



# **URBANXCHANGE**

## **Affordable Housing Report**

### **Victoria Gardens Expansion**

#### **Doonside Precinct and River Boulevard Precinct Richmond**



September 2022

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## 1 EXECUTIVE SUMMARY

The owners are seeking to undertake development as part of the Victoria Gardens Expansion, being the Doonside Precinct (Salta Properties and Vicinity Centres as Co Owners) within the City of Yarra. The River Boulevard Precinct (lot 9) is also being considered as part of the proposed planning scheme amendment.

The precincts are located at 1-9 Doonside Street and 20 River Boulevard, Richmond. The Doonside precinct has two zonings being a Comprehensive Development Zone and a Mixed Use Zone. The remaining site has an approved control for development that is being considered for amendment in the overall Victoria Gardens CDZ.

A portion of the Doonside site will require a planning scheme amendment to achieve the appropriate zoning. Lot 9 will seek amendments to exceed the mandatory height control. Initial yield studies indicate a yield of 839 dwellings for Doonside and 340 dwellings for Lot 9 being 1,179 dwellings that may be delivered over an extended period (refer attachment 2). The development will take place over a number of stages and the timing of the stage releases is market dependant, but it is envisaged that the timing will be approximately a 5 year period for Doonside and subsequently further 3 year period for Lot 9.

It is noted that the remainder of the Victoria Gardens Precinct will remain unchanged and not affected by the recommendations of this report.

The report has based its strategy for affordable housing on the Victorian Governments *Homes for Victorians* definition.

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

The definition as supplied in *Homes for Victorians* is also defined in Section 3AA of the Victorian Planning and Environment Act 1987 which contains the following definition of affordable housing:

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

*(a) very low income households;*

*(b) low income households;*

*(c) moderate income households.*

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

The Victorian Government, under section 3AB of the Planning and Environment Act 1987, has specified income ranges for Greater Melbourne with respect to affordable housing.

This report is written in a time of possible considerable change in the affordable and social housing policy direction federally. With the change of federal government, there will be substantial opportunities for affordable housing in multiple tenure types to meet the needs of the low to moderate income earners.

It is on this basis that the provision of affordable housing is being considered for the site.

Whatever affordable housing solution/s are offered should be supported by demographic data to ensure that the proposal offered is robust and supportable by an independent review. The key highlights for the City of Yarra are:

- Home ownership rates among 25-34 year olds has fallen from more than 60 per cent (1991) to 40 per cent (2021). For 35-44 year olds, home

ownership has fallen fast – from 74 per cent in 1991 to around 55 per cent today – and home-ownership is also declining for 45-54 year olds<sup>1</sup>.

- City of Yarra has a higher proportion of the population represented in 20 – 44year olds
- Housing tenure shows that Yarra has a higher proportion of properties for rent and a lower percentage of properties outright ownership and mortgage compared to Greater Melbourne.
- The City of Yarra has income ranges for the very low and high income but is underrepresented in low to moderate income earners.
- 85% of key workers within Yarra travel into the municipality.

The City of Yarra recognises that affordable housing matters. The City of Yarra *Social and Affordable Housing Strategy* (2019) seeks dwellings to be delivered as affordable housing within new developments, that is appropriate and that will add to the diversity and quality of housing stock in the area.

Council is faced with a number of complex matters for resolution:

- How do you grow the affordable housing for key workers in Yarra?
- How do you ensure a range of dwellings that are appropriate?
- How do you increase affordable housing outcomes to allow for both the current young and projected ageing community?

There are a number of affordable housing mechanisms for consideration; these include:

**Restricted purchase** – price controlled housing that is made available for purchase by those on defined incomes.

**Build to rent** – Developers and their financiers build dwellings and, instead of selling the dwellings, retain them to let. Rents may be set at market rent or, for affordable and social housing, at an appropriate discount to market rents.

**Social housing** – This housing is owned by a state government or by a Registered Housing Association (RHA) or Registered Housing Provider (RHP). RHA/ RHPs who will typically seek to develop and build dwellings and hold the completed dwellings for extended periods.

The application of these models for affordable housing to income groups is shown in the following table.

Table 1- Affordable housing models against target groups

Category	Model	Target Group
<b>Affordable Purchase</b>	<ul style="list-style-type: none"> <li>• Restricted purchase</li> <li>• Shared Equity</li> </ul>	<ul style="list-style-type: none"> <li>• Low to moderate income earners – 20-45 years</li> </ul>
<b>Below market rental</b>	<ul style="list-style-type: none"> <li>• Build to rent</li> </ul>	<ul style="list-style-type: none"> <li>• Low to moderate income earners – 20-45 years</li> </ul>
<b>Public, community or indigenous housing</b>	<ul style="list-style-type: none"> <li>• Public/state housing and associated renewal programmes</li> <li>• Housing Associations, including bond aggregators</li> </ul>	<ul style="list-style-type: none"> <li>• Low to very low income groups – all age groups – particularly the ageing community and those with disabilities</li> </ul>

It is noted that the development of the site will take place in stages. The affordable housing proposal for each stage (even if no affordable housing is to be supplied in the stage) should be included in the masterplan. The affordable housing should be tenure blind.

<sup>1</sup> Burke et al. (2014). Burke, T., Stone, W. and Ralston, L. *Generational change in home purchase opportunity in Australia*. 232. Australian Housing and Urban Research Institute

The proposed affordable housing outcomes could be considered as a number of options (as prescribed in the draft amended CDZ schedule 1):

1. Prior to issue of a certificate of occupancy for the development (or relevant stages of the development), the owner of the land (or another person anticipated to become the owner of the land) must enter into an agreement with the Responsible Authority pursuant to section 173 of the *Planning and Environment Act 1987* (the Agreement) to provide for the delivery of affordable housing (the Affordable Housing Contribution).

The agreement must include terms that provide for the manner in which the Affordable Housing Contribution is to be made, including when and how the contribution is to be made.

The Agreement must, subject to the limitation set out in clause 1d) in respect to Lot 9, specify that the Affordable Housing Contribution will be delivered by one or a combination of the following methods, all to the satisfaction of Responsible Authority:

- a. Sale of not less than **ten per cent** of the total number of approved dwellings at a discount to market value of not less than **20 per cent**:
  - i. To a Registered Housing Agency; or
  - ii. to Eligible Households in accordance with an Affordable Housing Management Plan approved pursuant to condition 3 below; or
- b. Lease of not less than **ten per cent** of the total number of approved dwellings at a discount to market value of not less than **30 per cent**, for not less than 12 years from the occupation of the dwellings:
  - i. To a Registered Housing Agency; or
  - ii. To Eligible Households in accordance with an Affordable Housing Management Plan approved pursuant to condition 3 below; or
- c. Any alternative delivery method providing that it demonstrates the total dollar value of the Affordable Housing Contribution is equivalent to not less than **two per cent** of the total market value of

the total number of approved dwellings, to the satisfaction of the responsible Authority.

- d. In respect to Lot 9, the requirement for an Affordable Housing Contribution is only triggered on approval of building height on Lot 9 above RL 38.

For the purpose of the Agreement:

- 'Eligible Household' means a household that meets the threshold for a very low income household, low-income household or moderate income household, consistent with Section 3AB of the *Planning and Environment Act 1987*.
- 'Affordable Housing' has the same meaning as any definition of that phrase contained within the *Planning and Environment Act 1987*.
- 'Market Value' means the value of a Dwelling as determined by an independent, qualified Valuer.

2. Prior to issue of a certificate of occupancy for the development (or relevant stages of the development), the owner of the land must:
  - a. do all things necessary to enable the Responsible Authority to register the agreement with the Registrar of Titles in accordance with section 181 of the *Planning and Environment Act 1987*; and
  - b. pay to the Responsible Authority its costs and disbursements incurred in relation to the negotiation, preparation, execution and registration of the agreement on the certificate of title to the land.

The Affordable Housing Management Plan should be as follows:

1. Prior to issue of a certificate of occupancy for the development (or relevant stages of the development), an Affordable Housing Management Plan (the Plan) must be submitted to and approved by the Responsible Authority. When approved, the plan will form part of this permit. The plan must include the following detail, all to the satisfaction of the Responsible Authority:

- a. Delivery of the Affordable Housing managed, leased and sold in accordance with permit condition 1 through an appropriately monitored management arrangement;
- b. A framework for regular reporting to the Responsible Authority (for example biannually) to demonstrate ongoing compliance with the approved Plan;
- c. Detail of all dwellings leased by the landowner as affordable housing, including the quantity and type of dwellings (e.g. 1 bedroom or studio), including details of any changes to the pool of leased dwellings;
- d. Detail on the annual cost of rent for each dwelling and a demonstration that the rental rate is consistent with the prescribed income ranges declared under Section 3AB of the *Planning and Environment Act 1987*;
- e. Any other details required to demonstrate compliance with any Section 173 Agreement applying to the land that relates to affordable housing.

This requirement does not apply to affordable housing sold or leased to a Registered Housing Agency in accordance with condition 1.

## 2 BACKGROUND

The owners are seeking to undertake development as part of the Victoria Gardens Expansion, being the Doonside Precinct (Salta Properties and Vicinity Centres as Co Owners) within the City of Yarra. The River Boulevard Precinct (lot 9) is also being considered as part of the proposed planning scheme amendment.

The precincts are located at 1-9 Doonside Street and 20 River Boulevard, Richmond. The Doonside precinct has two zonings being a Comprehensive Development Zone and a Mixed Use Zone. The remaining site has an approved control for development that is being considered for amendment in the overall Victoria Gardens Expansion.

The project was originally submitted in 2021 for planning approvals and subsequently further amended and resubmitted in 2022.

The remaining site has an approved control for development that is being considered in the overall Victoria Gardens review. A portion of the Doonside site will require a planning scheme amendment to achieve the appropriate zoning. Lot 9 will seek amendments to exceed the mandatory height control. Initial yield studies indicate a yield of 839 dwellings for Doonside and 340 dwellings for Lot 9 being 1,179 dwellings that may be delivered over an extended period. The development will take place over a number of stages and the timing of the stage releases is market dependant, but it is envisaged that the timing will be approximately a 5 year period for Doonside and subsequently further 3 year period for Lot 9.

It is noted that the remainder of the Victoria Gardens Precinct will remain unchanged and not affected by the recommendations of this report.

This affordable housing report is a part of its town planning application.

The City of Yarra *Social and Affordable Housing Strategy* (2019) seeks dwellings to be delivered as affordable housing within new developments, that is appropriate and that will add to the diversity and quality of housing stock in the area.

Council is faced with a number of complex matters for resolution:

- How do you grow the population of those aged between 20 and 39 years?

- How do you ensure a range of dwellings that are appropriate?
- How do you increase affordable housing outcomes to allow for both the current young and projected ageing community?

It is noted that the Victorian Government's Homes for Victorians provides definitions of Affordable Housing. The Planning and Environment Act and associated practice notes indicate that the implementation of affordable housing is voluntary.

This report is written in a time of possible considerable change in the affordable and social housing policy direction federally. With the change of federal government, there will be substantial opportunities for affordable housing in multiple tenure types to meet the needs of the low to moderate income earners.

The Federal Government position at the election on affordable housing was:

- A policy position to assist in the delivery of 30,000 affordable and social housing dwellings over 5 years through the establishment of a Housing Future Fund
- Key target areas are key workers, regional housing, family violence and older women
- Only 6,000 of the dwellings will be social housing
- The proposal is to introduce tenures such as shared equity – including all levels of government contributing land on a long hold shared equity basis
- The introduction of a build to rent that would provide a subsidy over a given period to provide housing for key workers

As in all things the funding will be directed to where it is perceived the best value for money lies.

The Victorian Government in 2020 announced the Victorian Social Housing Growth Fund. Much of the grant money has been allocated through this fund.



## 3 DEFINITIONS AND STRATEGIC CONTEXT

### 3.1 THE DEFINITION UNDER 'HOMES FOR VICTORIANS' AND THE PLANNING AND ENVIRONMENT ACT 1987

The Victorian Government policy *Homes for Victorians* provides a clear definition of affordable housing:

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

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

#### Public Housing

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

#### Community Housing

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

#### Social Housing

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

Section 3AA of the *Victorian Planning and Environment Act 1987* essentially adopts the *Homes for Victorians* definition of affordable housing, as follows:

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

- (a) very low income households;*
- (b) low income households;*
- (c) moderate income households.*

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

### 3.2 AFFORDABLE HOUSING IN THE PLANNING AND ENVIRONMENT ACT 1987

In 2018, the Planning and Environment Act (the Act) was amended to include a new Objective to “facilitate the provision of affordable housing in Victoria” and to include a definition of affordable housing (as described in section 3.1 of this report).

The affordable housing framework established under these reforms also introduces two new instruments and a range of support, guidance and educational material.

The first instrument is the specification of the income levels associated with very low, low and moderate income households for affordable housing that is not social housing. A Governor in Council Order setting out these income levels has been published and will be updated annually in the Government Gazette (refer to table 2 for the current rates).

The second instrument is the Ministerial Notice relating to the specified matters referred to in Section 3AA(2), which lists the following as “matters to which regard must be had for the purposes of determining what is appropriate for the housing needs of very low, low and moderate income households:



- *Allocation*
- *Affordability (in terms of the capacity for very low income, low income and moderate income households that it is intended for)*
- *Longevity (in terms of the public benefit of the provision)*
- *Tenure*
- *Type of housing, in terms of form and quality*
- *Location, in terms of site location and proximity to amenities, employment and transport*
- *Integration, in terms of the physical build and local community*
- *The following official estimates of housing need:*
  - *Australian Bureau of Statistics Community Profiles*
  - *Census profiles for Victoria*
  - *Department of Health and Human Services Rental Report*
  - *Metropolitan regional housing plans to guide housing growth*
  - *Public housing waiting list (Victorian Housing Register list)*
  - *Victoria in Future data tables.*

Various supporting materials have also been prepared by the State Government to assist with the application of the legislative reforms. These include an example (template) Section 173 Agreement for affordable housing, and guidelines for seeking and negotiating the agreements.

These latter guidelines suggest a four-step process for the negotiation of agreements, as follows:

- 1) Preparation of the strategic basis by the responsible authority.
- 2) Pre-negotiation between the responsible authority and landowners, and also potentially the end recipient of the affordable housing and a broker. The key focus should be on the responsible authority clearly articulating the proposed affordable housing outcome they are seeking.
- 3) Negotiation between the parties to discuss the viability of including an affordable housing component within the development, the end recipient's capacity to support the outcome, and the method and terms by which the affordable housing will be delivered.
- 4) Delivery of the affordable housing by the landowners.

Further guidance from DELWP outlines the requirements for a Responsible Authority to: <sup>2</sup>

- *establish strategic justification for an affordable housing request,*
- *identify value to support the delivery,*
- *ensure clear land-owner agreement,*
- *not unduly impact commerciality of the development,*
- *give regard to a registered housing agencies support for the proposal, and*
- *test it against the definition and list of matters (as outlined by the Minister for Planning).*

The Victorian Government, under Section 3AB of the Planning and Environment Act 1987, has specified the following income ranges for Greater Melbourne with respect to affordable housing that is not social housing:

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<sup>2</sup> Available at: <https://www.planning.vic.gov.au/policy-and-strategy/affordable-housing> including Ministerial Notice 'Specified Matters under Section 3AA(2)', (Accessed 17 May 2018)

Table 2 - Governor in Council Orders, July 2022

	Very low income range (annual)	Low income range (annual)	Moderate income range (annual)
<b>Single adult</b>	Up to \$26,680	\$26,681 to \$42,680	\$42,681 to \$64,020
<b>Couple, no dependents</b>	Up to \$40,010	\$40,011 to \$64,030	\$64,031 to \$96,030
<b>Family (with one or two parents) and dependent children</b>	Up to \$56,010	\$56,011 to \$89,630	\$89,631 to \$134,450

## 3.3 CITY OF YARRA

The City of Yarra has some policy/strategy positions on affordable housing. The relevant sections of each of the strategies are identified below:

### **Yarra Council Plan 2017 – 2021**

Objective 1 of the *Yarra Council Plan* is Community health, safety and well-being – and the community priorities have been summarised as

*Promote an effective and compassionate approach to rough sleeping and advocate for affordable, appropriate housing*

The strategies to achieve this objective are outlined in 1.7

*Number of requests for homelessness assistance responded to by Council*

*Deliver the Social and Affordable Housing Strategy*

*Continue to deliver effective homelessness outreach in the municipality with partnering agencies*

Objective 2 of the *Yarra Council Plan* is Development and growth– and the affordable housing priorities have been summarised as

*Actively plan for Yarra's projected growth and development and advocate for an increase in social and affordable housing*

The strategies to achieve this objective are outlined in 4.2

*Preparation of a planning scheme amendment to introduce new Municipal Strategic Statement and local planning policies*

*Satisfaction with aspects of planning and housing development.*

*Deliver the Housing Strategy*

*Deliver the Social and Affordable Housing Strategy*

This is seen to be delivered as follows:

*4.2.1 Prepare a Housing Strategy to manage residential growth*

*4.2.5 Advocate to federal and state governments through Yarra IMAP, MAV, ISMMF, VLGA on affordable and community housing*

### **City of Yarra Social and Affordable Housing Strategy**

In November 2019 Council endorsed the City of Yarra Social and Affordable Housing Strategy.

The report notes:

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

The strategy goes on to identify four objectives as follows:

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

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

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

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

Strategic Direction 1 is applicable to this application and the mechanisms by which that will be addressed are outlined in Section 6 of this report.

## 3.4 WHAT DOES AFFORDABLE HOUSING LOOK LIKE?

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

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

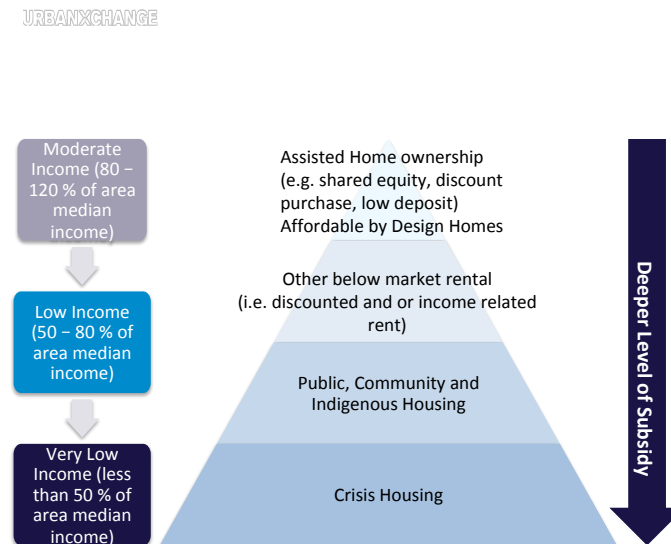


Figure 1 - Income ranges to affordable housing models and depth of subsidy

All of the models shown in Figure 1 may be applicable in Yarra, as follows:

- Affordable by design, which would involve small lot housing and/or sustainable design features
- Assisted home ownership, which would include housing bought at a capped market price and the affordability retained through a restriction on title, shared equity, or rent to buy
- Below market rental, which would include build to rent, co-operative models, and a reinvented NRAS
- Public, community and indigenous, which would include public housing development and renewal projects or bond aggregators
- Crisis housing.

The potential categories of affordable housing and the particular delivery models that relate to them are set out in Table 3.

Table 3 – Models of Affordable Housing

Category	Model
<b>Affordable by design</b>	Small lot housing Sustainable housing designs
<b>Affordable</b>	Deliberative Development Affordable Purchase
<b>Assisted home ownership</b>	Shared equity Rent to buy Restricted purchase
<b>Below market rental</b>	Build to rent NDIS/SDA
<b>Public, community or indigenous housing</b>	Public/state housing and associated renewal programmes Housing Associations, including bond aggregators
<b>Crisis housing</b>	Rooming houses Hostels Transitional housing

## 4 DEMOGRAPHIC OVERVIEW

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

### 4.1 AUSTRALIAN CONTEXT

Since the mid-1990s. Over the long term, prices have risen rapidly in all cities and most regions, although there are variations from year to year<sup>3</sup>. Average prices have increased from about two to three times average disposable incomes in the 1980s and early 1990s to about five times more recently<sup>4</sup>. Median prices have increased from around four times median incomes in the early 1990s to more than seven times today (and more than eight times in Sydney and Melbourne)<sup>5</sup>.

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

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

But the ageing of the Australian population has concealed a greater fall in home-ownership rates during the past 20 years for all but the oldest households. Younger Australians have always had lower incomes and less accumulated savings, hence lower home-ownership rates. But between 1981 and 2016, home ownership rates among 25-34 year olds fell from more than 60 per cent to 45 per cent (see figure 4 – attachment 1).

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

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

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

Accurate predictions for the growth of household formation relative to income have not been available since the Abbott Government ceased the work of the National Housing Supply Council. However, the work of the National Supply

<sup>3</sup> Stapledon (2012).

<sup>4</sup> C. Kent (2013); Ellis (2017a); and Fox and Finlay (2012).

<sup>5</sup> The median dwelling price compared with median household disposable income is the best price-to-income measure, but median measures are often not as readily available as

average measures: CoreLogic (2016). Other price-to-income measures are even higher due to differences in measuring incomes and prices (for example, Demographia (2017) calculates Sydney has a price-to-income ratio of 12).

Council has remained valid and indicates we should expect a rapid increase in lone person households, mostly at the expense of family households. It also indicates a need for a diversity of housing types to meet changing household structures in the future.

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

## 4.2 OVERVIEW OF POPULATION AND HOUSING ISSUES IN THE YARRA COUNCIL

The 2021 ABS Census provides an overview of the existing community within Yarra.

Analysis of the five year age groups of the City of Yarra in 2021 compared to Greater Melbourne shows that there was a lower proportion of people in the younger age groups (under 15) as well as a lower proportion of people in the older age groups (65+). It has a higher proportion of those aged between 25 and 34 years of age.

Table 4 Population of Melbourne/Yarra via age categories (2021)

Five year age groups	Yarra Number	Yarra %	Greater Melbourne %
0 to 4	3,636	4	5.9
5 to 9	3,076	3.4	6.3
10 to 14	2,816	3.1	6
15 to 19	2,557	2.8	5.6
20 to 24	6,582	7.3	6.7

Five year age groups	Yarra Number	Yarra %	Greater Melbourne %
25 to 29	13,872	15.4	7.8
30 to 34	13,046	14.5	8.2
35 to 39	8,819	9.8	8
40 to 44	6,382	7.1	6.9
45 to 49	5,224	5.8	6.5
50 to 54	4,995	5.5	6.3
55 to 59	4,454	4.9	5.7
60 to 64	3,972	4.4	5.1
65 to 69	3,263	3.6	4.4
70 to 74	2,931	3.3	3.9
75 to 79	1,956	2.2	2.8
80 to 84	1,246	1.4	2
85 and over	1,268	1.4	2

What is evident from the age data is that the City of Yarra has a larger population representation in the 20 – 44 year age groups. These are the people for whom affordable housing is important.

In the City of Yarra, 25.8% of the population earned an income of \$2,000 or more per week in 2021. This group has grown by 5% since the 2016 census.

**Individual income** levels in City of Yarra in 2021 compared to Greater Melbourne shows that there was a higher proportion of people earning a high income (those earning \$2,000 per week or more) and a lower proportion of low income people (those earning less than \$500 per week).

Overall, 25.8% of the population earned a high income, and 20.4% earned a low income, compared with 13.7% and 32.1% respectively for Greater Melbourne. This was further verified by 8.2% of the population earning over \$3,500 per week, compared to Greater Melbourne of 3.6%. There were also much lower levels of those earning moderate incomes.

What is evident from the data is that there is an underrepresentation in Yarra of low and moderate income earners. This is further evident in the household incomes where some 35.5% of households in Yarra earned an income of \$3,000, compared to 25.3% of Greater Melbourne. Equally there is a lower percentage of those earning low to moderate household incomes.

The major differences between the household incomes of City of Yarra and Greater Melbourne were:

- A larger percentage of households who earned \$4,500 - \$4,999 (8.4% compared to 4.6%)
- A larger percentage of households who earned \$6,000 - \$7,999 (5.8% compared to 2.9%)
- A smaller percentage of households who earned \$650 - \$799 (3.3% compared to 5.0%)
- A smaller percentage of households who earned \$2,500 - \$2,999 (6.0% compared to 7.6%)

Reviewing the individual and household income data shows that the group aged between 25 and 39 years who are a large part of the Yarra population are also high to very high income earners.

The 2021 census data for professions is yet to be released but the data for highest school completion is available and over 82% of the population in Yarra completed year 12.

An analysis of the jobs held by the resident population in City of Yarra in 2016 shows the three most popular occupations were:

- Professionals (21,760 people or 42.9%)
- Managers (8,519 people or 16.8%)
- Clerical and Administrative Workers (5,543 people or 10.9%)

In combination these three occupations accounted for 70.5% of the employed resident population. This is shown on the figure below. Further this figure suggests that those members of the community who support Yarra such as community workers, shop assistants etc are living outside the municipality and with 85% of those employed outside of Yarra travelling into the municipality for employment. Council in its Social and Affordable Housing Strategy identified the following groups as key workers:

Traditional occupations defined as key workers (in alphabetical order):

- Automobile, Bus and Rail Drivers (to help access to jobs)
- Defence Force Members, Fire Fighters and Police
- Health and Welfare Support Workers (includes ambulance officers and paramedics)
- Midwifery and Nursing Professionals
- School Teachers

Additional key worker occupations specific to the Yarra economy:

- Artists, Musicians and other Arts Professionals
- Hospitality Workers
- Child Carers (
- Cleaners and Laundry Workers

Analysis of the employment status (as a percentage of the labour force) in the City of Yarra compared to Greater Melbourne shows that there was a higher proportion in employment, and a lower proportion unemployed. Overall 70% worked full-time and 29% part time.



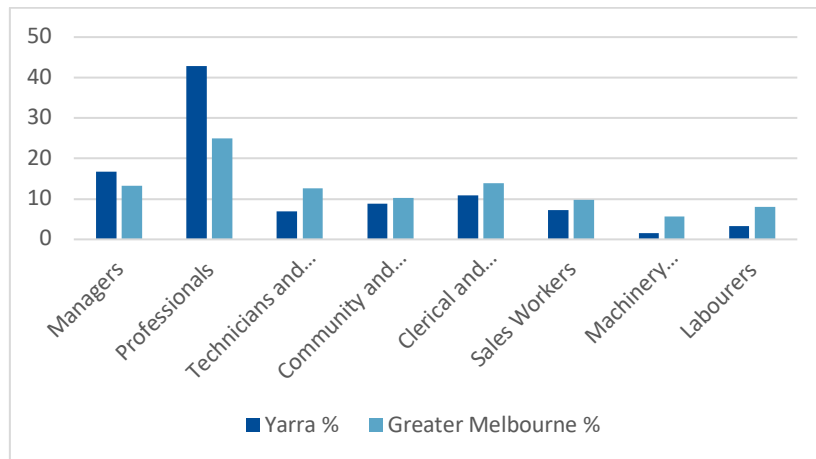


Figure 2 - Yarra professions compared to Greater Melbourne

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

Table 5 Household sizes in Yarra against Greater Melbourne (2021)

Number of persons usually resident	Yarra %	Greater Melbourne %
1 person	37	24.8
2 persons	37.3	31.3
3 persons	13.9	16.9
4 persons	8.8	17.2
5 persons	2.4	6.6
6 or more persons	0.6	3.2

The household/family types in the City of Yarra in 2021 compared to Greater Melbourne shows that there was:

- A larger percentage of households with 1 person resident (37.0% compared to 24.8%)
- A larger percentage of households with 2 persons resident (37.3% compared to 31.3%)
- A smaller percentage of households with 4 persons resident (8.8% compared to 17.2%)
- A smaller percentage of households with 5 persons resident (2.4% compared to 6.6%)

In reviewing the house sizes in Yarra in 2021 compared to Greater Melbourne shows that there was a lower proportion of one and two bedroom dwellings compared to the number of persons resident.

Table 6 Household compositions in Yarra against Greater Melbourne (2021)

Number of bedrooms	Yarra %	Greater Melbourne %
1 bedroom	19.9	6.0
2 bedroom	42.3	19.7
3 bedroom	25.1	38.0
4 bedroom	6.2	26.0
5 bedroom plus	1.3	5.6

While the proportion of smaller dwellings is greater than Melbourne, Yarra has almost 75% of its households as single or two person and only 62% of dwellings are 1 or 2 bedroom dwellings. Together with the predicted growth in single person households, it suggests that 1 and 2 bedroom dwellings would be the most appropriate.

## 4.3 POPULATION AND HOUSING PROJECTIONS FOR YARRA

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

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

Table 7 – National Housing Supply Council forecasts of household types

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

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

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

The Yarra population and household forecasts (prepared by id consulting) present what is driving population change in the community and how the population, age structure and household types will change moving forward.

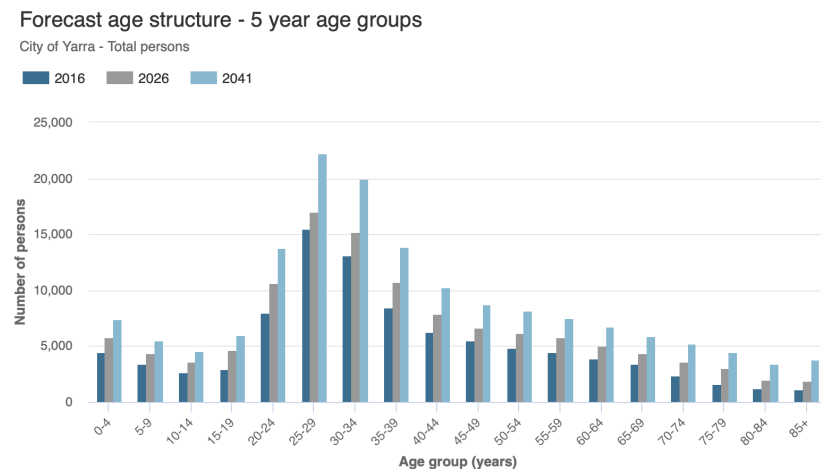
The id population forecasts suggest that The City of Yarra population forecast for 2022 is 108,632, and is forecast to grow to 157,607 by 2041, this 50% plus growth.

This increase in population is also matched by an increase in the number of households from 48,452 in 2021 census to a predicted 73,711 in 2041. The size of households is expected to decline from 2.15 persons per household in 2021 to 2.10 persons in 2041.

The increase in population and households in Yarra is supported by net migration into the municipality.

In 2021, the dominant age structure for persons in the City of Yarra was ages 25 to 29, which accounted for 15.4% of the total persons and followed by 30 – 34 at 14.5%.

Figure 3 - Forecast age structure for City of Yarra



The question that arises where will there be a supply of housing that is affordable for low to moderate income earners who are in the 20 – 34 year age groups?

## 4.4 FORECAST AFFORDABLE HOUSING SUPPLY AND NEED IN YARRA

The need for social and affordable housing moving forward is a forecast. As at the 2021 census data Yarra had 44.5% of individuals, and 53.0% of households that would have classified for affordable housing against the requirements of the Table 8.

The number of individuals and households that identified as very low, low or moderate income households in Yarra in the 2021 census data on the basis of Table 8 is shown below:

Table 8 - Individuals and Households who classify in GIC Orders within Yarra

Income	Individuals		Households	
	\$ per week	% of individuals	\$ per week	% of households
<b>Very Low</b>	513	20.3	1,075	19.8
<b>Low</b>	820	9.8	1,750	15.6
<b>Moderate</b>	1,230	14.4	2,500	17.6
<b>TOTAL %</b>		44.5		53.0

## 5 MINISTERIAL GUIDELINES ON AFFORDABLE HOUSING

The purpose of the Victorian Government affordable housing reforms is to encourage an increase in affordable housing through local councils seeking a voluntary affordable housing contribution, as part of planning approval processes<sup>6</sup>. The legislated definition of affordable housing and the associated GIC Orders set out the income bands for individuals and households that the State Government considers to be in need of affordable housing as described in Section 3 of this report.

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

The Planning and Environment Act 1987, Section 3AA(2) includes reference to the Ministerial Notice relating to the specified matters and lists "matters to which regard must be had for the purposes of determining what is appropriate for the housing needs of very low, low and moderate income households." The table below provides a response to the matters in the Ministerial Notice as these maybe applied to the Doonside Precinct and River Boulevard Precinct, Lot 9 Victoria Gardens development sites.

Table 9 - Application of the Ministerial Guidelines

Matter	Urbanxchange s recommendation
Allocation	<p>The definition of affordability as set out in the Planning and Environment Act 1987, Section 3AA (i.e. very low, low and moderate income earners) should be applied in relation to any affordable housing provisions at the site. The application of all income categories is justified based on the demographics and housing need in the Yarra LGA.</p> <p>It will be incumbent upon the operator/landowner of the affordable housing to ensure that the occupants meet the income eligibility criteria as set out in the GIC Orders at the time that purchase (for those with restricted purchase) or occupancy (build to rent or social housing) commences. This can be achieved by evidence of income accompanied by an executed Statutory Declaration from the occupier noting that they are within the specified GIC Income criteria.</p>

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<sup>6</sup> <https://www.dhhs.vic.gov.au/delivering-social-housing-affordable-housing-contribution>

Matter	Urbanxchange s recommendation
Affordability (in terms of the capacity for very low income, low income and moderate income households that it is intended for)	<p>Occupants of the dwellings should pay no more than 30% of income on affordable housing costs. The affordability is for occupants who meet the income eligibility criteria as set out in the GIC Orders at the time that occupancy commences. In this instance the affordable housing is targeted at moderate income earners.</p> <p>The position of 30% was established by AHURI (Yates and Gabriel, 2006) and has been adopted by all levels of government and the broader housing industry as an agreed position.</p>
Longevity (in terms of the public benefit of the provision)	<p>The affordable housing should be provisioned as follows:</p> <ul style="list-style-type: none"> <li>• Restricted purchase for 20 years, via agreed mechanisms that have a maximum time limit of 20 years from initial occupancy for finance purposes.</li> <li>• Build to rent for a period of 12 years from initial occupancy</li> <li>• Social housing via agreed mechanisms that have a time limit from initial purchase.</li> </ul> <p>The longevity of ownership to the actual site cannot be in perpetuity as financial institutions will not finance projects with this condition.</p>
Tenure	<p>Urbanxchange suggests that the following range of potential tenure solutions:</p> <ul style="list-style-type: none"> <li>• Restricted purchase (private)</li> <li>• Build to Rent (either private or RHA)</li> </ul> <p>It is noted that the City of Yarra has the highest proportion of social housing compared to any other LGA in Victoria. In addition, it has a significant shortfall of affordable rental dwellings. On this basis social housing is not recommended.</p> <p>The identified group of 20 – 39 years with low to moderate income earners may not be in a position to pursue restricted purchase.</p> <p>In addition, the possible extended time frame (5 years) for implementation of affordable housing within the project means that there will be wider solutions for supply of housing as time progresses and there is a need to leave the ability for these solutions to be applied.</p>
Type of housing, in terms of form and quality	<p>The housing should be tenure blind and meet Silver living standards from the Liveable Design Guides and if the properties are apartments the Better Apartment Design Standards.</p> <p>The size of the dwellings needs to meet the identified demographic need of smaller housing for 20 – 39 year olds.</p>

Matter	Urbanxchange s recommendation
	<p>Based on the projected demographic need for single person and smaller households (as outlined in section 4.2, Urbanxchange suggests the following:</p> <ul style="list-style-type: none"> <li>• Up to 40% x 1 bedroom</li> <li>• Up to 60% x 2 Bedroom</li> </ul>
<p>Location, in terms of site location and proximity to amenities, employment and transport</p>	<p>The site is close to all the required amenities to support affordable housing.</p>
<p>Integration, in terms of the physical build and local community</p>	<p>It is premature to determine whether the housing format should be within a standalone building, integrated within a mixed tenure building, or a blend of both outcomes. The developers will advise the location of the affordable housing dwellings at a future date.</p> <p>There is no substantive research to demonstrate that affordable housing, in the quantity being considered is preferred in either stand alone or salt and pepper.</p> <p>The affordable housing dwellings should be tenure blind.</p>
<p>The following official estimates of housing need:</p> <ul style="list-style-type: none"> <li>• Australian Bureau of Statistics Community Profiles</li> <li>• Census profiles for Victoria</li> <li>• Department of Health and Human Services Rental Report</li> <li>• Metropolitan regional housing plans to guide housing growth</li> <li>• Public housing waiting list (Victorian Housing Register list)</li> <li>• Victoria in Future data tables.</li> </ul>	<p>The data in section 4. and Attachment 1 of this report indicate that the need within Yarra is:</p> <ul style="list-style-type: none"> <li>○ For housing for those aged 20 – 39 years</li> <li>○ Housing for low to moderate income households</li> <li>○ Need for an increase in stock providing opportunities for younger people to who are on low to moderate incomes.</li> <li>○ Quality rental stock</li> </ul>

## 5.1 AFFORDABLE HOUSING TENURES

Affordable housing can cover many tenures, social rental, private rental, rent-to-buy, low cost purchase and purchase. It is important to recognise that the various tenure types will allow various sections of the community access to housing to meet needs from low to moderate income earners.

Outlined below are the many tenure types that can be applied to affordable housing.

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

- The dwelling must be offered for sale at or below a nominated 'affordable' price
- The dwelling must be offered for sale to eligible buyers
- The discount for affordable housing for the first purchaser is preserved for future purchasers.

In Victoria, The Nightingale housing model has a transparent process to documenting land purchase and development costs and, the purchase price is based on the development achieving a return of 20 per cent.

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

Under this model there is a system of controlling purchase price as well as mechanisms to prevent the first purchaser having a windfall gain at the expense of future owners. Title covenants have been developed that provide a formula for the resale of the property. The model recognises capital growth for each progressive purchaser/seller and it also recognises that the market opportunity provided to the first purchaser should be transferred.

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

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

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

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



Social housing is unlikely to be utilised by key workers but is necessary as part of the wider affordable housing spectrum.

## 5.2 MONITORING AFFORDABLE HOUSING CONTRIBUTION

1. If Build to Rent is agreed how does responsible authority satisfy itself that the tenants are eligible?

To achieve this Urbanxchange believes that an appropriate position would be:

- The tenant of the affordable housing must meet the Victorian Governments eligibility criteria as published in the GIC Orders at the time occupancy. This will be proven by evidence of income and a statutory declaration by the occupant noting income compliance at or below the threshold incomes with the GIC Orders at the time of occupancy. The property manager will have copies as evidence of both the income and statutory declaration. It is noted that it is a criminal offence to lie on a statutory declaration. Occupants of the dwellings should pay no more than 30% of income on affordable housing costs. The affordability is for occupants who meet the income eligibility criteria as set out in the GIC Orders at the time that occupancy commences. In this instance the affordable housing is targeted at moderate income earners.
- This can be capped at no more than 70% of market rent. Market rent can be defined by the market rents provided as assessed by an independent qualified valuer.
- The items that should be critical to the affordable housing tenant experience are:
  - that all the property and apartments are maintained to a high standard
  - the leases all comply with the Residential Tenancy Act
  - The occupants of the dwellings, at the commencement of the lease, meet the requirements of the GIC Orders at the time of occupancy
  - The rent charged are affordable being no more than 70% of market rent or 30% of income.

The question then is how the responsible authority get comfort that the above listed activities are occurring. It is proposed that the property manager complete a biannual attestation to the effect that all the above criteria are being met. The attestation can be submitted to responsible authority annually.

2. If affordable purchase is agreed how does responsible authority satisfy itself that the discount is applied and maintained and that the occupants are eligible?

To achieve this Urbanxchange believes that an appropriate position would be:

- The purchaser of the affordable housing must meet the Victorian Governments eligibility criteria as published in the GIC Orders at the time purchase. This will be proven by evidence of income and a statutory declaration by the occupant noting income compliance at or below the threshold incomes with the GIC Orders at the time of purchase.
- A covenant on title, similar to those recently implemented in The Commons Project in Brunswick, have been developed that provide a formula for the resale of the property that recognises capital growth for each purchaser but also recognises that the market opportunity provided to the first purchaser should be transferred. In addition, each purchaser must be an owner occupier.
- A Statutory Declaration process be implemented on purchasers purchasing the properties that requires:
  - Over 18 years of age;

- Resident of Melbourne;
- Not own property or land, and
- Currently be living in rental accommodation (public or private), or with family or friends, or be homeless.

For the avoidance of doubt, the prescribed terms for the affordable housing provisions and management are set out in the draft amended CDZ 1.

## 6 CITY OF YARRA STRATEGIC DIRECTION REVIEW

In November 2019 Council endorsed the City of Yarra Social and Affordable Housing Strategy.

The strategy goes on to identify four objectives as follows:

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

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

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

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

Strategic Direction 1 is applicable to this application and the mechanisms by which that will be addressed are outlined below.

SD1.1 Enhance Council policy and practice in regard to affordable housing agreements at significant developments

Table 10 - Application of Council Directions on Affordable Housing – SD1.1

Direction	Council Position	Urbanxchange Recommendation
<b>Direction 1.1.1</b>	<p>When land is rezoned to allow residential use, this positively impacts the site value and Council considers that it is reasonable to capture some of this value and direct it towards improving the provision of affordable housing in the municipality.</p> <p>Council will continue to seek provisions for at least 10% affordable housing to be transferred to a registered housing agency, <u>or an alternative of equal or better benefit, to the satisfaction of Council</u>, at the rezoning of land for residential use that allows more than 50 dwellings.</p>	<p>The developers will seek to deliver ten percent of the finished dwellings located within Doonside Precinct and River Boulevard Precinct, Lot 9 that is only triggered on approval of building height on Lot 9 above RL 38, as affordable housing and excluding the remainder of Victoria Gardens sites.</p> <p>Or any alternative delivery method providing that it demonstrates the total dollar value of the Affordable Housing Contribution is equivalent to not less than two per cent of the total market value of the total number of approved dwellings, to the satisfaction of the responsible Authority.</p> <p>Refer to the draft amended CDZ 1 for more detailed outline of the prescribed terms (Requirements for a Section 173 Agreement - Affordable Housing, condition 1).</p>
<b>Direction 1.1.2</b>	<p>Council expects that an affordable housing agreement will be reflected in the Development Plan Overlay (DPO) or a S173 until the conditions are met, or for a predefined number of years. The specific expectations are articulated in the Policy Guidance Note.</p>	<p>Refer to the draft amended CDZ 1 that prescribes the 'Requirements for a Section 173 Agreement for Affordable Housing including the terms and tenure. Refer page for 4 a summary of those terms.</p>

Direction	Council Position	Urbanxchange Recommendation
<b>Direction 1.1.3</b>	Council will continue to request Housing Diversity Reports from proponents and that these reports provide the information necessary for informed consideration. The specific expectations are articulated in the Policy Guidance Note.	This report is provided in response to the requirement.
<b>Direction 1.1.4</b>	<p>As articulated in the Policy Guidance Note, a range of households have been identified that fall within the definition of affordable housing and are unable to afford safe, secure and appropriate housing in the local market. These groups have specific needs – number of bedrooms, accessibility, supportive services etc. – which Council wants addressed at significant developments in Yarra. These households are:</p> <ul style="list-style-type: none"> <li>• homeless persons,</li> <li>• lower income renters,</li> <li>• Aboriginal and Torres Strait Islander people,</li> <li>• people with disabilities, and</li> <li>• key workers in the local economy.</li> </ul>	<p>The definition of affordability as set out in the Planning and Environment Act 1987, Section 3AA (i.e. very low, low and moderate income earners) should be applied in relation to any affordable housing provisions at the site. The application of all income categories is justified based on the demographics and housing need in the Yarra LGA.</p> <p>The data in section 4 and Attachment 1 of this report indicate that the need within Yarra is:</p> <ul style="list-style-type: none"> <li>○ For housing for those aged 20 – 39 years</li> <li>○ Housing for low-moderate income households</li> <li>○ Need for an increase in stock providing opportunities for younger people to who are on low to moderate incomes.</li> <li>○ Quality rental stock</li> </ul>
<b>Direction 1.1.5</b>	To demonstrate strategic justification, Council will publish up-to-date statistics on demand for affordable housing for the municipality to its website and make reference to these within the Policy Guidance Note	This is a Council requirement. However, we would refer to section 4 of this report.
<b>Direction 1.1.6</b>	<p>Council will investigate new assessment criteria for considering when an affordable housing requirement has been triggered (e.g. based on residential floor area, dollar value or dwelling yield).</p> <p>Upon completion, Council will consider whether the Policy Guidance Note is to be amended to include these assessment criteria.</p>	Refer above under item 1.1.1.
<b>Direction 1.1.7</b>	<p>Council will investigate whether there are particular circumstances where cash-in-lieu of dwellings delivered in-situ is either warranted or advantageous and how such funds could be managed (for instance a trust).</p> <p>Upon completion, Council will consider whether the Policy Guidance Note is to be amended to include this option.</p>	If the Victorian Government implements a levy for affordable housing through the planning scheme, the developer reserves its rights to provide the levy as an alternate to providing the dwellings on site.

Direction	Council Position	Urbanxchange Recommendation
<b>Direction 1.1.8</b>	Council will continue to be responsive and proactive with regards to any changes from other levels of government that open up new mechanisms or opportunities for achieving affordable housing outcomes through the planning system	<p>Given the changing economic and policy environment associated with affordable housing options it is recommended that a Section 173 Agreement is used as the mechanism during the update of the relevant planning controls (being the Comprehensive Development Zone and Plan) and town planning stage (via permit conditions) to deliver the affordable housing.</p> <p>The detailed wording of the Section 173 Agreement is to be resolved prior to the occupation of a specified stage of the project.</p>

Table 11 - Application of Council Directions on Affordable Housing – SD1.2

Direction	Council Position	Urbanxchange Recommendation
<b>Direction 1.2.1</b>	Council expects that any affordable housing should be tenure blind and integrated with market housing, meaning that subsidised and private dwellings should not be able to be readily differentiated through either their appearance, quality or amenity and should have equal access to all communal indoor and outdoor spaces.	Vicinity Centre and Salta note that the manager of the properties should decide what access is applicable.
<b>Direction 1.2.2</b>	Council expects affordable housing dwellings to promote high accessibility standards by being in accordance with <i>Livable Housing Design Guidelines</i> ’ Silver level or higher.	Vicinity Centres and Salta Properties agree with this position and commit to ensure that the provision of silver standard will be met.
<b>Direction 1.2.3</b>	Council expects affordable housing dwellings to be built to a high standard in terms of durability and energy-efficiency to decrease ongoing maintenance costs.	Vicinity Centre and Salta agree with this position and commit to ensure that the provision of affordable housing will be built to a quality to ensure affordable living.

## 7 CONCLUSION

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Consideration should be given to below market rental for key workers within Yarra. Based on mature markets overseas, the affordable rental option is likely to gain traction in Australia and help with the supply of housing across the housing spectrum. These mechanisms will require only partial or no government funding to achieve outcomes. Given the changing political environment and the extended period over which the development will take place, the affordable housing should be flexible to reflect the changing environment. The Doonside Precinct will generally seek to deliver ten percent of the finished dwellings as affordable housing (as outlined in the below affordable housing outcomes, and as per the draft amended CDZ 1 schedule).

Noting that a five percent of dwellings as affordable housing has been adopted as follows:

- Precinct 15 (City of Hobsons Bay) 5% (in planning controls)
- East Village (City of Glen Eira) 5% (S173 agreement)
- Fishermans Bend (City of Melbourne and City of Port Phillip) - 6% (in planning controls)
- City of Knox 5% (City of Knox, Affordable Housing Action Plan)
- City of Moreland 5% (City of Moreland Affordable Housing Action Plan)

It is noted that the development of the site will take place in stages. The affordable housing proposal for each stage (even if no affordable housing is to be supplied in the stage) should be included in the masterplan. The affordable housing should be tenure blind.

The proposed affordable housing outcomes could be considered as a number of options (as prescribed in the draft amended CDZ schedule 1):

1. Prior to issue of a certificate of occupancy for the development (or relevant stages of the development), the owner of the land (or another person anticipated to become the owner of the land) must enter into an agreement with the Responsible Authority pursuant to section 173 of the *Planning and Environment Act 1987* (the Agreement) to provide for the delivery of affordable housing (the Affordable Housing Contribution).

The agreement must include terms that provide for the manner in which the Affordable Housing Contribution is to be made, including when and how the contribution is to be made.

The Agreement must, subject to the limitation set out in clause 1d) in respect to Lot 9, specify that the Affordable Housing Contribution will be delivered by one or a combination of the following methods, all to the satisfaction of Responsible Authority:

- a. Sale of not less than **ten per cent** of the total number of approved dwellings at a discount to market value of not less than **20 per cent**:
  - i. To a Registered Housing Agency; or
  - ii. to Eligible Households in accordance with an Affordable Housing Management Plan approved pursuant to condition 3 below; or
- b. Lease of not less than ten per cent of the total number of approved dwellings at a discount to market value of not less than 30 per cent, for not less than 12 years from the occupation of the dwellings:
  - i. To a Registered Housing Agency; or
  - ii. To Eligible Households in accordance with an Affordable Housing Management Plan approved pursuant to condition 3 below; or
- c. Any alternative delivery method providing that it demonstrates the total dollar value of the Affordable Housing Contribution is equivalent to not less than two per cent of the total market value of the total number of approved dwellings, to the satisfaction of the responsible Authority.
- d. In respect to Lot 9, the requirement for an Affordable Housing Contribution is only triggered on approval of building height on Lot 9 above RL 38.

For the purpose of the Agreement:

- 'Eligible Household' means a household that meets the threshold for a very low income household, low-income household or moderate income household, consistent with Section 3AB of the *Planning and Environment Act 1987*.
  - 'Affordable Housing' has the same meaning as any definition of that phrase contained within the *Planning and Environment Act 1987*.
  - 'Market Value' means the value of a Dwelling as determined by an independent, qualified Valuer.
2. Prior to issue of a certificate of occupancy for the development (or relevant stages of the development), the owner of the land must:
- a. do all things necessary to enable the Responsible Authority to register the agreement with the Registrar of Titles in accordance with section 181 of the *Planning and Environment Act 1987*; and
  - b. pay to the Responsible Authority its costs and disbursements incurred in relation to the negotiation, preparation, execution and registration of the agreement on the certificate of title to the land.

The Affordable Housing Management Plan should be as follows:

- 1. Prior to issue of a certificate of occupancy for the development (or relevant stages of the development), an Affordable Housing Management Plan (the Plan) must be submitted to and approved by the Responsible Authority. When approved, the plan will form part of this permit. The plan must include the following detail, all to the satisfaction of the Responsible Authority:
  - a. Delivery of the Affordable Housing managed, leased and sold in accordance with permit condition 1 through an appropriately monitored management arrangement;
  - b. A framework for regular reporting to the Responsible Authority (for example biannually) to demonstrate ongoing compliance with the approved Plan;
  - c. Detail of all dwellings leased by the landowner as affordable housing, including the quantity and type of dwellings (e.g. 1

bedroom or studio), including details of any changes to the pool of leased dwellings;

- d. Detail on the annual cost of rent for each dwelling and a demonstration that the rental rate is consistent with the prescribed income ranges declared under Section 3AB of the *Planning and Environment Act 1987*;
- e. Any other details required to demonstrate compliance with any Section 173 Agreement applying to the land that relates to affordable housing.

This requirement doesn't not apply to affordable housing sold or leased to a Registered Housing Agency in accordance with condition 1.



## 8 ATTACHMENT 1 – OVERVIEW OF AUSTRALIAN HOUSING

Australian dwelling prices have grown much faster than incomes, particularly since the mid-1990s. Long-term, prices have risen rapidly in all cities and most regions, although there are variations from year to year.<sup>7</sup> Average prices have increased from about two to three times' average disposable incomes in the 1980s and early 1990s, to about five times more recently<sup>8</sup>. Median prices have increased from around four times' median incomes in the early 1990s to more than seven times today (and more than eight times in Sydney)<sup>9</sup>.

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

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

Home ownership rose rapidly in Australia in the early 1950s, from about 50 per cent to 70 per cent. Overall home ownership remained around 70 per cent for the

next 50 years; a slight decline during the past decade saw it fall to 67 per cent in 2016.

But the ageing of the Australian population has concealed a greater fall in home-ownership rates during the past 20 years for all but the oldest households. Younger Australians have always had lower incomes and less accumulated savings, hence lower home-ownership rates. But between 1981 and 2016, home ownership rates among 25-34 year olds fell from more than 60 per cent to 45 per cent (see Figure 4). Only some of this is the result of people starting work, forming long-term partnerships, and having children later in life. Ownership of one's own home has also fallen for middle-age households, suggesting that most of the fall in home ownership is due to higher dwelling prices rather than changing preferences for home ownership among the young.

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

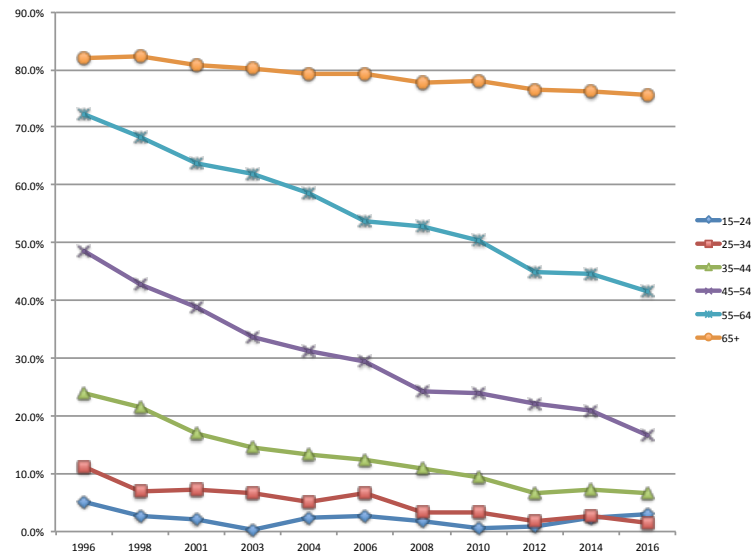
<sup>7</sup> Stapledon (2012).

<sup>8</sup> C. Kent (2013); Ellis (2017a); and Fox and Finlay (2012).

<sup>9</sup> The median dwelling price compared with median household disposable income is the best price-to-income measure, but median measures are often not as readily available as

average measures: CoreLogic (2016). Other price-to-income measures are even higher due to differences in measuring incomes and prices (for example, Demographia (2017) calculates Sydney has a price-to-income ratio of 12).

Figure 4 - Home ownership rates via age groups (%)



This is further extrapolated to home ownership rates by age and income in 1981 and 2016 and reviewed against the quintiles as was done by Burke<sup>10</sup>, the resultant information shows a dramatic fall in home ownership among the 25-34 age group, particularly for those at or below the median, as shown Table 12.

If

Table 12. Home ownership rates by age and income, 1981 and 2016 (%)

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

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

Existing trends suggest that a greater proportion of people reaching retirement age will be renting and that more of them will depend on the private rental market rather than social and public housing (Table 13).

<sup>10</sup> Burke et al. (2014). Burke, T., Stone, W. and Ralston, L. *Generational change in home purchase opportunity in Australia*. 232. Australian Housing and Urban Research Institute

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

Table 13. Percentages of households that own home outright, by age group

Year	15-24	25-34	35-44	45-54	55-64	65+
1996	5.1	11.1	23.9	48.5	72.2	81.9
1998	2.6	7.1	21.4	42.8	68.2	82.4
2001	2.0	7.2	17.1	38.8	63.9	80.7
2003	0.3	6.8	14.5	33.6	62.0	80.2
2004	2.4	5.0	13.4	31.4	58.6	79.2
2006	2.7	6.5	12.4	29.3	53.7	79.2
2008	1.8	3.4	10.8	24.2	52.8	77.8
2010	0.6	3.3	9.3	23.9	50.3	78.1

Year	15-24	25-34	35-44	45-54	55-64	65+
2012	0.8	1.8	6.8	22.1	45.0	76.4
2014	2.5	2.7	7.4	21.0	44.6	76.3
2016	3.0	1.5	6.5	16.6	41.6	75.5

The Grattan Institute report *The wealth of generations*<sup>11</sup> showed that today's generation of young Australians are at increasing risk of being worse off than their parents. Older Australians are capturing a growing share of the nation's resources.

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

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

<sup>11</sup> Daley et al. (2014). Daley, J., Wood, D., Weidmann, B. and Harrison, C. *The wealth of generations*. Report No. 2014-13. Grattan Institute

Table 14. Percentage of 20-34 year olds who are the head of their household

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

Table 15 of housing tenure across Australia cities shows the fall in outright ownership and even ownership with a mortgage. The growth of rental housing in our two biggest cities is also evident.

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

Table 15 – Change in housing tenure in Australian Capital Cities from 2011 to 2016 census data

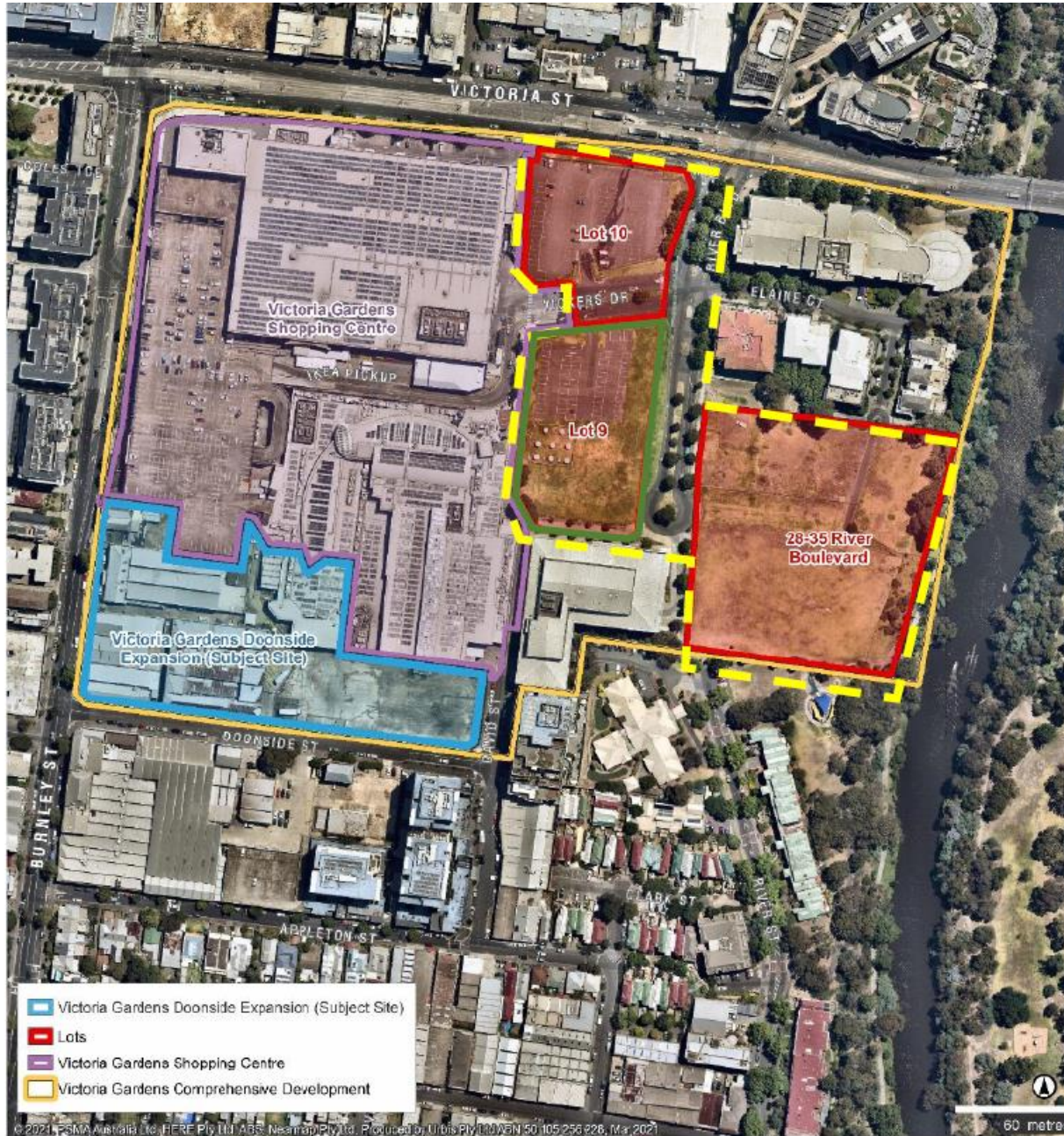
Tenure	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart
Owned outright	2.24%	2.54%	4.26%	0.96%	5.12%	1.88%
Owned with a mortgage	1.88%	7.37%	4.39%	3.65%	13.73%	2.23%
Rented:	12.98%	17.35%	11.07%	6.23%	5.80%	7.41%
Social	-1.01%	-0.10%	-3.30%	-9.99%	-5.01%	-4.98%
Private	15.61%	19.53%	13.20%	11.41%	7.68%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

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

## 9 ATTACHMENT 2 – ZONE OVERLAY MAP

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### Victoria Gardens Expansion (Legend)



**Doonside Expansion** – referred to as ‘Doonside Precinct’ (subject site, including affordable housing provision within report)



**River Boulevard Precinct** (lot 9/ 10 & 28-35 River Boulevard)



**Lot 9** (added subject site, including introduction of affordable housing . The requirement for an Affordable Housing Contribution is only triggered on approval of building height on Lot 9 above RL 38.)



**Existing Victoria Gardens Shopping Centre**