SGS Economics & Planning

SUPPLYING HOMES IN MORELAND

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Independent insight.

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EXECUTIVE SUMMARY

Moreland needs more dwellings, more smaller dwellings and more affordable dwellings

Moreland has attracted strong population growth in recent years and this is forecast to continue. In 20 years' time it is anticipated that Moreland's population will be almost half as big again. Household size is also expected to keep declining. More than 50% of new households will be smaller, consisting of only one or two people. There will be 12,000 new single person households and 7,000 new couple households by 2036. Accommodating this growth will require an extra 38,000 dwellings to be built over the next two decades.

However, as the cost of housing increases, more households will find it difficult to afford to live in Moreland and may be displaced to other areas. The unmet need for affordable housing in 2016 was estimated to be between 4,000 and 7,300 dwellings and could increase by a further 3,000 households by 2036.

New homes will be either medium or higher density dwellings

Moreland has no greenfield land and little brownfield land, so new homes will be medium density or high density dwellings rather than separate houses. Drawing on housing preference trends from 2006 to 2016, it is estimated that 68% of new households in Moreland would prefer medium density dwellings and the balance (32%), high density dwellings. However, as housing preferences change more households may choose to live in high density dwellings, particularly where this trade-off provides better access to amenities and transport, at a price they can afford.

Moreland has accommodated high rates of new dwelling growth

Over the past decade a significant number of new apartments have been built in Moreland's activity centres, particularly in the southern suburbs of Brunswick and Brunswick East. However, medium density developments accounted for 65% of all new dwellings built between 2007 and 2016. Most new homes added in the central and northern suburbs of Moreland have been medium density units and townhouses.

In 2015 and 2016, 1,892 and 1,983 additional dwellings were added each year respectively. In the 2017-18 financial year, approvals were issued for 2,227 medium and high density dwellings. However more recent approvals data shows that development activity slowed in late 2018 and early 2019.

Recent supply trends suggest that enough dwellings can be built to meet demand

If the quantum of housing growth experienced in 2015 and 2016 continues, a further 38,100 new homes would be built by 2036. Although this aligns with the number of new dwellings required to accommodate the growth forecast, discussions with housing suppliers in Moreland suggest this scenario to be ambitious. By taking the average supply trend from 2011 and 2016, Moreland would see only 32,100 new homes added, a shortfall relative to demand of 6,000 dwellings.

If recent trends in dwelling mix were to continue, around 37% of new dwellings would be high density dwellings and 63% medium density dwellings.

While demand modelling suggests a higher share of medium density dwellings could be required (68% compared to 63%) the modest difference would resolve itself through changes in the mix of future housing supply and/or households adjusting their housing preferences to occupy high density dwellings.

Recent building approvals and discussions with housing suppliers point to a shift in this mix towards a greater proportion being high density development.

Recent supply trends are not necessarily reflective of future trends

The supply forecasts assume that homes will be built at a similar rate in the future as it has in the past. However, it's difficult to say if this will be the case. If it becomes more difficult for developers to build homes in Moreland, as a result of factors within and outside of Council's control, there may be a larger shortfall of homes relative to demand.

Housing growth could be limited by capacity constraints in the longer term

Moreland City Council's housing capacity studies identify opportunities for an additional 68,000 dwellings, including 19,500 high density and 48,500 medium density dwellings within current planning controls. The forecast demand for 38,000 net new dwellings would absorb 56% of this capacity. Unless additional opportunities for more housing are identified, capacity constraints are likely to limit future housing supply as there needs to be a significant buffer between demand and the quantum of development.

As land in Moreland is a finite resource, it must be redeveloped efficiently to avoid future supply constraints, further increases in house prices and continued displacement and loss of community diversity.

The shortfall of affordable housing will increase without intervention

Moreland's 2,400 social housing dwellings are the only housing options permanently reserved for lower income and at-risk households. Most are public housing while around 20% are owned by the community housing sector. In recent years the amount of community housing has gradually increased while public housing dwellings have decreased.

In 2016, between 4,000 and 7,300 households in Moreland needed housing assistance to avoid homelessness or rental stress. Without meaningful intervention this level of unmet need is likely to increase by a further 3,000 households by 2036. To meet this level of need, between 18% and 26% of the forecast 38,000 new dwellings required by 2036 would need to be affordable housing.

Options for Council

Assuming the broad Commonwealth and state housing policy settings are likely to endure, increasing the stock of housing owned or operated by the community housing sector is the most effective approach to addressing this shortfall. An Affordable Housing contributions policy could be applied to all development with the option for cash in lieu payments, possibly introduced through a local policy in the planning scheme.

As a first step Council could calibrate an Affordable Housing contributions policy to maintain the current level of social housing in Moreland – 3.4% of the total dwelling stock. This could generate 1,234 additional Affordable Housing dwellings. Higher targets could be justified on an identified level of unmet need and limited interventions from other spheres of government. However, the potential impacts of affordable housing requirements on development feasibility warrant further consideration.

Other options include value capture from rezoned land, using Council land and Council funding to support joint venture developments that delivers affordable housing which may involve mixed-tenure with privately owned or tenanted dwellings.

These affordable housing dwellings or contributions could be directed to the Moreland Housing Reserve and passed through to Moreland Affordable Housing Ltd to assist households that are eligible for affordable housing.

In terms of lower cost market housing, Council's ability to influence the cost of private market housing is limited. However, encouraging a diversity of private market housing will continue

to offer households in Moreland opportunities to make trade-offs between dwelling type, size, location and price.

Council can also work to ensure that Moreland's housing markets operate efficiently and effectively, and that overall supply of housing is not unduly constrained. Council should monitor housing supply and update housing capacity assessments periodically to ensure capacity for future housing growth is not unreasonably constrained, impacting on the supply and affordability of market housing.

1. INTRODUCTION

Supplying Homes in Moreland presents analysis to align housing supply with the housing needs of the Moreland community; focusing on housing diversity and affordability. It should be read in conjunction with the demographic and housing needs study *A Home in Moreland*.

1.1 Background

Moreland City Council has a long-standing interest in housing efficiency and social equity, as evidenced in successive Council Plans, Municipal Public Health and Wellbeing Plans and Municipal Strategic Statements. On the whole, however, Council has been frustrated by the State and Federal policy and funding environment.

In analysing demand for housing, *A Home in Moreland* identifies the continuum of housing needs and considers responses from homelessness through to adapting to the preferences of educated and skilled workers.

A Home in Moreland found that to accommodate forecast population growth, Moreland needs more homes, more smaller homes and more affordable homes.

This report analyses past and future supply of housing in Moreland and presents a toolkit of options for Council's consideration to ensure supply is able to meet forecasted demand.

1.2 Approach and report structure

To understand and complete the housing story, this report considers:

- What is the demand for different housing types in Moreland to 2036?
- What is the likely supply of housing?
- Comparing demand and supply, what gaps are there in terms of

  (i) the total quantum of housing that might be supplied,
  (ii) the types of housing that might be supplied, and
  (iii) the affordability of housing, with a focus on the need for affordable housing.

- What options are available to Council to address identified gaps?

In addressing these questions:

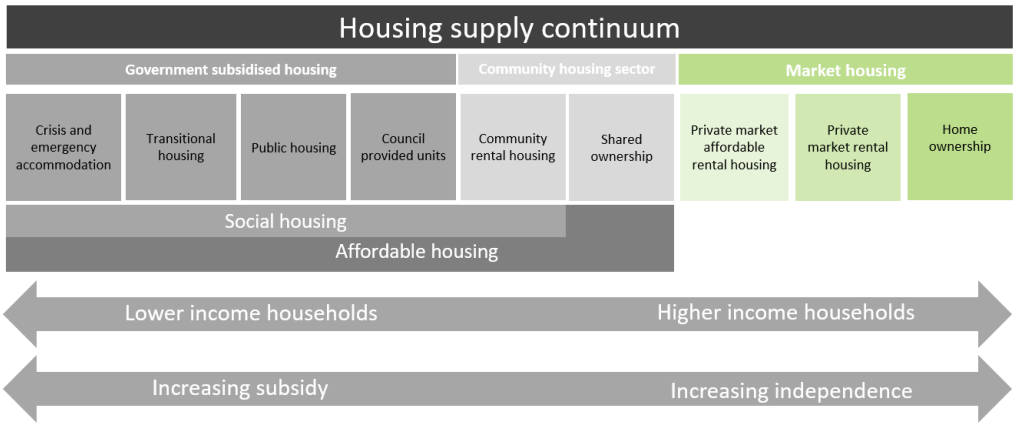
- Chapter 2 estimates the need for additional dwellings based on the *A Home in Moreland* forecasts
- Chapter 3 considers current and future need for affordable housing
- Chapter 4 examines past housing supply trends in Moreland
- Chapter 5 forecasts the total supply of housing, by type, to 2036 and compares these forecasts to demand forecasts to identify any gaps.
- Chapter 6 similarly compares affordable housing supply and demand
- Chapter 7 presents options and mechanisms available to Council to align housing supply with community need.
- Chapter 8 offers conclusions.

1.3 Data sources and definitions

The housing supply continuum

Housing supply is commonly described as a continuum – from crisis accommodation through to social and affordable housing and then market housing – where the level of assistance or subsidy required is highest at one end of the continuum, progressively decreasing to no subsidy at the other. This concept is illustrated in Figure 1.

FIGURE 1: HOUSING SUPPLY CONTINUUM



Source: SGS Economics and Planning, 2019

Social housing includes both public housing and community housing.[1] This housing involves a degree of subsidy that varies depending on the household's capacity to pay rent, relative to their household income.

Public housing is housing provided directly by the State Government under the responsibility of the Director of Housing.

Community housing is secure, affordable, long-term rental housing managed by not-for-profit organisations for people on low incomes or with special needs, including those eligible for public housing. This housing generally accommodates a wider range of households than government or agency-owned social housing, ranging from households with high needs through to moderate income earners. Community housing providers are registered and regulated by the State Government. Some help specific groups like people with disability, women, singles and older people.

Affordable home ownership/shared ownership describes types of housing made affordable for low to moderate income earners through a shared-equity mortgage model, where the home buyer shares the capital cost of purchasing a home with an equity partner such as a not-for-profit trust or a community housing provider.

Market housing includes affordable private market rental housing, which can include housing delivered by the private sector and rented to people in specific income groups that might be eligible for government subsidies (for example, dwellings provided in the National Rental Affordability Scheme via subsidies from the Australian Government).

Lower cost private market housing may mean that a low or moderate income household does not need to spend more than 30% of household income, that is to say they can afford the property. But this does not mean it is considered Affordable Housing. In the context of rising property prices and slow growth in wages and government income support, the share of market housing that meets this criterion is declining.

[1] The *Housing Act 1983* defines social housing as "public housing; and housing owned, controlled or managed by a participating registered agency".

Statutory definition of Affordable Housing

The Victorian *Planning and Environment Act 1987* defines affordable housing as housing, including social housing, that is *appropriate* to the needs of very low, low and moderate income households. The supporting Ministerial Notice lists principles that must be considered, including allocation (implying affordable housing must be allocated to eligible households), affordability and longevity (implying the housing should be retained as affordable housing over time).

From this reading, lower cost market housing does not fall within the types of Affordable Housing envisaged in the Victorian Government's definition and the Ministerial Notice.

Data sources

This report draws from:

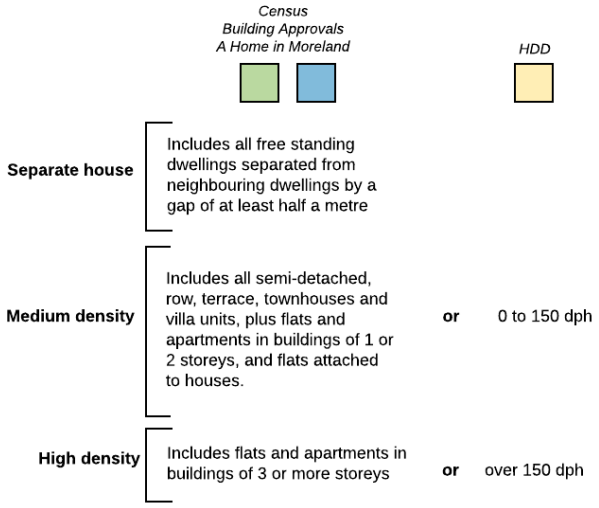
- ABS Census of Population and Housing from 1996, 2001, 2006, 2011, 2016 (ABS)
- Household forecast data from *A Home in Moreland*
- Housing Development Data 2005 to 2016 (HDD) produced by the Department of Environment, Land, Water and Planning

Dwelling type definitions

This report uses the dwelling type classifications of *A Home in Moreland*: separate dwellings, medium density dwellings and high density dwellings.

The HDD does not classify dwelling type. To allow it to be compared to other data sources, this report classifies new housing developments that are 150 dwellings per hectare or higher as high density and developments less than 150 dwelling per hectare as medium density.[2] Figure 2 illustrates the alignment of these classifications across datasets.

FIGURE 2: CONCORDENCE OF DWELLLING TYPES BETWEEN DATA SOURCES



Source: SGS Economics and Planning, 2019

Housing submarkets

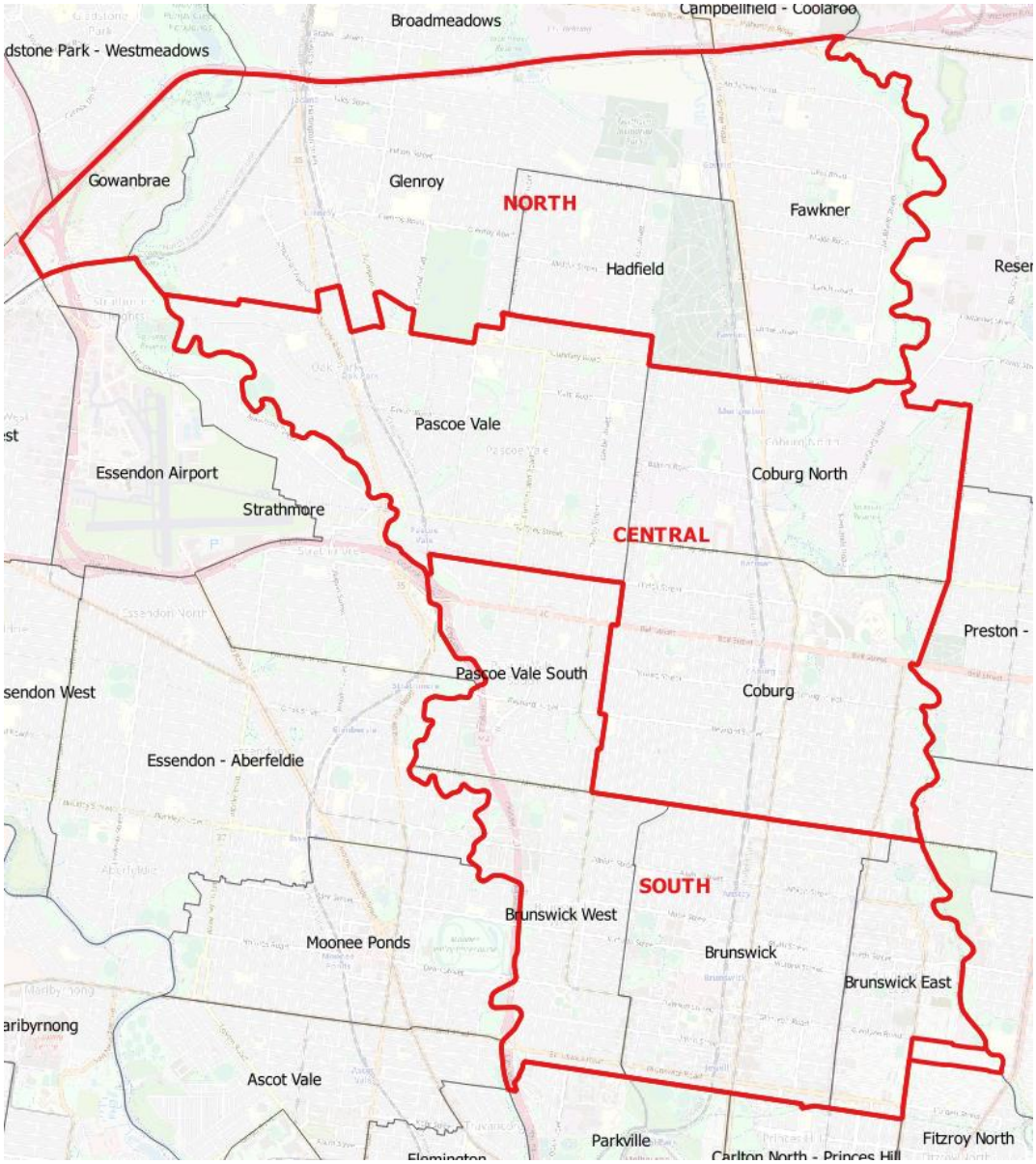
Moreland's southern suburbs include a network of major activity centres and shopping strips, comparatively well serviced by public transport. These typically feature smaller lots sizes and comparatively higher property prices in terms of dollars per square metre.

[2] On Council's advice we have assumed that there was no net gain in separate houses in the HDD period.

In the northern suburbs, public transport coverage is sparser. There are fewer activity centres and lot sizes are comparatively larger. Property prices are comparatively lower.

To capture the difference between different submarkets, this report uses three regions that correspond to the northern, central and southern portions of the municipality. As shown in Figure 3, the northern submarket includes the Australian Bureau of Statistics Statistical Area 2 (SA2) boundaries of Glenroy, Hadfield and Fawkner. The central submarket includes the SA2s of Pascoe Vale, Coburg North, and Coburg. The southern submarket includes the SA2 boundaries of Brunswick East, Brunswick, Brunswick West and Pascoe Vale South.

FIGURE 3: HOUSING SUBMARKET GEOGRAPHIES USED FOR HOUSING SUPPLY FORECASTS



Source: SGS Economics and Planning, 2019

1.4 Who provides housing in Moreland?

Almost all housing in Moreland is provided by private sector developers which vary in terms of size, the housing they produce and target markets. Consultation with the property sector suggests three categories:

- Smaller-scale developers producing medium density housing
- Mid-size developers producing townhouse and apartment development
- Mid-size boutique developers, focused in the higher end of the market.

Large developers are not currently active in Moreland. The largest renewal area in Moreland at Pentridge is being developed by mid-size developers.

Smaller developers are more likely to operate in the central and northern suburbs. This ranges from owner-builders developing two or three dwellings on a lot through to small firms working across multiple sites. Smaller developers operate on relatively tight margins and are generally risk adverse. They are unlikely to be particularly innovative in the forms of housing they produce or to engage in market research. They build housing they know they can sell relatively quickly. Mid-size developers generally operate in the southern and central regions of Moreland. Many are also more likely to work to a known formula rather than innovate. However, they are not as risk-adverse when it comes to securing land. They are likely to make speculative land purchases – that is, pay a higher price for land on the basis that they will secure development approval. This may then mean they maximise the density of their projects, perhaps at the expense of amenity and/or quality, to make the project viable or increase their profit margin. Smaller and mid-size developers are more likely than larger developers to hold land and delay developing due to changing market conditions, land banking, a lack of capital or, in some cases, a lack of experience.

Mid-size boutique developers such as Milieu Property group, Peregrine Projects and Lucent are active in Moreland. These developers focus on the upper end of the market for apartment developments. They are more likely to research the demographic profile of an area they are building in and be market responsive. They target households that are attracted to higher quality design and finishes, particular design attributes such as sustainability features, and in some cases, more collective living arrangements. Nightingale is perhaps best known of this type. Although development profits are capped, the price point of the apartments built by mid-size boutique developers are closer to higher-end market rates.

Mid-size boutique developers are more likely to innovate while other mid-size developers may be inclined to follow, provided they can still produce dwellings at saleable price points.

Although Moreland is home to innovative, high quality residential developments, most housing is developed by relatively small firms working to tight margins and with limited appetite for innovation. In this environment, informing and educating the development sector about growth forecasts, demographic change and Council strategies to support growth should be focused on aligning housing products with community need.

2. MORELAND'S HOUSING NEEDS

This chapter describes the demand for new dwellings in Moreland, expanding on the population and household forecasts set out in *A Home in Moreland*.

Key messages

Moreland needs to accommodate 35,000 new households to 2036. More than 50% of new households will consist of only one or two people. It is estimated that there will be 12,000 new single person households and 7,000 new couple households by 2036.

With no vacant land available for development in Moreland, these new homes will be medium or high density dwellings rather than separate homes. Based on past trends, accommodating 35,000 new households will generate demand for 25,900 medium density dwellings and 12,100 high density dwellings. More than half of this demand will be for two bedroom dwellings (53%) and the demand for studio and one bedroom dwellings is forecast to double.

As housing preferences change, more households will choose smaller medium and high density dwellings, particularly where this trade-off provides better access to amenities and transport and for a price that households can afford.

2.1 Population growth

A Home in Moreland forecasts population growth between 2016 to 2036 of an additional 77,225 people. This translates to an additional 35,000 households. When an allowance is made for unoccupied dwellings[3], this translates to a need for an estimated 38,000 additional dwellings.

In 2016, there was around 72,000 dwellings in Moreland. An additional 38,000 dwellings over a 20-year period constitutes significant growth.[4]

To put this in perspective, Moreland's average annual growth rate (AAGR) of 2.1% per annum is above the metropolitan Melbourne average (1.9%), and higher than the neighbouring local government areas of Darebin (1.5%), Moonee Valley (1.3%) and Banyule (1.0%).

TABLE 1: FORECAST HOUSEHOLD GROWTH RATES COMPARED

Region	AAGR	Period
Moreland LGA (1)	2.1%	2016 – 2036
Darebin LGA (2)	1.5%	2016 – 2031
Moonee Valley LGA (2)	1.3%	2016 – 2031
Banyule LGA (2)	1.0%	2016 – 2031
Greater Melbourne (2)	1.9%	2016 – 2036

Source: (1) *A Home in Moreland*, 2018; (2) Victoria in Future, 2016.

Note: Victoria in Future data at LGA level only available until 2031

[3] 8% of dwellings in 2016 were vacant in Moreland

[4] Alternative demand forecasts: VIF 2016-2031 - 18,251 households; Forecast .id 2016-2036 - 23,437 households; .id SaFi 2016-2036 – 38,387 households.

2.2 Smaller households

A Home in Moreland found that the number of households of one or two people is expected to increase by 19,000 people between 2016 and 2036 (12,000 single person households and 7,000 couple households). By 2036, single person households are forecast to replace couples with children as the most common household type. This will see the household size in Moreland fall from an average of 2.54 persons per household in 2016 to 2.42 in 2036.[5]

TABLE 2: FORECASTS BY HOUSEHOLD TYPE, 2016 TO 2036

	2016	2021	2026	2031	2036	Change 2016 to 2036	AAGR 2016 - 2036
Couple family with no children	15,886	15,886	20,343	21,602	22,843	+6,957	+2.06%
Couple family with children	19,404	23,909	26,469	28,083	29,148	+9,744	+1.83%
One parent family	6,259	7,681	8,653	9,371	9,934	+3,675	+2.34%
Other family	2,134	2,520	2,681	2,797	2,898	+764	+1.54%
Single person household	17,758	22,985	25,821	27,875	29,832	+12,074	+1.56%
Group household	5,571	7,095	7,396	7,489	7,591	+2,020	+2.63%
Total households	**67,012**	**80,076**	**91,363**	**97,217**	**102,246**	**+35,234**	**+2.14%**

Source: *A Home in Moreland*, 2018

2.3 Medium and high density living

SGS uses a housing demand model to estimate the mix of dwelling types required to accommodate these additional households. The model considers the change in household types and changing housing preferences between 2006 and 2016 to forecast the number of dwellings, by type, that households might occupy in the future. The model forecasts demand for additional dwellings across the three dwelling types; separate dwellings, medium density dwellings and high density dwellings.

The modelling indicates that of the forecast demand for 38,000 net additional dwellings, approximately 25,891 dwellings (or 68%) will be a demand for medium density dwellings and 12,164 dwellings (32%) will be a demand for high density dwellings. These forecasts assume that 8% of all dwellings will be vacant in 2036, which is the rate of vacancy[6] measured in the 2016 Census.

TABLE 3: FORECAST DWELLING DEMAND BY TYPE, 2016 TO 2036

	Medium density		High density		Total	
	No. Dwellings	% of Total	No. Dwellings	% of Total	No. Dwellings	% of Total
Additional dwellings	+25,891	68%	+12,164	32%	+38,055	100%

Source: SGS Economics and Planning, 2019

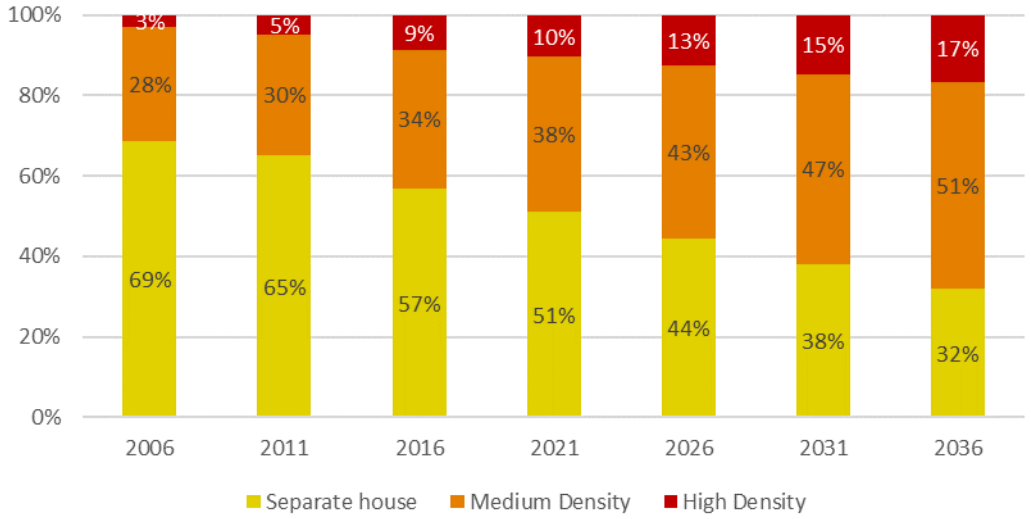
Note: These forecasts used the SGS Housing Demand Model based on Household Forecast data from *A Home in Moreland*

[5] A Home in Moreland, page 39.

[6] There are many reasons why a dwelling may have been unoccupied on Census night. It may have been newly constructed but was not yet occupied; it was still for sale or under offer; there may have been renovations or it was awaiting demolition; or the dwelling was a deceased estate. It may also have been a short term or long term rental property or a holiday home or the dwelling was simply unoccupied due to the residents being away on Census night.

Meeting this demand will require a continued shift in the mix of housing in the municipality by 2036. In 2016, separate houses accounted for 57% of all dwellings and medium and high-density dwellings accounted for 43% of dwellings. The future dwelling mix shown by housing demand modelling, would see medium density and high density dwellings accounting for 68% of all dwellings in Moreland in 2036.

FIGURE 4: DWELLING MIX 2006 TO 2036



Source: SGS Economics and Planning, 2019

Note: Results from 2016 and 2036 used the SGS Housing Demand Model based on Household Forecast data from *A Home in Moreland*. As a result, the dwelling mix shown above for 2016 is different to reported ABS Census data.

SGS housing demand modelling also estimates housing demand by number of bedrooms. This analysis draws on past trends from the ABS Census to measure the likelihood of the forecasted different household types residing in dwellings by number of bedrooms.

TABLE 4: NUMBER OF BEDROOMS IN 2016 AND 2036 (DEMAND FORECAST)

	2016	2036	2016 - 2036 Change	AAGR 2016 - 2036
No bedrooms	135	330	195	+4.55%
One bedroom	2,819	6,540	3,721	+4.30%
Two bedrooms	23,715	43,703	19,988	+3.10%
Three bedrooms	31,972	40,653	8,681	+1.21%
Four or more bedrooms	12,395	16,358	3,963	+1.40%
Number of bedrooms not stated	1,325	2,843	1,518	+3.89%
Total Private Dwellings	**72,361**	**110,426**	**+38,065**	**+2.1%**

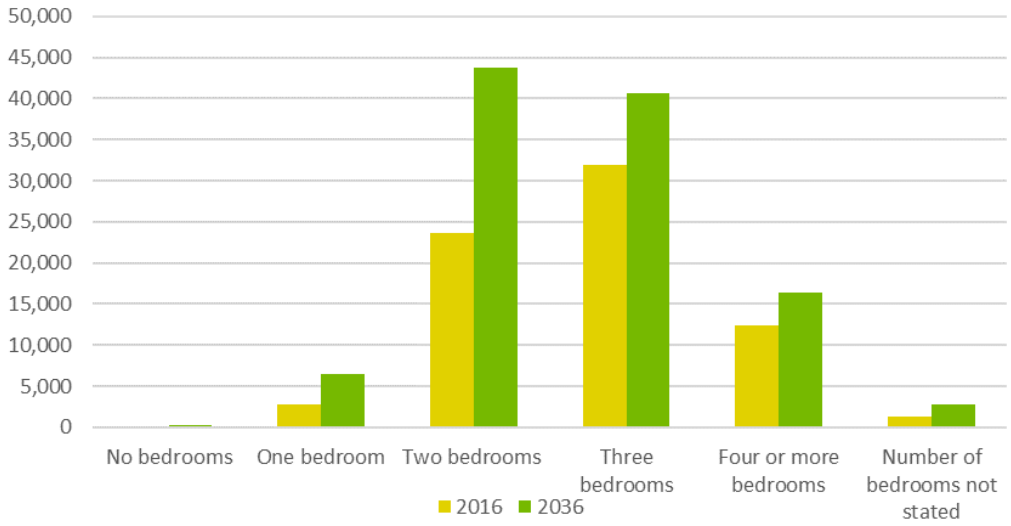
Source: SGS Economics and Planning, 2019.

Note: Forecasts based on household type forecast from *A Home in Moreland*. As a result, the data shown above for 2016 is different to reported ABS Census data.

This modelling shows that the greatest demand will be for two bedroom dwellings, equating to a need for around 20,000 two bedroom dwellings - or half of all new dwellings. One bedroom and three bedroom dwellings are the next largest categories in terms of absolute growth between 2016 and 2036.

While these forecasts assume some shifts, this modelling cannot account for changes in demand, preferences or affordability that could influence future demand relative to past trends, Housing affordability pressures are likely to mean many households will choose smaller dwellings in the future, so the demand for smaller dwellings is likely to be even greater than the modelling suggests.

FIGURE 5: FORECAST OF DWELLINGS BY NUMBER OF BEDROOMS, 2016 AND 2036



Source: SGS Economics and Planning, 2019

Note: These forecasts use the SGS Housing Demand Model based on Household Forecast data from *A Home in Moreland*

3. AFFORDABLE HOUSING

This chapter considers the need for affordable housing, now and in the future, drawing on data from *A Home in Moreland* and SGS modelling.

Key messages

The unmet need for affordable housing in Moreland in 2016 is estimated at between 4,000 and 7,300 dwellings. As Moreland continues to gentrify, without intervention, increasing numbers of households will continue to be pushed out to more affordable locations like Hume and Whittlesea. This unmet need for affordable housing is forecast to increase by a further 3,000 households to 2036.

To meet this level of need, up to 26% of the forecast 38,000 new dwellings required in Moreland by 2036 would need to be affordable housing. The unmet need for affordable housing is significant and increasing.

3.1 Current need for affordable housing

There is no set methodology for estimating the need for affordable housing. The findings of two methodologies are presented below. The first is based on *A Home in Moreland* while the other is based on SGS's Housing Assistance Demand Model.

The estimate of the total unmet need for affordable housing in *A Home in Moreland* measures the number of rental households with very low, low or moderate incomes in housing stress (paying more than 30% of their income on rent). It then assumes "50% of rental stress is households in temporary stress"[7] to estimate the unmet need for housing assistance from renting households. Homeless and marginally housed households are also included in the estimate of unmet need. *A Home in Moreland* estimates that 3,990 households had an unmet need for some form of housing assistance in 2016.

The SGS Housing Assistance Demand model includes social housing households, homeless persons and households in moderate or severe rental stress. The model also forecasts the evolution of need based on expected population growth, demographic change and changes in incomes and rents. The appendix to this discussion paper presents a full overview of the model. The count of households in each category are reported in Table 5 below.

TABLE 5: NEED FOR AFFORDABLE HOUSING, 2016

Household type	Households in severe stress	Households in moderate stress	Total no. of households in stress	% to derive minimum target of households in need	Households in need	Need as a % of total households
Very low-income	2,311	1,307	3,618	90%	3,256	4.9%
Low-income	707	1,797	2,504	85%	2,128	3.2%
Moderate-income	210	1,261	1,471	80%	1,177	1.8%
Homeless*	-	-	771	100%	771	1.2%
Existing social housing	-	-	2,435	100%	2,435	3.6%
• Public housing	-	-	1974	100%	1974	2.9%
• Community housing	-	-	461	100%	461	0.7%
Total	-	-	**10,799**	-	**9,767**	**14.6%**

Source: SGS Economics and Planning, DHHS (2016) Social housing and specialist homelessness services additional service delivery data 2016–17. Homeless category includes: persons living in improvised dwellings, tents or sleeping out, as well as those in supported accommodation; temporarily staying with other households; living in boarding houses; persons in temporary lodgings; and persons living in severely crowded dwellings (Australian Bureau of Statistics, 2018).

This modelling estimates that in 2016 approximately 10,800 households in Moreland required some form of housing assistance. This consists of approximately 7,600 very low, low, and moderate income renting households in housing stress, almost 800 homeless households and 2,400 households in social housing provided by the Department of Health and Human Services (DHHS) and community housing providers.

It is likely that some housing stress is experienced temporarily, or households have high housing costs by choice. Rowley and Ong (2014) suggest households might voluntarily pay more than 30% of their income on housing to live in a better house, neighbourhood or location where other expenses such as transport costs are lower. They note that it is normal for some households to experience temporary periods of housing stress due to changes in circumstances such as the birth of a child, short term unemployment or the breakdown of a relationship.

As this research shows that the prevalence of housing stress does not always align with the need for housing assistance, SGS has applied a discount to the count of for very low, low- and moderate-income households in rental stress in order to estimate actual need.

These factors should be considered alongside more recent research from the Australian Housing and Urban Research Institute (Rowley, Leishman, Baker, Bentley, & Lester, 2017) that suggests likely additional demand for affordable housing from households unable to form in the current market conditions. These 'unformed' households might include younger family members that would prefer to leave the parental home but cannot afford to, elderly family members that must live with other family members, or multiple families occupying a single dwelling.

The prevalence of housing stress does not neatly align with the need for housing assistance. Some of the factors identified above would inflate the need and others would deflate it. On the balance of evidence, we have applied a slight discount to derive an estimate of the actual need.

The discount is applied according to household income. The reduction is shown in the fifth column in Table 5 and applies to very low, low and moderate income households in rental stress. A smaller discount (10 per cent) is applied to very low income earners than the other groups because they are more likely to experience actual stress than higher income earners.

No discount is applied to people in social housing or those experiencing homelessness since all of those households require housing assistance. These groups are subtracted from the household total for very low income.

SGS estimates that approximately 9,800 households - or almost 11% of all households - needed assistance with housing costs in 2016 in Moreland. Setting aside those households already in social housing, 7,300 households had an unmet need for r affordable housing in 2016.

3.2 Forecast need for affordable housing

Without intervention, an additional 2,500 households would experience rental stress by 2036 and almost 13,000 households would need housing assistance in 2036, an increase of 3,000 households from the 2016 estimate. Again, setting aside the households who already live in social housing, by 2036 approximately 10,000 households will need some form of housing assistance.

To meet this need, 26% of the forecast 38,000 new dwellings required in Moreland by 2036 would need to be affordable housing.

This forecast need for affordable housing encompasses the requirements of very low income households requiring homelessness services through to key workers with secure employment who struggle in the private rental market.

TABLE 6: FORECAST NEED FOR AFFORDABLE HOUSING, 2036

Households	Households in severe stress	Households in moderate stress	Total no. of households in stress	Minimum target	Households in need of assistance	Need as a % of all households
Very low income	3,386	1,783	5,169	90%	4,652	4.5%
Low income	933	2,395	3,328	85%	2,829	2.8%
Moderate income	271	1,662	1,933	80%	1,546	1.5%
Homeless	-	-	1,057	100%	1,057	1.0%
Social housing	-	-	2,837	100%	2,837	2.8%
Total	-	-	**14,324**	-	**12,921**	**12.6%**

Source: SGS Economics and Planning, DHHS (2016) Social housing and specialist homelessness services additional service delivery data 2016–17.

TABLE 7: HOUSING SERVICES REQUIRED BY NEED CATEGORY

Need category	Very low income households, homeless and existing social housing tenants	Low income households	Moderate income households
Typical household types	Households at risk of homelessness Households disengaged from the work force	Households at risk of homelessness Households with intermittent engagement in the work force	Key worker households Creative workers with intermittent and multiple portfolio work
Projected total to 2036 (includes existing stock of social housing)	8,546	2,829	1,546
Housing services required	Emergency shelters, crisis accommodation Transitional/supported housing Social housing (public housing and community housing)	Emergency shelters, crisis accommodation Transitional/supported housing Social housing (public housing and community housing)	Social housing (public housing and community housing) for eligible households Affordable rental housing other than that included in social housing - could be operated by not-for-profits and private sector under special agreements Affordable home ownership/shared home ownership
Level of subsidy required	Very high	High	Moderate

Source: SGS Economics & Planning Pty Ltd

3.3 Unmet need

There is no set methodology for estimating affordable housing need in Australia. *A Home in Moreland* suggests unmet need for affordable housing of 3,990 dwellings in 2016 and 7,020 dwellings by 2036. SGS modelling suggests of 7,300 dwellings in 2016, and 10,000 dwellings by 2036. These two estimates provide an upper and lower range of need based on different assumptions. Both estimates suggest that without intervention, unmet need is significant and increasing.

FIGURE 6: ESTIMATES OF UNMET NEED FOR AFFORDABLE HOUSING

	2016	2036	2016 - 2036 Change
Upper estimate (SGS Housing Assistance Demand Model) (1)	7,332	10,514	+3,181
Lower estimate (*A Home in Moreland*) (2)	3,990	7,020	+3,030

Source: (1) SGS Economics and Planning, 2019; (2) *A Home in Moreland*, 2018.

4. HOUSING SUPPLY TRENDS

The chapter considers recent housing supply trends.

Key messages

The number of new dwellings being built each year in Moreland is increasing over time. The annual supply of new dwellings has increased from 800 new dwellings per year in 2005 to almost 2,000 dwellings per annum in 2016.

New medium density dwellings are far more common that high density dwellings, accounting for 65% of new dwellings over the past 10 years, however, with new apartments being built in Activity Centres, particularly in the southern suburbs of Brunswick and Brunswick East, the balance is gradually shifting over time towards a larger share of high density dwellings.

More than half of the new dwellings built in Moreland in over the past 10 years were smaller dwellings with one and two bedrooms.

4.1 Introduction

Understanding past housing supply trends provides insights into the likely quantum and mix of future housing supply. Past trends reflect interactions between housing demand, planning policies and decisions, development feasibility, and variation in these relationships over time and between locations.

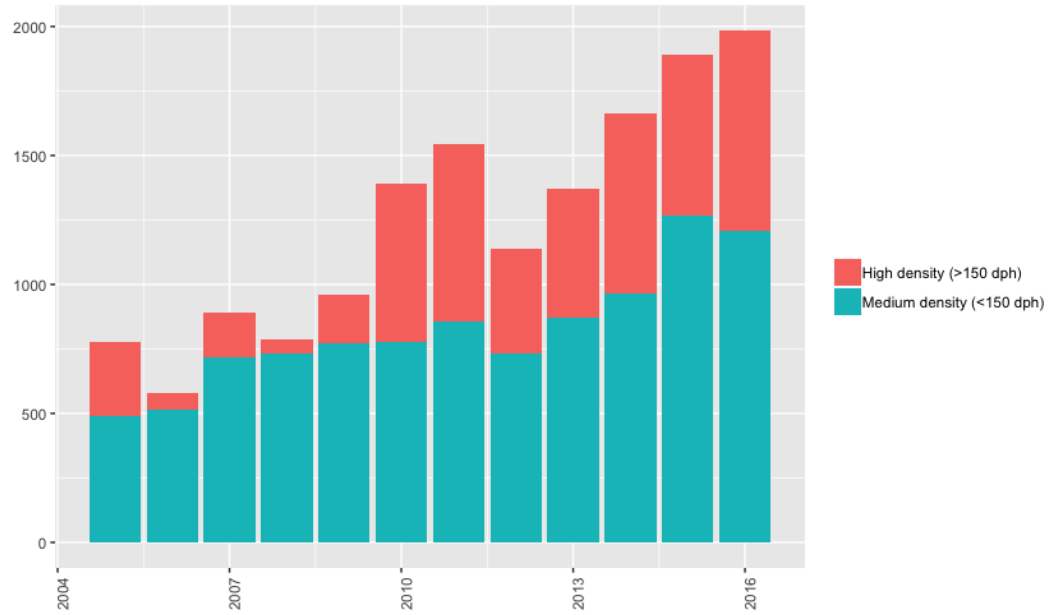
This analysis of past housing supply trends uses the Housing and Development Data (HDD) prepared by the Department of Environment, Land, Water and Planning (DELWP).

4.2 Recent housing growth

The number of new dwellings being built each year in Moreland increased each year up to 2016. The number of new dwellings built in Moreland increased from around 800 new dwellings per year in 2005 to almost 2,000 dwellings per year in 2015 and 2016. An average 1,360 net additional dwellings were added each year. The average growth for the five years to 2016 was 1,600 dwellings per year; a significant increase on the average of 1,100 per year for the previous five years (2007 to 2011).

There has been gradual shift in supply with the share of high density dwellings increasing in recent years. The split of medium density and high density dwellings was 65% to 35% for the 10 years to 2016 and 63% to 37% for the past five years.

FIGURE 7: NET ADDITIONAL DWELLINGS PER ANNUM IN MORELAND



Source: HDD, 2016.

ABS dwelling approvals data suggests enough approvals to see this supply trend continue beyond 2016. Building approvals data from June 2016 to January 2019 is summarised below and split by medium and high density dwellings. Each cluster shows the monthly average for the four month periods for which data was available. Approvals for separate houses have not been included as these are assumed to represent dwelling replacements and would not contribute new supply.

From mid-2016 to mid-2018, the average number of medium and high density dwellings approved per month was between 140 and 200 dwellings (see Figure 8). The balance of medium density and high density shifted through this period. High density approvals have typically exceeded medium density in recent years. A total of 2,227 high and medium density dwellings were approved in the 2017-18 financial year[8].

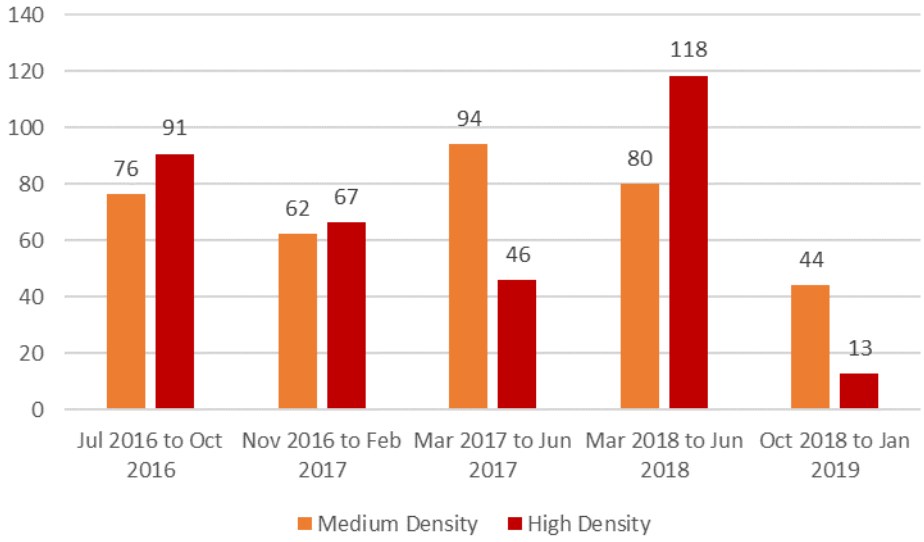
Building approvals slowed towards the end of 2018 and the start of 2019. From October 2018 to January 2019, an average of less than 60 dwellings per month were approved. This change is related to the general downturn in the housing market rather than local factors. It is not yet clear if this is a short term variation or the onset of a longer lasting period of lower development activity. Developers working in Moreland have suggested the housing market slow down could last anywhere between 18 months to 5 years.

> *"The slowdown in building approvals is likely to be due to a downturn in the market, we'd expect it pick back up in 18 to 36 months."*
>
> *– Private housing supplier in Moreland*

> *"It'll be a slow recovery, I suspect it might take 3 to 5 years. In fact, I'm not sure if it'll ever get back to the level of development we saw around 2016"*
>
> *– Private housing supplier in Moreland*

[8] id (2019) Moreland Residential Building Approvals. Note: all approvals data is for the total new dwellings approved rather than net additional dwellings.

FIGURE 8: AVERAGE MONTHLY BUILDING APPROVALS, MORELAND (2016 – 2018)



Source: ABS Census Building Approvals, 2016 to 2019.
Note: Partial data series as monthly building approvals data for July 2017 to February 2018 and July 2018 to September 2018 by type are not available. Figures discounted by 6% to remove replacement dwellings

4.3 Distribution of housing types within Moreland

The distribution of housing supply by types shows distinct spatial patterns across the three housing submarkets of Moreland.

The southern submarket of Moreland includes the suburbs of Brunswick East, Brunswick, Brunswick West and Pascoe Value South. In recent times, it has accommodated predominantly high density dwelling growth and some medium density dwellings. The number of new dwellings added in this submarket has increased rapidly over the past 12 years, peaking in 2016 with almost 1,000 dwellings added. Most high density dwellings in Moreland have been built in this submarket. The number of medium density dwellings built each year has been relatively low and constant.

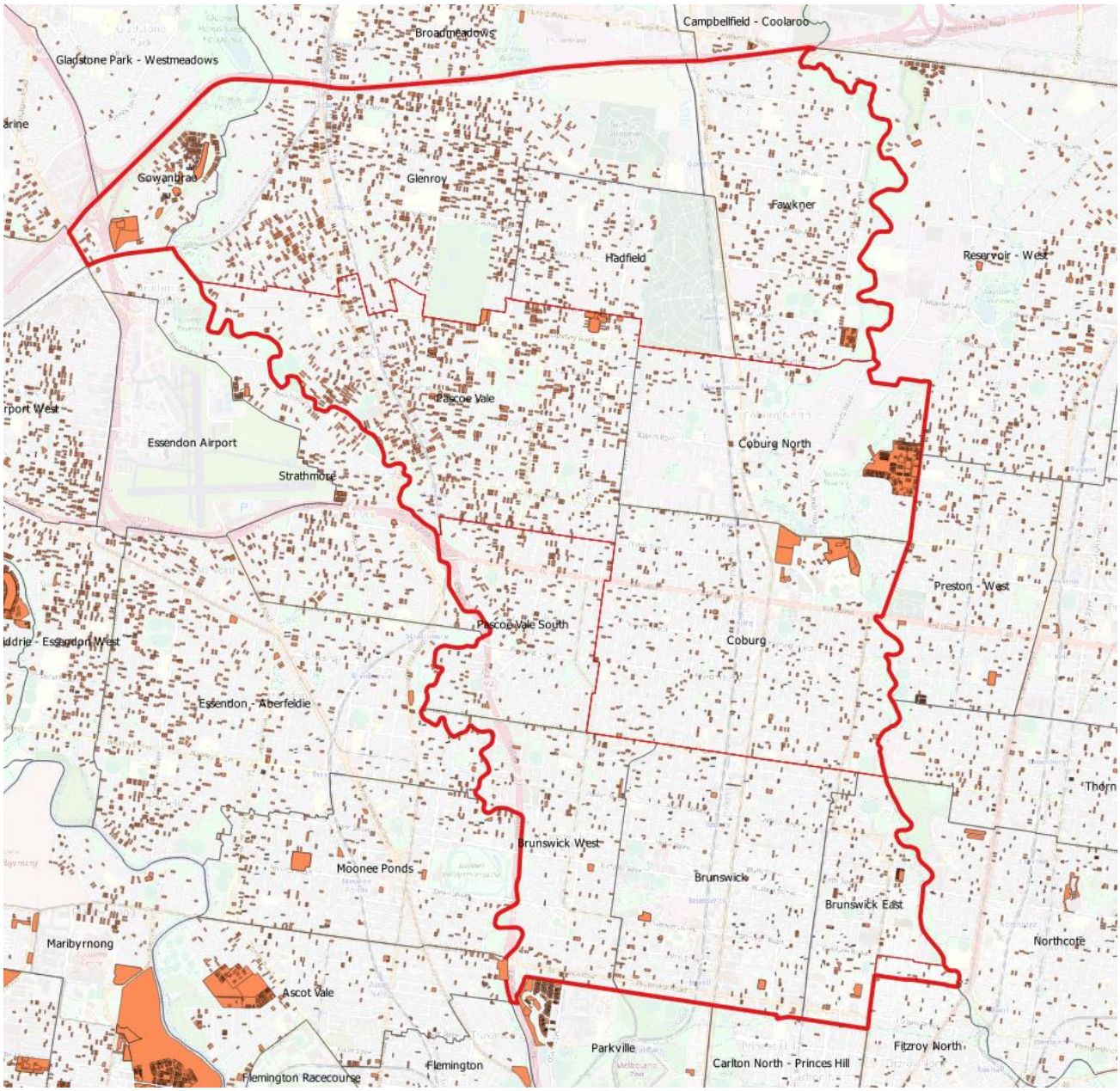
The central submarket includes the suburbs of Coburg, Coburg North and Pascoe Vale. It accommodates both medium and high density development. The number of new medium density dwellings added in this submarket has increased rapidly over the past 12 years, peaking in 2015 with more than 500 dwellings added. This is double the number of medium density dwellings added in 2005. Some high density development has occurred in Coburg, primarily in Pentridge, and to a lesser extent, in Pascoe Vale.

The northern submarket includes the suburbs of Fawkner, Hadfield, Glenroy and Gowanbrae. Housing growth in this part of Moreland has been entirely medium density development. The quantum of growth increased from 200 dwellings per year between 2005 to 2007 to almost 400 dwellings per year in 2015 and 2016.

FIGURE 9: NET ADDITIONAL DWELLINGS BY TYPE AND SUBMARKET, 2005 TO 2016

Source: HDD, 2016

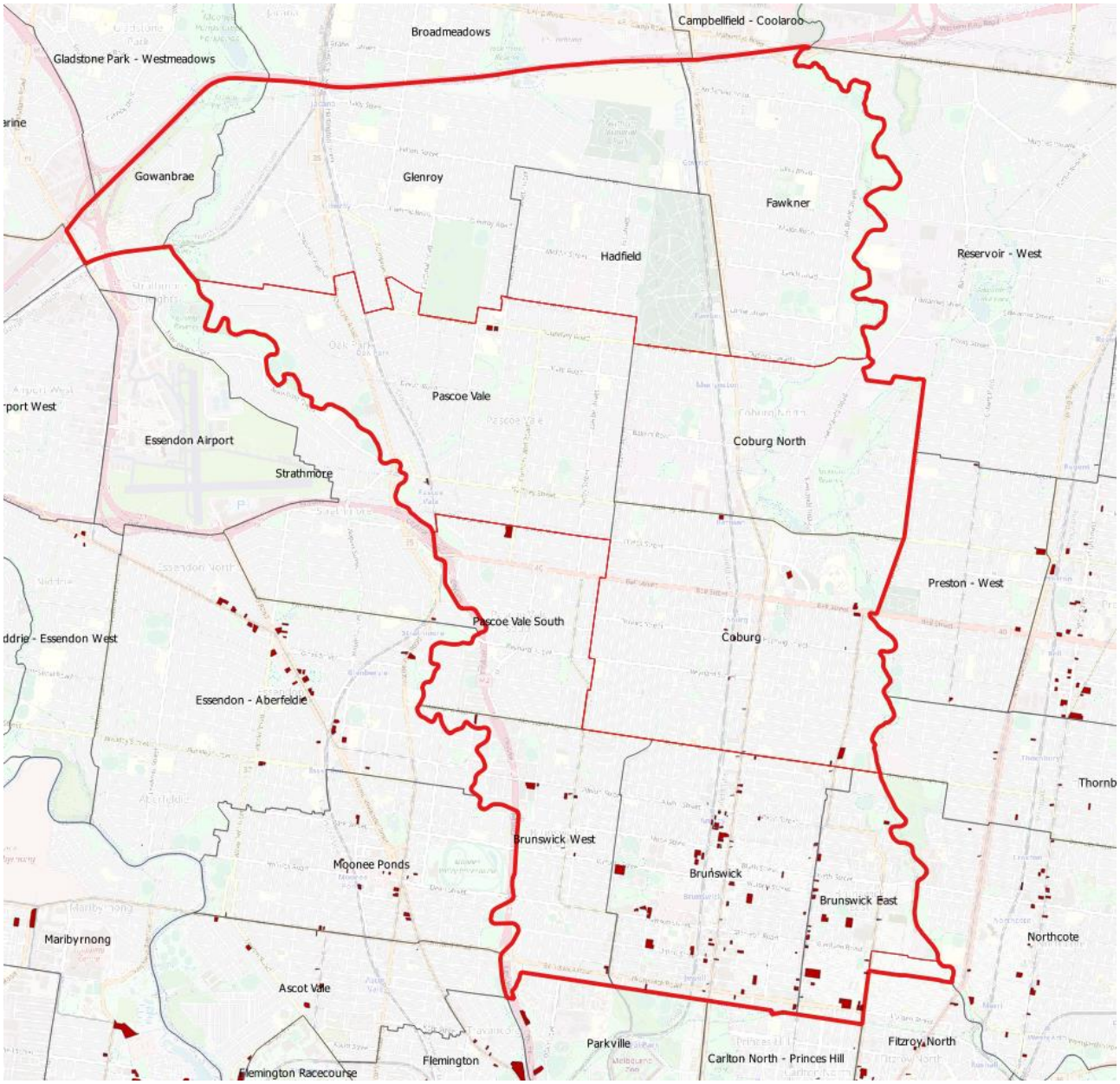
FIGURE 10: DISTRIBUTION OF NEW MEDIUM DENSITY DEVELOPMENT (2005 TO 2016)



Source: HDD, 2016

Note: Medium density is defined as development projects less than 150 dwellings per hectare.

FIGURE 11: DISTRIBUTION OF NEW HIGH DENSITY DEVELOPMENT (2005 TO 2016)



Source: HDD, 2016

Note: High density dwelling are defined as development greater than 150 dwellings per hectare.

4.4 Supply of smaller dwellings

In the past, most dwellings in Moreland had three bedrooms or more, however this is changing. 70% of new dwellings constructed between 2011 and 2016 have one or two bedrooms.

TABLE 8: OCCUPIED DWELLINGS BY NUMBER OF BEDROOMS (2011 AND 2016)

	2011	2016	Change	Share of change
Studio	285	280	-5	0%
One bedroom	3,654	4,714	1,060	20%
Two bedrooms	17,701	20,366	2,665	50%
Three bedrooms	25,187	25,466	279	5%
Four or more	7,778	8,880	1,102	21%
Not stated	1,238	1,512	274	5%
Total	55,843	61,218	5,375	100%

Source: ABS Census, 2011 and 2016

Note: These figures are based on ABS Census which does not align with the totals in *A Home in Moreland*

Medium density development has a significant share of two and three bedroom dwellings. A sample of medium density permits from 2015 to 2018 found that 56% of these dwellings were two bedroom and 31% were three bedroom.[9]

TABLE 9: MEDIUM DENSITY NUMBER OF BEDROOMS IN (2015 AND 2018)

	All	Share	2015	Share	2018	Share	Change of share
One bedroom	2	0.3%	2	0.5%	0	0.0%	-0.5%
Two bedrooms	385	56.5%	270	69.6%	115	39.2%	-30.3%
Three bedrooms	214	31.4%	85	21.9%	129	44.0%	22.1%
Four bedrooms	80	11.7%	31	8.0%	49	16.7%	8.7%
Total	**681**	**100%**	**388**	**100%**	**293**	**100%**	

Source: Medium Density Housing Review Case Studies, Moreland, 2018.

Comparing this housing supply by number of bedrooms, with the forecast housing demand by number of bedrooms in the future, discussed in Chapter 2, and taking into consideration changes in demand, preferences and affordability, the housing market is delivering the smaller dwellings Moreland's growing and changing population will need.

[9] Data from Medium Density Housing Review Case Studies, Moreland, 2018 Moreland, 2018. Projects included 76 permits approved in 2015 and 49 planning permits from 2018.

5. FUTURE HOUSING ESTIMATES

This chapter forecasts for housing supply in Moreland to 2036, then compares these forecasts with the demand forecasts and identifies gaps.

Key messages

If the quantum of dwelling growth which occurred in Moreland during 2015 and 2016 continues over the next 20 years, total housing stock will grow by 38,000 dwellings and there will be sufficient new homes to accommodate the forecast number of additional households. During 2015 and 2016 an average of 1,900 new dwellings have been built each year. Building approvals data indicates that this level of growth has continued since 2016, however it has slowed recently due to the general downturn in the property market.

The proportion of housing capacity within current planning controls, required to accommodate an additional 38,000 dwellings, is high at 56%. This implies that more than half the sites available for redevelopment will be redeveloped by 2036. Whilst there are opportunities in the short term to accommodate housing demand, there are red flags which suggest capacity constraints within the next 20 years.

- The forecast supply of high density dwellings would utilise 98% of identified capacity for high density dwellings across the municipality
- The forecast supply of high density dwellings in the southern submarket would require 60% more capacity than is available. The capacity for apartment development within current planning controls for the Brunswick Activity Centre will be exhausted within a 10 year period.

From this, capacity for high density dwellings will become a constraint to achieving the growth forecast in *A Home in Moreland* within a 20 year time horizon under current planning controls.

To ensure that the housing needs of Moreland's growing and changing population are met, Council could:

- Monitor housing approvals, housing supply and housing trends, particularly in the context of a slowdown in building approvals in late 2018 and early 2019
- Review planning scheme controls to ensure capacity for high density development does not constrain supply within each housing submarket, and across Moreland. Having said that, this does not require any immediate attention from Council as surplus capacity of higher density development in the central submarket will likely accommodate the shortfalls in the north submarket in the short term.

5.1 Introduction

The quantum and mix of housing supply in Moreland over the next 20 years will be influenced by demand and supply factors.

Housing supply can be forecast in terms of the entire property cycle, acknowledging that length of each cycle varies depending on macro and micro economic factors and the interplay of social and political issues. Furthermore, changing demographics and preferences will see future trends depart from those of the past.

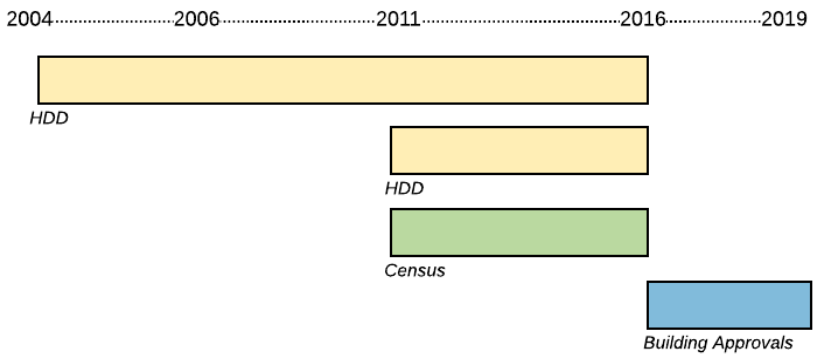
The following forecasts for future housing supply draw on historic data, with an emphasis on more recent supply trends given the rapid change in Moreland's housing supply in recent years. Estimating of housing supply to 2036

Four estimates of housing supply have been prepared based on different data and/or time periods based on:

- Housing Development Data between 2005 to 2016 (12-year trend)
- Housing Development Data for 2011 to 2016 (five-year trend)
- Census data for 2011 and 2016 (five-year trend with dwelling types)
- ABS Building Approvals data from July 2016 to June 2018 (two-year trend of building approvals).

In each case growth trends were projected for 20 years to estimate likely housing supply, assuming the continuation of these various past supply trajectories.

FIGURE 12: DATA SOURCES TO USE IN HOUSING SUPPLY FORECASTS



Source: SGS Economics and Planning

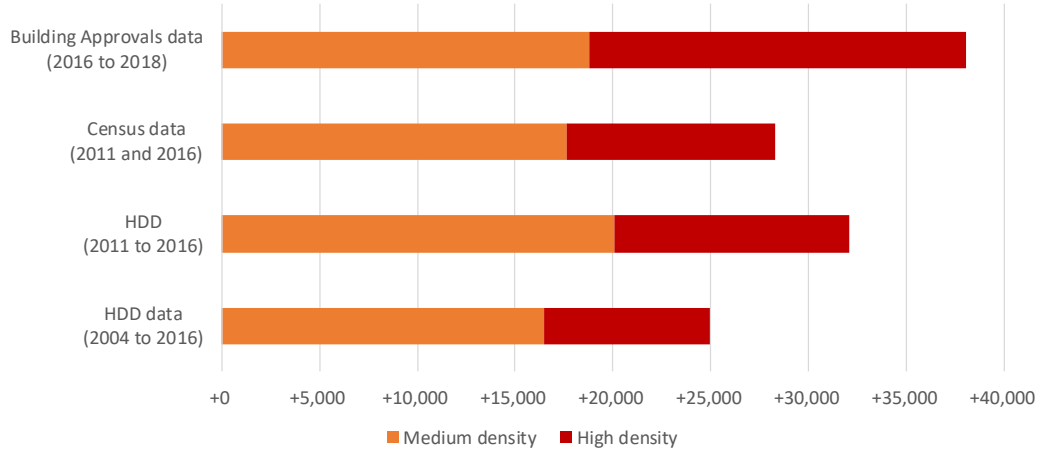
These forecasts estimate the need for an additional 25,000 to 38,000 dwellings by 2036. The scenario based on recent building approvals data from mid-2016 and mid-2018 generated the highest supply estimate. This trend suggests a net increase of an additional 38,000 dwellings by 2036 (or 1,900 net additional dwellings per annum)[10].

A scenario based on last five years of Housing Development Data suggests an additional 32,100 dwellings. Analysis of the last two Censuses suggests an additional 28,300 dwellings. The difference between these scenarios – which are based data collected from the same time period – is likely due to discrepancies in the total estimate of dwellings in Moreland in these data sets.[11]

The scenario with the lowest estimate of supply is based on the long term Housing Development Data trend, which generates a need for 24,900 new dwellings when projected over 20 years.

[10] The estimate based on 'gross' dwellings from Building approvals data assumes 6% of medium and high density dwellings are dwelling replacements and not new supply. 6% figure derived from analysis of the HDD.
[11] ABS total dwellings in Moreland in 2016 = 69682 vs VIF total dwellings in Moreland in 2016 = 72,410.

FIGURE 13: NET SUPPLY FORECAST DERIVED FROM VARIOUS DATA SOURCES



Source: SGS Economics and Planning based on data from Census and HDD
Note: The forecast based on ABS Building Approvals data assumes 100% of approvals for separate houses are dwelling replacements and not new supply. A 6% discount was applied to the number of Building Approvals for medium and high density dwellings to account for dwelling replacements by infill projects. (6% figure derived from HDD.)

TABLE 10: NET HOUSING SUPPLY BASED ON VARIOUS SCENARIOS

Supply scenario based on:	Medium density dwellings (per annum)	High density dwellings (per annum)	Total (per annum)	Total (20 years)
HDD (2005 to 2016)	824	423	1,247	24,942
HDD (2011 to 2016)	1,005	600	1,605	32,100
Census (2011 and 2016)	882	532	1,414	28,288
Building Approvals (2016 to 2018)	**938**	**964**	**1,903**	38,056

Source: SGS Economics and Planning based on data from Census, HDD, and ABS Building Approvals.

Each supply forecast scenario suggests a different mix of dwelling types. Analysis of recent Housing Development Data trends suggests almost two-thirds of new dwellings will be medium density and the remaining one third high density. However, forecasts based on building approvals between 2016 and 2018 suggests a more even split of new medium density and high density dwellings, indicating a shifting mix over time. If recent trends continue, Moreland will attract a larger share and quantum of new high density dwellings in the future.

TABLE 11: MIX OF DWELLINGS TYPES FROM EACH SUPPLY FORECAST

	Medium density dwellings	High density dwellings
HDD (2005 to 2016)	66%	34%
HDD (2011 to 2016)	63%	37%
Census data (2011 and 2016)	62%	38%
Building Approvals data (2016 to 2018)	52%	48%

Source: SGS Economics and Planning based on data from Census, HDD and ABS Building Approvals.

The supply forecasts based on the Housing Development Data between 2011 and 2016 and building approvals data (2016 to 2018) are the most probable indication of the quantum and type of future housing supply. The quantum of growth measured in Housing Development Data between 2011 and 2016 reflects strong demand, supportive planning policies and the capacity of development industry to deliver. While the average rate of supply was 1,600 dwelling per year it increased to more than 1,900 net additional dwellings in 2015 and 2016.

The past two years of building approvals reflect a similar high rate of growth and ongoing growth of 1,900 dwellings or more per year is conceivable.

5.2 Comparison

If the housing growth experienced during 2015 and 2016 continues, a further 38,750 new homes would be added by 2036, similar to the forecast based on building approvals of 38,100 additional dwellings. These estimates align with the overall quantum of dwellings demand derived from the household forecasts in *A Home in Moreland* (see Table 12).

This may be because demand forecasts are derived from longer term dwelling preferences (over 10 years) whereas the supply trend is derived from two years of recent approvals and shorter term trends. Rather than suggest which forecast is more accurate, it is prudent to suggest forecasts are possible outcomes. The mix of future dwellings by type will depend on range a demand and supply side factors. Provided sufficient capacity for both medium and higher density development is provided within planning controls, it is likely that housing markets will adjust over the medium and longer term to produce the mix of housing that aligns housing demand and supply.

TABLE 12: HOUSING DEMAND AND BUILDING APPROVALS FORECASTS COMPARED

	Medium density dwellings	High density dwellings	All dwellings
Demand estimate	25,900	12,200	38,100
Supply estimate	18,800	19,300	38,100
Supply – Demand (Gap)	-7,100	7,100	0

Source: SGS Economics and Planning, 2019

TABLE 13: HOUSING DEMAND AND HDD 2011-2016 SUPPLY FORECASTS COMPARED

	Medium density dwellings	High density dwellings	All dwellings
Demand estimate	25,900	12,200	38,100
Supply estimate (HDD 2011-2016)	20,000	12,000	32,000
Supply – Demand (Gap)	-5,900	-200	-6,100

Source: SGS Economics and Planning, 2019

5.3 Housing supply forecast compared to housing capacity

Council's housing capacity studies identify opportunities for 68,000 new dwellings across Moreland.[12] This includes opportunities for:

- 19,500 high density dwellings
- 48,500 medium density dwellings
- 21,00 dwellings in Activity Centres and Neighbourhood Centres (1,500 medium density and 19,500 high density)
- 47,000 dwellings outside Activity Centres and Neighbourhood Centres (medium density dwellings).

Housing capacity has been compared to the supply forecasts for the whole of Moreland and for each submarket.

High and medium density capacity in Activity Centres was distributed to the relevant housing submarket as the location of this capacity was known. Housing capacity outside Activity Centres – 14,812 medium density dwellings in General Residential Zone (GRZ) areas and 32,296 medium dwellings in Neighbourhood Residential Zone (NRZ) areas – was distributed based on the assumption that 20% of capacity for medium density dwellings is in the

[12] Moreland City Council (2016) Capacity Analysis of Moreland's Activity and Neighbourhood Centres; Moreland City Council (2017) Moreland Residential Zone Analysis Case Studies.

southern submarket, and the remaining 80% of capacity is distributed evenly between the north and central submarkets

TABLE 14: ALLOCATION OF CAPACITY ACROSS SUBMARKETS

Submarket	Moreland City Council (2016) Capacity Analysis of Moreland's Activity and Neighbourhood Centres		Moreland City Council (2017) Moreland Residential Zone Analysis Case Studies.		Total	
	Medium density	High density	Medium density [1]	High density	Medium density	High density
North	413	1,875	18,843	0	19,256	1,875
Central	404	6,493	18,843	0	19,247	6,493
South	610	11,276	9,422	0	10,032	11,276
Total	**1,427**	**19,644**	**47,108**	**0**	**48,535**	**19,644**

Source: Moreland City Council (2016) Capacity Analysis of Moreland's Activity and Neighbourhood Centres; Moreland City Council (2017) Moreland Residential Zone Analysis Case Studies.
Note: [1] Distribution of medium density housing based on information from Moreland City Council. 20% of medium capacity in south submarket, 40% of medium density capacity in central submarket, 40% of medium capacity in northern submarket.

Almost 60% of capacity for high density development is in the southern submarket while 40% of medium density is in the central submarket. This distribution reflects the size of the centres, accessibility of the southern and central submarkets and planning controls that support intensive development.

TABLE 15: TOTAL CAPACITY BY TYPES AND HOUSING SUBMARKET

Submarket	Medium density		High density		Total	
	No. Dwellings	% of Total*	No. Dwellings	% of Total	No. Dwellings	% of Total
North	19,256	40%	1,875	10%	21,131	31%
Central	19,247	40%	6,493	33%	25,740	38%
South	10,032	20%	11,276	57%	21,308	31%
	48,535	**100%**	**19,644**	**100%**	**68,179**	**100%**

Source: Moreland City Council (2016) Capacity Analysis of Moreland's Activity and Neighbourhood Centres; Moreland City Council (2017) Moreland Residential Zone Analysis Case Studies.
Note: Distribution of medium density housing based on information from Moreland City Council. 20% of medium capacity in south submarket, 40% of medium density capacity in central submarket, 40% of medium capacity in northern submarket.

Comparing the supply forecast for 38,000 dwellings to capacity within current planning controls, finds that 38,000 dwellings would absorb 56% of the total capacity of 68,000 dwellings. Comparing supply and capacity by dwelling type suggests 38,000 dwellings would take up 39% of medium density and 98% of high density capacity. High density housing growth will be limited by capacity constraints if no additional capacity is created.

There is insufficient capacity in the south submarket to accommodate the forecast supply of high density dwellings, with 160% of the capacity required. However, any shortfalls of capacity in one submarket could result in shifts in supply to another submarket. For example, there is surplus capacity of higher density development in the central submarket to accommodate the shortfalls in the north submarket.

TABLE 16: SUPPLY FORECASTS FROM RECENT BUILDING APPROVALS VS CAPACITY

Housing submarket	Supply forecast to 2036		Housing capacity		Capacity required to accommodate supply	
	Medium density	High density	Medium density	High density	Medium density	High density
North	6,683	0	19,256	1,875	35%	0%
Central	8,588	1,196	19,247	6,493	45%	18%
South	3,496	18,093	10,032	11,276	35%	160%
Total by type	**18,767**	**19,289**	**48,535**	**19,644**	**39%**	**98%**
Grand total		**38,056**		**68,179**		**56%**

Source: SGS Economics and Planning, 2019; Moreland City Council (2016) Capacity Analysis of Moreland's Activity and Neighbourhood Centres; Moreland City Council (2017) Moreland Residential Zone Analysis Case Studies.
Note: Distribution of medium density housing based on information from Moreland City Council. 20% of medium capacity in south submarket, 40% of medium density capacity in central submarket, 40% of medium capacity in northern submarket.

5.4 Will these forecasts be realised?

SGS supply forecasts are based on historical development trends, and are not necessarily reflective of future trends, due to the numerous elements that influence housing supply. This is well documented by The National Housing Supply Council (2010) and Grattan Institute (2011).

The figure below provides a summary of the elements that influence housing supply. The areas where Moreland City Council will have most influence is in the planning process. This may include limiting the time taken to approve a development application, limiting third part appeals, and limiting unexpected taxes and charges.

FIGURE 14: ELEMENTS OF HOUSING SUPPLY

Source: Grattan Institute (2011) The Housing We'd Choose

SGS contacted numerous active developers in Moreland to better understand developers' appetite and disincentives to providing homes in Moreland in the future. All developers contacted, stated that the permit approval process at Moreland, in their experience, is more time consuming and costly compared to other Councils. Developers emphasised that the difficulties faced throughout the planning process has extended development delivery time frames and subsequently increased risks for investors.

We note however that Council has indicated that its planning permit decision timeframes are equivalent to other municipalities. For example, the Department of Environment, Land, Water

and Planning's Planning Permit Activity (PPARS) Annual Report 2017-18 indicates that Moreland City Council determined 59% of applications within 60 statutory days, compared with the metropolitan average of 57%.

> *"The current planning process is more time consuming and costly compared to other Councils. It's a 12 to 24 month process. Compared to other Councils, Moreland has more administrative requirements and unexpected delays. There are also comparably more internal referrals in our experience."*
>
> *– Private housing supplier in Moreland*

One of the greatest areas of concern for developers in Moreland are the high number of unforeseen changes and "layers" from Council that has affected their "bottom line". There is also a common perception amongst those developers consulted that Moreland City Council is "anti-development" and "not prepared to accept alternatives".

Despite these comments, Moreland has made a significant contribution to housing growth when compared with that of other established area municipalities. Census data indicates that between 2006 and 2016, 11,000 additional dwellings were constructed in Moreland, compared to 6,500 dwellings added in Moonee Valley; 9,000 in Yarra; 8,500 in Port Phillip; 8,000 in Darebin and 4,000 in Banyule 4,000 over the same period.[13]

> *"There is a general concern by Developers and Planners that we are in contact with, regarding Moreland Council, and that is that Council employees are too inflexible and are not prepared to accept alternatives when dealing with development applications."*
>
> *– Private housing supplier in Moreland*

> *"Council needs to encourage developments in the municipality and not discourage development. They need to simplify the process and assist developers with constructive advice."*
>
> *– Private housing supplier in Moreland*

Smaller developers in Moreland reported financing projects has been more difficult than in the past. They emphasise that unlike developments of separate houses, apartment developments cannot be built and sold in increments. In order to get "financing", banks require a level of "pre-sale" commitments and usually expect developers to have a "proven track record". Due to difficulties securing financing and frequent planning delays, many smaller developers stress that the "numbers often simply don't add up".

[13] Based on data provided by Moreland Council.

6. ESTIMATED SUPPLY OF AFFORDABLE HOUSING

The chapter considers the stock of affordable housing and new supply and compares this to the demand forecast to identify gaps in affordable housing provision.

Key messages

In 2016, 4,000 to 7,300 households had an unmet need for affordable housing. Without intervention, this level of need will increase by a further 3,000 households by 2036.

Assuming the recent modest investment in social housing continues to 2036, a further 400 social dwellings would be added to the existing supply of 2,400 dwellings. This trend would see the proportion of housing which is social housing fall from 3.4% in 2016 to only 2.6% by 2036.

Rental Affordability Index data from 2016 suggests that rental accommodation is unaffordable for lower income households.

As the cost of housing increases, and as Moreland continues to gentrify, without intervention then the options for many households are limited – they may well be forced to live with a level of housing stress that could damage their wellbeing or could be pushed out of Moreland to somewhere that is more affordable, but not so well connected to jobs, transport, education and services.

Recognising the substantial and growing need for affordable housing, and a relative lack of investment from other levels of government, Council should consider:

- Using value capture when land is rezoned to fund affordable housing
- Implementing floor area uplift (FAU) and public benefit arrangements, like those in Central Melbourne and Fishermans Bend, with affordable housing sought as a form of public benefit
- Using an Activity Centre Zone to require Affordable Housing contributions
- Implementing a broad-based affordable housing policy, applied to all development, through the planning scheme.

As demonstrated by the establishment of Moreland Affordable Housing Ltd, Council can also take a more direct role in addressing the shortfall through use of Council's land or financial assets to provide Affordable Housing.

6.1 Introduction

In 2017 there were 2,438 social housing dwellings in Moreland, approximately 3.4% of all dwellings. Of these, 475, or almost 20%, were owned by community housing providers.

It is estimated that between 4,000 to 7,300 households had an unmet need for affordable housing assistance in 2016. Without intervention, this unmet need will increase by a further 3,000 households to 2036.

To assess the likely supply of social housing dwellings by 2036, recent supply trends for public housing and community housing have been projected. The question of lower cost market housing available in the private market is analysed by the Rental Affordability Index. There are

no known programs or initiatives likely to increase the supply of lower cost private rental housing in Moreland.[14]

6.2 Recent supply of social housing

Based on Department of Health and Human Services (DHHS) data, between 2014 and 2017, there was a minor increase in social housing stock in Moreland from 2,269 dwellings in 2014 to 2,438 dwellings in 2016. The number of community housing dwellings increased while public housing decreased slightly. An additional 169 dwellings made up 0.1% of total dwelling stock.

TABLE 17: RECENT SUPPLY OF SOCIAL HOUSING

Year	Dwelling*	Public housing dwellings		Community housing dwellings		Total social housing dwellings	
		Count	%	Count	%	Count	%
2014	67,450	1986	2.9%	283	0.4%	2,269	3.4%
2015	69,044	1984	2.9%	412	0.6%	2,396	3.5%
2016	70,639	1974	2.8%	461	0.7%	2,435	3.4%
2017	72,234	1963	2.7%	475	0.7%	2,438	3.4%
Change		-23		192		169	

Source: DHHS Social housing and specialist homelessness services additional service delivery data 2014-15, 2015-16, and 2016-17.

*2016 total dwellings from ABS Census 2016. Totals for other years are estimates based on growth trends.

6.3 Forecast supply of social housing to 2036

The State Government has indicated it will provide 6,000 new social housing dwellings across Victoria.[15] Initiatives include:

- The $1 billion Social Housing Growth Fund (DHHS)
- Building Financial Capacity of Housing Agencies Initiative - Low-cost loans and government guarantees for community housing associations
- Transferring management responsibilities of public housing community housing agencies
- The Public Housing Renewal Program (DHHS)
- Inclusionary Housing Pilot on Surplus Government Land (DELWP)
- 1000 Homes commitment (DHHS)

Other affordable housing supply initiatives from the State Government include:

- Shared Equity Pilot program (DTF)
- Affordable housing in some redevelopment projects by Development Victoria; and
- Affordable housing in brownfield rezoning by Victorian Planning Authority.

The potential delivery of affordable housing dwellings in Moreland from these programs is difficult to quantify, as some are competitive programs with other Councils and the opportunities made available may not be in Moreland at that time. Council should engage with the opportunities offered by these programs and pursue an advocacy strategy that positions it to gain maximum benefit from the programs and initiatives, where they are applicable, to take full advantage of the current state government policy settings.

For the purposes of modelling, without knowing the impact of these programs in Moreland, future social housing supply is assumed to reflect recent growth trends.

[14] Some Nightingale developments have quota of dwellings to go to key workers but without a discount to the market price.
[15] https://www.vic.gov.au/our-plan-create-more-social-and-community-housing (No time frame is specified for target to provide 6,000 new social dwellings.)

While community housing providers added 129 dwellings between 2014 and 2015, between 2015 to 2017, the rate of supply slowed to an average of approximately 30 dwellings per year. Forecasts to 2036 draw on these recent trends.

The forecasts are based on two growth scenarios: the first scenario is based on a two year trend (2015 to 2017), while the second scenario is a more optimistic estimate based on a three year trend (2014 to 2017). The results show a supply forecast of an additional 400 to 1,000 social housing dwellings by 2036 or between 2,800 and 3,500 total social housing dwellings by 2036. These projections assume a continued reduction in public housing stock that is also evident in the recent trend data.

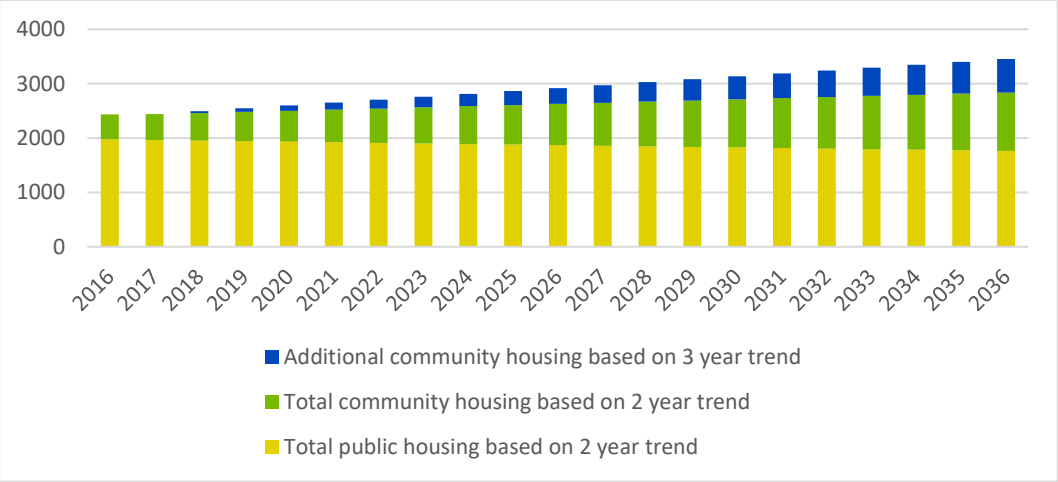
These supply forecast trends should be viewed with caution. Consultation with Community Housing Industry Association stated that "*the number of new (community housing) properties exploded in 2008 – 12 when Nation Building funds were available, but once that funding finished, there has been no capital funding in Victoria for new social housing until very recently*".

TABLE 18: SUPPLY FORECASTS FOR SUPPLY OF SOCIAL HOUSING BY 2036

Scenario	Public housing		Community housing		Total Social housing	
	Total Supply by 2036 (No.)	AAGR	Total Supply by 2036 (No.)	AAGR	Total Supply by 2036 (No.)	AAGR
Based on 2 year trend (2015 to 2017)	-211	-0.6%	+613	+4.3%	+402	+0.8%
Based on 3 year trend (2014 to 2017)	-157	-0.4%	+1,230	+6.7%	+1,073	+1.8%

Source: DHHS Social housing and specialist homelessness services additional service delivery data 2014-15, 2015-16, and 2016-17

FIGURE 15: SOCIAL HOUSING SUPPLY FORECASTS



In both scenarios the share of social housing dwellings by 2036 would fall relative to the 2016 level, from 3.4% to 2.6% based on an additional 400 social housing dwellings or to 3.2% with the addition of 1,000 dwellings.

6.4 Forecast supply compared to need

This modest increase in social housing stock would have only a minor impact on the total unmet need for affordable housing.

Deducting the potential additional supply of social dwellings to 2036 from the estimate of unmet need in 2036 leaves a gap of between 6,600 and 10,100 households in need of affordable housing (see Table 19).

TABLE 19: AFFORDABLE HOUSING GAP, 2036

	Lower estimated unmet need for affordable dwellings	High estimated unmet need for affordable dwellings
Unmet need 2036	7,020	10,514
Forecast supply (1)	402	402
Supply-demand gap	**6,618**	**10,112**

Source: SGS Economics and Planning using data from *A Home in Moreland* 2018 and DHHS 2015-2017.
Note: (1) Forecast supply is based on 2 year supply trend for new social housing dwellings from 2015 to 2017.

6.5 Declining rental affordability

A limitation of lower cost market rental housing is that there is generally no mechanism to ensure it is occupied by lower income households, as opposed to those with higher incomes[16]. Furthermore, rent increases over time, meaning the share of rental housing stock that equates to 30% of a household's income will contract, particular where households have on fixed incomes (e.g. Newstart or a pension).

The relative affordability of rental housing for different household types and income groups has been explored through the Rental Affordability Index (RAI).

Rental Affordability Index (RAI)

The Rental Affordability Index is a price index for housing rental markets using the measure that if housing costs exceed 30% of a low income household's (lowest 40% of households across all income bands) gross income, the household is experiencing housing stress.

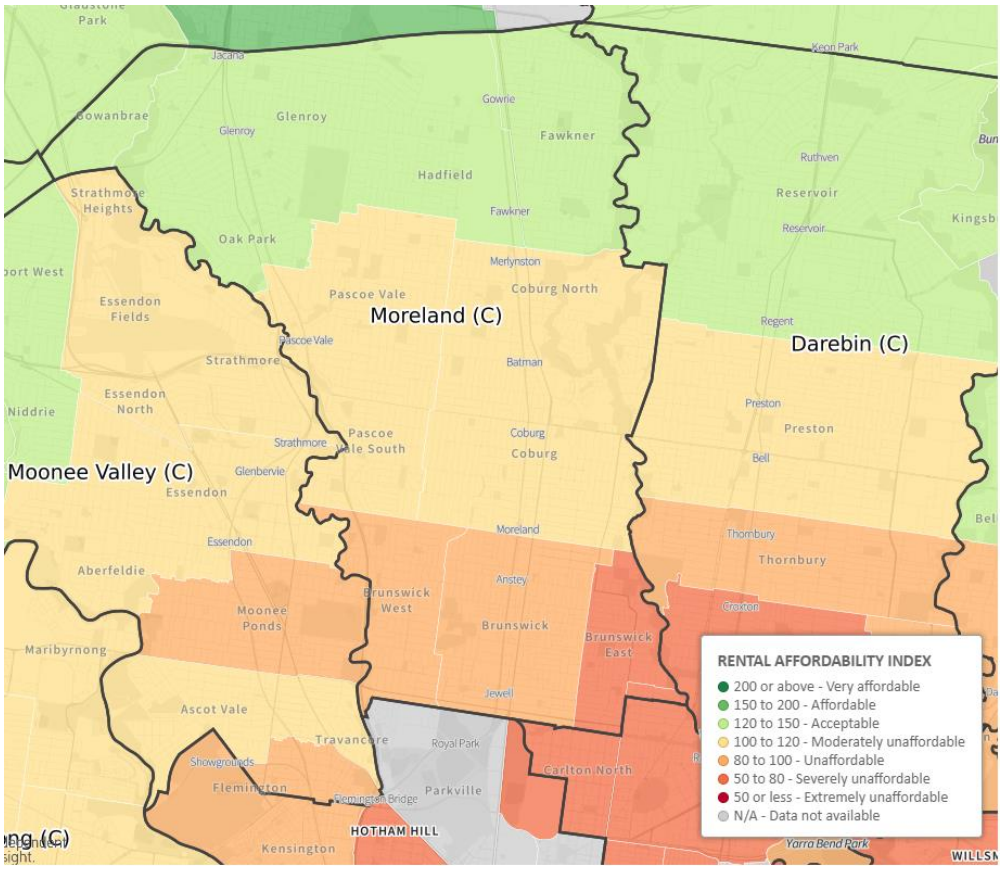
The Rental Affordability Index profiles ten low to moderate income household types to demonstrate the rental situation for different income groups, age demographics and household composition in Australia. These are mapped for Moreland for a single income couple household with children, a pensioner couple household, and a single person on benefits.

Rental affordability for a single income couple household with children

The single income couple with children consists of one key worker, one stay at home parent, and two children, one of whom is under five. This household seeks to live in a three bedroom rental dwelling. This household lives on a single key worker income of $87,000 per annum. In Moreland, this cohort faces moderately unaffordable and unaffordable rents in the central and south submarkets but could afford to rent in the north submarket.

[16] The State Government-funded Head Leasing programs do provide a limited provision of below-market rent in private dwellings for certain priority groups such a women and children escaping Family Violence.

FIGURE 16: RENTAL AFFORDABILITY, SINGLE INCOME COUPLE WITH CHILDREN, 2016



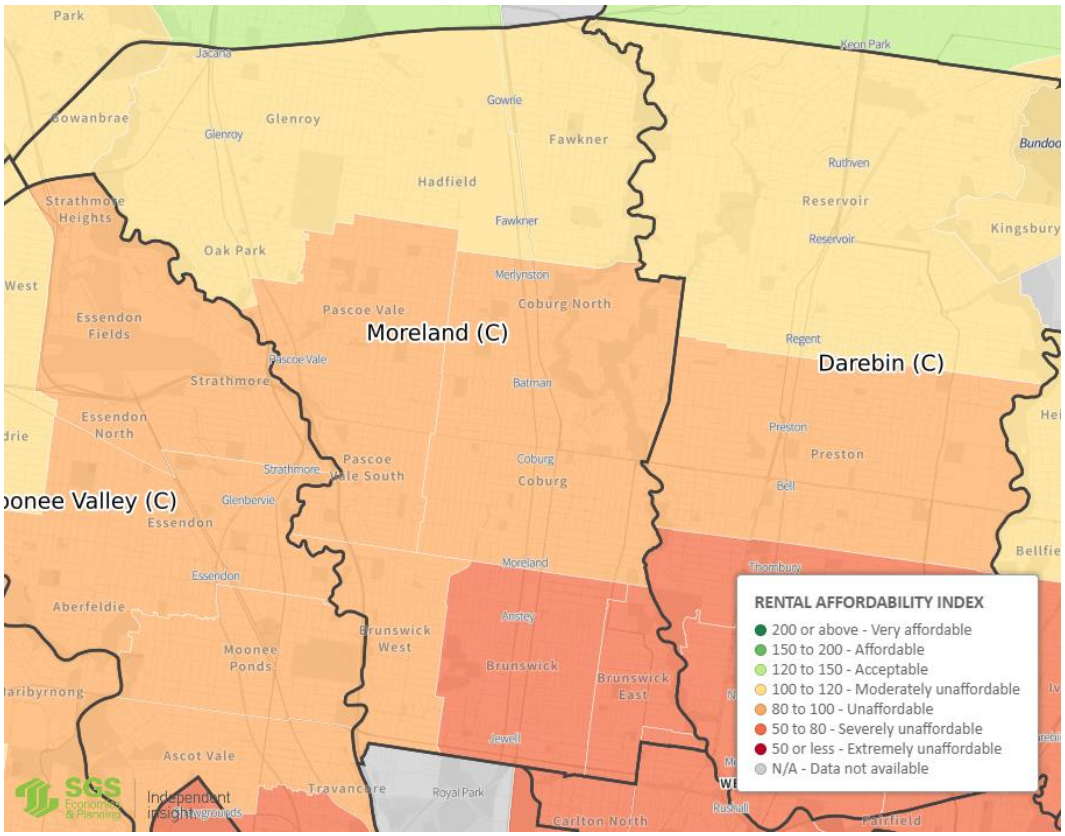
Source: SGS Economics and Planning, 2019

Rental affordability for a pensioner couple household

A pensioner couple household is a couple 65 years or older seeking to rent a two bedroom dwelling. One member of the household is assumed to still be active in casual or part-time employment, earning $300 per fortnight. This additional income combined with the household's pensioner payment totals an estimated gross annual income of $50,000.

Pensioner couple households face moderately to severely unaffordable rents across the entire municipality. Adding to the financial pressure on this household are other costs such as health care.

FIGURE 17: RENTAL AFFORDABILITY, PENSIONER COUPLE, 2016



Source: SGS Economics and Planning, 2019

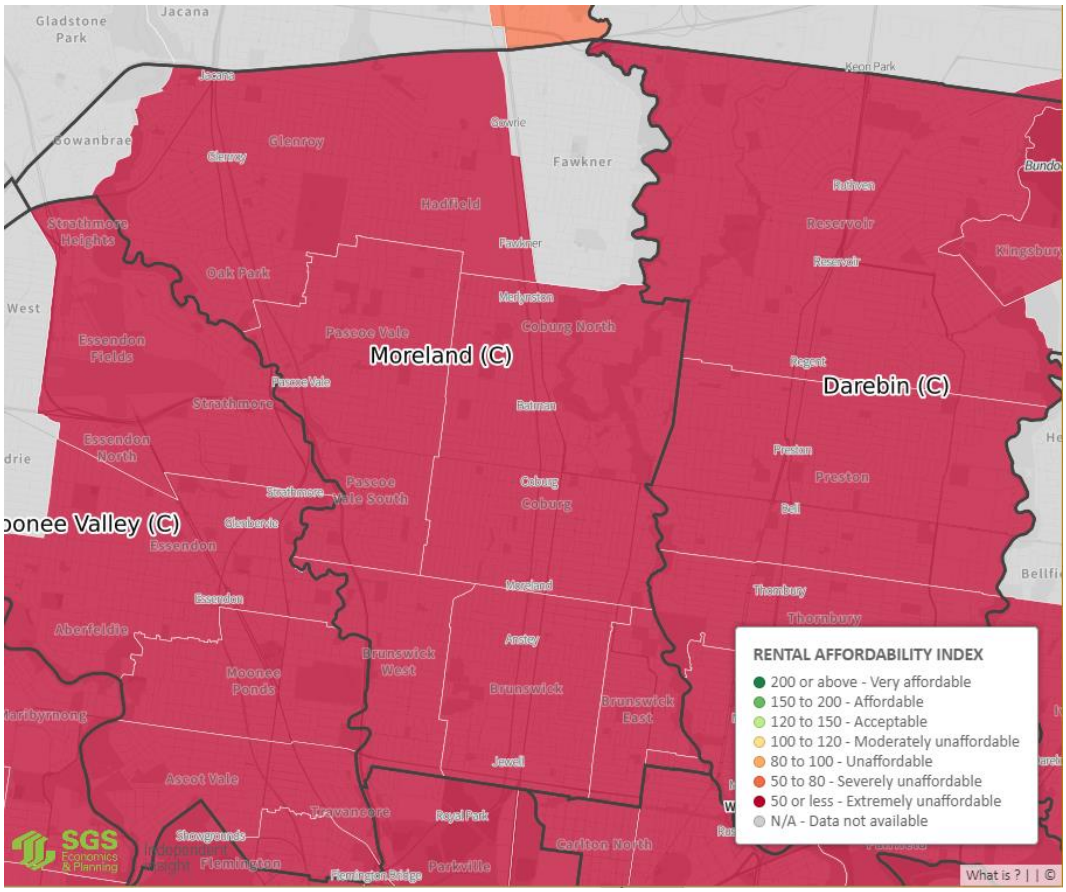
Rental affordability for a single person on benefits household

A typical single person on benefits is 22 or older with no children and seeks to rent a one-bedroom dwelling. This person receives a Newstart allowance and no additional income. The estimated gross annual income for this household is $18,000.

Rental affordability would push this cohort to outer areas, away from opportunities to gain employment. The situation is untenable, with a person of this household type needing to pay well over 60% of their income on rent to live in most Melbourne suburbs.

In Moreland this cohort would face rents amounting to more than 100% of their total income.

FIGURE 18: RENTAL AFFORDABILITY, SINGLE PERSON ON BENEFITS, 2016



Source: SGS Economics and Planning, 2019. Note: Data for Fawkner was not available for 2016.

7. TOOLKIT OF OPTIONS

This chapter describes options and mechanisms available to Council to align housing supply with the future need.

The toolkit of options is organised in two sections: measures to increase the supply of affordable housing and measures to ensure the housing market is operating efficiency.

Measures to increase the supply of affordable housing

The first set of measures addresses the likely gap in the provision of affordable housing, the most critical gap.

Planning mechanisms

Recent planning changes have created an opportunity for Council to explore options to facilitate the supply of affordable housing through planning tools. Potential options include requiring Affordable Housing contributions when land is being rezoned, applying special requirements for development in Activity Centres, utilising 'floor area uplift' mechanisms, or applying a broad-based inclusionary policy to all new development. For each option preliminary estimates of the number of Affordable Dwellings that could be generated are provided.

Advocating to government on policy and securing funding from programs

Focussed and resourced advocacy actions will be required to support allocation of resources to benefit Moreland in, for example, new state government investments in social housing and program funding.

With planning scheme measures, there may be considerable benefits from joint or coordinated advocacy actions with other local governments working in tandem with regulatory processes.

Direct Investment

Moreland Affordable Housing Ltd provides a vehicle for Council to undertake affordable housing delivery on its land and to channel funds it may receive from planning scheme contributions into the Moreland Housing Reserve.

Measures to ensure the housing market is operating efficiently

Many of the forces and institutions that drive lower cost market housing are beyond Council's influence. These relate to general economic conditions, monetary policy settings and the dynamics of the housing cycle.

This second set of measures focuses on the efficient operation of Moreland's housing markets. These measures are intended to reduce frictions between housing demand and the supply of a diversity of housing in Moreland's Activity Centres and neighbourhoods.

7.1 Options to increase the supply of affordable housing

Option/intervention	Description	Households impacted	Effectiveness	Risk and limitations	Comments/precedents
Value capture at rezoning for affordable housing	Capture a share of value uplift from rezonings for affordable housing on the premise that rezonings create value uplift that should be shared to the benefit of the community.	Assuming affordable housing dwellings or contributions are directed to the Moreland Housing Reserve to pass through to Moreland Affordable Housing Ltd in partnerships with the community housing sector, this intervention could assist all households eligible for affordable housing.	Preliminary estimates suggest that, based on 13 ha of land being rezoned, this mechanism could deliver between 300 to 500 dwellings (@ 50%-75% value capture rate).	Needs to be included in the planning scheme to ensure value uplift is not capitalised into land values.	In principle supported by State Government endorsement of Affordable Housing Agreements (s173). Precedent: Yarra Bend development, Alphington. Precedent: City of Yarra Policy Guidance Note on Affordable Housing in Significant Redevelopments
Floor area uplift (FAU) arrangements in Activity Centres	Capture value uplift from planning approvals that permit additional floor space above base limits.	As above.	Limited. Preliminary estimates suggest this mechanism could deliver between 30 and 60 dwellings (assuming 5-10% of apartment development in activity centres utilised this mechanism).	Limited application to sites in activity centres where height or density exceedances might occur.	Precedents: Central Melbourne (Amendment C270); Fishermans Bend (Amendment GC81); other councils exploring similar policies.
Use Activity Centre Zone to mandate affordable housing contributions	Activity Centre Zone is relatively flexible and could mandate requirements for on-site affordable housing provision	As above.	Preliminary estimates suggest this mechanism could deliver 260 to 460 dwellings (3.4% vs 6% of floor space contributions rate) by 2036.	Only applicable to areas with Activity Centre Zone	West Melbourne Structure Plan, Planning Scheme Amendment C309 (Special Use Zone but same principles apply)
Local affordable housing contributions policy within the planning scheme	Implement a broad-based affordable housing contributions policy to fund affordable housing.	As above.	Most effective option. Preliminary estimates suggest an additional 1,200 dwellings based on the target of maintaining 3.4% social housing by	This type of inclusionary contributions mechanism may require collective advocacy.	Precedents: Ultimo Pyrmont; Green Square.

			2036. Equates to a contribution of $179 per sqm of new floor space. (Estimate based on higher rates in appendix.)		
Direct deployment of Council's assets	Through Moreland Affordable Housing Ltd, use Council land and other assets to leverage joint-venture mixed-tenure development that includes social and/or affordable housing	As above. Could also include a component shared-equity or NRAS-style dwellings affordable to moderate incomes households.	Only a modest number of dwellings, although it will be dependent on Council's land holding and ability to access funding from other sources (e.g. grants or borrowing) and establish partnerships.	Land contributions will constitute a small share of total development cost (e.g. 10 to 20%) and further funding from other sources (i.e.. grants, entering into partnerships with Housing Associations etc) may be required to complement land assets.	City of Port Philip has used land and cash as direct investments.
Develop advocacy actions	Advocacy should aim to gain maximum benefit from the State Government programs and seek to encourage new policy.	As above	Effectiveness dependent on suitability of programs and initiatives in Moreland and political appetite for new policy. Potential of local affordable housing policy stated above.	Likely collective advocacy and many factors not within Council's control.	The Eastern Housing Alliance is a consortium of Melbourne Councils that have developed a common policy platform for and resources to encourage engagement, see: http://www.zonein.net.au/index.html#asks

7.2 Options to ensure the housing market is operating efficiently

Option/intervention	Description	Households impacted	Effectiveness	Risk and limitations	Comments/precedents
Monitor the housing supply pipeline	Establish a monitoring program of housing approvals, starts and completions; track trends and changes over time.	-	Provides insights into housing market activity to then monitor effectiveness of existing policy and progress.	Likely to require integration of a variety of information systems (e.g. permit applications, rates data).	Precedent: City of Melbourne Development Activity Monitor
Update housing capacity assessments periodically to ensure planning policies provide capacity for future housing growth	Given potential capacity constraints relative to the 20 year demand forecast, Council will need to increase capacity for new housing. This might include opportunities in Activity Centres and Neighbourhood Centres as well as residential neighbourhoods.	Households renting or purchasing market housing.	Capacity constraints are unlikely to affect supply in the short term. However, within 10 years growth could slow as a result of a relative scarcity of future housing opportunities, placing upward pressure on house prices and rents.		No immediate action required given that Council's capacity analysis was last updated in March 2016 and there has not been any major changes to the planning scheme that would alter the assumptions and results of the analysis.
Consider a review of planning scheme provisions for Activity Centres and Neighbourhood Centres	Based on monitoring and updated capacity assessments, review planning scheme controls to ensure capacity for high density development does not constrain supply within each housing submarket, and across Moreland.	Households renting or purchasing market housing.			No immediate action required.
Improve efficiencies in development approvals processes	Efficient and predictable development approvals processes provide certainty to landowner and developers, reducing risk and reduce holding costs.	Households renting or purchasing market housing.	Fast-tracking particular development types will reduce risk and costs; although this is likely to result in higher land values and developer profits rather than lower dwelling prices.	Fast-tracking low-impact development could result in more lower density infill development at the expense of higher density developments and perhaps developments with smaller dwellings	Precedents: VicSmart pathway removes need third party notifications and requires a 10 day permit assessment.

	Options in improve efficiency include additional resourcing, limiting the circumstance for applications to be referred to elected Councillors or fast-tracking low impact approvals can free up resources within Council.	Efficient approvals processes will encourage developers to pursue development opportunities in Moreland; conversely protracted approvals can discourage future investment.	(e.g. apartments). May result in a sub-optimal use of scarce urban land.	The NSW Low-rise Medium Density Complying Development Code provides a 15 day assessment pathway for four medium-density infill housing types.

8. CONCLUSION

This chapter summarises Moreland's supply challenge in terms of quantum, housing type and affordability.

8.1 Supplying more homes

If the quantum of housing growth from 2015 onwards continues, this would result in 38,100 new homes being added over the 20 year period to 2036. This aligns with the number of new dwellings required to accommodate the growth forecast in *A Home in Moreland*.

There is some indication that these levels of growth will continue, with a high dwelling approvals from mid-2016 to 2018 (an average of 140 and 200 medium and higher density dwellings per month and a total of 2,227 in the 2017-18 financial year).

However, the average supply trend from 2011 to 2016, if applied forward, would see only 32,100 new homes added, a shortfall of 6,000 dwellings. Moreover, the number of dwelling approvals slowed towards the end of 2018 and the start of 2019 to less than 60 dwellings per month on average. This change is likely related to the general downturn in the housing market rather than local factors.

Due to high fluctuations in housing supply in recent years, it is difficult to ascertain whether this is a short term variation or the onset of a longer lasting period of lower development activity. Further deterioration of house prices could have a more lasting effect and reduce demand for new housing, particularly in larger apartment developments, where investors are key to securing pre-sales prior to projects commencing.

In the longer term, housing growth could be limited by capacity constraints. Council's capacity studies identified opportunities for an additional 68,000 dwellings. This includes capacity for 19,500 higher density and 48,500 medium density dwellings. The additional 38,000 dwellings forecast for Moreland would absorb more than half of overall capacity (56%). Unless additional opportunities for more housing are identified, capacity constraints are likely to limit future housing supply. Housing markets need a significant buffer between demand and the quantum of development opportunities to avoid scarcity.

Options

Council can ensure that housing markets operate efficiently and effectively, and that overall supply of housing is not unduly constrained. Council can monitor housing supply, and update housing capacity assessments periodically to ensure sufficient capacity for future housing growth and to ensure efficient and predictable development approvals processes.

8.2 Supplying more affordable homes

Rising housing costs could be pushing Moreland residents to more affordable locations like Hume and Whittlesea. If this trend continues, it could undermine community diversity.

Public and community housing provides subsidised accommodation for 2,400 low income and at risk households. The supply of new social housing dwellings has been modest and is set to fall as a share of all dwellings from 3.4% in 2016 to just 2.6% by 2036[17].

Between 4,000 and 7,300 households in Moreland were homeless or in rental stress in 2016. By 2026, this number could increase by a further 3,000 households. To alleviate homeless and rental stress, Moreland needs more housing at below market rates for lower income households.

Options

The most effective mechanism within Council's scope of action to address the shortfall of affordable housing would be an affordable housing contributions policy for all new development.

Although there is currently no mechanism within the Victorian Planning Provisions for an inclusionary zoning (IZ) approach, Council could introduce an affordable housing contributions requirement through a local policy in the planning scheme.

Calibrating the policy to a target of maintaining the current 3.4% share of social housing would generate 1,234 additional affordable housing dwellings by 2036. This target would equate to an affordable housing contribution cash-in-lieu rate of $179 per square metre of new floor space (which includes both housing and employment).

If Council wishes to pursue a more ambitious target, a rate of 6% of floor space for affordable housing would generate 4,042 additional social housing dwellings. This would equate to an affordable housing contribution cash-in-lieu rate of $585 per square metre of new floor space.

Other options include value capture arrangements for rezoned land and a modified Activity Centre Zone to seek affordable housing contributions. Moreland has 13 hectares of industrial land that might be rezoned for higher value land uses. Preliminary estimates suggest that if 50% to 75% of the land value uplift could be directed to affordable housing; this mechanism could deliver between 300 to 500 new dwellings. The application of an affordable housing contributions rate of between 3.4% and 6% of residential floor space in Activity Centres could deliver between 260 to 460 dwellings by 2036.

Recent discussions with developers operating in Moreland identified a level of support for clearer policy on affordable housing contributions, including mandatory requirements, provided this gives certainty to all parties and results in a more even playing field for all developers and land owners. In pursuing any of the above approaches, Council would need to consider the market impacts and specifically the potential impacts on feasibility of contribution mechanisms.

> *"Without inclusionary zoning or Section 173's setting minimum affordable housing numbers, we have to compete with straight to market developers delivering zero percent affordable housing."*
>
> *– Private housing supplier in Moreland*

[17] Assuming 400 additional social dwelling are added by 2036, reflecting recent supply trends.

"Mandatory affordable housing requirements would make the process simpler and more transparent. Currently, landowners receive the largest uplift, not developers. Mandatory controls should be introduced similarly to the way that environmental audit overlays work."

– Private housing supplier in Moreland

Affordable housing dwellings could be provided to registered Community Housing Providers or contributions could be directed to the Moreland Housing Reserve and passed through to Moreland Affordable Housing Ltd to assist households that are eligible for affordable housing.

In addition, Council could also use its use land assets or funding from the Moreland Housing Reserve to make a direct contribution to supply.

Between 4,000 and 7,300 households in Moreland have an unmet need for affordable housing. Without intervention, this unmet need will increase by a further 3,000 households by 2036. To address this unmet need, up to 26% of all new dwellings built by 2036 would need to be affordable housing.

Council's efforts alone will not be sufficient to address the unmet need for affordable housing in Moreland. All levels of government need to contribute to the address this challenge.

APPENDICES

Appendix: Housing Demand model

The SGS Housing Demand Model using ABS data to measure the propensity of particular households types and to occupy particular dwellings types. Theses propensities change over time with changes to housing supply, demand, price and households preferences. The model draws on past trends and changes to forecast the demand for dwellings by types in 5-year increments up until 2036. The model is not directly account for incomes or house prices however and these issues are captured to the extent that they have influence past in past housing consumption trends.

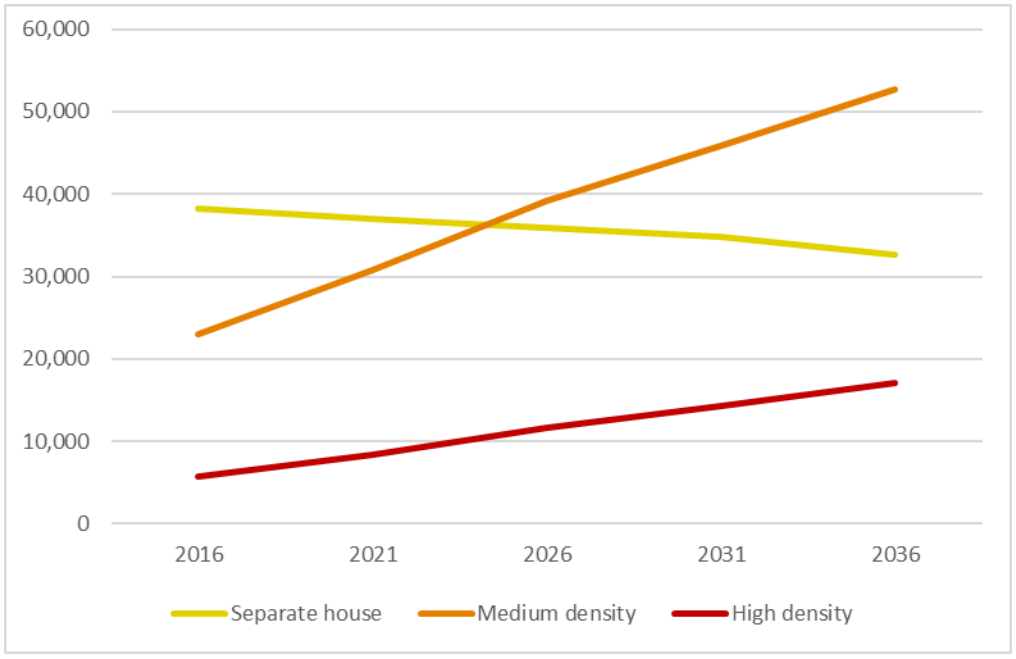
In the modelling for this report, SGS has applied trends evident in the past three ABS Censuses (2006, 2011 and 2016) to the future mix of households types from *A Home in Moreland*. SGS has then estimated implied demand for dwelling types by analysing the likelihood, or propensity, for particular households to reside in particular dwelling forms, and added an additional 8% to account for vacant dwellings.

TABLE 20: HOUSEHOLDS BY DWELLING TYPE (OPD), 2016 AND 2036

Dwelling Type	2016	2036	Change 2016 - 2036	AAGR 2016 - 2036	% of change 2016-36
Detached	38,173	32,580	-5,593	-0.79%	-16%
Medium density	23,069	52,635	+29,566	+4.21%	84%
High density	5,768	17,031	+11,263	+5.56%	32%
Total	67,010	102,246	+35,236	+2.14%	100%

Source: SGS Economics and Planning, 2019.

FIGURE 19: HOUSEHOLDS BY DWELLING TYPE, 2016 TO 2036



Source: SGS Economics and Planning, 2019.

TABLE 21: TOTAL NEW DWELLINGS BY DWELLING TYPE, 2016 TO 2036

Dwelling Type	Occupied dwellings	Vacant dwellings	Total
Medium density	+23,973	+1,918	+25,891
High density	+11,263	+901	+12,164
Total Private Dwellings	+35,236	+2,819	+38,055

Source: SGS Economics and Planning
Note: Assumes 8% of total dwellings will be vacant

Appendix: Housing Assistance Demand model

Overview

SGS have estimated the total need for social and affordable housing in Moreland by estimating the number of households in need of housing assistance. We assume this need arises from five groups: homeless persons, households already in social housing, and very low-, low and moderate-income renting households that are in housing stress.

The count of homeless persons includes those recorded in the ABS Census from the range of homeless operational groups.[18] Information on the number of public housing and community sector housing dwelling was sourced from DHHS publications. The numbers of rental households in housing stress were derived based on the income ranges for very low, low and moderate-income households provided in the Planning and Environment Act 1987. Based on these income range definitions, our analysis assumes that households are considered to be in moderate stress when they spend more than 30% of their household income on rent; and those in severe housing stress spend more than 50% of their household income on rent.

The SGS Housing Assistance Demand Model measures the number of households who currently need affordable housing, segmented by demographic and spatial variables, and forecasts the evolution of this need subject to factors such as expected population growth, demographic shifts, changes in household incomes, and the evolution of rental rates.

The model uses the following key datasets:

- ABS Census 2016. A detailed list of ABS Census data appears in Table 23
- 2016 ABS estimation of homelessness (cat 2049.0)
- Forecasts of household by type – Victoria in Future 2016

Methodology

The structure of the Housing Assistance Demand model follows three key steps:

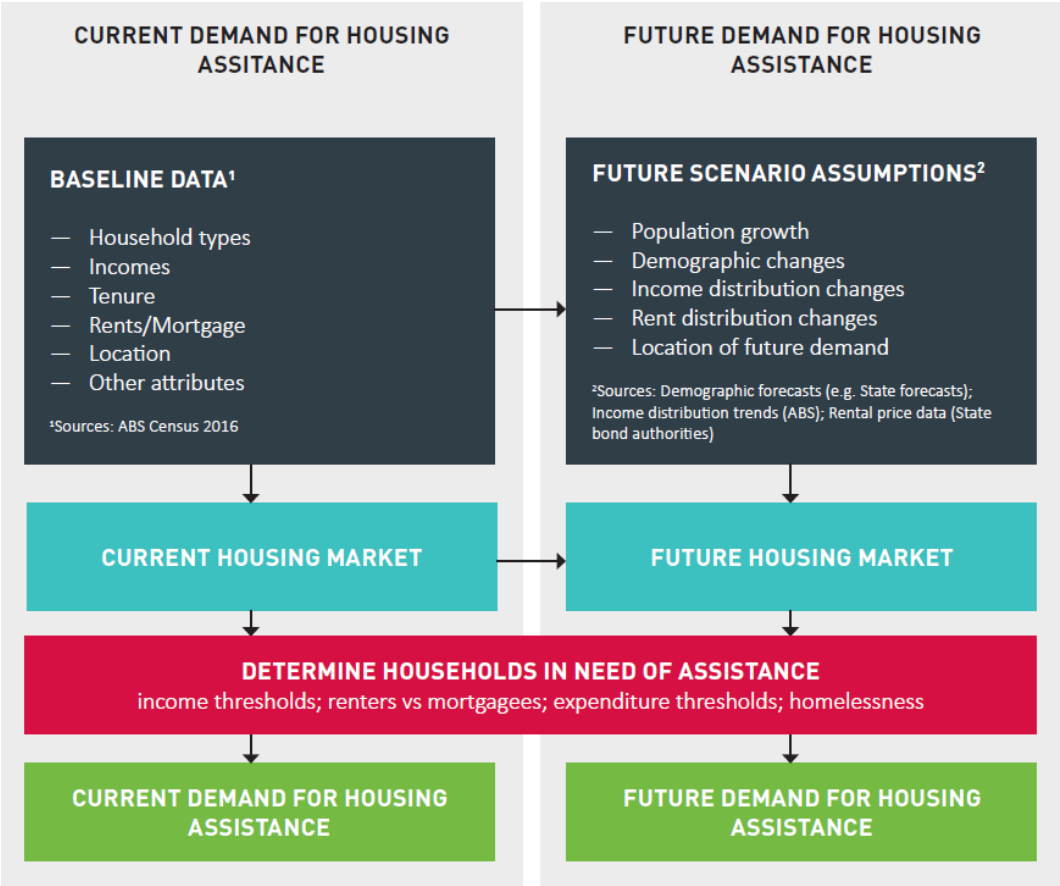
- Preparation of an initial market state, based on 2016 ABS Census data
- Evolution of the market state over time, based on user-defined assumptions (e.g. changes in household incomes and rents)
- Query for the count of households in need of affordable housing

Initial market state

An initial market state is prepared using 2016 ABS Census data, and household forecast data (VIF 2016 and City of Melbourne forecasts). The main data inputs are 2016 census data, which is used to prepare a detailed attribute-by-attribute market state distribution. Household forecast data provides control totals against which the market state is adjusted, ameliorating systematic errors in Census data (e.g. undercount). The attributes necessary to identify financial stress appear in TABLE 22.

[18] Operational groups include persons living in improvised dwellings, tents or sleeping out, as well as those in supported accommodation; temporarily staying with other households; living in boarding houses; persons in temporary lodgings; and persons living in severely crowded dwellings (Australian Bureau of Statistics, 2018).

FIGURE 20: HOUSING ASSISTANCE DEMAND MODEL OVERVIEW



Source: SGS Economics & Planning

TABLE 22: CENSUS ATTRIBUTES

Variable	Use
Weekly rent	Weekly rent is used to identify households spending a large proportion of their income on rent.
Weekly household income	Weekly household income is used to identify households spending a large proportion of their income on rent.
Household type	Lone person, Group household, or several family sub-types. The appropriate housing response for households in need of SAH will vary based on household type.
Tenure type	Used to differentiate between home-owner households, rental households, social housing households, and households with no tenure types (includes homeless households).
LGA	Spatial component used to show distribution of SAH demand across NSW
Weekly equivalised income[19]	Equivalised income converts household income to a 'Lone-person household equivalent' income. This allows for the incomes of different household types to be compared, which is necessary in order to identify 'low income' households. Use of equivalised income in such a way is an OECD[20] standard.

Source: SGS Economics & Planning, 2018

[19] Despite being included, this is an unused variable for the purpose of this analysis, as income thresholds are defined based on total household income and not income percentiles (the 40th income percentile is a common alternative)
[20] Organisation for Economic Cooperation and Development

Ideally, Census data could be obtained to identify the number the households fitting any criteria with any given set characteristics. However, for reasons of privacy, ABS products will not provide accurate data where the number of persons fitting a category is small, returning a small random number instead. Because of the detailed breakdown, using ABS Census Table Builder to obtain a cross tabulated table with all the variables listed above returns unreliable numbers.

Therefore, one must collect data more carefully and build a quintuple-attribute model, at an LGA level, in a more sophisticated manner than a simple query of ABS data. The data tables in Table 23 were obtained from ABS Census Table Builder and used in the preparation of the market state.

TABLE 23. CENSUS 2016 INPUT DATA TABLES

Single attribute tables	Double attribute tables
▪ LGA by HCFMD Family Household Composition (Dwelling) ▪ LGA by TENLLD Tenure and Landlord Type ▪ LGA by RNTRD Rent (weekly) Ranges ▪ LGA by HIND Total Household Income (weekly) ▪ LGA by HIED Equivalised Total Household Income (weekly)	▪ LGA by HCFMD Family Household Composition (Dwelling) and HIED Equivalised Total Household Income (weekly) ▪ LGA by HCFMD Family Household Composition (Dwelling) and RNTRD Rent (weekly) Ranges ▪ LGA by HCFMD Family Household Composition (Dwelling) and RNTRD Rent (weekly) Ranges ▪ LGA by HIND Total Household Income (weekly) and HCFMD Family Household Composition (Dwelling) ▪ LGA by HIND Total Household Income (weekly) and HIED Equivalised Total Household Income (weekly) ▪ LGA by HIND Total Household Income (weekly) and RNTRD Rent (weekly) Ranges ▪ LGA by HIND Total Household Income (weekly) and TENLLD Tenure and Landlord Type ▪ LGA by RNTRD Rent (weekly) Ranges and HIED Equivalised Total Household Income (weekly) ▪ LGA by TENLLD Tenure and Landlord Type and HCFMD Family Household Composition (Dwelling) ▪ LGA by TENLLD Tenure and Landlord Type and HIED Equivalised Total Household Income (weekly) ▪ LGA by TENLLD Tenure and Landlord Type and RNTRD Rent (weekly) Ranges

A model of the market state is prepared at a local government area level, using a process called iterative proportional fitting (statistics), or the RAS algorithm (economics). This process is described in the breakout box below.

The goal is to use the 10 double-attribute and 5 single-attribute tables to prepare a seed for the 4-attribute target table. This is performed LGA by LGA. The process is as follows:

Scale all tables listed in Table 23 so that each sums to 1.

As a preliminary step, for each double-attribute table, use the RAS algorithm to align it to the margins provided by the two corresponding single-attribute tables. This is a necessary to ensure consistency needed in the following steps.

Prepare a collection of 5-attribute tables by combining two double-attribute tables and one single-attribute table, without repeating factors. For instance

- LGA by HCFMD Family Household Composition (Dwelling) and HIED Equivalised Total Household Income (weekly)
- LGA by TENLLD Tenure and Landlord Type and RNTRD Rent (weekly) Ranges
- LGA by HIND Total Household Income (weekly)

Take the average of all these tables, to produce one 5-attribute table that combines all the data input tables. This is the seed for the following step.

1. Use the table prepared in step 3 as the seed in a final use of the RAS algorithm. In this step, the 10 double-attribute tables adjusted in step 2 are the margins against which the seed is aligned.
2. The output of step 5 is a five-attribute data table that aligns with all tables in Table 23

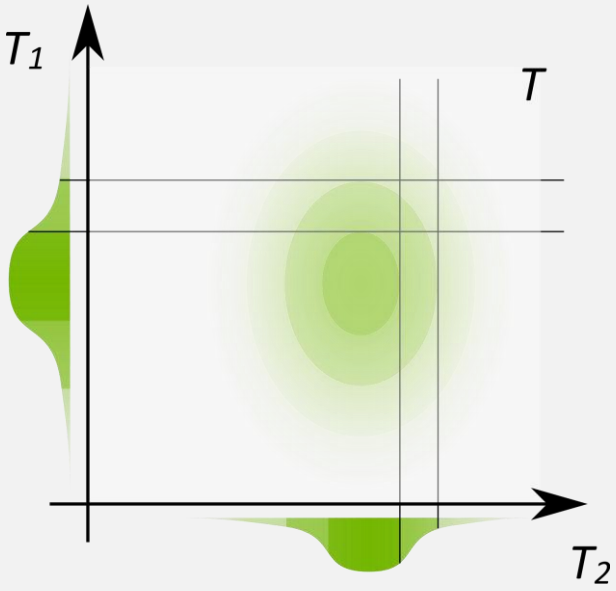
As the census household types do not align with the VIF family types, the 5-attribute table output above is aggregated to align with the he household types in that publication.

The five-attribute table is scaled (by household type) to align to the control totals of VIF 2016. This gives the data of the market state for a given LGA in 2016.

THE RAS ALGORITHM

The RAS algorithm is a process for building an unknown *n*-dimensional table *T* of positive numbers, given known tables T_1, T_2, … which form margins of *T* (i.e., totals along various axes of *T*). It is a generalization of the method of using "control totals" to align data. An illustration of the output of the RAS algorithm is presented in Figure 21.

FIGURE 21: OUTPUT OF THE RAS ALGORITHM



The process is simple in the case when *T* is a two-dimensional table (i.e., as in a spreadsheet) with rows and columns. Say, T_1 are the row-totals of *T*, while T_2 are the column totals of *T*.

1. Begin with an initial "seed" for *T*. For the sake of this example, assume *T* is a table of 1s.
2. Scale each row of *T* such that it matches the row total as per T_1.
3. Scale each column of *T* such that it matches the column total as per T_2.
4. Iterate though steps 1 and 2 repeatedly until *T* stabilizes sufficiently.

Under reasonable conditions for *T*, this process is guaranteed to stabilise.

However, while the resulting table for *T* will align with both T_1 and T_2, difference in choice of seed can result in considerably different output for *T,* as seen in Figure 21

Future market state

Time evolution of the market state is inspired by a Markov-like process: a household with certain attributes (*a*) in year *y* may become a household of another type (*a'*) in year *y+1*, occurring with a certain probability. Global parameters in the Model, determine those probabilities.

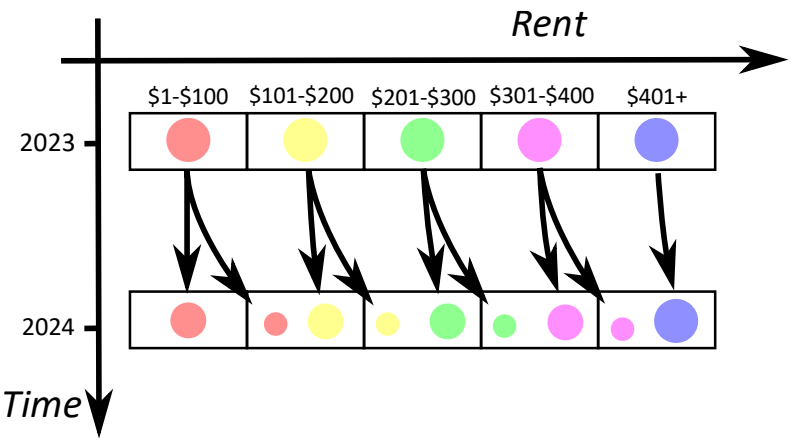
The implemented model differs from a true Markov process in two ways:

- It is deterministic – the large volume of households tracked means probabilistic effects are washed out in practice.
- To make the Model more intuitive, household rent increases over time in alignment with global assumptions, rather than in a distributional manner.

Additionally, new households are added to the existing market state in alignment with existing household projections. These new households are assigned to the market in proportions matching the existing market state.

Scenario-defined parameters specify how the state of the market steps forward in time. In each time step, households are re-allocated to other attribute sets based on their initial set of attributes. This process is portrayed in FIGURE 22. For this analysis, it is assumed that there will be **no future change in the relative distribution of rents and incomes** (i.e. transition process depicted in Figure 22 does not allow for changes in category)

FIGURE 22: ATTRIBUTE REALLOCATION



Query of financial stress

Finally, for each year in the forecasting period, households with attributes that fit the criteria of a household in need of affordable housing are identified and counted.

To understand the definition of demand for social and affordable housing, consider first the base year of 2016. A household is considered if it falls within any of the following categories:

- Rental stress - The household income is below a certain threshold (defined further below) and the proportion of income spent on rent is above a certain threshold
- Very low income households in rental stress (paying over 30% of income on rent)
- Low income households in rental stress (paying over 30% of income on rent)
- Moderate income households in rental stress (paying over 30% of income on rent)
- Social housing - The household resides in social housing, indicating that they would be in financial stress were it not for this assistance. This implicitly assumes that these are very low income households.
- Homeless or no tenure - The household is homeless, indicating that they need of affordable housing despite not experiencing rental stress. This implicitly assumes that these are very low income households.

WHO ARE VERY LOW, LOW AND MODERATE INCOME HOUSEHOLDS?

The annual household income ranges for all households across Melbourne are shown in the table below.

Household	Very Low Income	Low Income	Moderate Income
Couple family with children	Up to $52,940	$52,940 to $84,720	$84,720 to $127,800
Couple family without children	Up to $37,820	$37,820 to $60,520	$60,520 to $90,770
One-parent family	Up to $52,940	$52,940 to $84,720	$84,720 to $127,800
Other family*	Up to $52,940	$52,940 to $84,720	$84,720 to $127,800
Group household**	Up to $37,820	$37,820 to $60,520	$60,520 to $90,770
Lone person	Up to $25,220	$25,220 to $40,340	$40,340 to $60,510

Planning and Environment Act, Section 3AA(2)
* Other family set equivalent to couple family with children
** Group household set equivalent to couple family without children

To contextualise these income ranges, consider the annual income for the following key worker occupations (only applicable to lone person households)

- **Moderate-income:** Music professionals ($46,000), Registered nurses ($60,000)
- **Low-income:** Commercial cleaners ($33,000), Aged and disabled carers ($39,000)
- **Very low-income:** Café workers ($21,000)

The model identifies households that comprise demand based on their attributes (weekly rent, weekly household income, household type, and tenure type).

The query of the above categories from the initial market state is as follows:

- Rental stress - Weekly rent and weekly household income are used to compute whether a household earns a moderate income or lower, and the proportion of income spent on rent[21].
- Social housing – The tenure and landlord type of the household is defined as either 'Rented: State or territory housing authority' or 'Rented: Housing co-operative, community or church group'
- Homeless or no tenure – This group consists of households who are not counted in either of the previous categories but are nonetheless in financial stress. They are most commonly 'homeless' individuals who were residing in non-private dwellings (boarding houses or supported accommodation with no tenure). To account for this category, the Model incorporates an external estimate of these individuals (assumed to be lone person households) and adds them to the query of the two other categories. This external estimate draws on the ABS Homelessness Estimate (Cat. 2049.0), and is defined as the sum of:

- Homeless persons in 'Improvised dwellings, tents or sleeping out'
- Homeless persons in a 'Hostel for homeless, night shelter, or refuge'[22]
- Homeless persons staying in boarding houses

[21] Note that some households may not be counted as being in rental stress due to them receiving assistance (i.e. rental assistance). However, data limitations at the time of analysis did not permit this to be accounted for, as the proportion of households who both receive rental assistance and remain in rental stress can't be determined
[22] Differs to ABS homelessness estimate definition, which includes persons in private dwellings which were identified as being used for 'supported accommodation'. However, these households should be captured under the second category (social housing) of the module

In forecast years, the Model queries the number of households in rental stress based on the same attributes, which have evolved due to population growth and various user-defined assumptions. When considering the 'social housing' and homeless or no tenure' categories, it is important to note that the Model does not forecast changes to the social housing supply or the incidence of homelessness. Rather, it ensures that the individuals in these categories are represented in the query of demand for affordable housing.

Rental Affordability Index (RAI)

If housing costs exceed 30% of a low income household's (lowest 40% of households across all income bands) gross income, the household is considered to be experiencing housing stress (30/40 rule). That is, housing is unaffordable and housing costs consume a disproportionately high amount of household income.

The RAI uses the 30% of income rule. Rental affordability is calculated using the following equation:

RAI = (Median income/qualifying income23)*100

Households paying 30% of income on rent have a RAI score of 100, indicating these households are at the critical threshold level for housing stress. Households paying more than 30% have an RAI score of less than 100

Households paying close to 30% or more of their income on rent are generally seen to be in housing stress. Under those circumstances the cost of housing is affecting a household's ability to pay for other primary needs including (but not limited to):

- Food
- Power and water
- Health services and medication
- Travel and transport
- Education
- Household goods (such as cars, washing machines, fridges, stoves, computers)
- Debt repayments.

The table below shows how RAI scores relate to the severity of housing unaffordability. Scores of 100 and less indicate that households spend 30% or more of their income on rent. At this level, rents are of such a level that they negatively impact on a household's ability to pay for other primary needs such as food, medical requirements and education.

[23] Qualifying income refers to the income required to pay rent where rent is 30% of income

TABLE 24. RENTAL AFFORDABILITY INDEX AND SEVERITY OF RENTAL UNAFFORDABILITY

Index score	Share of income spent on rent	Relative unaffordability
<50	60% or more	Extremely unaffordable rents
50-80	38-60%	Severely unaffordable rents
80-100	30-38%	Unaffordable rents
100-120	25-30%	Moderately unaffordable rents
120-150	20-25%	Acceptable rents
>150	15% or less	Affordable rents

Source: SGS Economics and Planning

An index score of 80 or less indicates severely unaffordable rents with households paying 38% or more of their income on rent. Extremely unaffordable rents occur when the index score is 50 or less, and households spend 60% of their income or more on housing.

Scores between 100 and 120 represent areas that are close to a situation of unaffordable housing, with households seeking to rent there less likely to easily meet and pay off unexpected costs or bills. Young families with children in care may find it hard particularly difficult to make ends meet.

RAI scores of 120 to 150 indicate that households would pay 20 to 25% of their income on rent, facing moderately unaffordable rents. A RAI score between 150 and 200 indicates households seeking to rent in a particular area would experience acceptable rents, while a score greater than 200 indicates relatively affordable rents.

Appendix: Estimates of Affordable Housing contributions from value capture

The following calculations estimate the number of affordable housing dwellings that might be provided by capturing a share of value uplift from the rezoning of industrial land to residential and commercial uses. The total area of land that might be rezoned was provided by Council as two categories (red sites where housing might be supported and yellow sites where a mix of employment and housing is envisaged). There is no time frame attached to these rezonings. The approach assumes:

- Either 50% of 75% of the value uplift is directed to social and affordable housing
- Other assumptions as set out in the table below.

The calculations suggest that value capture of rezoned land could provide in the order of 291 dwellings assuming a 50% value capture rate, or 436 dwellings, assuming a 75% value capture rate.

TABLE 25. ESTIMATE OF AFFORDABLE HOUSING CONTRIBUTION FROM VALUE CAPTURE (REZONING)

Rezoned land development assumptions				
For 'Red sites': assumed residential development at 4 storeys				
For 'Yellow sites': assumed 50/50 split commercial/residential all at 6 storeys				
Residential development	**Red sites**	**Yellow sites**		
Area (sqm)	79,142	49,852		
Residential share of sites	100%	50%		
Height (storeys)	4	6		
Site cover	65%	65%		
Dwelling size	80	80		
Dwellings	2,572	1,215		
Commercial development	**Red sites**	**Yellow sites**		
Commercial share of sites	0%	50%		
Height (storeys)		6		
Site cover		80%		
Floor space	-	119,645		
Existing site value	**Red sites**	**Yellow sites**		
Industrial land value per sqm	$ 400	$ 400		
Existing land value	$ 31,656,800	$ 19,940,800		
Residential dev. uplift and S&AH dwellings	**Red sites**	**Yellow sites**	**Red sites**	**Yellow sites**
Average dwelling price	$ 600,000	$ 600,000		
Ratio of residual land value (RLV) to gross reali	15%	15%		
RLV of rezoned land	$ 231,490,350	$ 109,362,825		
Land value uplfit (RLV - existing land value)	$ 199,833,550	$ 99,392,425		
Share for value uplift S&AH (%)	50%	50%	75%	75%
Share for value uplift S&AH ($)	$ 99,916,775	$ 49,696,213	$ 149,875,163	$ 74,544,319
Social and affordable dwellings*	167	83	250	124
Commercial dev. uplift and S&AH dwellings	**Red sites**	**Yellow sites**	**Red sites**	**Yellow sites**
GRV/sqm new commerical floor space		$ 5,000		
Ratio of RLV:GRV		10%		
RLV of rezoned land		$ 59,822,400		
Land value uplfit (RLV - existing land value)		$ 49,852,000		
Share for value uplift S&AH (%)		50%		75%
Share for value uplift S&AH ($)		$ 24,926,000		$ 37,389,000
Social and affordable dwellings	-	42	-	62
	Red sites @ 50% value capture rate	**Yellow sites @ 50% value capture rate**	**Red sites @ 75% value capture rate**	**Yellow sites @ 75% value capture rate**
Total social and affordable dwellings	167	124	250	187
Grand total		291		436

Source: SGS Economics and Planning, 2019

Appendix: Estimates of Affordable Housing contributions from floor area uplift

The calculations below estimate the number of affordable housing dwellings that might be provided via a floor area uplift (FAU) scheme. Under the FAU arrangements in Central Melbourne and Fishermans Bend, additional development above a nominal density can only be approved if return for the provision of public benefits, which can include affordable housing. For Fishermans bend, the FAU arrangements are calibrated to a 'gifting ratio' of market to social dwellings of 8:1. That is, for every additional 8 dwellings approach, 1 social housing dwelling must be gifted.

This estimate assumes a similar approach is implemented in Moreland's Activity Centres, with a modest share of developments (2.5%, 5% or 10%) utilising the FAU mechanism. Other assumptions as set out in the table below.

The calculations suggest FAU mechanism might provide in the order of 15 to 60 dwellings over a 20 years period, depending on the number of developments that utilise the mechanism.

TABLE 26. ESTIMATED AFFORDABLE HOUSING CONTRIBUTION FROM FLOOR AREA UPLIFT (FAU)

Dwelling demand			
Year	2016	2036	Change
Dwellings (OPD)	70,000	108,000	38,000
Development subject to FAU mechanism			
Share of growth in Activity Centres (estimate)	40%	40%	40%
New dwellings in Activity Centres	15,200	15,200	15,200
Average development size (dwellings)	65	65	65
Total number of developments	234	234	234
Share of AC development subject to FAU mechanism	2.5%	5.0%	10.0%
Developments subject to FAU mechanism	6	12	23
Social and affordable dwellings from FAU mechanism			
	Applied to 2.5% of developments	Applied to 5% of developments	Applied to 10% of developments
Dwellings per level	10	10	10
FAU levels above nominal height (storeys)	2	2	2
FAU dwellings	20	20	20
Ratio of market to social/affordable dwellings*	8	8	8
S&AH dwellings per development	2.5	2.5	2.5
Total S&AH dwellings	15	29	58
*Based on 'gifting ratio' of market to S&AH dwellings of 8:1 (rate from Fishermand Bend)			

Source: SGS Economics and Planning, 2019

Note: OPD = Occupied Private Dwellings

Appendix: Estimates of supply of Affordable Housing dwellings secured via a contributions policy enacted through the Activity Centre Zone

The calculations below estimate the number of affordable housing dwellings that might be secured via a contributions policy enacted through the Activity Centre Zone.

These estimates are based on the assumption that 20% of all residential development occurs on land within this amended Activity Centre Zone, and the contribution rate would only apply to residential floor space.

Three contribution rates have been considered: 3.4%, 5% and 6%. The 6% rate has been applied at Fishermans Bend and is proposed in Melbourne Planning Scheme Amendment C309 for West Melbourne.

The calculations suggest this mechanism could provide in the order of 260 to 460 dwellings over a 20 year period, depending on the contributions rate.

TABLE 27. ESTIMATED AFFORDABLE HOUSING CONTRIBUTION FROM FLOOR AREA UPLIFT (FAU)

Dwelling demand			
Year	2016	2036	Change
Dwellings (OPD)	70,000	108,000	38,000
Development subject to Activity Centre zone S&AH mechanism			
Share of growth Activity Centre Zoned land (estimate)	20%	20%	20%
New dwellings in Activity Centres	7,600	7,600	7,600
Share of AH	3.4%	5.0%	6.0%
Developments subject to FAU mechanism	258	380	456

Source: SGS Economics and Planning, 2019

Appendix: Estimates of a contributions rate for a broad-based Affordable Housing contributions policy

This following calculation assumes the application of a Moreland-wide affordable housing contributions policy that seeks to retain the current level of social and affordable housing provision, or increase the level of provision, based on the objective of preserving social mix.

The approach assumes:

- Broad application to all types of land use on the basis that all land uses – residential, commercial, retail, industrial and institutional – are obliged to contribute to maintenance of the identified value of social mix (in the same way as all land use types are required to respect and conserve heritage values, or contribute to the supply of open space, regardless of whether the development in question is residential, commercial, retail, industrial or institutional);
- Application to all forms of development and changes of use which materially affect the social mix in the region, either in terms of housing composition or worker composition. By implication it should exempt minor commercial development and shifts in uses which are within a similar employment band; and
- Application in a form which is as simple as possible to avoid uncertainty, litigation and undue transaction costs.[24]

On this basis, the notional affordable housing contribution rates have been estimated using the following method:

- Set a target level of social and affordable housing for 2036, to be achieve by Council through its affordable housing planning policy.
- Calculate the net additional affordable housing required by 2036 to meet this target
- Estimate the cost of net additional affordable housing (assuming an average dwelling size and value)
- Estimate the total additional floor space to the added to Moreland by 2036
- Divide the total cost by the total floor space to generate the required contributions rate of a per square metre basis.

Calculations based on four rates of social and affordable housing share by 2036 are set out in the table below. The 3.4% rate reflects the 2016 share of social housing. The 5%, 6% and 7.5% rates reflect an aspiration to make further inroads to addressing the under provision of affordable housing in Moreland. The 6% rate has been applied at Fishermans Bend and in the West Melbourne Structure Plan.

Calibrating the policy to maintain a rate of 3.4% social housing would generate 1,234 additional affordable housing dwellings. This would equate to an affordable housing contribution cash-in-lieu rate of $179 per square metre of new floor space.

The 6% rate would generate 4,042 additional social housing dwellings. This would equate to an affordable housing contribution cash-in-lieu rate of $585 per square metre of new floor space.

[24] Spiller (2012) East Brunswick Village Development Plan: Evidence regarding affordable housing. Prepared for Moreland City Council.

TABLE 28. PRELIMINARY AFFORDABLE HOUSING CONTRIBUTION RATE ESTIMATES

Dwelling demand				
Year	2016	2036	Change	
Dwellings (OPD)	70,000	108,000	38,000	
Existing social and affordable dwellings	2,438			
Social and affordable dwellings %	3.48%			
Employment floor space demand*	**Floor space 2016**	**Floor space 2031**	**Change (15 years)**	**Change (20 years)**
Floor space type	Floor space 2016	Floor space 2031	Change (15 years)	Change (20 years)
Commercial	831,629	1,461,121	629,492	839,323
Industrial	1,027,105	863,823	- 163,282	- 217,709
* From SGS forecasts for Moreland DCP				
New floor space 2016 to 2036	**2016**	**2036**	**Change (net)**	**Change (gross)**
	2016	2036	Change (net)	Change (gross)
Dwellings*	70,000	108,000	38,000	40,280
Average dwellings size (sqm)				80
Dwelling floor space (sqm)				3,222,400
Employment floor space (sqm)**			839,323	923,255
Total floor space added 2016-2036 (sqm)				4,145,655
* Gross estimate assumes 6% of dwellings in medium and high density developments are dwelling replacements				
** Gross estimate assumes 10% replacement rate of employment floor space				
Social and affordable housing target rates and forecast dwelling supply				
Rate	3.4%	5.0%	6.0%	7.5%
Total social and affordable dwellings	3,672	5,400	6,480	8,100
Existing social housing (2016)	2,438	2,438	2,438	2,438
Additional S&A by 2036	1,234	2,962	4,042	5,662
Affordable housing contribution rate estimates				
Target rate of provision by 2036	3.4%	5.0%	6.0%	7.5%
Additional S&AH dwellings required	1,234	2,962	4,042	5,662
Value of social/affordable housing dwelling	$600,000			
Cost of additional S&AH ($600k/dw)	$ 740,400,000	$ 1,777,200,000	$ 2,425,200,000	$ 3,397,200,000
New floor space	4,145,655	4,145,655	4,145,655	4,145,655
Contribution per sqm floor space	$ 179	$ 429	$ 585	$ 819
Contribution per dwelling	$ 14,288	$ 34,295	$ 46,800	$ 65,557
Contribution per 100 sqm employment	$ 17,860	$ 42,869	$ 58,500	$ 81,946

Source: SGS Economics and Planning, 2019

Appendix: Rationale for the use of planning mechanisms to secure affordable housing contributions

Introduction

This section discusses the rationale for using Victoria's planning system to pursue the objectives of increasing the supply of affordable housing.

Context

Assisting households that are struggling to secure affordable housing has traditionally been the province of the tax transfer and public housing systems in Australia. Lower income households are eligible for subsidised tenancies in dwellings supplied and managed by the State or other social housing landlords who have access to capital or recurrent funding from the State. For those who must rent in the private market, or within the community housing segment of the social housing sector, Commonwealth Rent Assistance (CRA) – an income supplement paid directly to the lower income households in question – is available.

To date in Victoria, planning regulation has played a limited role in the direct creation of housing which is affordable to lower income households. Rather, planning regulation has sought to focus on efficiency aspects in the housing production market, particularly with respect to land release and development standards, on the basis that improved supply side operations will dampen price pressures. Unlike some other countries, land use regulation has not been used to generate affordable housing stock, funded from 'planning gain', that is, the increase in land value contingent upon up-zoning or the granting of a development approval.

Recent years have seen a growing debate in the Australian urban management community about the role of planning in affordable housing. A number of factors have prompted this. One has been the diminution of fresh capital commitments by the Commonwealth to public housing. State public housing authorities are struggling to maintain their existing stocks let alone invest in stock expansion.

The need left unmet by shrinking public housing programs has not been addressed by CRA. Notwithstanding these payments, low income private rental households in housing stress are counted in their tens of thousands in Victoria.

In this context supplementary strategies to expand the flow of affordable housing opportunities have to be found, and planning regulation has become an obvious area of interest.

Equally important in bringing planning under the spotlight is the growing maldistribution of affordable housing. Arguably, affordable housing may be found if households are prepared to travel far enough and put up with poor infrastructure. But this is divisive and wasteful. The inner urban regions of our cities, rich in employment, training, educational, health and recreational opportunities, and once rich in affordable (albeit poor quality) housing, are rapidly becoming the exclusive domain of higher income groups who are well connected to the global knowledge economy. Meanwhile, the outer suburban reaches of the cities, and peri-urban areas are increasingly populated by lesser skilled workers who have less secure economic futures.

Principles in framing land use planning's role in affordable housing provision

In appraising appropriate planning responses to affordable housing, it is important to respect the town planning system for what it is - a land use regulatory regime intended to optimise environmental values and maintain efficiency in urban development and resource usage. It should not be seen as a general taxing device. Such a view would be constitutionally dubious. But more importantly, it runs the risk of supplanting sustainability driven planning principles with revenue generation objectives. It also renders the planning system much less efficient, which damages productivity generally.

Similarly, the planning system ought not be conceptualised as part of the redistributive apparatus of society. Whilst planning initiatives and decisions will routinely have redistributive consequences (as do most areas of public policy where market regulation is applied) planning and development regulation is not directed at redistribution per se – in the sense that the tax transfer system is explicitly directed at this social goal. To treat the operation of the planning system as if it had this role would be to embed a continuing and damaging tension between equity and efficiency objectives in urban management. The major thrust of public policy reform in Australia over the past 30 years has been to disentangle these two roles of government intervention, in the interests of creating a more socially sustainable as well as competitive Australia.

Another important principle is that transaction costs and compliance requirements through the planning system should be minimised consistent with the maintenance of the environmental values in question. In other words, keep the rules simple and easy to administer.

Planning rules must also be seen to be applied fairly and consistently. Any discrimination between developments in terms of planning treatment should be justified, first and foremost, by differences in their environmental impact, rather than the size of the development as such or the 'capacity to pay' of the project proponent.

The importance of social mix and land use planning's role

Social mix has already been identified as a defining environmental value our cities – especially the inner city areas. Social mix is also recognised as a pre-requisite for sustainable development and sustainable communities generally. If social mix is a key environmental value, and planning systems are intended to optimise conservation of environmental values, it is appropriate, indeed necessary, for planning systems to make provision for the preservation or creation of these values in urban development.

Genuine social mix cannot be achieved other than through an adequate local stock of affordable housing. Thus, it is appropriate for the planning system to play a part in preserving or creating such a stock of affordable housing. It should also be noted in this context that as permanent social mix as an environmental characteristic is the planning objective at issue, rather than income redistribution, the planning mechanism would ordinarily focus on the permanent stock of affordable housing, being affordable rental housing.

The case just outlined can be critiqued on the basis that it could be used to justify planning 'demands' on development proponents for all manner of social infrastructure that is ordinarily funded through other programs – schools, health care, museums, and so on. In other words, where do the scope of planning regulation and the responsibilities of the development proponent stop. Moreover, will not governments routinely shirk their responsibilities for funding social infrastructure through the tax transfer system and defer to planning conditions to achieve sustainable development?

The rejoinder to this critique is that planning and Planners have an obligation to apply the precautionary principle in managing urban development. An assumption cannot be made that the vital social mix dimension of sustainable urban development can simply be 'left to' other government programs outside of planning, particularly where all the evidence shows that these outside programs are patently not coping with the demands placed upon them and have little prospect of doing so in the future. In this context, planning regulation must be applied to prevent the entrenchment of demonstrably 'unsustainable' patterns of development.

Land use planning as part of a wider response to affordable housing

The *Planning and Environment Act 1987* now includes a specific objective to "facilitate the provision of affordable housing in Victoria" and a definition of affordable housing. These

changes should enable Councils to seek affordable housing contributions through planning policies and decisions.

It is important not to see planning regulation as a panacea for this problem. Many other elements need to be in place for an effective policy response. These include:

- A substantial 'Third Sector' in the housing market, that is, not-for-profit, non-government providers of tapered subsidy housing (safety net through unsubsidised shared equity);
- A minimum stock of 'safety net' (i.e. social) housing across all regions, and appropriate investment of Government capital to back this minimum; and
- A contestable and flexible housing assistance market, allowing the private sector and 'Third Sector' to both collaborate and compete as appropriate regarding government funding for safety net and affordable housing services, and the management of long-term affordable housing generated via the planning system.

Notwithstanding the need to address this broader agenda, there is a clear case that planning should offer more to the affordable housing agenda than simply supply side efficiency in land availability and development standards and voluntary affordable housing contributions.

Over the past decade it has become clear both in the words of governments, for example, in their calls for diversification of housing assistance arrangements under the National Affordable Housing Agreement and in their collective funding allocations, that 'mainstream' housing programs are no longer adequate for or, more to the point, are no longer expected by themselves to do the job of protecting lower income groups from housing stress. Under these circumstances it would appear reasonable to use planning mechanisms to at least partly address affordable housing deficiencies in a locality.

Environmental vs 'planning gain' rationales for affordable housing

The use of planning measures to pursue affordable housing objectives can be justified on environmental grounds (see 'social mix' above) and this is within the core mission of this regulatory system.

This environmental justification ought not be confused with other arguments that have been advanced from time to time for using the planning system to generate affordable housing. These include that using the planning system in this way would promote social justice and that it would help claw back some of the uplift in land value conferred upon property owners as a result of development approvals and changes to planning rules.

As noted, planning regulation is not, strictly speaking, directed at social justice per se, and there are sound public policy reasons for not deploying it deliberately as an instrument of redistribution policy.

As for the betterment capture argument, it is certainly appropriate to tax betterment, but it does not follow that there should be an up front nexus between such a policy and the provision of affordable housing. The net proceeds from a betterment capture policy should be invested in accordance with local and regional priorities determined in the relevant governance forums; these priorities may or may not include affordable housing.

In other jurisdictions, most notably the UK, the introduction of planning measures to promote affordable housing failed to separate and properly assign these arguments regarding the conservation of environmental values represented by social mix, progressive redistribution and the capture of betterment. The result is a system whose conceptual basis is murky and whose operation is prone to great uncertainty and high transaction costs.

Possible planning tools for affordable housing contributions

Despite the broad policy framework directing Planning Authorities to consider affordable housing in the framing of schemes and determining planning permit applications, there is no

dedicated mechanism within the Victoria Planning Provisions for affordable housing contributions.

The Development Contributions Plan (DCP) Overlay makes provision for the collection of user pays contributions towards community and development infrastructure that will be utilised by projects within the catchments of these facilities. If it is accepted that affordable housing contributions are justified on the grounds of retaining and enhancing environmental values in social mix, the DCP framework is not the correct tool for sizing and collecting such contributions. Nor is the usage nexus principle relevant.

Therefore, the pursuit affordable housing and social mix objectives through planning scheme provisions should rely on one or a combination of the following mechanisms:

- Development bonuses (typical referred to in Victoria as floor area uplift schemes)
- Impact mitigation payments
- A district wide inclusionary policy.

Development bonuses are popularly referred to as a win-win method for achieving contributions to affordable housing. However, it is possible to see schemes that offer additional development capacity in return for community benefit, such as affordable housing, are conceptually flawed.

Such schemes must either set 'standard' development capacity on sites or precincts below environmentally justified capacity (in order to provide 'room' to grant additional development rights in return for the community benefits in question) or allow the recipients of bonuses to undertake projects that exceed justified development capacity. Both situations are wasteful or destructive. In the former case, a proportion of warranted development capacity will go begging as not all developers will take up the bonuses on offer. This means that development capacity will have to be found elsewhere in the metropolis – ultimately on its fringes – to accommodate the displaced demand. Where development is allowed to exceed reasonable environmental capacity, detriment will be generated for surrounding properties in the form of overloaded infrastructure, overlooking, excessive bulk and so on.

Notwithstanding these critiques, floor area uplift policies have been adopted in the central Melbourne (the CBD and Southbank) and Fishermans Bend.

Impact mitigation payments may be set on a case-by-case basis where development projects come up for planning approval and are assessed for their effect on relevant environmental values, including the loss of social mix. Impact mitigation payments are sometimes a preferred tool when developments have a large and direct effect in the displacement of low income housing. This could occur, for example, in the proposed redevelopment of a rooming house that has traditionally accommodated marginalised households. The difficulty with impact mitigation payments is that they cannot readily take into account the cumulative effect of smaller developments. These may not directly displace lower income households but will ultimately have the same effect.

The third, and preferred approach, is the implementation of an area wide policy that sets affordable housing requirements for a suburb or larger district, based on the historic or community desired environmental objectives for social mix. Such a policy would fix an overarching dwelling mix target for the district and then apportion contributions towards this target amount across the development and land use changes which are projected to occur within the district. Proponents would either incorporate their identified share of affordable housing units in their projects, or if this is not practical for some reason, pay cash in lieu, enforced via a section 173 agreement or similar device. In both cases, the assets in question would be vested in an affordable housing provider that has been duly registered with the State Government (via the Housing Registrar located in the Department of Treasury and Finance) so that the housing in question remains permanently available to lower income households in the district.

Good planning practice

Good planning practice in applying the area wide approach would involve:

- Application to all types of land use on the basis that all land uses – residential, commercial, retail, industrial and institutional – are obliged to contribute to maintenance of the identified environmental value of social mix (in the same way as all land use types are required to respect and conserve heritage values regardless of whether the development in question is residential, commercial, retail, industrial or institutional);
- Application to all forms of development and changes of use which materially affect the social mix in the region, either in terms of housing composition or worker composition. By implication it should exempt minor development and shifts in uses which are within a similar employment band; and application in a form which is as simple as possible to avoid uncertainty, litigation and undue transaction costs.

Conclusion

It is appropriate to use planning provisions to secure affordable housing contributions, provided these contributions are applied to the creation of a stock of dwellings which are permanently affordable to eligible households. Such contributions are justified on the basis that they will support a key environmental and cultural attribute of an area, which is social diversity, or social mix.

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