robust business case including cost-benefit analyses in order to re-position social housing as a form of infrastructure.⁴²

There are a number of examples that support the cost benefits of subsidising housing to those in need, for example:

- Economic studies in Western Australia have identified health-related cost savings of providing social housing to people who are homeless or at risk of homelessness of up to \$13,273 per person per year.⁴³
- In England, a large-scale evaluation of the provision of affordable housing found that tenants identified improved health, life satisfaction, perceptions of safety and greater levels of social contact.⁴⁴
- The City of Port Phillip has conducted a cost-benefit analysis of their Council's committed \$26.6 million investment in community housing over the next 26 years and has estimated it would return \$79.2 million worth of benefits. This included avoiding costs associated with health, justice and welfare, labour force engagement and community diversity and strengthening.

³⁷ *Local Government Act (Vic)*, 1989, Section 3C.

³⁸ Pickett and Wilkinson, *The spirit level: why more equal societies almost always do better*, 2009.

³⁹ As outlined in Bill Randolph & Andrew Tice (2017) 'Relocating Disadvantage in Five Australian Cities: Socio-spatial Polarisation under Neo-liberalism', *Urban Policy and Research*, 35:2, 103-121.

⁴⁰ Wulff, M and Reynolds, M (2010) *Housing, inequality and the role of population mobility*, AHURI Final Report No.158. Melbourne: Australian Housing and Urban Research Institute.

⁴¹ Parliamentary Library & Information Service, Parliament of Victoria, 'Housing Affordability in Victoria', 2017

⁴² Flanagan, K., Martin, C., Jacobs, K. and Lawson, J. (2019) *A conceptual analysis of social housing as infrastructure*, AHURI Final Report No. 309, Australian Housing and Urban Research Institute Limited, Melbourne.

⁴³ AHURI, 'What are the health, social and economic benefits of providing public housing and support to formerly homeless people?' 2016.

⁴⁴ Frontier Economics, 'Assessing the social and economic impact of affordable housing investment', 2014.

- SGS economics has demonstrated that there are measurable economic and social benefits for maintaining the supply of social housing in areas such as Yarra that are well located for employment and services.⁴⁵ The avoided social costs (such as health, crime, family support and other welfare services) further support the argument that social and affordable housing are a critical part of Yarra's economic viability.
- A review of the Social Housing Initiative under the federal government's Nation Building Economic Stimulus Plan found that for every dollar spent on construction, there was \$1.30 benefit for the economy.⁴⁶

While the benefits of affordable housing are well documented, the mere existence of it is not sufficient in and of itself to produce good community outcomes. The existence of physically decaying public housing alongside concentrations of wealth can contribute to social divisions that lead to mistrust, community fragmentation and stigma.⁴⁷ The current physical separation of much of the social housing stock in Yarra therefore risks stigmatising its tenants if the quality of this housing is poorly maintained.⁴⁸

There is a significant body of work on the concept of 'social mix' in high density public/private developments – meaning a mix of social and private tenures. This principle seeks to minimise any stigma attached to subsidised housing, ensure equality of outcomes in terms of dwelling standards and amenity and may also increase the likelihood of community cohesion and increased social capital for social housing tenants.⁴⁹ Ultimately it aims to reduce segregation between rich and poor.

Tenure-mixed developments should be tenure blind, meaning that private and public dwellings should not be able to be readily differentiated through either their appearance, quality or amenity and should have genuinely shared common areas. This can be achieved through a variety of typologies including unit-by-unit (also known as 'salt and pepper'), floor-by-floor, building-by-building or block-by-block mixing of public and private tenancies. Given the physical proximity and lack of differentiation between public and private in a unit-by-unit mixed development, this is more likely to result in social mixing, however from a practical tenancy management, strata fee or fit-out perspective some level of separation can be favourable (i.e. floor-by-floor or building-by-building). This is because it can be more expensive or inefficient for a community housing organisation or service provider to service tenants who are physically spread out.⁵⁰

Social mix cannot be guaranteed by tenure mix however it reverses traditional approaches to development that have led to socio-economic segregation.

*'The mixture of social groups in urban neighbourhoods can create vibrant, dynamic and sustainable communities; whether the variance amongst people differ on the basis of their household type, income, tenure, age, education, ethnicity or gender.'*⁵¹

Critics of the social mix approach however point to potential negative impacts of either displacement or gentrification.⁵² It is important to note the subtle differences of its use when (1) introducing a subsidised housing component on an otherwise private development, versus (2) selling public land and introducing market housing alongside subsidised housing.

In the report, *Understanding the assumptions and impacts of the Victorian Public Housing Renewal Program* (2019), researchers from RMIT and Deakin argue that the use of a social-mix argument to justify the Public Housing Renewal Program enables the introduction of private housing on public land that was originally just for public housing, under the guise that this will benefit public/social housing residents

⁴⁵ SGS Economics and Planning, 'Revisiting the Economics of Inclusionary Zoning', 2015, p. 12.

⁴⁶ KPMG, 'Social Housing Initiative Review', Housing Ministers' Advisory Committee, 2012.

⁴⁷ AHURI, 'Addressing concentrations of disadvantage in Australia', 2015.

⁴⁸ Morris, Jamieson and Patulny, 'Is social mixing of tenures a solution for public housing estates?', *Evidence Base*, 2012.

⁴⁹ Van den Nouwelant, R & Randolph, B (2016) 'Mixed-tenure development', UNSW.

⁵⁰ Ibid

⁵¹ Higgins, D & Moore, T, 2016, 'Mixed Tenure Housing Developments: Salt and Pepper versus Silo Design', RMIT

⁵² Ibid

through increased social capital, when it is in fact gentrifying neighbourhoods at a broader level and displacing current residents (temporarily if not permanently).⁵³

3.3. Spectrum of needs and identified target groups

Affordable housing need and unmet need

An indication of local need for affordable housing can be gained from looking at data on demand for services, incidence of homelessness, household incomes relative to housing costs and other local knowledge. The following section helps give an understanding of the need and unmet need for affordable housing in Yarra.

Social housing applicants

The March 2019 Victorian Housing Register shows a social housing waitlist of more than 41,600 applications across the state, of which about half were priority access applications. There are 697 people in the DHHS North Eastern Melbourne area (Collingwood, Fitzroy, Richmond) recorded on the Victorian Housing Register, with 355 of those applicants meeting the requirements for priority access. There are also 422 tenants currently in Collingwood, Fitzroy and Richmond who have applied to transfer to another location – suggesting that their current housing may be inappropriate to their needs.⁵⁴

Despite this immense demand across the state the recent Australian Productivity Commission report on government services showed that the number of social housing dwellings in Victoria had decreased in the 10 years from 2009 to 2018. Furthermore, the Victoria Government was found to be spending the least (per capita) on social housing of all the states and territories in 2017-18 at \$82.94, as compared to the national average of \$166.93.⁵⁵

There is simply not enough social housing to meet the current need, let alone the growing need related to estimated population increase in Yarra and across Victoria.

Additionally, in Victoria, where there is a relatively small proportion of social housing relative to need (as illustrated by the VHR waitlist and other data), allocation has come to be prioritised with eligibility access not only based on households with a housing problem (affordability, overcrowding, poor quality etc.) but most often overlaid with a range of complex issues such as mental illness, addiction and family violence.

Data from the Australian Productivity Commission shows that 90 percent of allocations to public housing in 2017-18 were to households with greatest need (people who are homeless or at risk of homelessness) and 53 percent to households with special needs (main tenants younger than 25 or older than 75, people who are Indigenous and people with disability). Community housing allocations for the same period were 85 percent to greatest needs and 51 percent special needs.⁵⁶ Registered Housing Agencies are required to allocate at least 75 percent of their dwellings to applicants on the VHR. Given this requirement and the statistics for recent allocations it is clear that most of their tenants are (priority needs) social housing residents and relatively few are allocated to moderate income households.

⁵³ From a research project commissioned by the Cities of Moreland, Darebin and Yarra. Kelly, D and Porter, L (May 2019) 'Understanding the assumptions and impacts of the Victorian Public Housing Renewal Program', RMIT University Centre for Urban Research

⁵⁴ Victorian Housing Register and transfer list by local area, March 2019. N.B. The Victorian Housing Register now combines public and community housing through a centralised waitlist. While community housing applicants are being transferred there may be some changes to numbers and HousingVic notes that numbers will increase in the second half of 2019 as the merging is completed.

⁵⁵ Australian Productivity Commission, Report on Government Services 2019, Chapter 18 Housing

⁵⁶ Australian Productivity Commission, Report on Government Services 2019, Chapter 18 Housing. N.B. Special needs and greatest needs categories are not mutually exclusive, and tenants may fit into a number of categories within each group or across groups.

Homelessness and Housing Stress

The .id Consulting report on housing demand and affordability defines housing need as ‘the aggregate of households unable to access market provided housing or requiring some form of housing assistance in the private rental market to avoid a position of rental stress.’⁵⁷

Based on this definition, housing need is estimated for the following groups in Yarra:

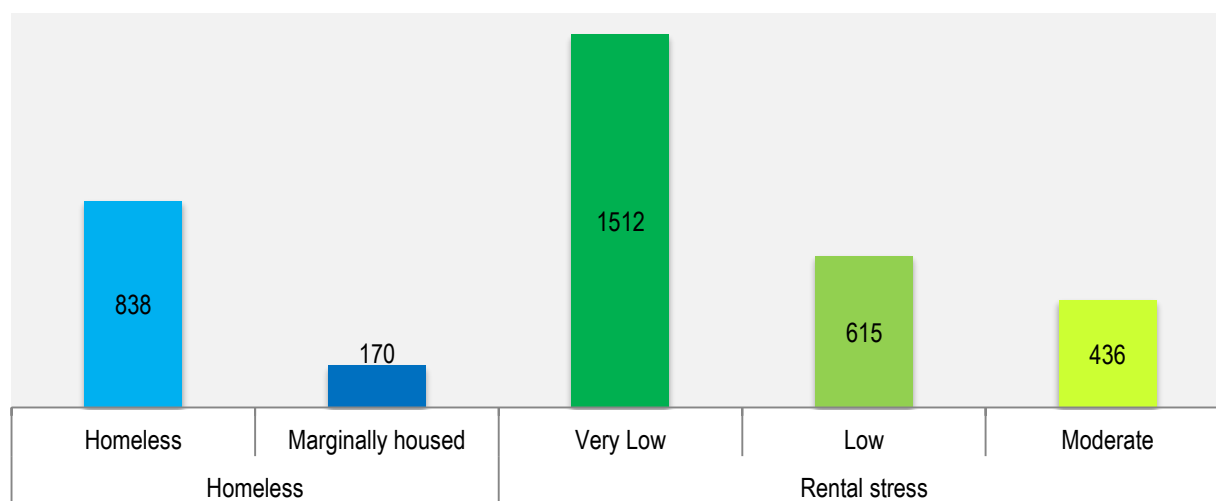
- Homeless
- Marginally housed
- Households in social housing
- Very low, low and moderate income households in long-term rental stress

Unmet need is based on the groups above, excluding social housing households as their needs are being met.⁵⁸ It is important to note that what is presented is an estimate of need based on the recorded population from 2016 and not an exact figure.

The most severe form of housing stress is homelessness, which is the inability to maintain an adequate standard of shelter for day-to-day life. In 2016, the ABS estimated a total of 1,008 homeless or marginally housed persons in Yarra, most of whom were living in over-crowded dwellings or boarding houses.

Temporary housing stress can be due to a number of factors such as short-term unemployment, a period of parental leave or households looking for more affordable housing following a separation. To estimate housing need, it is therefore assumed that 50 percent of rental stress is households in temporary stress. Based on these assumptions, it is estimated that around 2,563 rental households are in need of affordable housing.

Figure 16: Total unmet affordable housing need in Yarra



Source: ABS, *Census of Population and Housing 2016*, as prepared by .id Consulting

Together this amounts to 3,571 households, which is about 9 percent of all households, having an unmet need for affordable housing in Yarra in 2016. Given the expected population growth for Yarra in the coming

⁵⁷ From: Rowley, S., Leishman, C., Baker, E., Bentley, R. and Lester, L. (2017) *Modelling housing need in Australia to 2025*, AHURI Final Report 287, Australian Housing and Urban Research Institute, Melbourne, <http://www.ahuri.edu.au/research/final-reports/287>, doi: 10.18408/ahuri-8106901.

⁵⁸ N.B. Whilst rental stress data does not include those who have reported their tenure as ‘social housing’, it may include some households that live in social housing but didn’t report their tenure and/or landlord. In 2016, about 10% of households did not state their tenure and/or landlord on Census night.

10-20 years, and without any major supply increases for social and affordable housing, this unmet need is likely to increase in future years.

The Household, Income and Labour Dynamics in Australia (HILDA) Survey is a household-based panel study that collects valuable information about economic and personal well-being, labour market dynamics and family life. Using longitudinal data from HILDA, a 2018 report examined the persistence of housing stress across time (2001-2016) and between household types. In the 2001 to 2004 period, 42.7% of those in housing stress in one year were also in housing stress in the next year. In the 2013 to 2016 period, this measure of persistence had increased to 49.2%. Persistence of housing stress was lowest for non-elderly couples, with or without children, and highest for elderly people, particularly singles, and single parents.⁵⁹

Community housing organisation perspective on need

Interviews with Registered Housing Agencies with a presence in Yarra further clarify the local need for housing.⁶⁰ Respondents identified an expressed demand (i.e. based on current clients and applications) in Yarra coming from single people in receipt of a Disability Support Pension followed by those accessing Newstart. Currently, the highest number of community housing tenants in Yarra are between 25 and 54 years of age. Young people, aged 15-24 are the smallest cohort of community housing tenants in Yarra.

More recently increased demand had been identified for women (including older and younger women), older singles, people with a disability, moderate-income households, low-income workers and key workers.

Table 4 shows some of the comments made by the respondents.

Table 4: Selected quotes from interviews with Housing Agencies (2019)

Selected quotes (de-identified)
<i>Older women in larger housing are wary of 'downsizing' due to their fear of not finding affordable housing in Yarra.</i>
<i>There is a road block, there is limited long-term affordable, secure housing for women in Yarra.</i>
<i>There is nowhere for younger women to go to be housed in Yarra.</i>
<i>Yarra is a preferred location for low income people with a disability, as the municipality has an extensive range of health and community services as well as good transport networks.</i>
<i>The casualisation of many occupations of the low income workforce [such as cleaners and hospitality workers] results in their lack of certainty regarding capacity to pay rents.</i>
<i>Consideration is being undertaken as to how to house low and moderate income workers who will be, or are, unable to afford to live in Yarra, and emerging lower paid occupations that will be in Yarra over the next 10 years.</i>

Source: Beverly Kliger & Associates, 'Housing Needs in the City of Yarra: Consultation Report with Community Housing Organisations', April 2019

⁵⁹ Wilkins, Roger and Inga Lass (2018) The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 16. Melbourne Institute: Applied Economic & Social Research, University of Melbourne.

⁶⁰ Beverly Kliger & Associates, 'Housing Needs in the City of Yarra: Consultation Report with Community Housing Organisations', April 2019

The report notes, however, that demand is often linked to what is available. In other words, larger families won't apply to community housing providers that are known to have mainly smaller dwellings. A number of the community housing providers remarked on the lack of family housing in Yarra that is affordable and appropriate and noted that the costs for them to acquire housing were too prohibitive.

'(it's a) challenge to purchase or build three-bedroom properties in Yarra, as it is too costly. We can develop larger housing in the West but not Yarra.' (Interviewee)

An important factor to consider is that housing in and of itself is not the only need that households have. They may also want to live near social and service supports and networks, require a particular type of dwelling, e.g. accessible for people with a disability or appropriate in terms of size for a family.

The following section identifies a range of target households specific to Yarra based on data and other equity considerations, and attempts to draw out some of the particular requirements for each of these groups.

Target households

Council has identified a number of target groups in Yarra that are struggling with housing affordability. These groups represent a range of needs and requirements, and highlight the breadth of the housing crisis.

Figure 17: Yarra target households

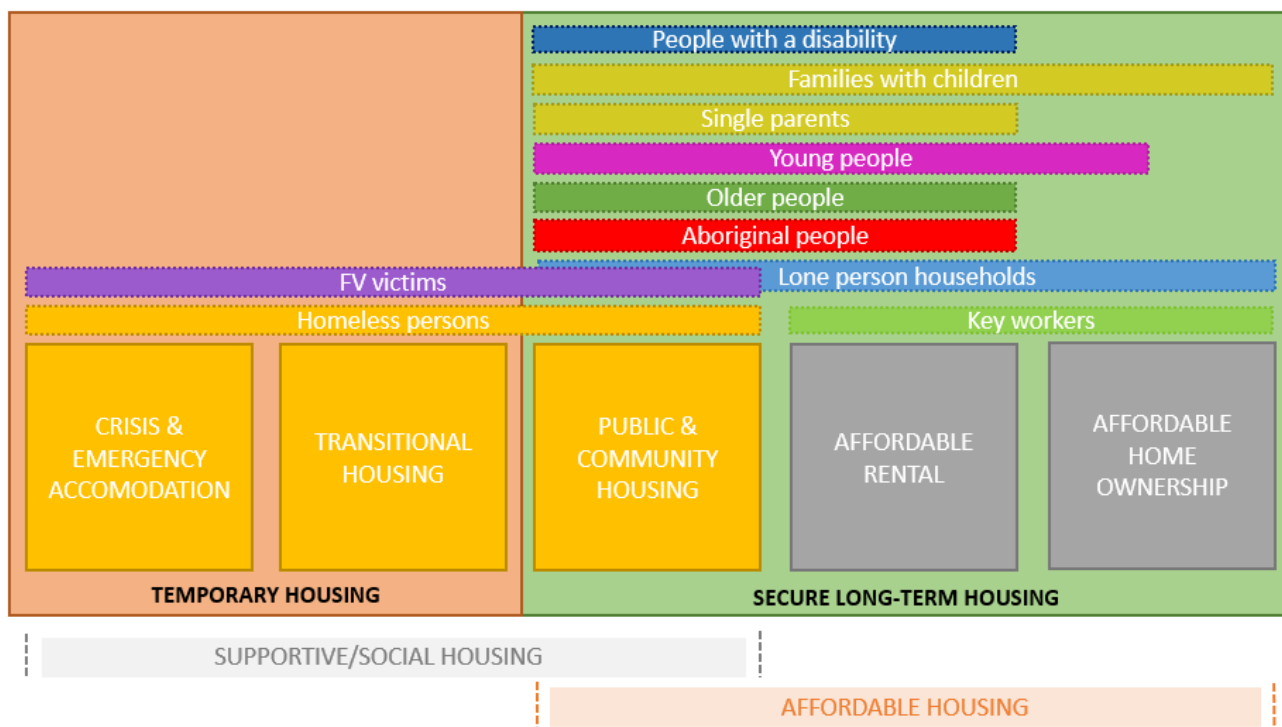


Council is focussed on:

- vulnerable groups facing multiple barriers to participation in society in addition to housing, e.g. homeless people, family violence victims, Aboriginal people and people with a disability;
- groups with specific affordability concerns due to life-stage, e.g. older people, young people and families with children;
- those who are over-represented for housing stress – lone person households; and
- key workers in order to support our local industries and realise the multiple benefits of living near to where you work.

Households may belong to more than one of these groups and will have different incomes, from very low through to moderate, illustrating the need for a range of affordable housing products to ensure a truly diverse population. Figure 18, overleaf, shows an indicative representation of the breadth of affordable housing products needed to support the identified target groups.

Figure 18: Affordable housing products and target group needs



Homeless people

Homelessness can profoundly affect a person's mental and physical health, their education and employment opportunities, and their ability to fully participate in society.⁶¹

The causes of homelessness are complex and homeless people often face a number of health and wellbeing issues, including financial, family violence, unemployment, mental health and addiction. Contemporary approaches to homelessness in many countries, including Australia, is however based on securing stable housing first and then addressing additional complex needs through targeted wrap-around services. This is known as the 'Housing First' model.

In Victoria, 1 in 54 people (116,872 clients) received homelessness assistance in 2017-18, higher than the national rate (1 in 85).⁶² The top three reasons for clients seeking assistance were:

1. domestic and family violence (47 percent)
2. financial difficulties (40 percent)
3. housing crisis (37 percent)

Across Victorian specialist homelessness services (SHS) 37 percent of clients were homeless on first presentation. While nine-in-ten clients at risk of homelessness were assisted to maintain housing (primarily in the private market), less than three-in-ten clients who were already experiencing homelessness were assisted into housing (about two-thirds in private or other and one-third in social housing).⁶³ This shows the vastly greater success rate of maintaining housing for clients *before* they become homeless as compared to finding appropriate and affordable housing, with proper supports, for someone who is homeless.

In 2017-18 clients accessing homelessness services were predominantly female (64 percent), mostly single parents with children (34 percent) or living alone (31 percent) and 47 percent were not in the labour force.⁶⁴ For the same period in Yarra, 1,070 SHS clients were recorded of which 547 were female and 523

⁶¹ Australian Institute of Health and Welfare, 'Specialist homelessness services 2017-18: Victoria', Australian Government.

⁶² Ibid

⁶³ Ibid

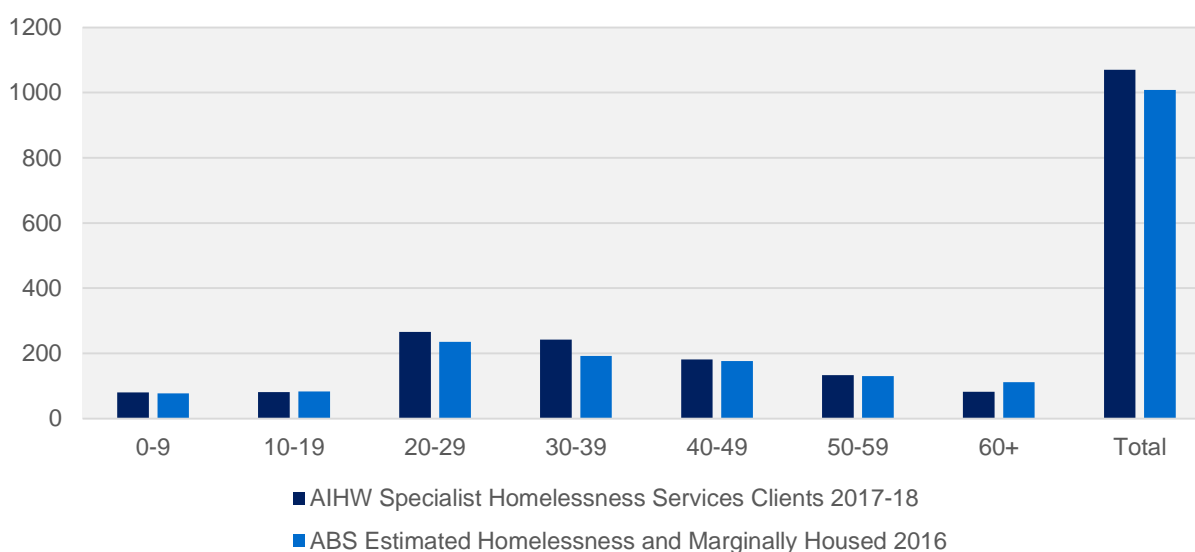
⁶⁴ Ibid

male. A slightly higher proportion of those presenting were homeless (546 or 51 percent) as compared to 'at risk' (463). This is the inverse of state figures where a higher proportion of people accessing services were people at risk of homelessness.

In the 2016 Census, the ABS estimated a total of 1,008 homeless or marginally housed persons in Yarra. The homeless count was 838 persons. In Yarra the largest homeless group was persons living in boarding houses, followed by persons living in over-crowded dwellings. 64 were estimated to be experiencing primary homelessness (living in improvised dwellings, tents, or sleeping out).⁶⁵

Interestingly, data on service users and ABS homelessness estimates show a similar age profile of homeless and at-risk persons in Yarra. Based on this data most homeless or marginally housed people in Yarra are relatively young, aged 20-29, followed by 30-39 years. Notably about 160 children were recorded in both data sets.

Figure 19: Yarra homelessness age profile



Source: AIHW Specialist Homelessness Services Clients, 2017-18 and ABS Census of Population and Housing: Estimated Homelessness, 2016

The number of homeless persons, as estimated through the Census, has essentially remained the same as in 2011 (844 homeless persons), however the outreach experience indicates an on-the-ground experience of consistent growth in people sleeping rough and an increasing complexity of incidents related to primary homelessness.

The rate of homelessness per 10,000 population was 95 in Yarra, the fourth highest local government area in Victoria and more than double that of Victoria (42 per 10,000).⁶⁶

Specific homelessness responses (beyond an increase in affordable housing) will be addressed in Council's forthcoming Homelessness Strategy.

Safe and secure homes for family violence victims

Family violence is the number one cause of seeking homelessness assistance in Victoria.⁶⁷ Women are overwhelmingly the victims of family violence, with one-in-six women having experienced actual or threatened physical or sexual violence by a partner.⁶⁸ The relationship between family violence and

⁶⁵ ABS Census of Population and Housing, Estimating Homelessness, 2016.

⁶⁶ Ibid

⁶⁷ Australian Institute of Health and Welfare, 'Specialist homelessness services 2017-18: Victoria', Australian Government.

⁶⁸ ABS Personal Safety Survey, 2007.

homelessness is the result of the complex interplay of gender inequality, socioeconomic disadvantage, mental illness as well as poor access to income support and housing.⁶⁹

Council has pledged its commitment to a future where all members of the community are protected from family violence. The City of Yarra's Council Plan (2017-2021) recognises the importance of promoting a gender equitable, safe and respectful community.

In 2017–18, the Australian Institute of Health and Welfare's annual reporting on specialist homelessness services identified that the top reason for Victorians seeking homelessness assistance was domestic and family violence (47%, compared with 39% nationally). In 2017-18 the family incident rate per 100,000 population in Yarra was 966.8 with the number of family incidents 950. This is lower than the Victorian rate of 1,176.7.⁷⁰

There is a shortage of crisis and other social accommodation within Yarra and indeed Victoria to respond to the increasing reporting of family violence. Local housing agencies note the demand for long-term, affordable, secure and safe housing for women and their dependents escaping domestic violence. Whilst some transitional housing is available in Yarra, there is limited appropriate and affordable long-term for people to transition to. Some work is being done in the space of removing perpetrators from housing rather than displacing victims and it remains critical that Council provides ongoing support for the community through stronger advocacy, raising awareness and enabling provision of increased supply of social and affordable housing options.

Aboriginal people in Yarra

Fitzroy and Collingwood are areas of special significance to Aboriginal people – as the centre of Aboriginal affairs and political activism in Victoria, the birthplace of important Aboriginal organisations and importantly as a meeting place for Aboriginal people to link-in with family, community and services. In recent years, gentrification and the rising cost of living have pushed many Aboriginal people away from the area. In spite of this, Yarra is still a preferred place for Aboriginal and Torres Strait Islander peoples to live, meet up, work and access services.

At the same time data on Aboriginal housing and homelessness in Victoria show the enduring disadvantage of this community:

- 43 percent of Aboriginal people in Victoria own their homes as compared to 68 percent of Victorians;⁷¹
- 18 percent, almost 11,000 Aboriginal people, were in contact with homelessness services in 2017-18 as compared to 1.8 percent of Victorians;⁷²
- Aboriginal people are over-represented as homelessness clients - 10.4% of homelessness clients in Victoria are Aboriginal yet they only make up 0.9% of the population.⁷³

There is currently no dedicated Aboriginal social housing stock in Yarra.

A recent Paper produced by Aboriginal Housing Victoria (AHV) highlights some of the particular housing requirements of Aboriginal households, including cultural needs, caring for extended families and pathways from homelessness to long-term secure housing. They also note the need for specific supports around

⁶⁹ Robinson, C & Searby, R (2006) Accommodation in Crisis: Forgotten Women in Western Sydney, UTS Shopfront monograph series no.1 Sydney

⁷⁰ Crime Statistics Agency, Family Violence Data Portal, 2018

⁷¹ ABS Census of Population and Housing, 2016 (as presented in Aboriginal Housing Victoria 'Key Data' graphic, available at: https://ahvic.org.au/cms_uploads/docs/web-key-data-housing-and-homelessness-victoria-.pdf)

⁷² Productivity Commission, Table 19A.4 in Report on Government Services, 2019 (as presented in Aboriginal Housing Victoria 'Key Data' graphic, available at: https://ahvic.org.au/cms_uploads/docs/web-key-data-housing-and-homelessness-victoria-.pdf)

⁷³ Ibid

things such as the legal system, disability, alcohol and drugs, and family violence. AHV places a strong focus on self-determination for Aboriginal Housing.⁷⁴

This data, together with Council's ongoing support for the Aboriginal community and its connection to Yarra, supports stronger awareness, and increased supply, of Aboriginal housing in Yarra.

Accessible housing for people with a disability

Across Australia there is a serious shortage of affordable, accessible and well-located housing for people with disabilities with current options including group homes and forced co-tenancies.⁷⁵ People with a disability tend to stay living with their parents for longer, are overrepresented in housing assistance programs and have relatively low rates of home-ownership.⁷⁶

There are more than 6,000 Australians with a disability under the age of 65 living in aged care facilities.⁷⁷ The Commonwealth Government recently committed to the National Action Plan for Younger People in Residential Aged Care which involves getting all young people under the age of 45, who wish to leave, out of nursing homes by 2022 and those under the age of 65 by 2025. The plan will be funded under the National Disability Insurance Scheme which, when fully rolled out, is estimated to provide more than \$700 million annually in funding for specialised disability accommodation.

People with disabilities face additional barriers to accessing suitable and affordable housing that are different to other cohorts of the population. They require homes that are accessible and adaptable, and enable informal support as well as independent living, and that encourage social inclusion, economic participation and health and wellbeing.⁷⁸

People with disability are some of the most disadvantaged populations in Australia in terms of workforce participation, income, education, health and social participation.⁷⁹

The 2016 Census recorded slightly more than 3,000 people or 3.5 percent of the population in Yarra who need help with their day-to-day lives due to disability (equating to a severe or profound disability). Disability correlates strongly with age and as many as 1 in 5 Yarra residents 65 years or older reported need for assistance with core activities.⁸⁰

The vast majority of working age people (15 to 60 years old) with need for assistance are not in the labour force and only 8% are employed as compared to 75% for people who do not require assistance.

Interviews with local housing agencies showed a high demand from people on a disability support pension and it was expressed that Yarra is a good location for people with disabilities due to availability of support services.

Council has a strong commitment to supporting people with a disability to participate, contribute and be represented and the *Yarra Access and Inclusion Strategy* includes a strategy to 'Advocate and work collaboratively to ensure greater provision of accessible and affordable housing'.

⁷⁴ Aboriginal Housing Victoria, Victorian Aboriginal Housing and Homelessness Summit - Documents and Background Papers, 2019. Available at: <https://ahvic.org.au/communications-and-resources/vahhf> (Accessed 30 May 2019).

⁷⁵ Australian Human Rights Commission (April 2017). Available at: https://www.humanrights.gov.au/sites/default/files/PWD_and_Housing.pdf (Accessed 15 Mar 2019).

⁷⁶ Wiesel, I. and Habibis, D. (2015) NDIS, housing assistance and choice and control for people with disability, AHURI Final Report 258, Australian Housing and Urban Research Institute, Melbourne, <<http://www.ahuri.edu.au/publications/projects/p71053>>.

⁷⁷ Senate Community Affairs References Committee. "Adequacy of existing residential care arrangements available for young people with severe physical, mental or intellectual disabilities in Australia." Commonwealth of Australia (2015).

⁷⁸ Wiesel, I. and Habibis, D. (2015) NDIS, housing assistance and choice and control for people with disability, AHURI Final Report 258, Australian Housing and Urban Research Institute, Melbourne, <<http://www.ahuri.edu.au/publications/projects/p71053>>.

⁷⁹ Ibid

⁸⁰ ABS Census of Population and Housing, 2016

Affordability for older people

Older people are susceptible to housing stress due to their reduced incomes and often increased expenses due to health issues. Older single women may face additional financial disadvantage due to lower superannuation or as a result of changed circumstances such as divorce or death of a partner.

The housing situation for older lower income renters differs from younger lower income renters in that they have finished their working life (and usually have low levels of wealth), they have very limited incomes (i.e. the age pension) and they lack future earnings potential⁸¹

Many older people may be reticent to downsize from the family homes if there are limited affordable and/or accessible options in the local area, resulting in a mismatch of housing and need.

As people age they may become increasingly frail and vulnerable and struggle to cope with stress and change, they may face physical disabilities or mental health concerns and can suffer from being isolated.

From an economic perspective, governments benefit from keeping people in their homes as long as possible, however there is a challenge in ensuring homes remain safe, secure, appropriate and affordable. Particularly for older people in the private rental market.⁸²

There are about 9,000 Yarra residents aged 65 and over, making up 10 percent of the population. Yarra's older population have significantly lower earnings than the broader population with almost half earning less than \$500 a week (roughly aligned with 'very low' income bracket for singles) as compared to 1 in 4 for the broader Yarra population aged 15 years and over.

Yarra's *Active and Healthy Ageing Strategy 2018-2024*, notes the importance of being able to 'age in place' and consultation with the community has brought up the issue of lack of affordable and appropriate housing for older residents in Yarra. Goal number five of the associated action plan identifies housing as a priority with a strategy to 'Advocate for diverse, affordable housing options for people 50+ that support a city for all ages.'

Young people struggling to enter the housing market

Young people are more likely to be in full or part-time study, have casual or low paid jobs as well as face unemployment. Young people living independently primarily live in group or share house situations, with most of these people either working or studying full-time.

There is a widening inequality between generations. The current cost of housing relative to incomes has resulted in multiple barriers for young people breaking into the housing market and increased reliance on parents to provide housing later into life, including assisting with a potential first home purchase.

'Family support is crucial for young people during the transition to an independent adulthood and a sustainable livelihood. When family support is weak or non-existent, young people are much more likely to experience homelessness and long-term disadvantage.'⁸³

During the past 30-40 years young people have increasingly remained in the family home for longer. A 2016 report states that about a third of 20-24-year-old Australians still live at home. Many also return home for periods even after they have left the family home. For young people who do not have this family support their options for housing can become limited and some end up becoming homeless.⁸⁴ Homelessness

⁸¹ AHURI Policy Issue Analysis, 'Supporting older lower income tenants in the private rental sector'. Available at: https://www.ahuri.edu.au/policy/policy-analysis/supporting-older-lower-income-tenants-in-the-private-rental-sector?gclid=EAlaIqobChMlXNKcmY294glVmQsrCh0J8ww2EAAYASAAEgLF_vD_BwE. (Accessed 30 May 2019)

⁸² Ibid

⁸³ David MacKenzie, Paul Flatau, Adam Steen, Monica Thielking (2016). The cost of youth homelessness in Australia: research brief. Retrieved from Analysis and Policy Observatory Website: <https://apo.org.au/node/63479>.

⁸⁴ Ibid

estimates from both the Australian Bureau of Statistics (ABS) and Australian Institute of Health and Welfare (AIHW) suggest that 20-29 year olds are the largest homeless group in Yarra.

The broader nationwide housing crisis greatly affects disadvantaged young Australians. Young people only make up 2.9 percent of main tenants in social housing across Australia and progress on Affordable Housing for young people scored only one out of four stars in a recent National Report Card on Youth Homelessness, meaning little progress had been made in the last 10 years.⁸⁵

Affordable housing for young people is crucial to allow them to live independently, and particularly for the most disadvantaged young people who do not have family supports to rely on.

Lone person households

Lone person households are particularly susceptible to housing stress as they are reliant on one income to sustain their housing costs. Almost one-in-four lone person households in Yarra are in housing stress, with a majority of these being rental households on very low incomes.

About half of newly allocated public housing households in 2016-17 were single people living alone. Given that most of allocations are to priority households, many of these people would have additional needs overlayed with housing need. These include being homeless or at risk of homelessness, having a disability, being younger than 25 or older than 75 or defined as an Indigenous household.⁸⁶

Local community housing organisations also reported single person households as a majority of their tenants.

A 2017 Victorian Auditor-General's Report on Victoria's public housing states that current public housing stock is not configured to meet the growing demand for one and two bedroom dwellings, accounting for about 80 percent of applicants in 2016.⁸⁷

Affordable and appropriate housing for families with children

Another group that is struggling to find affordable and appropriate housing in Yarra is families with children. In 2016, 15 percent of Yarra households were couples with children as compared to 34 percent across Greater Melbourne⁸⁸. Between 2011 and 2016, Yarra lost more people than it gained for children up to 17 years old and adults in their mid-thirties to mid-forties suggesting families with children are leaving the municipality to find better matched housing elsewhere - often in outbound neighbouring municipalities.

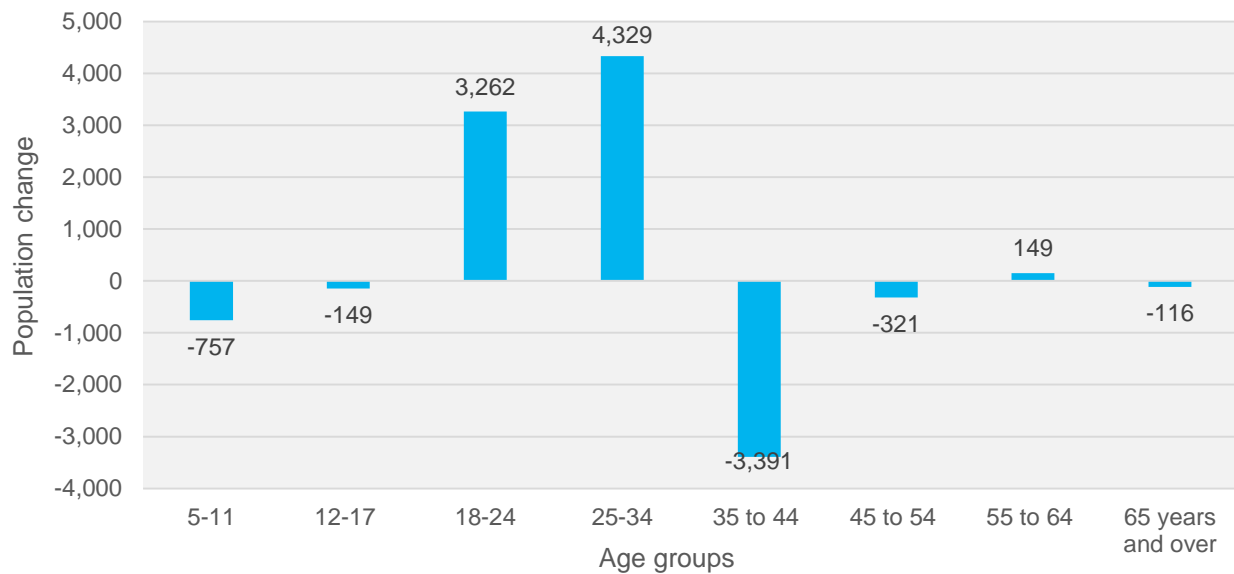
⁸⁵ Youth Development Australia and National Youth Commission (2019) 'A National Report Card on Youth Homelessness'. Available at: <https://apo.org.au/node/225611> (Accessed 31 May 2019)

⁸⁶ AIHW (2018) 'Housing Assistance in Australia 2018'. Available at: <https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia-2018/contents/priority-groups-and-wait-lists> (Accessed 27 May 2019).

⁸⁷ VAGO (June 2017) 'Managing Victoria's Public Housing'.

⁸⁸ ABS Census of Population and Housing, 2016

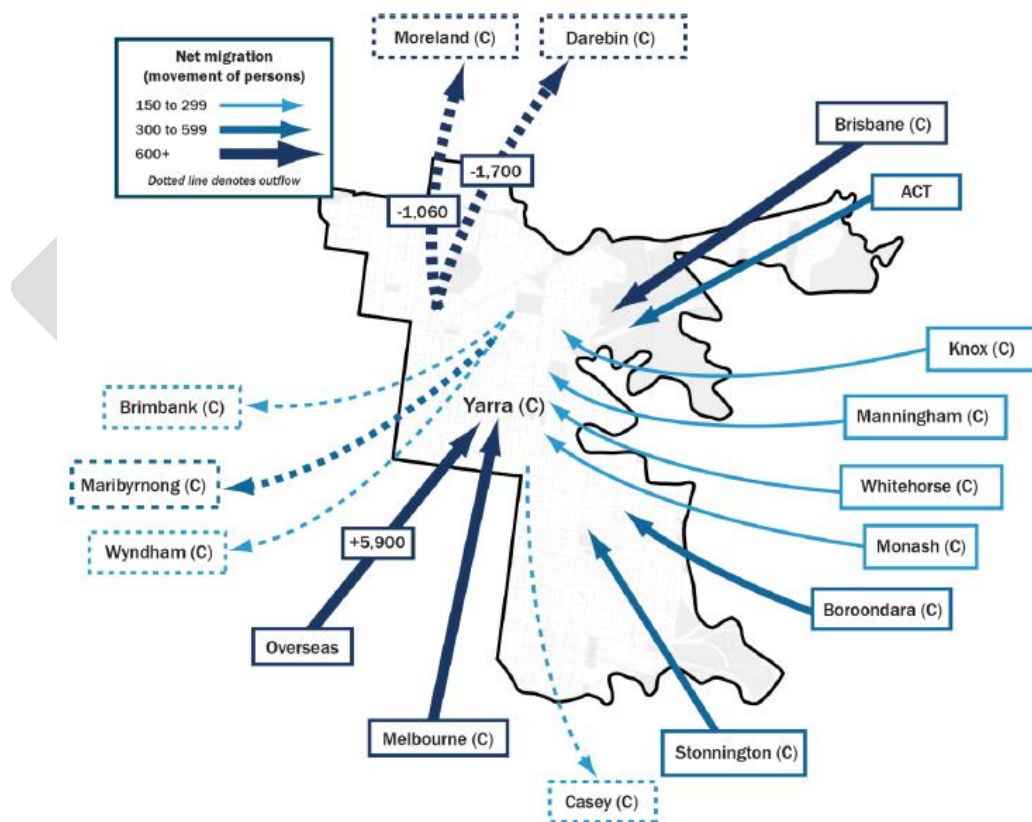
Figure 20: Age specific net migration for Yarra, 2011-2016



Source: ABS Census of Population and Housing, 2011 and 2016⁸⁹

Figure 21 reinforces this picture, showing the major net in-flows of migration coming from overseas, interstate and City of Melbourne, and major outflows to neighbouring municipalities like Darebin and Moreland.

Figure 21: Major net migration flows for Yarra – 2011-2016



⁸⁹ Sourced from Migration Profile for Yarra by .id Consulting on <https://profile.id.com.au/yarra/migration-by-age?AgeKey=105>

A recent report from the Strong Foundations⁹⁰ collaboration notes the proven importance of physical environments on a child's development. The report highlights the detrimental effects of housing instability, particularly for children in the first three years of life. Impacts are seen on a range of fronts including behavioural issues, education outcomes, parental stress and capacity, social support networks and health. Housing instability and housing stress are often a more pressing issues for lower socio-economic groups and in particular single parent families.

Many of Yarra's current families live in relative disadvantage with a disproportionate amount of families with children in social housing (17 percent). Of the more than 2,500 single parent families in Yarra, more than one-in-three live in social housing. Single parent families face additional struggles and across Australia have the highest rates of housing stress out of any family type.⁹¹

Despite these broader trends, the number of families with children has increased in Yarra in recent years. Given the available housing stock in Yarra this suggests that families are increasingly prepared to live in apartments in order to live in the area. Ensuring appropriate amenity to these families is rightfully a concern in the Yarra Housing Strategy (2018).

As noted in the previous section, there are challenges in developing affordable housing that is suitable for families in Yarra due to the high cost of land. In pursuing goals of socio-economic population diversity, increased efforts to include 'family-friendly' housing in new developments will need to be prioritised.

Key workers – living and working in Yarra

Affordable housing enables low-to-moderate income workers to live in areas that they may not otherwise be able to, and that improves their access to jobs, transport and services.

Escalating house and rental prices mean that there are limited numbers of key workers who can afford to live in Yarra. Analysis of median incomes for selected key worker groups located in Yarra⁹² as compared to actual property sale prices and advertised rentals in the lower quartile show a slight improvement from 2012 to 2017 in overall affordability (49 percent up to 52 percent able to afford purchase, 60 percent up to 65 percent able to afford private rental), assuming the key worker is earning 50 percent of household income.⁹³ This seems to suggest that the large numbers of new high density dwellings being constructed are having a positive impact on affordability for key workers, but masks some differences between dwelling types and key worker groups.

Houses to purchase had gone up significantly from 2012 to 2017 and hospitality workers, who receive the lowest income, were significantly less able to afford housing (to buy or rent) as compared to defence force members, fire fighters and police, who earn higher salaries. The 2018 report on Housing Demand and Affordability by .id Consulting notes that, '[for] lone person households in key worker occupations, the results are stark. Only defence force members, fire fighters and police could afford more than 1 percent of the houses and units on sale in 2017. For rentals the story is slightly better, with around 20 percent of rental units affordable to midwifery and nursing professionals and more than half affordable for lone households working as defence force members, fire fighters and police in Yarra.' Figure 22 (overleaf) shows the proportion of house sales and rentals in the lower quartile affordable to key worker groups in Yarra.

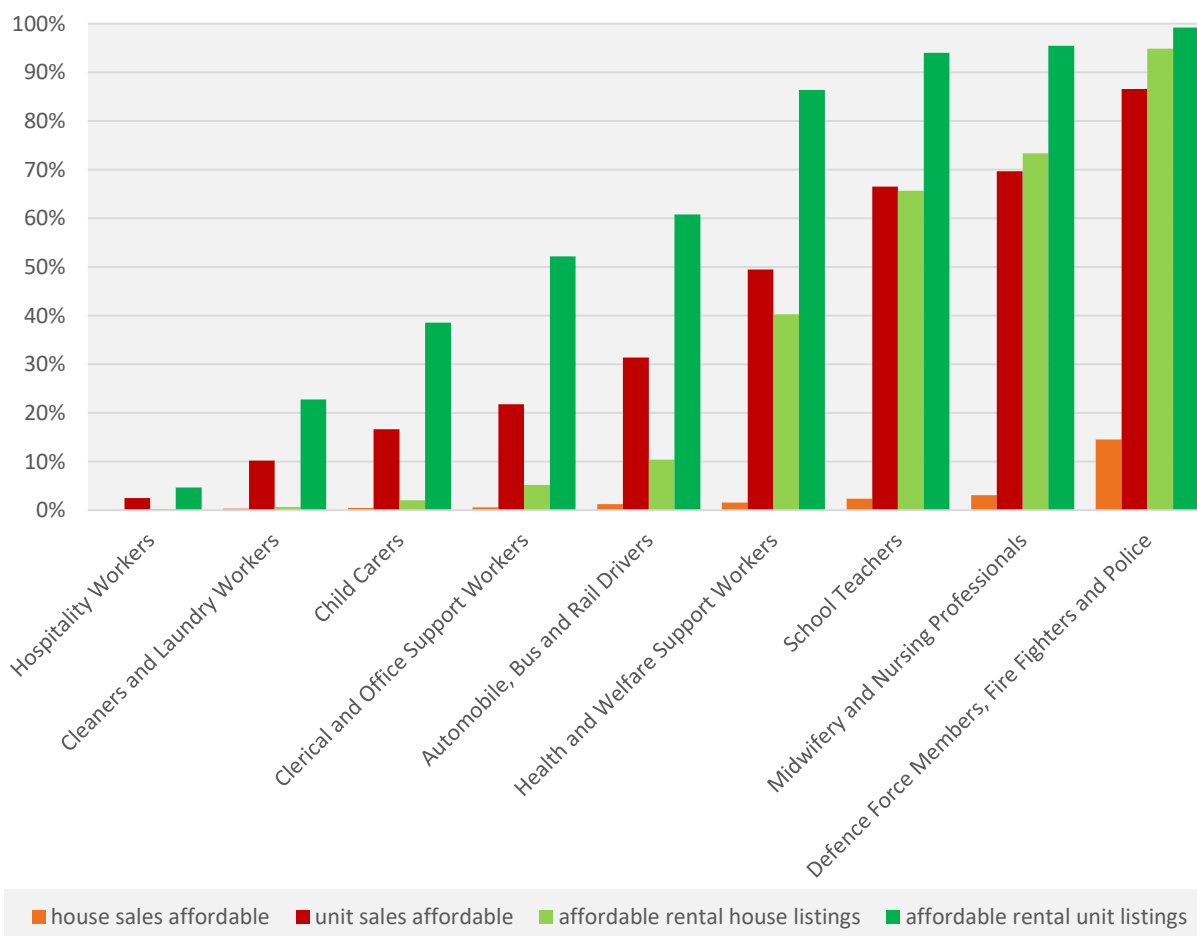
⁹⁰ PricewaterhouseCoopers Consulting for the Strong Foundations collaboration (April 2019), 'The first thousand days: A case for investment'.

⁹¹ Wilkins, Roger and Inga Lass (2018) The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 16. Melbourne Institute: Applied Economic & Social Research, University of Melbourne.

⁹² Key workers are defined in a report by .id consulting for City of Yarra as school teachers, midwifery and nursing professionals, defence force members, fire fighters and police, health and welfare support workers, hospitality workers, child carers, cleaners and laundry workers and car, bus and rail drivers.

⁹³ N.B. An assessment of affordability is most useful in showing affordability of first home buyers and their ability to enter the market.

Figure 22: Proportion of dwellings in the lower quartile affordable for Yarra key worker groups, 2017



Source: Hometrack property sales and rental data, 2017 and ABS Census of Population and Housing, 2016, as prepared by .id Consulting for the City of Yarra

Local industry faces additional costs without an adequate level of key worker labour supply meaning lost time in worker turn-over and recruiting when workers find jobs closer to home. Workers also suffer when they have to pay additional costs in the form of transport costs, resulting in a fall in disposable income. The local area faces congestion and air pollution from workers driving to work. It is incumbent on municipalities such as Yarra which has a high concentration of skilled jobs to provide opportunities for key workers to live close to these jobs.

Currently, most of the workers employed in positions in Yarra live outside the municipality (85 percent). The largest employer is the health sector, which accounts for more than a fifth of all jobs, closely followed by the retail, food and accommodation sectors. Research has shown that a poor relationship between housing and employment markets has an impact on local productivity.⁹⁴

A comparison of key worker jobs located in Yarra for 2006, 2011 and 2016, and the number of Yarra residents employed in these jobs, suggests a decreasing proportion of key workers living locally. For example, in 2006 there were more Yarra residents working in hospitality (1,318) than there were hospitality jobs in Yarra (1,293). However, by 2016 there were almost 30 percent more hospitality jobs in Yarra (2,502) than hospitality workers living in the area (1,991). This applies to almost all of the key worker professions. For child carers in 2016, there were double the amount of jobs in Yarra (685) relative to child carers living in the area (335). Artists, musicians and arts workers form another type of key worker category that is essential to the vibrant creative culture that people associate closely with Yarra. In 2011, 864 people identified as working within the arts in Yarra, with a median wage of \$772.44 per week, while in 2016, the

⁹⁴ AHURI, 'Making connections: housing, productivity and employment', 2015.

number of arts industry professionals working in Yarra actually increased to 883 people, with a median weekly wage of \$918.09.

3.4. Planning tools: Affordable housing in new developments

The two principal State Government policies outlining plans for housing and development in Victoria, *Homes for Victorians* (2017) and *Plan Melbourne 2017-2050* signal the role of the planning system in facilitating the supply of affordable housing, whilst acknowledging that the planning system alone cannot address all the issues pertaining to housing affordability.⁹⁵

Local government is the responsible authority for the processing of the majority of land-use and development plan applications, rezoning of land and seeking amendments to the local planning scheme from the Minister for Planning. At present, in Victoria, affordable housing can be facilitated by the planning system through a voluntary planning negotiation with a developer or land-owner, generally expressed in a Development Plan Overlay (DPO) and/or a Section 173 Agreement (s173).

A DPO requires an overall plan to be prepared to the satisfaction of the responsible authority to co-ordinate land uses and development over a defined area or site. It requires the preparation of a Development Plan that sets out conditions for land uses and development. This has been used in some situations to negotiate the inclusion of provisions for affordable housing as part of the overall development outcome.

The most common mechanism to facilitate the supply of affordable housing is through a voluntary (but legally binding) agreement between a responsible authority (generally a local council) and a landowner to deliver affordable housing as part of new developments. The power to enter into the agreement arises under Section 173 of the *Victorian Planning and Environment Act 1987*.⁹⁶ The agreement sets out conditions or restrictions on the use or development of the land, or to achieve other planning objectives relating to the land. The agreement can be registered over the title to bind future owners and occupiers of the land to the agreement. Before any planning permit is acted upon, the owner/s of the land must enter into the agreement with the responsible authority to the satisfaction of that authority. The agreement is enforced in the same way as a permit condition or planning scheme. These agreements are normally entered into as part of the rezoning or development application process.

A s173 can be placed on a site in perpetuity, for a predefined number of years (e.g. 10-15 years) or until the affordable housing has been transferred to a registered housing agency. Notably, many registered housing agencies have expressed concern over s173s that are put on a site in perpetuity as this limits their borrowing capacity (which can impact project feasibility) and restricts their overall portfolio management as older assets may need to be sold when maintenance becomes too costly.

Voluntary Planning Negotiations

The Victorian State Government issued some important changes and clarifications with regard to social and affordable housing in June 2018. The Department of Environment Land, Water and Planning (DELWP) state that the objective of the recent changes to the *Planning and Environment Act 1987* (The Act) is to facilitate the supply of affordable housing through the planning system.

The changes to the Act are also intended to provide a framework that allows for innovative approaches to the delivery of affordable housing and flexibility for parties when reaching an affordable housing agreement.

Three changes were made to the Act that came into effect on 1 June 2018:

- Adding a new objective to the Act ‘to facilitate the provision of affordable housing in Victoria’ and thereby affirming that the facilitation of affordable housing is a legitimate concern of the planning system.

⁹⁵ Available at: <https://www.planning.vic.gov.au/policy-and-strategy/affordable-housing> (Accessed 17 December 2018)

⁹⁶ Available at: <https://www.planning.vic.gov.au/policy-and-strategy/affordable-housing> (Accessed 18 December 2018)

- Providing a definition of affordable housing – ‘*affordable housing is housing, including social housing, that is appropriate for the housing needs of very low, low, and moderate-income households*’.
- Affirming the use of Section 173 agreements for voluntary affordable housing agreements ‘*...a Responsible Authority may enter into an agreement with an owner of land for the development or provision of land in relation to affordable housing*’.⁹⁷

Further guidance from DELWP outlines the requirements for a Responsible Authority to establish strategic justification for an Affordable Housing request, identify value to support the delivery, ensure clear land-owner agreement and not unduly impact commerciality of the development, give regard to a Registered Housing Agencies support for the proposal and test it against the definition and list of matters (as outlined by the Minister for Planning).⁹⁸

The Victorian Government is also considering how councils can provide support through measures such as reducing third party appeal rights, fast-tracking planning approvals and providing exemptions from some planning requirements such as car parking or enabling increased building heights.⁹⁹

Implication for Council

The changes emphasise that the planning system has a role in facilitating affordable housing and provides a shared definition of what affordable housing means, including allocated income brackets defining very low, low and moderate incomes with respect to affordable housing that is not social housing. These categories are derived from calculations based on 50 percent, 80 percent and 120 percent of median incomes in Greater Melbourne (see Table 1). DELWP has also developed a sample s173 Agreement to assist councils in leveraging affordable housing through the planning system.

These changes do not give any power to councils to require allocation of affordable housing, nor does it specify preferred proportions (e.g. 5 percent or 10 percent) or specific triggers (e.g. dwelling yield, floor space or monetary value). What the changes do achieve is removing ambiguity by providing a statutory definition of affordable housing and further protection of the legitimate practice of requiring affordable housing outcomes by agreement that many Councils, including Yarra, were already exercising.

It is notable that the sample agreement includes the possibility of cash contributions from developers to be considered as an affordable housing contribution. These donations could be to Registered Housing Agencies or to approved trusts or bodies, in lieu of housing stock. This opens up possibilities for councils to direct cash funds to affordable housing providers or to create trust to direct development funds toward affordable housing projects.

Importantly, when considering a payment in lieu of delivery a council needs to consider:

- the urgency of need (i.e. is it more likely that dwellings will be delivered faster in-situ);
- whether high local land costs and smaller cash contributions will result in difficulties/long-time frames for realising outcomes with cash; and
- the importance to the council of social mix (i.e. realising this goal for each respective development).

Cash contributions have traditionally been more common in an inclusionary zoning setting and applied in particular circumstances, such as if the number of dwellings is too few to realise on site, there are particularly high body-corporate costs or it is a non-residential building.¹⁰⁰

Key stakeholders

There are three principal negotiators in the delivery of affordable housing through the planning process: developers/land-owners, councils and Affordable Housing owners/operators (generally Registered Housing

⁹⁷ Available at: <https://www.planning.vic.gov.au/policy-and-strategy/affordable-housing> (Accessed 18 December 2018)

⁹⁸ Ibid, including Ministerial Notice ‘Specified Matters under Section 3AA(2)’, 17 May 2018

⁹⁹ The state government has included this as an option in implementing *Plan Melbourne 2017-2050*

¹⁰⁰ Kate Breen (2015) ‘International approaches to facilitating affordable housing outcomes and their application to Victoria, Australia’, 2014 AV Jennings Churchill Fellowship.

Agencies), as well as a number of supporting parties. The main stakeholders and their roles and requirements are outlined in Table 5 below.

Table 5: Key Stakeholders – Financing, Development and Management of Affordable Housing

Stakeholder	Role	Key financial requirements
Land-owner	May be planning applicant and developer or may own land for other purpose and sell a permitted or non-permitted site for others to develop	Appropriate return on land, reflecting value in market, cost of sale
Developer	<ul style="list-style-type: none"> • Commercial, profit-driven entity • Purchaser of land • Developer of land • Typically planning applicant 	Development margin that supports a required Rate of Return on investment after costs and taxes, including financing costs
Affordable Housing owner and/or operator	<ul style="list-style-type: none"> • Owner and/or manager of Affordable Housing • Housing low to moderate income households 	<ul style="list-style-type: none"> • Positive revenue (rent) relative to costs to maintain a viable not-for-profit business • Access to subsidy • Access to low-cost, long-term financing
Council	<ul style="list-style-type: none"> • Planning authority • Facilitator • Balancing community needs 	Maximum community benefit
State Government	<ul style="list-style-type: none"> • Legislative and policy • Owner and manager of Public Housing • Direct investor in Social and Affordable Housing • Provision of support for home owners 	Value for money/public benefit for investment
Financier and/or investor	Provider of funds for land acquisition and/or development on expectation of financial return	Rate of Return on the investment that is commensurate to the level of risk, time and quantum of investment

Source: Adapted from *Affordable Development Outcomes report for City of Yarra 'Affordable Housing Financing'*, April 2019

Increased awareness of other stakeholders' roles and requirements will help Council to understand and balance the needs of different players. Understanding the basic financials of development economics is also core to making informed and realistic requests for affordable housing outcomes. The following section explores this further.

Financing Affordable Housing

The main challenge in securing affordable housing at new developments is the funding gap – essentially the difference in revenue that can be achieved from selling or renting something at market value as compared to selling or renting at a subsidised rate (which can range from high to low).

'Affordable Housing that is appropriate, affordable and allocated to lower income households at a below-market rent or purchase price is not typically delivered by commercial

*property developers unless it has been directly or indirectly subsidised, typically by government.*¹⁰¹

In order for affordable housing to be delivered through a private sector development it needs to be commercially viable for the owner/developer as well as commercially sustainable for the registered housing agency to both purchase in the first instance and to own and operate long-term. Therefore, there needs to be a recognition of the process, risks and capital costs required to build dwellings and to ensure the long-term management of a dwelling as affordable housing.

Property development is a complex commercial enterprise entailing significant costs and risks over a considerable period of time.

Developers require an adequate rate of return of costs relative to risk and investor (equity and lender) requirements. Increases in costs – from for instance an affordable housing component – that are not countered by an increase or offset in revenue can mean that a project is no longer viable and therefore won't proceed.

Housing Agencies must in turn receive an adequate income to meet all tenancy management and building operating costs (rates, owner corporation costs, insurance and property and tenancy management), as well as servicing debt and all from below-market rental revenue. As charities, housing agencies can draw on taxation benefits such as GST exemptions to reduce costs, but this in itself is not sufficient. In instances where housing agencies have not received a subsidy, such as land at cost or a government grant, they will be incapable of delivering the highest subsidy affordable rental product (social housing). If instead they have to essentially leverage their own assets and income, the likely best outcome that may be achieved is affordable housing products such as key worker housing or shared-equity schemes.

At the time of writing, the Victorian Government was providing some grants and alternate financing, complemented by lower interest borrowing facilities supported by the Commonwealth Government that can help bridge the funding gap.

State Government has directed that there should be clear value generation coming from the planning process to improve development viability. Council can make contributions to offset the costs of affordable housing delivery through planning incentives – such as additional yield or streamlined decision making – or rezoning – enabling a higher value use of the site.

*'Under voluntary planning negotiations the way the capital costs of a dwelling will be met must be clearly understood and agreed, which in part requires assurance that there is sufficient value available to the developer to offset costs.'*¹⁰²

Where no value generation is present, other subsidy or funds will be required to meet the developer's costs and the developer and investor hurdle rates.

Kate Breen of Affordable Development Outcomes has produced a report for Council on Affordable Housing Financing, including modelling of different cost and foregone revenue implications of various delivery models. Table 6 (below) shows the different cost impacts for various models (gifting of land through to gifting of completed dwellings) and the flow on effects in terms of tenure, household allocation (very low to moderate) and the potential outcome in terms of dwelling yield.

¹⁰¹ Report for Yarra City Council by Affordable Development Outcomes (April 2019) 'Affordable Housing Financing'.

¹⁰² Ibid

Table 6: Potential outcomes arising from different delivery models

Model	Relative cost impact for developer	Potential Tenure	Likely Allocation/ Household targeting	Reliance on third party investment (indication of delivery certainty/ risk)	Potential number of dwellings (relative)
Gifting of Land	Low	Social and Affordable Rental and/or Affordable ownership (Shared Equity)	Mix very low, low and moderate income	High – depends on Housing Agency funding construction which is likely to also require government funding	High
Sale at 30% discount/ developer contribution	Low	Affordable Rental and/or Affordable ownership (Shared Equity)	Low to moderate income	High – depends on Housing Agency securing significant funding and/or finance or an individual securing a mortgage	Moderate
Sale at 40 – 50% discount	Moderate	Social and/or Affordable Rental	Low to moderate income	Moderate to high – depends on Housing Agency securing funding and/or finance. Less reliance on government funds if financing can be secured	Low to moderate
Gifting of completed dwellings	High	Social and/or Affordable Rental	Very low to low income	Low/none	Low

Source: *Affordable Development Outcomes report for City of Yarra 'Affordable Housing Financing', April 2019*

The report also models cost impacts based on the median unit value in Yarra. Assuming a development with a total yield of 100 units, each with a market value of \$582,000,¹⁰³ the indicative total cost to the developer of providing ten of these dwellings for affordable housing under various delivery models is:¹⁰⁴

- Gifting of land without dwellings: \$417,000
- Sale of dwellings at 30% discount to market value: \$640,000
- Sale of dwellings at 40-50% discount to market value: \$1.22-1.8 m
- Gifting of completed dwellings: \$4.3 m

This is a very useful starting point to begin considering when and what Council can aim for in a negotiation with a developer on a site-by-site basis, understanding that there are very different price implications for the delivery model with flow-on effects in terms of the quantity that can be delivered and to whom.

Inclusionary zoning

Inclusionary zoning generally refers to statutory planning controls requiring development proponents to incorporate certain facilities or features on their site, or pay a cash-in-lieu contribution for this obligation to be discharged off-site. It is often used to mean that property developers are required to set aside a

¹⁰³ Median unit value in City of Yarra in 2018, from Victorian Valuer-General (2018) 'Guide to Property Values'.

¹⁰⁴ Costs are highly indicative and do not take into account site specific considerations or the foregone opportunity cost to the developer, which is greater than the cost impact

percentage of their final dwellings for use as affordable housing. Inclusionary zoning is not currently applied in Victoria.

Council has long been an advocate for inclusionary zoning and has been part of previous efforts to introduce inclusionary zoning approaches in inner city Melbourne. In 2007, the Inner Melbourne Action Plan (IMAP), which at the time included the Cities of Melbourne, Port Phillip, Stonnington and Yarra, developed a model of inclusionary zoning to maintain at least 6 percent of housing in the inner city for low income households through a contribution rate to apply to new developments.¹⁰⁵ This proposal was not accepted by the Victorian Government.

Inclusionary zoning is currently used to cover affordable housing provisions in other jurisdictions in Australia, including:

- City of Melbourne – 15 percent affordable housing target but only applies to the development of Council-owned land.
- South Australia – a state affordable housing target announced in 2005, for achieving 15 percent affordable housing in all new significant developments, including 5 percent high needs (public) housing. The planning provisions were initially restricted to the redevelopment of government sites, but are increasingly applied when major new residential areas are released or rezoned to allow higher density development.
- Queensland – site-specific affordable housing initiatives were delivered under the auspices of its Urban Land Development Authority (ULDA) who applied a combination of land supply, barrier reduction, affordable housing incentivisation and inclusionary zoning to large renewal sites in Brisbane.
- New South Wales – two percent of housing in specified zones to comprise of affordable housing. Developers can include affordable housing on site or pay an affordable housing levy.

Inclusionary zoning has also been applied extensively and with significant outcomes in the United Kingdom and United States of America. In England between 2015 and 2016, 12,866 affordable housing units (43 percent of total affordable housing output) were delivered through inclusionary planning requirements and about 12 per cent of annual housing completions in San Francisco are affordable dwellings produced through inclusionary zoning or impact fee requirements. Similar schemes apply to more than 500 cities across the United States.¹⁰⁶

Yarra: current policy and recent outcomes

Council has already achieved affordable housing outcomes by negotiating during the rezoning process with the development proponent for the inclusion of a proportion of affordable housing through Development Plan Overlays and supported by a Section 173 Agreement.

Yarra's Local Policy Planning Framework (Clause 21.05-2) also includes a specific provision where affordable housing can be considered as a basis for supporting developments in activity centres or Strategic Redevelopment Sites that are more than five or six storeys in height.

In addition, Yarra has developed a *Policy Guidance Note: Affordable Housing Outcomes at Significant Redevelopments* (updated Oct 2018), which sets out Council's intentions with regard to facilitating social and affordable housing at major redevelopment sites.

Yarra's Policy Guidance Note

In order to stimulate development of additional affordable housing, Council endorsed a *Policy Guidance Note: Affordable Housing Outcomes at Significant Redevelopments (Policy Guidance Note)* in 2017.¹⁰⁷ The guidance note communicates Council's expectation to realise at least a percentage of affordable housing

¹⁰⁵ <http://imap.vic.gov.au/index.php?page=affordable-housing>, viewed 23 January 2017

¹⁰⁶ Gurran, N., Gilbert, C., Gibb, K., van den Nouwelant, R., James, A. and Phibbs, P. (2018) Supporting affordable housing supply: inclusionary planning in new and renewing communities, AHURI Final Report No. 297, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/297>, doi: 10.18408/ahuri-7313201.

¹⁰⁷ The Policy Guidance Note was updated in October 2018 following the changes to the *Planning and Environment Act*

units, to be managed by registered housing agencies, in sites of rezoned land likely to yield around 50 dwellings or more. The Guidance Note informs developers of Council's rationale and vision for affordable housing contributions and was endorsed at the Council meeting of 21 November 2017 after community and stakeholder consultation and updated by Council resolution in October 2018 to increase the percentage of affordable housing from 5 percent to 10 percent and update the definitions.

When assessing adherence to the Development Plan Overlay relating to affordable housing allocations, Council will:

- define affordable housing as per the Victorian Government Gazette 29 May 2018, with specific income ranges for very low, low and moderate income households; and
- offer appropriate assistance in connecting proponents to registered housing agencies.

Council has already had success in securing affordable housing through the planning process. Major sites where negotiations for affordable housing have been secured with developers and community housing agencies, include:

- Alphington Paper Mill Site
- GTV9 Richmond
- North Fitzroy Gasworks

Several additional sites are currently being negotiated.