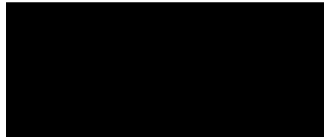


**To:**



**From:**

**Date:** 10 November 2021

**Subject:** Affordable Housing Strategy - Coburg

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## 1.0 BACKGROUND

The land being considered for a Planning Scheme Amendment is nominated as The Sheppard and Norris Street Incorporated Plan and applies to land at 3-5, 4, 6, 7, 8, 10 and 16-20 Sheppard Street, 2-4 and 6 Norris Street, part of 39A Shorts Road, and the former right of way abutting the western boundary of 11 Norris Street, Coburg North (the site).

This briefing paper outlines what Urbanxchange believes is a reasonable approach to the delivery of an affordable housing outcome for the site.

This briefing paper provides an overview of the following:

- Definition of affordable housing and the state government instruments used to specify income levels and the matters for determining appropriate affordable housing outcomes
- Commentary in relation to the relevant matters specified under the Ministerial Notice issued under section 3AA (2) of the Planning and Environment Act.
- Overview of the City of Moreland's policy position on affordable housing.
- Wording on the implementation of affordable housing.

## 2.0 STATE GOVERNMENT AFFORDABLE HOUSING POLICY, DEFINITIONS AND LEGISLATIVE PROVISIONS:

The Victorian Government policy *Homes for Victorians* establishes the following definition of affordable housing:

*Affordable Housing is housing that is appropriate for the needs of a range of very low to moderate income households, and priced (whether mortgage repayments or rent) so these households are able to meet their other essential basic living costs.*

The *Homes for Victorians* policy also provides the following definitions of public, community and social housing:

### Public Housing

*Housing owned and managed by the Director of Housing. The Government provides public housing to eligible disadvantaged Victorians including those unemployed, on low incomes, with a disability, with a mental illness or at risk of homelessness.*

### Community Housing

*Housing owned or managed by community housing agencies for low income people, including those eligible for public housing. Community housing agencies are regulated by the Government.*

### Social Housing

*Social housing is an umbrella term that includes both public housing and community housing. Its provision usually involves some degree of subsidy.*

The Victorian Government has now amended the Planning and Environment Act 1987 to recognize the provision of affordable housing as a specific objective of the Act, and to also enshrine the above definition affordable housing into the Act.

The following three changes to the Act came into effect on 1 June 2018:

- Adding a new objective to the Act “to facilitate the provision of affordable housing in Victoria”.
- Providing a definition of affordable housing
- Affirming the use of section 173 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

The definition of affordable housing contained in Section 3AA of the *Victorian Planning and Environment Act 1987* is worded as follows:

*(1) For the purposes of this Act, affordable housing is housing, including social housing, that is appropriate for the housing needs of any of the following—*

*(a) very low income households;*

*(b) low income households;*

*(c) moderate income households.*

*(2) For the purposes of determining what is appropriate for the housing needs of very low income households, low income households and moderate income households, regard must be had to the matters specified by the Minister by notice published in the Government Gazette.*

The two main legal instruments for giving effect to the above affordable housing provisions are the Governor In Council Order (which deals with income ranges) and the Ministerial Notice (which specifies the matters that are considered determining what is appropriate for the housing needs of very low income households, low income households and moderate income households). Each is summarized overleaf.

## 2.1 The Governor in Council Order:

The Governor In Council (GIC) Order specifies the income levels associated with very low, low and moderate income households for affordable housing that is not social housing<sup>1</sup>. The following income ranges have now been set for the 2021 - 22 period for the purposes of informing affordable housing policy across Greater Melbourne<sup>2</sup>:

**Table 1 - GIC orders for income ranges associated with affordable housing (July 2021) Greater Melbourne**

	Very low income range (annual)	Low income range (annual)	Moderate income range (annual)
<b>Single adult</b>	Up to \$26,200	\$26,201 to \$41,920	\$41,921 to \$62,860
<b>Couple, no dependents</b>	Up to \$39,290	\$39,291 to \$62,870	\$62,871 to \$94,300
<b>Family (with one or two parents) and dependent children</b>	Up to \$55,000	\$55,001 to \$88,020	\$88,021 to \$132,030

## 2.2 The Ministerial Notice:

Parties to a voluntary Affordable Housing Agreements are required to consider to following matters as listed in the Ministerial Notice<sup>3</sup> when determining whether the affordable housing they are negotiating is appropriate for the needs of very low, low and moderate income households:

- *Allocation*
- *Affordability (in terms of the capacity for very low income, low income and moderate income households that it is intended for)*
- *Longevity (in terms of the public benefit of the provision)*
- *Tenure*
- *Type of housing, in terms of form and quality*
- *Location, in terms of site location and proximity to amenities, employment and transport*

<sup>1</sup> Note that this is different to the income limits set for social housing set by the Director of Housing, which are published at [www.housing.vic.gov.au](http://www.housing.vic.gov.au).

<sup>2</sup> These income ranges have been gazette set under section 3AB of the Planning and Environment Act 1987. The income ranges are intended to inform policy relating to income groups access to affordable housing – the income thresholds for eligibility for social housing are separately set by the Director of Housing.

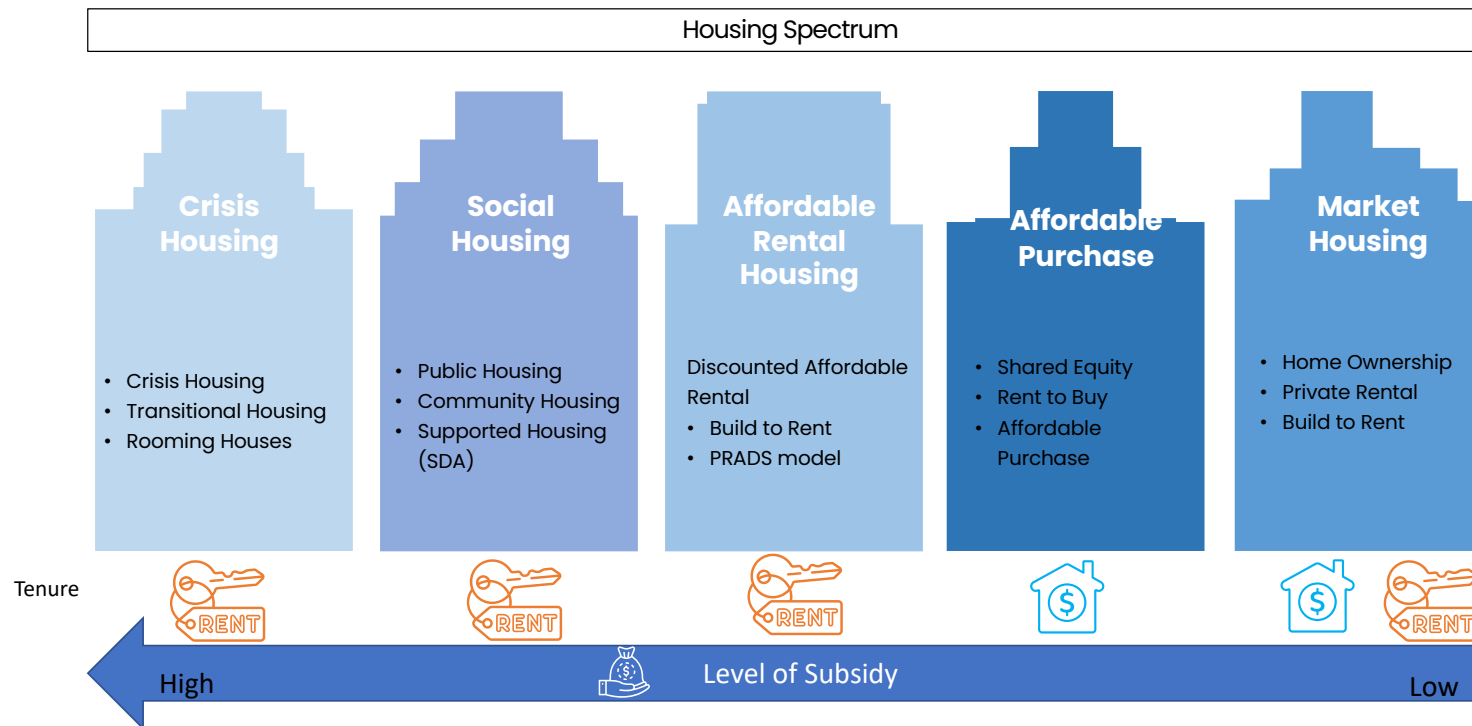
<sup>3</sup> This Ministerial Notice is approved under Section 3AA(2) of the Act. The Notice specifies that it is only used for affordable housing that is not social housing.

- *Integration, in terms of the physical build and local community*
- *The following official estimates of housing need:*
  - *Australian Bureau of Statistics Community Profiles*
  - *Census profiles for Victoria*
  - *Department of Health and Human Services Rental Report*
  - *Metropolitan regional housing plans to guide housing growth*
  - *Public housing waiting list (Victorian Housing Register list)*
  - *Victoria in Future data tables.*

### **3.0 AFFORDABLE HOUSING DELIVERY MODELS**

There is a variety of affordable housing delivery models available to meet the housing needs of different income groups, as conceptually illustrated in Figure 1 below. The level of government subsidy associated with each model is proportional to the income band and, therefore, the capacity of the household to pay market rent or mortgages.

The models identified in Figure 1 provide a simple conceptual framework for considering the relationship between income groups, tenure types and the relative level of government subsidy that might be needed for each model to be applied.



**Figure 1 - Affordable Housing Spectrum**

The models for the delivery of affordable housing extend beyond just public and social housing. There are also a number of other models that should also be considered in developing a local housing policy.

It is on this basis that affordable purchase mechanisms need to be considered. An outline of some of these models is provided:

**Affordable purchase.** This is a form of price-controlled purchase housing that is accessible for purchase by those on defined incomes. So far, only South Australia has fully recognised affordable purchase as a mechanism for providing affordable housing. The key principles of affordable purchase models are as follows:

- The dwelling must be offered for sale at or below a nominated 'affordable' price
- The dwelling must be offered for sale to eligible buyers who meet the GIC criteria as outlined in Table 1.
- The discount for affordable housing for the first purchaser is preserved for future purchasers.

In Victoria, The Nightingale housing model has a transparent process for documenting land purchase and development costs. The purchase price is based on the development achieving a return of 15 per cent.

The price of housing in the Nightingale model is not always 'affordable' as defined for example under Victorian Government's definition (although some of the projects under this model do have an explicit affordable housing component). However, it is delivering 'high value for money' housing by reallocating the cost-savings associated with removing items such as car-parking, marketing costs, etc. into other design and building features. The principle of price control for the first and subsequent purchasers is established.

Under this model, there is a system to control purchase price as well as mechanisms to prevent the first purchaser having a windfall gain at the expense of future owners. Title covenants have been developed that provide a formula for the resale of the property. The model recognises capital growth for each progressive purchaser/seller and it also recognises that the market opportunity provided to the first purchaser should be transferred. The time period of the covenant must be considered, but usually covenants have a life of 15 to 20 years.

**Shared equity.** These arrangements cover a range of products, schemes and initiatives that enable the division of the value of a dwelling between a purchaser and a second party who also holds equity in the dwelling. The essential feature of shared equity models is that the buyer shares the capital cost of purchasing a home with an equity partner, thereby permitting households to buy a home with lower income levels than would otherwise be required. In simple terms, this umbrella term is used to encompass government-backed and private sector-led schemes based on arrangements whereby the purchaser enters into an agreement with a partner to share the cost of purchasing a property.

**Rent to buy.** The homes are offered at a fixed (sometimes below market) rent for a minimum of five years and let on assured short-hold tenancies for a fixed term. The model being adapted in Australia is that, after five years of renting, the tenant has first option to purchase the



dwelling at price agreed at the commencement of the five year term. If the tenants don't want to buy, the landlord can retain the property as rented housing or sell it on the open market.

For those who will require affordable rental consideration needs to be given to both build to rent and social housing, both of which are described below.

**Build to rent.** Developers and their financiers build multi-unit buildings and, instead of selling the units, retain them to let to tenant households. Rents may be set at market rent or, for affordable and social housing, at an appropriate discount to market rents. The NRAS was a build to rent model.

There are two scenarios to be considered with the private build to rent model: one is the institutional investor who will build a whole building for 100% build to rent; the other option to be considered is the developer who retains or sells a portion of the dwellings to be rented at a below market rent to eligible renters.

**Social housing.** This is owned by a state government or by a community housing organisation. Community housing organisations are not-for-profit corporations that own and/or manage community housing and are registered by Federal and/or state housing regulators. Housing Associations and Providers (RHA) are independent companies that are overseen by a skills-based board.

Tier 1 Housing Associations are seen by government as organisations that:

- Own, manage and develop affordable rental housing
- Provide housing support and assistance to clients
- Are viable businesses, partnering with government and the community
- Have met registration criteria and meet ongoing regulatory compliance against performance standards.

The application of these models of affordable housing to the different income groups is shown below:

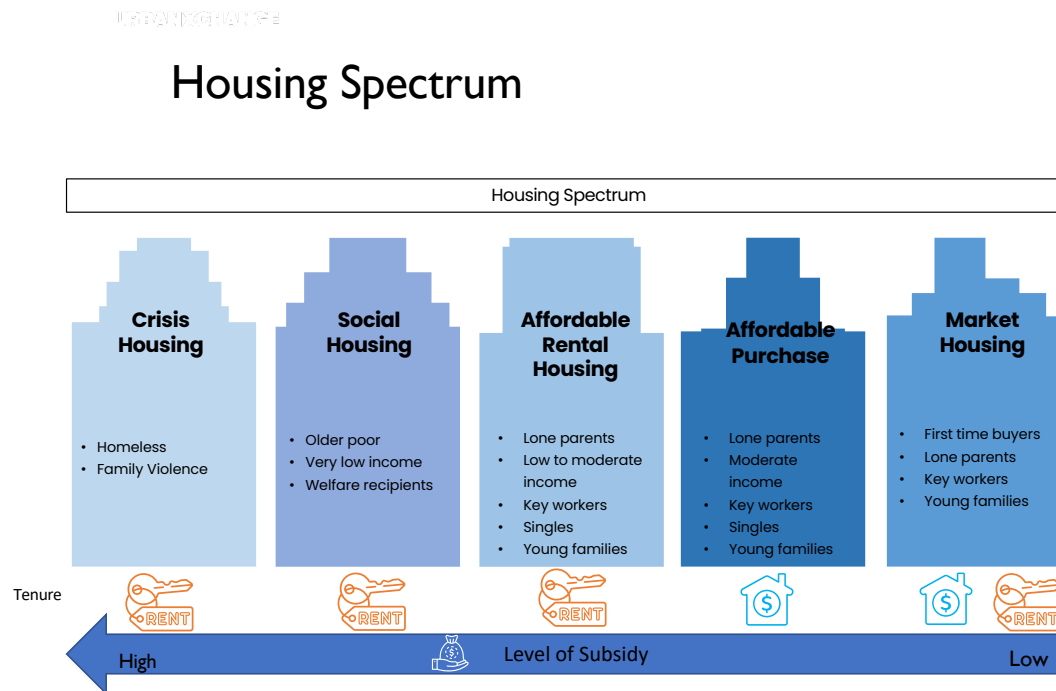


Figure 2 – Affordable housing types

## 4.0 DEMOGRAPHIC

An overview of the demographics of the Australian housing market is provided in Attachment 1. The specifics of the broader market and how they are reflected in the City of Moreland are noted below.

### 4.1 Australian context

Since the mid-1990s. Over the long term, prices have risen rapidly in all cities and most regions, although there are variations from year to year<sup>4</sup>. Average prices have increased from about two to three times average disposable incomes in the 1980s and early 1990s to about five times more recently<sup>5</sup>. Median prices have increased from around four times median incomes in the early 1990s to more than seven times today (and more than eight times in Sydney and Melbourne)<sup>6</sup>.

Population growth is a basic, if often overlooked, factor in differences between housing systems. High population growth means that a housing system needs to continually add new stock, which may have implications for the replacement of old stock; the investment of resources in new supply needs also to be financed and implemented. Volatility in rates of growth may pose challenges for the planning, financing and marketing of housing. All these factors may have implications for the distribution of housing between sectors and between people.

Home ownership rose rapidly in Australia in the early 1950s, from about 50 per cent to 70 per cent. Overall home ownership remained around 70 per cent for the next 50 years; a slight decline during the past decade saw it fall to 67 per cent in 2016.

But the ageing of the Australian population has concealed a greater fall in home-ownership rates during the past 20 years for all but the oldest households. Younger Australians have always had lower incomes and less accumulated savings, hence lower home-ownership rates. But between 1981 and 2016, home ownership rates among 25-34 year olds fell from more than 60 per cent to 45 per cent (see figure 8).

Consequently, without intervention, home ownership rates are unlikely to bounce back over time. For 35-44 year olds, home ownership has fallen fast – from 74 per cent in 1991 to around 62 per cent today – and home-ownership is also declining for 45-54 year olds. These trends are expected to translate into a 10 percentage point fall in home-ownership rates for over-65s by 2046.

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<sup>4</sup> Stapledon (2012).

<sup>5</sup> C. Kent (2013); Ellis (2017a); and Fox and Finlay (2012).

<sup>6</sup> The median dwelling price compared with median household disposable income is the best price-to-income measure, but median measures are often not as readily available as average measures: CoreLogic (2016). Other price-to-income measures are even higher due to differences in measuring incomes and prices (for example, Demographia (2017) calculates Sydney has a price-to-income ratio of 12).

Home ownership has been the Australian way of wealth creation for many generations. Many aspects of Australian policy, including areas relating to retirement incomes, access to finance and rental tenure, have been built on the assumption that most Australians will own their home.

Today's trends suggest that a greater proportion of people reaching retirement age will be renting and that more of them will depend on the private rental market rather than social and public housing. They also indicate that, without adequate incomes, the rate of homelessness will increase.

Accurate predictions for the growth of household formation relative to income have not been available since the Abbott Government ceased the work of the National Housing Supply Council. However, the work of the National Supply identified the growth in lone person households, mostly at the expense of family households. It also indicates a need for a diversity of housing types to meet changing household structures in the future.

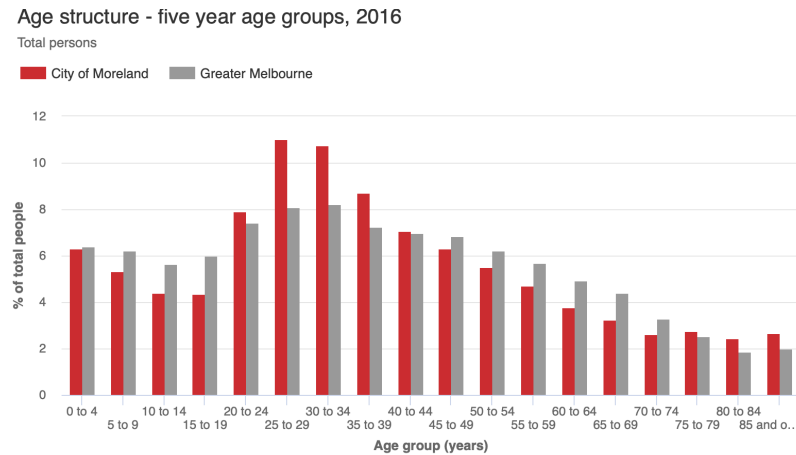
Of particular note is the increase of lone person households in Australia's capital cities, particularly Melbourne. The biggest increase in lone person households will be seen by those in the 20 – 35 age in the moderate income range.

## 4.2 Overview of population and housing issues in the Moreland Council

The 2016 census data provides a summary of the age characteristics of residents in the City of Moreland (CoM). The Australian Bureau of Statistics (ABS) census data shows that CoM when compared with Greater Melbourne has:

- A larger percentage of *'Young workforce (25 to 34)'*; (21.8% compared with 16.3%)
- A smaller percentage of *'Empty nesters and retirees (60 to 69)'*; (7.1% compared with 9.3%)
- A smaller percentage of *'Secondary schoolers (12 to 17)'*; (4.9% compared with 6.7%)
- A smaller percentage of *'Older workers and pre-retirees (50 to 59)'*; (10.2% compared with 11.9%)

In simple terms, the CoM identifies a population spike in the 20 to 35 year age cohort that exceeds that of Greater Melbourne as is shown below



**Figure 3 – Age structure – five year age groups for City of Moreland (2016 ABS)**

Analysis of **individual income** levels in the CoM in 2016 compared with Greater Melbourne shows that there was a similar proportion of people earning a high income (those earning \$1,750 per week or more) as well as a similar proportion of low-income people (those earning less than \$500 per week).

Overall, 11.6% of the population earned a high income, and 37.4% earned a low income, compared with 11.9% and 37.8% respectively for Greater Melbourne.

The major differences between the City of Moreland's individual incomes and Greater Melbourne's individual incomes are shown in the figure below:

### Weekly individual income, 2016

Total persons



**Figure 4 – Weekly individual incomes for City of Moreland (2016 ABS)**

Analysis of **household income** levels in the City of Moreland in 2016 compared with Greater Melbourne shows that there was a smaller proportion of high-income households (those earning \$2,500 per week or more) and a higher proportion of low-income households (those earning less than \$650 per week).

Overall, 22.1% of the households earned a high income and 18.0% were low-income households, compared with 22.9% and 16.7% respectively for Greater Melbourne.

Weekly household income, 2016



Figure 5 - Weekly household incomes for City of Moreland (2016 ABS)

Analysis of the **working population** of CoM shows main fields of employment as being:

- Professionals – 29%
- Clerical and Administrative Workers – 15.3%
- Trades – 12.3%
- Managers - 11.1%
- Community service – 9%
- Sales workers – 8.6%
- Labourers – 8.2%.
- Machine Operators – 5%.

Analysis of the household/family types in the City of Moreland in 2016 compared with Greater Melbourne shows that there was a lower proportion of couple families with child(ren) as well as a lower proportion of one-parent families. Overall, 27.1% of total families were couple families with child(ren), and 8.5% were one-parent families, compared with 33.5% and 10.1% respectively for Greater Melbourne.

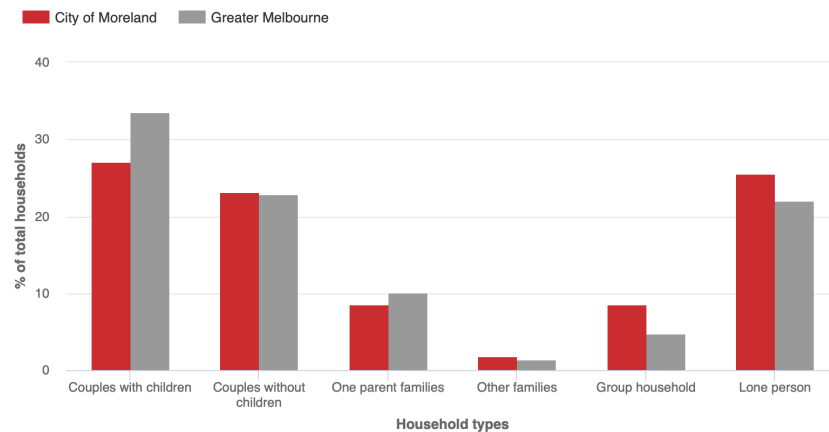
There was a higher proportion of lone person households and a similar proportion of couples without children. Overall, the proportion of lone person households was 25.5% compared to 22.0% in Greater Melbourne while the proportion of couples without children was 23.2% compared to 22.9% in Greater Melbourne.

Analysis of the **household/family types** within CoM shows:

- Sole person households – 25.5%.
- Couple with children – 27.1.2% (compared with 33.6% of Greater Melbourne households)
- Couples without children – 23.2%
- Single parent households – 8.5%.

Couples with children and without and lone person households are the fastest growing household types in CoM and are expected to remain the dominant household types through to 2021 (noting that this is based on 2016 census data and forecasts). Post 2021 the trend is expected to reverse to the fastest growing households being couples without children and lone person households.

Household type, 2016



**Figure 6 - Household types for City of Moreland (2016 ABS)**



Analysis of the housing tenure in CoM indicates:

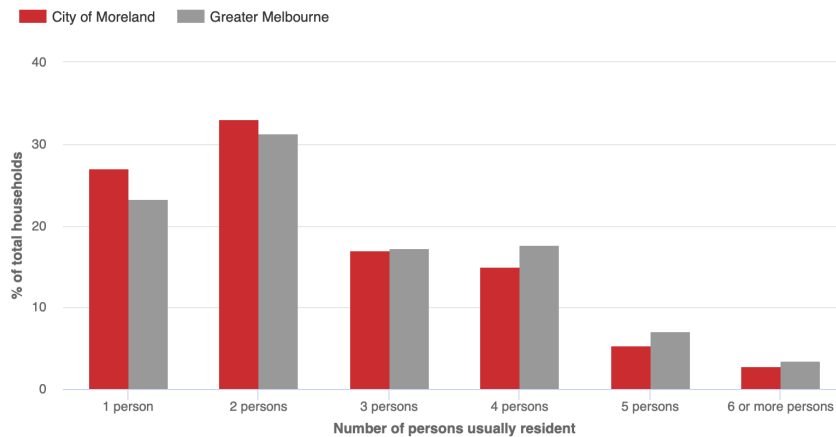
**Table 2 - Housing tenure in City of Moreland compared with Greater Melbourne (2016)**

Tenure	Moreland %	Greater Melbourne %
Owned	28.5	29.0
Mortgage	27.3	34.3
Rent	36.1	28.8

In 2016, the median monthly mortgage repayment in the CoM was \$2,000 per month.

The household sizes in the Moreland are shown below as percentages of the total households:

Household size, 2016



**Figure 7 - Household size for City of Moreland (2016 ABS)**

### 4.3 Population and housing projections for Moreland

Accurate predictions on the growth of household formation relative to income has not been available since the Abbott Government ceased the work of the National Housing Supply Council. Prior to its closure, the National Housing Supply Council forecasts were accurate. The National Housing Supply Council 2nd State of Supply report (2010) indicates that not only is there a negative amount of affordable housing for all people in the first three deciles (that is 75% of the population) of income, but that what housing is available to them is likely to be occupied by people with higher incomes.

The projections of national underlying demand by household type ('000 households, with percentage of increase in brackets), 2009 to 2029, medium household growth scenario is shown below:

Table 3 – National Housing Supply Council forecasts of household types Australia

Household	2010	2012	2013	2014	2019	2029	Trending
<b>2xparent family</b>	2,689.4 31.5%	2,767.0 30.7%	2,793.7 30.5%	2,820.9 30.2%	2,960.4 29.2%	3,228.4 27.5%	↓
<b>1xparent Family</b>	973.6 11.4%	1,010.6 11.2%	1,021.2 11.1%	1,030.8 11.1%	1,081.0 10.7%	1,212.6 10.3%	↓
<b>Couples no children</b>	2,318.5 27.2%	2,475.6 27.5%	2,527.6 27.6%	2,578.7 27.6%	2,813.1 27.7%	3,170.5 27.0%	→
<b>Lone person</b>	2,210.8 25.9%	2,396.8 26.6%	2,463.3 26.9%	2,531.6 27.1%	2,896.5 28.6%	3,712.8 31.6%	↑
<b>Group</b>	337.7 4.0%	355.9 4.0%	361.3 3.9%	366.4 3.9%	389.8 3.8%	435.7 3.7%	↓

The conclusion to be drawn from this table is to expect a rapid increase in lone person households, mostly at the expense of family households. To support the increase in lone households there needs to be smaller dwellings that are affordable to meet the need.

This data is supported by the modelling from Victoria in Future.

The growth in households in Capital Cities in Australia, particularly Melbourne, by those in the 20 – 35 age groups in the moderate income range is shown in the large increases in rental housing by private landlords from the 2011 – 2016 census data. The 20 – 35 year age group is typically the age at which households are formed.

Victoria's population was 6.5 million at 30 June 2018. It has been growing by more than any other state or territory at up to 150,000 per annum (and at the highest rate of up to 2.5 per cent per annum). Victoria has grown by a million people since 2011 and is expected to add another million by 2026.

Under the VIF2019 assumptions Victoria is projected to add 4.7 million people from 2018 to 2056, reaching a population of 11.2 million. This represents annual average growth of 125,000 people, at a rate of 1.5 per cent per annum.

The growth for CoM is forecast to be:

**Table 4 - Forecast population growth in Moreland 2036**

2018 population	2036 forecast population	Growth 2018 – 2036	Average %
181,730	241,540	59,820	1.6%

**The question that arises where will there be a supply of housing that is affordable for low to moderate income earners who are in the 20 – 39 year age groups? What type of housing tenure is most appropriate for this age group?**

## 5.0 ADDRESSING THE MATTERS SET OUT IN GIC ORDER AND THE MINISTERIAL NOTICE:

The purpose of the affordable housing reforms is to encourage an increase in affordable housing through local councils seeking a voluntary affordable housing contribution, as part of planning approval processes<sup>7</sup>. The legislated definition of affordable housing and the associated GIC Orders set out the income bands for individuals and households that the State Government considers to be in need of affordable housing.

The current State government policy does not specify any maximum percentage of an individual, couple or family's income should be assumed as being spent on housing costs. However, there is broad support for the concept that individuals and households should spend no more than 30 per cent of income on housing costs. The position of 30% was established by AHURI (Yates and Gabriel, 2006) and has been adopted by all levels of government and the broader housing industry as an agreed position.

The incomes and associated (notional) maximum affordable housing costs based on this 30% benchmark as shown overleaf (Table 5).

This table provides an indication as to the likely affordability of rental or for-purchase housing relative to the incomes of low to moderate income households.

The current State government policy does not specify whether the proposed affordable housing should be aimed at meeting the housing needs of any specific income group that fall within the broader range of low-moderate incomes. Nor does the current State government policy specify whether the proposed affordable housing should be social or market housing.

These are matters that the policy framework leaves open to negotiation.

Table 6 sets out the matters referred to in the Ministerial Notice. It summarises the response to these matters and provides a suggested response in relation to them.

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<sup>7</sup> <https://www.dhhs.vic.gov.au/delivering-social-housing-affordable-housing-contribution>

**Table 5 Housing cost and incomes based on low to moderate income ranges on \$5,000 increments**

Income (\$)		Housing cost @ 30% of income (\$)		
Per week	Per annum	Per week	Per month	Per annum
577	30,000	173	750	9,000
673	35,000	202	875	10,500
769	40,000	231	1,000	12,000
865	45,000	260	1,125	13,500
962	50,024	289	1,251	15,007
1,058	55,016	317	1,375	16,505
1,154	60,008	346	1,500	18,002
1,250	65,000	375	1,625	19,500
1,346	69,992	404	1,750	20,998
1,442	74,984	433	1,875	22,495
1,538	79,976	461	1,999	23,993
1,635	85,020	491	2,126	25,506
1,731	90,012	519	2,250	27,004
1,827	95,004	548	2,375	28,501
1,923	99,996	577	2,500	29,999
2,019	104,988	606	2,625	31,496
2,115	109,980	635	2,750	32,994
2,212	115,024	664	2,876	34,507
2,308	120,016	692	3,000	36,005
2,404	125,008	721	3,125	37,502
2,500	130,000	750	3,250	39,000

Table 6 - Matters referred to in the Ministerial Notice - and a suggested response.

Matter	Suggested Position
Allocation	<p>The definition of affordability as set out in the Planning and Environment (P&amp;E) Act 1987, Section 3AA (i.e., very low, low and moderate income earners) should be applied in relation to any affordable housing provisions within the rezoned precinct. The application of all income categories is justified based on the demographics and housing need in the Moreland LGA.</p> <p>To address the matter of eligibility, it will be incumbent upon the operator/vendor of the affordable housing to ensure that the occupants meet the income eligibility criteria as set out in the GIC Orders at the time that occupancy commences. This can be achieved by evidence of income of the occupier/owner accompanied by an executed Statutory Declaration from the occupier noting that they are within the specified GIC Income criteria when occupying the property. Noting that it is a criminal offence to be untruthful on a statutory declaration.</p>
Affordability (in terms of the capacity for very low income, low income and moderate income households that it is intended for)	<p>Occupants of the dwellings should pay no more than 30% of income on affordable housing costs. The affordability is for occupants who meet the income eligibility criteria as set out in the GIC Orders at the time that occupancy commences. In this instance the affordable housing is targeted at moderate income earners.</p> <p>The position of 30% was established by AHURI (Yates and Gabriel, 2006) and has been adopted by all levels of government and the broader housing industry as an agreed position.</p> <p>It is generally accepted that the 30% of income is a reasonable benchmark to apply in determining affordable housing costs. The income figures set out in Table 5 demonstrates the importance of applying the wider income ranges as provided for by the affordable housing definition contained in the P&amp;E Act.</p>
Longevity (in terms of the public benefit of the provision)	<p>The affordable housing should be provisioned for 30 years, (the maximum time permissible by a financial institution financing both the development and for long term finance) as a reasonable time horizon for ensuring longevity of outcomes. The value of any</p>

Matter	Suggested Position
	<p>land/dwellings that are gifted or discount on completed dwellings to Housing Associations via the Planning Scheme Amendment should remain within the Moreland Municipality should the Housing Association sell the dwellings achieved through the initial Planning Scheme Amendment.</p> <p>The longevity to the site cannot be in perpetuity, as financial institutions will not finance projects with this clause.</p>
Tenure	<p>The data would suggest the following range of potential solutions:</p> <ul style="list-style-type: none"> <li>• Affordable Purchase (e.g., capped capital growth a-la Nightingale model)</li> <li>• Rent to buy (private)</li> <li>• Build to Rent (either private or RHA)</li> <li>• Social Housing</li> </ul> <p>In addition, the possible long time frame for implementation of the precinct redevelopment means that there will be wider solutions as time progresses – providing a need to leave the ability for these solutions to be applied.</p>
Type of housing, in terms of form and quality	<p>The data suggests the following:</p> <ul style="list-style-type: none"> <li>• 1 and 2 bed</li> <li>• The design of affordable housing must be tenure blind, that is the same design standards applied to all dwellings.</li> <li>• If the site is developed for apartments the apartments must meet the Better Apartments Design Standards (BADS)</li> <li>• Silver Liveable Housing Australia design standards as a minimum</li> </ul>
Location, in terms of site location and proximity to amenities, employment and transport	<p>Given how well located the precinct is to public transport, amenities and services, any location within the precinct is suitable for the provision of affordable housing.</p>

Matter	Suggested Position
Integration, in terms of the physical build and local community	<p>It is premature to determine whether the housing format should be within a standalone building, integrated within a mixed tenure building, or a blend of both outcomes. This is not something that needs to be specified in the planning scheme amendment.</p> <p>This matter will need to be determined as part of a planning permit application for redevelopment of any property within the precinct. In all instances the planning approvals process must ensure that the built form integrates into the broader development and is tenure blind.</p>
<p>The following official estimates of housing need:</p> <ul style="list-style-type: none"> <li>• Australian Bureau of Statistics Community Profiles</li> <li>• Census profiles for Victoria</li> <li>• Department of Health and Human Services Rental Report</li> <li>• Metropolitan regional housing plans to guide housing growth</li> <li>• Public housing waiting list (Victorian Housing Register list)</li> </ul>	<p>The demographics of the Moreland LGA confirm that in order to achieve a diverse community Moreland also needs to increase housing options for moderate income earners as well as very low and low income earners.</p> <p>In particular the housing needs of the significant numbers of 25 and 34 year old on moderate incomes needs to be taken into account.</p>



## **6.0 CITY OF MORELAND AFFORDABLE HOUSING POSITION.**

The City of Moreland has a set of policies that support affordable housing. The principal policies comprise:

### **6.1 Council Plan 2017 - 21**

The Council Plan is a 4 -year vision for the future of the City of Moreland (CoM). The Council Plan sets out three Strategic Objectives for the period 2021-2025. The Plan has 5 key themes and affordable housing is a part of the “Moreland People” theme. Within each theme there are “Directions” the key matters for affordable housing are:

- Engage private sector developers and builders to provide more of social and affordable housing on larger redevelopment sites
- Supply more affordable housing
- Improve and effectively manage the stock of existing public and community housing
- Explore new housing types and tenure models

### **6.2 City of Moreland Affordable Housing Plan 2020/21**

City of Moreland has an Affordable Housing Action Plan (2020 – 2022). The Affordable Housing Action Plan follows the Moreland Affordable Housing Strategy 2014-18. Council is currently working on a 4 year Affordable Housing Action Plan. The Action Plan sets out its forecast of housing needs and includes an action to negotiate a voluntary 5% contribution for social housing on larger-scale private land developments.

The Action Plan has 4 Focus Areas:

- 1 Facilitate the supply of affordable housing in new developments
- 2 Develop affordable housing on council land
- 3 Advocate for effective policy and increased investment
- 4 Build community capacity to support people in housing crisis.

Focus Area 1 applies to the proposed site, that is the facilitation of affordable housing in new development. It is noted that the Action Plan seeks to establish S173 to facilitate the delivery of the affordable housing.

This report recommends how the affordable housing can be addressed.

### 6.3 Moreland Planning Scheme

The State Planning Policy Framework contains a series of broad strategies relating to the provision of affordable housing, including the following:

*Develop precinct structure plans...to...create greater housing choice, diversity and affordable places to live (Clause 11.02-3).*

*Facilitate the supply of affordable housing (Clause 11.04-2).*

*Planning for housing should include providing land for affordable housing (clause 16).*

*To deliver more affordable housing closer to jobs, transport and services (16.01-5).*

*Improve housing affordability by:*

- *Ensuring land supply continues to be sufficient to meet demand.*
- *Increasing choice in housing type, tenure and cost to meet the needs of households as they move through life cycle changes and to support diverse communities.*
- *Promoting good housing and urban design to minimise negative environmental impacts and keep down costs for residents and the wider community.*
- *Encouraging a significant proportion of new development, including development at activity centres and strategic redevelopment sites to be affordable for households on low to moderate incomes.*

*Increase the supply of well-located affordable housing by:*

- *Facilitating a mix of private, affordable and social housing in activity centres and strategic redevelopment sites.*
- *Ensuring the redevelopment and renewal of public housing stock better meet community needs*

Neither the Planning and Environment Act nor State Policy explicitly define what tenure types are to be applied as affordable housing.

Moreland has released its Affordable Housing Fact Sheet. The Fact Sheet makes some key points as follows:

- Housing is targeted at very low, low and moderate income earners (as per the Victorian Government position)
- Additional height maybe offered for inclusion of affordable housing
- An affordable housing report will be required noting the quantum of housing, the type and tenure of housing that will apply to affordable housing and the period of time that it will apply.

In addition, Moreland has recognized the need to increase the availability of long term affordable housing and is receptive to Build to Rents that will provide for 5% of the development for properties to be rented to eligible tenants.

## 7.0 RECOMMENDED POSITION

*Examples of where a Responsible Authority might seek to enter into an Affordable Housing Agreement include where:*

- *There is no existing affordable housing planning provision or system in place in relation to the site.*
- *The Responsible Authority proposes there is a generation of value through the planning process or the application of incentives that create value it seeks to share towards an affordable housing purpose.*
- *The landowner voluntarily agrees to enter into negotiations and reaches an Agreement with the Responsible Authority to provide for an affordable housing outcome.*
- *An Agreement is expected to result in a condition on a permit for a site.*

*A Responsible Authority should not use an Affordable Housing Agreement as a proxy for undertaking the necessary strategic planning work to determine where and how affordable housing should be facilitated through the planning scheme.<sup>8</sup>*

*As for any objective in the Act, a Responsible Authority must undertake the appropriate strategic land use research and municipal policy development in relation to affordable housing. The changes to the Act do not remove the need for a strategic basis for a position by the Responsible Authority.<sup>9</sup>*

Consideration should be given in the Planning Scheme Amendment to assisted affordable purchase and rental. Based on the experience in more mature markets overseas, the assisted affordable purchase and affordable rental options are likely to gain traction in Australia and help with the supply of housing across the housing spectrum. These mechanisms will require either no or minimal government funding to achieve outcomes. Given the changing political environment and the long period over which the development of the precinct will take place, the affordable housing provisions should be flexible to reflect the changing environment in which the affordable housing obligations are to be delivered.

The development of the precinct is likely to take place in stages. Any development of future stages will be required to submit an affordable housing report as a part of the planning permit application. The reports should demonstrate how 5% of the total dwellings to be delivered will be delivered as affordable housing. The planning permit applications for the stages in which the affordable housing is to be delivered, as nominated on the agreed architectural plans, must include an affordable housing report that includes:

- The location and number of the affordable housing dwellings
- The size and nature of the housing (building types, number of dwellings and size of dwellings)

<sup>8</sup> [https://www.planning.vic.gov.au/policy-and-strategy/affordable-housing/when\\_to\\_use](https://www.planning.vic.gov.au/policy-and-strategy/affordable-housing/when_to_use)

<sup>9</sup> <https://www.planning.vic.gov.au/policy-and-strategy/affordable-housing>

- The delivery mechanism of the affordable housing
- The timing of delivery

If a Housing Association is to be engaged the affordable housing report must outline the nature of the product that will be delivered. The affordable housing report must provide certainty that the Housing Association has the economic means to deliver the appropriate affordable housing outcome within an agreed timeframe.

We suggest that that each stage should provide the development of the equivalent of 5% of the site's total dwellings as affordable housing. This may involve Registered Housing Association to manage the delivery of affordable housing outcomes as appropriate for the economic and funding environments at the time of the planning for each planning permit application. However appropriate private sector parties could equally deliver the affordable housing. There are three options for delivery of affordable housing, outlined below.

## Option 1

Provision of 5% affordable housing that provides for a diverse range of affordable housing outcomes that will provide opportunities to low to moderate income earners. In addition to the option of delivering affordable as social housing, the range of potential tenure options may include the following:

- Affordable housing for purchase with covenants. Purchase will be restricted to people who meet an agreed criteria for a price deemed affordable. The affordability remains via a series of covenants, similar to those that have been enacted on the Nightingale developments.
- Rent to buy. A private vendor (non-government) scheme whereby a tenant pays rent and associated household costs with an option to eventually buy the rental property.
- Build to rent. Developers and their financiers build multi-unit properties and, instead of selling the units, retain them to rent to tenant households. This could include Government supported Build to rents. Rents be set at no more than 75% of market rent and be tenanted by people or families that meet the Victorian Government GIC orders at the time of occupancy, who will pay no more than 30% of their incomes in rent.

The selection of the affordable housing outcome together with the quantity and location of the affordable housing will be agreed at planning permit application stage.

## Option 2

The landowner/developer to transfer land with a planning permit, at no cost, with the demonstrated capacity to support the development of 5% of the site's total residential yield as affordable housing dwellings. The land should be transferred to the Registered Housing Association with planning permits in place to show that the 5% of the dwellings can be achieved. The transfer of the land ownership to a Housing Association should be no later than when 60% of the dwellings across the whole of the designated development/landholding have been completed.

It is important that any solution can be commercially supported and meet requirements for the development and lifecycle of a Housing Association.

Alternatively, the landowner/developer works with a Registered Housing Association to determine the most appropriate product and delivery model to provide 5% of the proposed total number of dwellings. The dwellings are to be provided sold to the Housing Association at no more than 50% of the market value.

### Option 3

Option 3 is the provision of cash in lieu of the delivery of affordable housing. This can apply to all sites but also those sites of less than 20 dwellings. The formulae for the cash contribution is:

- The equivalent 5% of the dwellings, (or part thereof of in the case of less than 20 dwellings), in the development, at a contribution 25% of the value of a completed 2 bedroom apartment in Coburg North at the time of the issue of planning permit.

The cash contribution is to be provided to a Registered Housing Association or the Moreland Affordable Housing Company. If the money is being supplied directly to a Registered Housing Association, the landowner/developer will provide written assurance from the Housing Association that the cash provided would be contributed towards the Housing Association development within City of Moreland.

## ATTACHMENT 1 – OVERVIEW OF AUSTRALIAN HOUSING

Australian dwelling prices have grown much faster than incomes, particularly since the mid-1990s. Long-term, prices have risen rapidly in all cities and most regions, although there are variations from year to year.<sup>10</sup> Average prices have increased from about two to three times' average disposable incomes in the 1980s and early 1990s, to about five times more recently<sup>11</sup>. Median prices have increased from around four times' median incomes in the early 1990s to more than seven times today (and more than eight times in Sydney)<sup>12</sup>.

Population growth is a basic, if often overlooked factor in differences between housing systems. High population growth means that a housing system needs to continuously add new stock, which may have implications for the replacement of old stock; the investment of resources in new supply needs also to be financed and implemented. Volatility in rates of growth may pose challenges for the planning, financing and marketing of housing. All these factors may have implications for the distribution of housing between sectors and between people.

House prices have always been significantly higher in Australia's major cities than in the regions. The location of dwellings in relation to cities, infrastructure and employment is largely dependent on housing prices. The underlying value of the land is directly reflected in the price. While Australia has an abundance of land, there is a limited supply of well located land, particularly close to the centre of our biggest cities.

Home ownership rose rapidly in Australia in the early 1950s, from about 50 per cent to 70 per cent. Overall home ownership remained around 70 per cent for the next 50 years; a slight decline during the past decade saw it fall to 67 per cent in 2016.

But the ageing of the Australian population has concealed a greater fall in home-ownership rates during the past 20 years for all but the oldest households. Younger Australians have always had lower incomes and less accumulated savings, hence lower home-ownership rates. But between 1981 and 2016, home ownership rates among 25-34 year olds fell from more than 60 per cent to 45 per cent (see Figure 8). Only some of this is the result of people starting work, forming long-term partnerships, and having children later in life. Ownership of one's own home has also fallen for middle-age households, suggesting that most of the fall in home ownership is due to higher dwelling prices rather than changing preferences for home ownership among the young.

Consequently, without intervention, home ownership rates are unlikely to bounce back over time. For 35-44 year olds, home ownership has fallen fast – from 74 per cent in 1991 to around 62 per cent today – and home-ownership is also declining for 45-54 year olds. These trends are expected to translate into a 10-percentage point fall in home-ownership rates for over-65s by 2046.

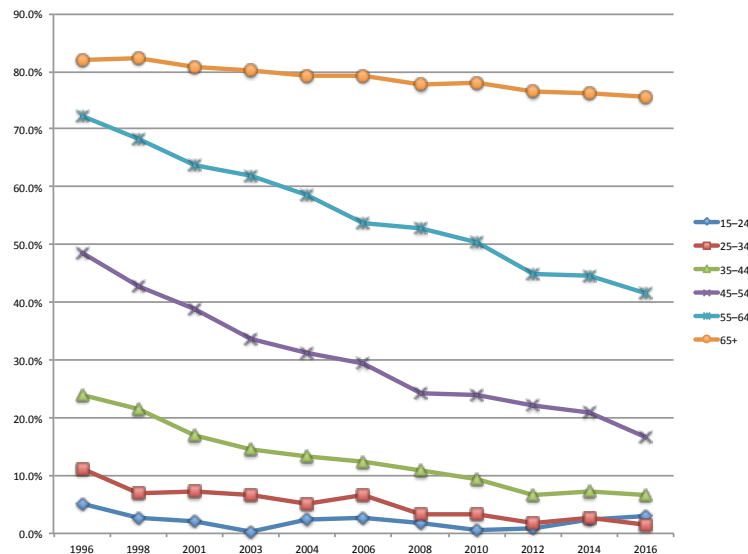
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<sup>10</sup> Stapledon (2012).

<sup>11</sup> C. Kent (2013); Ellis (2017a); and Fox and Finlay (2012).

<sup>12</sup> The median dwelling price compared with median household disposable income is the best price-to-income measure, but median measures are often not as readily available as average measures: CoreLogic (2016). Other price-to-income measures are even higher due to differences in measuring incomes and prices (for example, Demographia (2017) calculates Sydney has a price-to-income ratio of 12).

Figure 8 - Home ownership rates via age groups (%)



If This is further extrapolated to home ownership rates by age and income in 1981 and 2016 and reviewed against the quintiles as was done by Burke<sup>13</sup>, the resultant information shows a dramatic fall in home ownership among the 25-34 age group, particularly for those at or below the median, as shown Table 7.

<sup>13</sup> Burke et al. (2014). Burke, T., Stone, W. and Ralston, L. *Generational change in home purchase opportunity in Australia*. 232. Australian Housing and Urban Research Institute



Table 7 -. Home ownership rates by age and income, 1981 and 2016 (%)

% of income earners	25 - 34		35 - 44		45 - 54		55 - 64	
	1981	2016	1981	2016	1981	2016	1981	2016
<b>Lowest 20</b>	62.7	22.7	67.1	36.8	69.9	47.7	76.6	60.5
<b>21 - 40</b>	52.0	34.1	65.5	52.8	72.3	61.6	78.5	70.8
<b>41 - 60</b>	62.3	45.6	76	65.9	77.4	73.5	82.4	80.5
<b>61 - 80</b>	65.1	49.6	79.8	70.0	82.5	78.6	86.4	84.1
<b>81+</b>	62.5	55.1	79.9	72.0	87.6	82.1	88.3	87.8

Home ownership has been the Australian way of wealth creation for many generations. Many aspects of Australian policy, including areas relating to retirement incomes, access to finance and rental tenure, have been built on the assumption that most Australians will own their home.

Existing trends suggest that a greater proportion of people reaching retirement age will be renting and that more of them will depend on the private rental market rather than social and public housing (Table 8).

More homeowners will still be paying off their mortgage when they retire, as the proportion of 55-64 year olds who own their houses outright fell from 72 per cent in 1995-96 to 42 per cent in 2015-16.

Table 8. Percentages of households that own home outright, by age group

Year	15-24	25-34	35-44	45-54	55-64	65+
<b>1996</b>	5.1	11.1	23.9	48.5	72.2	81.9
<b>1998</b>	2.6	7.1	21.4	42.8	68.2	82.4
<b>2001</b>	2.0	7.2	17.1	38.8	63.9	80.7
<b>2003</b>	0.3	6.8	14.5	33.6	62.0	80.2

2004	2.4	5.0	13.4	31.4	58.6	79.2
2006	2.7	6.5	12.4	29.3	53.7	79.2
2008	1.8	3.4	10.8	24.2	52.8	77.8
2010	0.6	3.3	9.3	23.9	50.3	78.1
2012	0.8	1.8	6.8	22.1	45.0	76.4
2014	2.5	2.7	7.4	21.0	44.6	76.3
2016	3.0	1.5	6.5	16.6	41.6	75.5

The Grattan Institute report *The wealth of generations*<sup>14</sup> showed that today's generation of young Australians are at increasing risk of being worse off than their parents. Older Australians are capturing a growing share of the nation's resources.

Despite the global financial crisis, households in the 65-74 year old age bracket today are \$480,000 wealthier in real terms than households of that age group 12 years ago. Households that were in the 35-44 year old group in 2005-06 increased their average wealth by almost \$600,000 in the subsequent decade.

Many younger Australians are adapting rising house prices by starting independent living much later. Many chose to stay at home or rely upon family and friends to assist with the start of their home purchase.

**Table 9. Percentage of 20-34 year olds who are the head of their household**

Year	Australia	Victoria
1981	36.2	36.0
1986	36.7	35.8
1991	36.0	34.8
1996	37.3	35.9
2001	37.3	35.9
2006	36.0	35.0
2011	34.0	33.2
2016	32.6	32.2

<sup>14</sup> Daley et al. (2014). Daley, J., Wood, D., Weidmann, B. and Harrison, C. *The wealth of generations*. Report No. 2014-13. Grattan Institute

Table 10 of housing tenure across Australia cities shows the fall in outright ownership and even ownership with a mortgage. The growth of rental housing in our two biggest cities is also evident.

The change in dwelling tenure status between the 2011 and 2016 census data is shown below:

**Table 10 – Change in housing tenure in Australian Capital Cities from 2011 to 2016 census data**

Tenure	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart
<b>Owned outright</b>	2.24%	2.54%	4.26%	0.96%	5.12%	1.88%
<b>Owned with a mortgage</b>	1.88%	7.37%	4.39%	3.65%	13.73%	2.23%
<b>Rented:</b>	12.98%	17.35%	11.07%	6.23%	5.80%	7.41%
<b>Social</b>	-1.01%	-0.10%	-3.30%	-9.99%	-5.01%	-4.98%
<b>Private</b>	15.61%	19.53%	13.20%	11.41%	7.68%	11.17%
<b>Landlord type not stated</b>	-7.71%	-10.21%	-13.77%	-20.42%	-13.84%	-5.15%
<b>Other tenure type</b>	16.50%	17.77%	12.87%	11.47%	3.06%	13.63%
<b>Tenure type not stated</b>	17.56%	25.32%	30.66%	17.27%	22.38%	29.48%

Those not stating the tenure type is significant, as is the growth on private rentals.