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Affordable Housing Report 28 Hope Street Glen Iris

March 2024



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1 EXECUTIVE SUMMARY

Time and Place is proposing a development at 173 Bourke Road and 28 Hope Street Glen Iris. It is proposed to develop 58 apartments on the site, together with a Woolworths and associated car parking. The site at 173 Bourke Road/28 Hope Street Glen Iris is under the City of Stonnington planning scheme.

Time and Place intends to develop a high-quality mixed-use precinct that reflects the changing nature of the Glen Iris environment.

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. In addition, 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.

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.

The recently released Victoria's Housing Statement 2024 – 2034 and associated amendment to the planning scheme via clause 53.23-3 application requirement with consideration of 10% affordable housing.

It is on this basis that the provision of affordable housing is being considered for the site. It is proposed to build a standalone 6 apartment building for affordable housing purposes.

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 Stonnington are:

- Home ownership rates among 25-34 year olds has fallen from more than 60 per cent (1991) to 45 per cent (2016). 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 olds¹.
- City of Stonnington has a higher proportion of the population represented in 65 years plus
- Housing tenure shows that Stonnington has a higher proportion of properties for for rent and a lower percentage of properties mortgage or owned compared to Greater Melbourne.
- The City of Stonnington has income ranges for the high income but is underrepresented in very low, low to moderate income earners.
- Workers need for the community of Stonnington are under represented within Stonnington and travel into the municipality.

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

- How do you grow the affordable housing in Stonnington?
- 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?

¹ 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 Federal Government has just closed the first of several rounds of funding for social and affordable housing. It is also considering many initiatives concerning affordable housing. This provides opportunity for the implementing of initiatives on a project such as this were the developer or its partners to be successful in securing the required grants. This would provide opportunities for affordable housing in multiple tenure types to meet the needs of the low to moderate income earners.

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. The discount for affordable housing for the first purchaser is preserved for future purchasers.

Shared equity – the essential feature of all shared equity models is that the buyer shares the capital cost of purchasing a home with an equity partner, thereby permitting households to buy homes with lower income levels than would otherwise be required.

Affordable rental via Build to Rent – developers, including Housing Associations and their financiers build dwellings and, instead of selling them, retain them to let to tenant households. Rents are at an appropriate discount to market rents.

Rent to buy – the homes are offered at a reduced rent for a minimum of five years and let on assured short-hold tenancies for a fixed term. The model being adapted in Australia is that, after five years of renting, the tenant has first option to purchase the dwelling at the price agreed at the commencement of the five years.

Social housing – this is housing owned by a state government or by a Registered Housing Agency.

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
Assisted home ownership	<ul style="list-style-type: none"> Shared equity Rent to buy Affordable purchase 	<ul style="list-style-type: none"> Moderate income earners – 25-39 years
Below market rental	<ul style="list-style-type: none"> Build to rent 	<ul style="list-style-type: none"> Low to moderate income earners – 20-45 years
Social Housing	<ul style="list-style-type: none"> Housing Associations, including bond aggregators SDA 	<ul style="list-style-type: none"> Low to very low income groups – all age groups – particularly the ageing community and those with disabilities

Key aspects to consider in facilitating affordable housing outcomes are:

- The contribution is clearly at 10% of the total apartments/dwellings being offered
- Different tenure types all provide opportunity to address the affordable housing need in Stonnington
- Tenure types can only be pursued if there is a commercial basis and model to do so; this is particularly relevant to the shared equity and rent to buy models.

The proposal at Hope Street is providing 6 apartments as affordable housing as a part of the greater development 173 Bourke Road. The question is the tenure of the 6 apartments. The Federal and State Government implementation plans for affordable housing requires that flexibility be achieved in the provision of affordable housing until more details are known about grant opportunities and planning certainty.

The design of the development has been mindful, on the Hope Street site, of blending with the existing community. A stand-alone building has been placed on the site with 6 apartments which are a blend of 1 and 2 bedroom dwellings.

The adoption of the affordable housing as proposed at Hope Street position should be via a Section 173 Agreement and should subsequently set out further details including:

- Term of use
- Timeframes for delivering the obligation
- How the delivery model will result in dwellings that are appropriate for eligible households with regards to each of the matters under the Act.

The Section 173 should be accompanied by an Affordable Housing Management Plan. The Affordable Housing Management Plan should include:

- The proposed affordable housing delivery mechanism ie build to rent etc
- Possible ongoing reporting to the responsible authority
- The profile of the proposed occupiers of the affordable housing.

The Section 173 must be entered, and the Affordable Housing Management Plan agreed prior to the certificate of occupancy being issued for the 55 apartments for private sale.

2 PROPOSED AFFORDABLE HOUSING PROPOSAL

There are a number of questions that need to be addressed in providing the affordable housing for a project such as that proposed at 173 Bourke Road and 28 Hope Street Glen Iris. The questions that need to be addressed:

- What is required to meet the planning requirements for affordable housing?
- What is the affordable housing proposal?
- What is the affordable housing contribution?
- When do you provide it?
- What is the appropriate location of the affordable housing?
- How do you monitor the affordable housing?

2.1 PLANNING SCHEME REQUIREMENTS

The Victorian Government affordable housing reform's purpose was to increase affordable housing through local councils seeking a "voluntary" affordable housing contribution, as part of planning approval processes². The legislated definition of affordable housing and the associated Governor in Council (GIC) Orders set out the income bands for individuals and households. The Planning and Environment Act 1987, Section 3AA(2) provides the details of the requirements.

The recently released Victoria's Housing Statement 2024 – 2034 and associated amendment to the planning scheme via clause 53.23-3 application requirement with consideration of 10%.

2.2 PROPOSED AFFORDABLE HOUSING

It is proposed that an affordable housing clause be inserted into the permit as follows:

The agreement must provide for an Affordable Housing Contribution defined as 10 per cent of dwellings provided as ;

- i) Provision of dwellings at a 30% discount to market value to a registered housing agency;*
- ii) Long-term leasing of dwellings to eligible households at a 25% discount to market rent for a period of 20 years,*
- iii) Purchasing of dwellings to eligible households at a 25% discount to market rent on long term covenant;*
- iv) Any other model as agreed by the responsible authority.*

The Section 173 Agreement should subsequently set out further details including:

- Term of use;
- Timeframes for delivering the obligation;
- How the delivery model will result in dwellings that are appropriate for eligible households with regards to each of the matters under the Act.

The Section 173 should be accompanied by an Affordable Housing Management Plan. The Affordable Housing Management Plan should be as follows:

1. Prior to issue of a certificate of occupancy for the development at 173 Bourke Road (or relevant stages of the development), an Affordable Housing Management Plan (the Plan) must be submitted to and

² <https://www.dhhs.vic.gov.au/delivering-social-housing-affordable-housing-contribution>

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 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 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*;
- d. Any other details required to demonstrate compliance with any Section 173 Agreement applying to the land that relates to affordable housing.

2.3 AFFORDABLE HOUSING CONTRIBUTION

The proposal at Hope Street is providing 6 apartments as affordable housing as a part of the greater development 173 Bourke Road. The question is the tenure of the 6 apartments.

2.4 TIMING

The affordable housing must be made available for occupancy at the completion of construction.

2.5 LOCATION

The affordable housing should be tenure blind, that is indistinguishable from all the other housing.

Urbanxchange does not believe that salt and pepper is necessary in such development. There is no substantive research that suggests that salt and pepper or cluster is advantageous for the occupants in a development such as is proposed and, when considering such a small number of units. Developments such as The Merchant at Victoria Harbour and The Nicholson, both have

affordable housing for key workers that is provided in clusters, not salt and pepper.

2.6 HOW DO YOU MONITOR THE AFFORDABLE HOUSING

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.

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.
- This can be capped at no more than 75% of market rent. Market rent can be established by an independent valuation.
- The question then is how the Council get comfort that the 75% is fair and reasonable. It is proposed that the position taken by NRAS subsidies be adopted, that is every 5years the property manager commissions a valuation that notes what the full rent for the apartments would be. A copy can be provided to responsible authority.
- 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 75% 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 an annual attestation to the effect that all the above criteria are being met. The attestation can be submitted to responsible authority annually.

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 purchaser noting income compliance at or below the threshold incomes with the GIC Orders at the time of purchase.
- A covenant on title, like 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.

3 BACKGROUND

Time and Place is developing 173 Bourke Road Glen Iris for a Woolworths Supermarket, 58 large apartments targeted at the own occupier market and associated car parking. Time and Place has the adjoining site at 28 Hope Street Stonnington which it can develop 6 apartments as walk-ups. It is these 6 apartments that Time and Place wishes to submit as affordable housing units.

Time and Place wishes to submit an affordable housing report with its town planning application that outlines the approach to affordable housing and how it will be applied.

The City of Stonnington *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.

It is also noted that the report has been written at a time of significant political and economic change, particularly as it applies to affordable housing. Both Federal and State Governments are implementing a variety of commercial models to assist in the provision of housing that is affordable.

4 DEFINITIONS AND STRATEGIC CONTEXT

4.1 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.

4.2 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*
- *Outline of housing need:*

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.

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:

Table 2 - Governor in Council Orders, July 2023

	Very low income range (annual)	Low income range (annual)	Moderate income range (annual)
Single adult	Up to \$29,770	\$29,771 to \$47,630	\$47,631 to \$71,450
Couple, no dependents	Up to \$44,650	\$44,651 to \$71,450	\$74,451 to \$107,170
Family (with one or two parents) and dependent children	Up to \$62,510	\$62,511 to \$100,030	\$100,031 to \$150,030

4.3 CITY OF STONNINGTON

Stonnington Council, does not have an articulated social and affordable housing platform, aside from the general requirements in the planning scheme.

4.4 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.

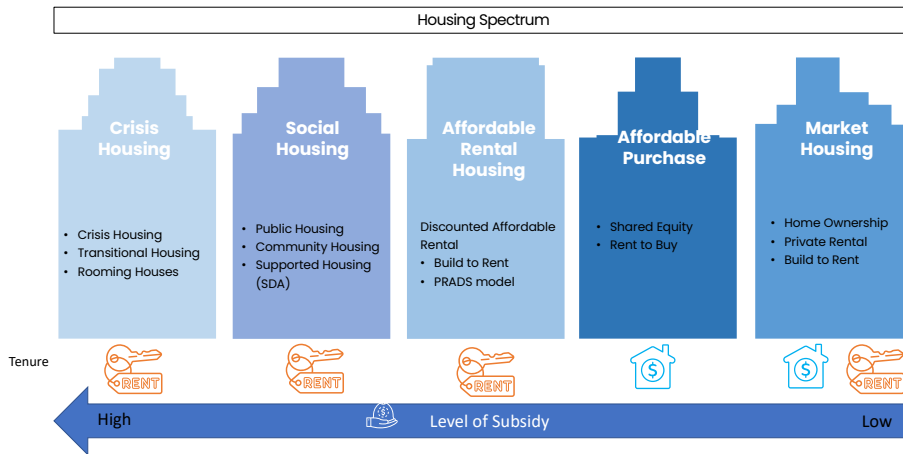


Figure 1 - Income ranges to affordable housing models and depth of subsidy

In applying any affordable housing outcomes, they are different depending on the identified occupiers as shown

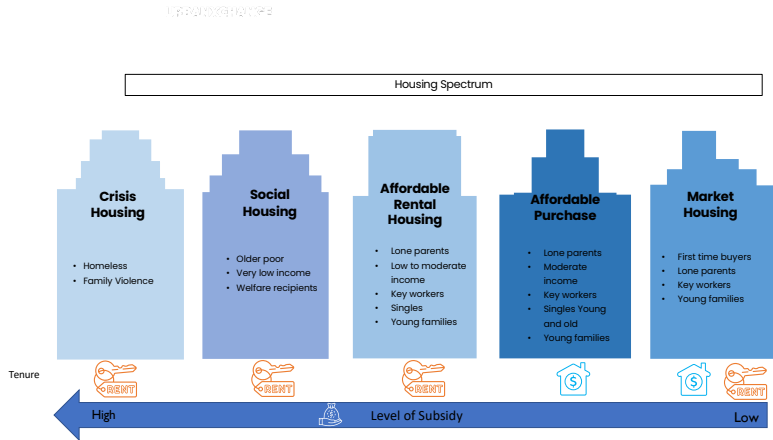


Figure 2 – Occupiers of affordable housing

All of the models shown in Figure 1 may be applicable in Stonnington, 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, PRADS model and a reinvented NRAS
- Public, community and indigenous, which would include public housing development and renewal projects or bond aggregators
- Crisis housing.

5 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 Melbourne are noted below.

5.1 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 year³. Average prices have increased from about two to three times average disposable incomes in the 1980s and early 1990s to about five times more recently⁴. 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)⁵.

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).

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

³ Stapledon (2012).

⁴ C. Kent (2013); Ellis (2017a); and Fox and Finlay (2012).

⁵ 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.

5.2 OVERVIEW OF POPULATION AND HOUSING ISSUES IN THE STONNINGTON COUNCIL

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

Analysis of the five year age groups of the City of Stonnington in 2021 compared to Greater Melbourne shows that there was a lower proportion of people in the younger age groups (under 9) It has a higher proportion of those aged 65 years of age plus.

Table 3 Population of Melbourne/Stonnington via age categories (2021)

Five year age groups	Stonnington Number	Stonnington %	Greater Melbourne %
0 to 4	3,950	3.8	5.9
5 to 9	3,859	3.7	6.3
10 to 14	4,206	4	6
15 to 19	4,609	4.4	5.6
20 to 24	8,189	7.8	6.7

Five year age groups	Stonnington Number	Stonnington %	Greater Melbourne %
25 to 29	12,574	12	7.8
30 to 34	11,172	10.7	8.2
35 to 39	8,650	8.3	8
40 to 44	6,394	6.1	6.9
45 to 49	6,131	5.9	6.5
50 to 54	6,496	6.2	6.3
55 to 59	5,595	5.3	5.7
60 to 64	5,086	4.9	5.1
65 to 69	4,579	4.4	4.4
70 to 74	4,398	4.2	3.9
75 to 79	3,447	3.3	2.8
80 to 84	2,630	2.5	2
85 and over	2,749	2.6	2

In the City of Stonnington, 27.3% of the population earned an income of \$2,000 or more per week in 2021.

Individual income levels in City of Stonnington 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).

What is evident from the data is that there is an underrepresentation in Stonnington of very low, low and moderate income earners. This is further evident in the household incomes where some 35.1% of households in Stonnington 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 Stonnington and Greater Melbourne were:

- A larger percentage of households who earned \$4,500 - \$4,999 (8.6% compared to 4.6%)
- A larger percentage of households who earned \$6,000 - \$7,999 (5.9% compared to 2.9%)
- A larger percentage of households who earned \$8,000 or more (3.6% compared to 1.0%)
- A smaller percentage of households who earned \$2,500 - \$2,999 (5.3% compared to 7.6%)

Reviewing the individual and household income data shows that the group aged over 40 years of age who are a large part of the Stonnington population are also high to very high income earners.

An analysis of the jobs held by the resident population in City of Stonnington in 2021 shows 61% of the population were either :

- Professionals (25,201 or 41.1%)
- Managers (12,218 or 19.9%)

This is shown on the figure below. Further this figure suggests that those members of the community who support Stonnington such as community workers, trades etc are living outside the municipality and those employed outside of Stonnington travelling into the municipality for employment.

Analysis of the employment status (as a percentage of the labour force) in the City of Stonnington compared to Greater Melbourne shows that there was a higher proportion in employment, 69.1% compared to 62.4%, and a lower proportion unemployed. Overall 62.7% worked full-time and 27.8% part time.

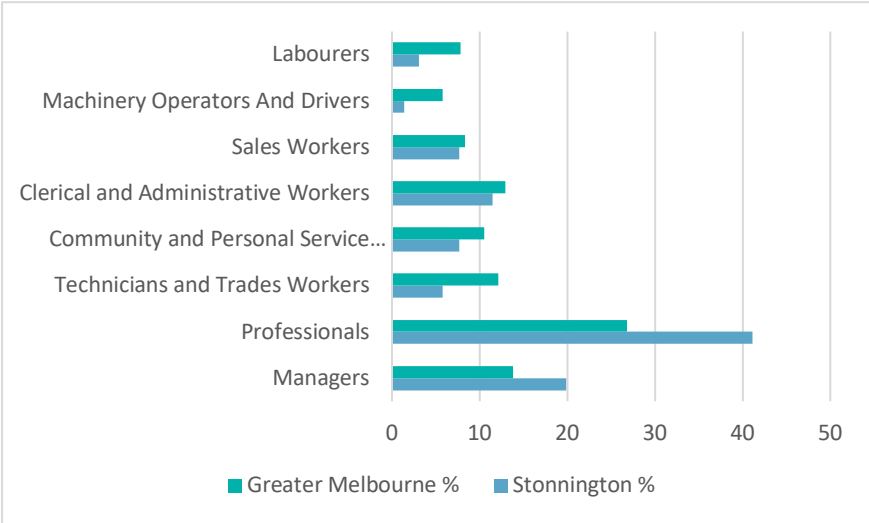


Figure 3 - Stonnington professions compared to Greater Melbourne

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

Table 4 Household sizes in Stonnington against Greater Melbourne (2021)

Number of persons usually resident	Stonnington %	Greater Melbourne %
1 person	39.2	24.8
2 persons	35.2	31.3
3 persons	11.6	16.9
4 persons	9.8	17.2
5 persons	3.4	6.6
6 or more persons	0.8	3.2

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

- A larger percentage of households with 1 person usually resident (39.2% compared to 24.8%)
- A smaller percentage of households with 6 or more persons usually resident (0.8% compared to 3.2%)
- A smaller percentage of households with 3 persons usually resident (11.6% compared to 16.9%)

In reviewing the house sizes in Stonnington 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 5 Household compositions in Stonnington against Greater Melbourne (2021)

Number of bedrooms	Stonnington %	Greater Melbourne %
1 bedroom	19.2%	6.0
2 bedroom	37.1%	19.7
3 bedroom	23.8%	38.0
4 bedroom	11.2%	26.0
5 bedroom plus	3.9%	5.6

When comparisons are drawn 74.4% of households are noted as lone person or couples without children but only 56.3% of dwellings are one or two bedrooms.

This, together with the ageing population, suggests that an increase in 1- and 2-bedroom dwellings is important to meet the current and projected growth in lone and couple households. The data indicates that older members of the community are remaining in large family homes because alternate housing is not available or moving costs are prohibitive. The data also suggests that there is insufficient rental properties for younger people.

5.3 POPULATION AND HOUSING PROJECTIONS FOR MELBOURNE

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 6 – National Housing Supply Council forecasts of household types

Household	2012	2013	2014	2019	2029	Trending	
2xparent family	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%	↓
1xparent Family	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%	↓
Couples no children	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%	↔
Lone person	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%	↑
Group	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 Stonnington 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 Stonnington population forecast for 2023 is 114,555, and is forecast to grow to 137,725 by 2036, this 20.2% plus growth.

This increase in population is also matched by an increase in the number of households from 51,157 in 2021 census to a predicted 65,029 in 2036. The size of households is expected to remain steady at 2.04 – 2.05 people per household.

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

The question that arises where will there be a supply of housing that is affordable for low to moderate income earners who are in the 20 – 39 year age groups?

6 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 processes⁶. 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 4 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 on the Hope Street development site.

Table 7- 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 low to moderate income categories is justified based on the demographics and housing need in the Stonnington LGA. It is further supported by the extent to which people in this income group travel into the Stonnington LGA for work.</p> <p>To address the matter of eligibility, it will be incumbent upon the operator of the affordable housing to ensure that the occupants meet the income eligibility criteria as set out in the GIC Orders at the time that occupancy commences. This can be achieved by evidence of income of the occupier accompanied by an executed Statutory Declaration from the occupier noting that they are within the specified GIC Income criteria when occupying the property.</p>

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

Matter	Urbanxchange s recommendation
<p>Affordability (in terms of the capacity for very low income, low income and moderate income households that it is intended for)</p>	<p>Occupants of the dwellings should pay no more than 30% of income on affordable housing costs. The affordability is for occupants who meet the income eligibility criteria as set out in the GIC Orders at the time that occupancy commences. In this instance the affordable housing is targeted at moderate income earners.</p> <p>The position of 30% was established by AHURI (Yates and Gabriel, 2006) and has been adopted by all levels of government and the broader housing industry as an agreed position.</p>
<p>Longevity (in terms of the public benefit of the provision)</p>	<p>The affordable housing should be provisioned for 20 years, via agreed mechanisms that have a time limit of 25 years from initial occupancy.</p> <p>The longevity of ownership to the actual site cannot be in perpetuity as financial institutions will not finance projects with this condition. Nor in some instances of tenure type will they consider beyond 25 years.</p>
<p>Tenure</p>	<p>Urbanxchange suggests that the following range of potential tenure solutions:</p> <ul style="list-style-type: none"> • Affordable purchase • Shared Equity • Rent to buy (private) • Build to Rent (either private or RHA) • Social Housing <p>It is noted that the City of Stonnington has a desire to lift social housing in its municipality to 3.3% of all dwellings.</p> <p>The identified group of 20 – 39 years with low to moderate income earners may not be in a position to pursue rent to buy. Unless a highly commercialised/mainstream model of rent to buy is available at the time the affordable housing it would not be suitable.</p> <p>In addition, the possible extended time frame (possible 3 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>
<p>Type of housing, in terms of form and quality</p>	<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> <p>It is Urbanxchange’s view that the proposed blend of 1 and 2 bedroom is appropriate and meets the needs of the demographic review.</p>

Matter	Urbanxchange s recommendation
Location, in terms of site location and proximity to amenities, employment and transport	The site is close to all the required amenities to support affordable housing.
Integration, in terms of the physical build and local community	The affordable housing dwellings should be tenure blind.
<p>The following official estimates of housing need:</p> <ul style="list-style-type: none"> • 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. 	<p>The data indicates that the need within Melbourne is:</p> <ul style="list-style-type: none"> ○ For housing for those aged 20 – 39 years ○ Housing for low-moderate income households ○ Need for an increase in stock providing opportunities for younger people to who are on low to moderate incomes. ○ Quality rental stock

6.1 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.

Restricted purchase – price controlled housing that is made available for purchase by those on defined incomes. The key principles are that:

- The dwelling must be offered for sale at or below the appropriate 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, either in perpetuity or for a fixed period of time.

Shared equity – the essential feature of all shared equity models is that the buyer shares the capital cost of purchasing a home with an equity partner, thereby permitting households to buy a home with lower income levels (and a lower mortgage) than would otherwise be required.

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.

Rent to buy – the homes are offered at a reduced rent, to eligible tenants/purchasers, for a minimum of five years and let on assured short-hold tenancies for a fixed term. The model being adopted in Australia is that, after five years of renting, the tenant has first option to purchase the dwelling at a price agreed at the commencement of the five years. If the tenants do not want to buy, the landlord can retain the property as rented housing or sell it on the open market.

7 STRATEGIC DIRECTION REVIEW

To address the affordable housing, the following is recommended as the clause:

It is proposed that an affordable housing clause be inserted into the permit as follows:

The agreement must provide for an Affordable Housing Contribution defined as 10 per cent of dwellings provided as ;

- i) Provision of dwellings at a 30% discount to market value to a registered housing agency;*
- ii) Long-term leasing of dwellings to eligible households at a 25% discount to market rent for a period of 20 years,*
- iii) Purchasing of dwellings to eligible households at a 25% discount to market rent on long term covenant;*
- iv) Any other model as agreed by the responsible authority.*

The Section 173 Agreement should subsequently set out further details including:

- Term of use;
- Timeframes for delivering the obligation;
- How the delivery model will result in dwellings that are appropriate for eligible households with regards to each of the matters under the Act.

The Section 173 should be accompanied by an Affordable Housing Management Plan. The Affordable Housing Management Plan should be as follows:

1. Prior to issue of a certificate of occupancy for the development at 173 Bourke Road (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 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 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*;
 - d. Any other details required to demonstrate compliance with any Section 173 Agreement applying to the land that relates to affordable housing.

The inclusion of a Housing Association as the manager of the housing, it is assumed, is to ensure ongoing affordability. We would suggest that the affordability can be achieved by the inclusion of a section 173 that addresses:

Table 8 - Matters for consideration for S173

Concern	Address
Longevity	The S173 can be nominated to be applied for a period of 20years.
Quantity	The affordable housing will be 10% of the finished dwellings.
Eligibility	The occupier must meet the Victorian Governments eligibility criteria as published at the time occupancy, this will be proven by evidence of income and a statutory declaration. The property manager will have copies to evidence both the income and statutory declaration
Rent	No affordable housing tenant will pay more than 30% of income or a maximum of 75% of market rent. The property manager, through accounting records will need to demonstrate that the rent is being collected at the no more than the above rates.

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.⁷ Average prices have increased from about two to three times' average disposable incomes in the 1980s and early 1990s, to about five times more recently⁸. 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)⁹.

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.

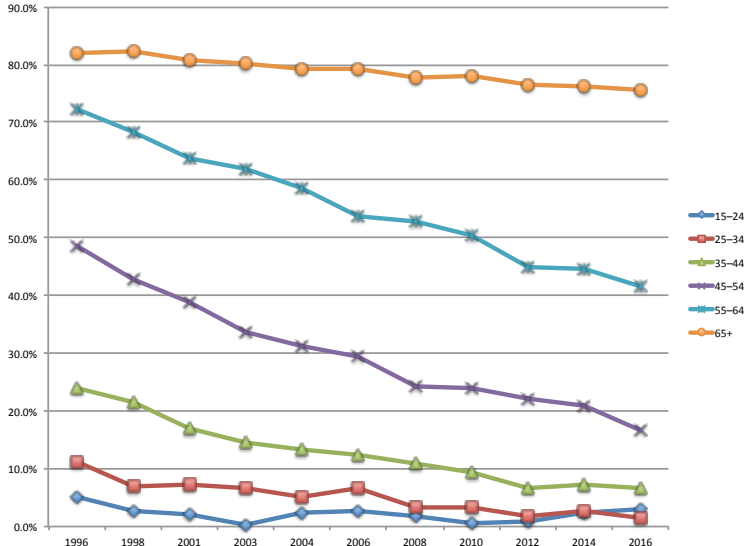
⁷ Stapledon (2012).

⁸ C. Kent (2013); Ellis (2017a); and Fox and Finlay (2012).

⁹ 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 (%)



If

Table 9. 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
Lowest 20	62.7	22.7	67.1	36.8	69.9	47.7	76.6	60.5
21 - 40	52.0	34.1	65.5	52.8	72.3	61.6	78.5	70.8
41 - 60	62.3	45.6	76	65.9	77.4	73.5	82.4	80.5
61- 80	65.1	49.6	79.8	70.0	82.5	78.6	86.4	84.1
81+	62.5	55.1	79.9	72.0	87.6	82.1	88.3	87.8

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 Burke¹⁰, 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 9.

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.

¹⁰ 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

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 10).

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 10. 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

Year	15-24	25-34	35-44	45-54	55-64	65+
2008	1.8	3.4	10.8	24.2	52.8	77.8
2010	0.6	3.3	9.3	23.9	50.3	78.1
2012	0.8	1.8	6.8	22.1	45.0	76.4
2014	2.5	2.7	7.4	21.0	44.6	76.3
2016	3.0	1.5	6.5	16.6	41.6	75.5

The Grattan Institute report *The wealth of generations*¹¹ 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.

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

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

Table 11. 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 12 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 12 – 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.figure.