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Affordable Housing Report 409 Clayton Road Clayton

October 2020



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1 EXECUTIVE SUMMARY

Auriton Group (Auriton) as the Developer is seeking to redevelop the site at 409 Clayton Road Clayton (site), within the City of Monash. The site is within the Clayton Activity Centre and Council is in the process of a planning amendment/structure plan to reflect the activity centre. The proposed development will be a mixture of commercial space and apartments. The masterplan is currently providing for a yield of 152 dwellings.

Auriton 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.

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 Monash 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 old's, 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.
- City of Monash has a higher proportion of the population represented in 20 – 24 and 60 plus year olds. Where are the 25 – 39 years old's?
- Housing tenure shows that Monash has a higher proportion of properties with outright ownership and a lower percentage of for rent compared to Greater Melbourne.

The City of Monash recognises that affordable housing matters. Although it does not have a fixed percentage of dwellings to be delivered as affordable housing within new developments, it does seek housing that is appropriate and that will add to the diversity and quality of housing stock in the area. It is noted the City of Monash's has a Draft Affordable Housing Strategy.

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?

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

Rent to buy – These homes are offered for rent to eligible purchasers for a minimum of five years and are let on assured short-hold tenancies for a fixed term with an agreed purchase price. The model being adapted 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.

Affordable purchase – Price-controlled housing for purchase that is accessible to purchasers on defined incomes. The key principles are that:

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

Shared equity – The essential feature of a shared equity model is that the purchaser shares the capital cost of buying a home with an equity partner, thereby enabling households to buy a home with a lower income level 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. 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 units or apartments and hold the completed dwellings for extended periods.

The application of these models for affordable housing to income groups is shown below.

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
Public, community or indigenous housing	<ul style="list-style-type: none"> • Public/state housing and associated renewal programmes • Housing Associations, including bond aggregators 	<ul style="list-style-type: none"> • Low to very low income groups – all age groups – particularly the ageing community and those with disabilities

Consideration should be given to assisted affordable purchase and rental. Based on mature markets overseas, the assisted purchase and affordable rental options are likely to gain traction in Australia and help with the supply of housing across the housing spectrum. These mechanisms will require 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 and seek to deliver as close to five per cent of the finished dwellings.

The five percent of dwellings has been nominated based on the following precedence:

- 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 proposed that the development of the site will facilitate the equivalent of 10% affordable housing based on apartments up to level 13 and 5% of social housing dwellings for dwellings above level 13 of the building.

The provision of 10% affordable housing that provides for affordable housing outcomes that will provide opportunities to low to moderate income earners in the 20 – 39 year age groups on levels below level 13 of the building. This will provide 10 apartments. The proposed opportunity is based on applicability to meeting the target group needs:

1. Affordable housing for purchase with covenants. Purchase will be restricted to people who meet an agreed criterion for a price deemed affordable via the GIC Orders at the time of purchasing. The affordability remains via a series of covenants for future purchasers – as per the Nightingale model.

For the dwellings that are above level 13 of the building Auriton has committed to delivering affordable housing at a rate of 5% Social Housing dwelling for those levels. This will be delivered through a Section 173 Agreement under the Planning and Environment Act 1987 with details of such arrangement to be confirmed through a planning permit condition, prior to the commencement of construction. Auriton proposes to facilitate the inclusion of social housing as follows:

- The inclusion of 3 one-bedroom dwellings for social housing.
- The social housing will be tenure blind externally.
- It would be Auriton intention to negotiate with a Housing Association for the provision of the dwellings at 50% of market value

2 BACKGROUND

Auriton is the developer of property. Over the last 8 years the role in property development has increased including the development of residential apartments in Monash, Ringwood and Box Hill.

Auriton Property Group has purchased the site at 409 Clayton Road, CVlayton, and it is proposed to deliver approximately 152 apartments above a commercial space. The site is within the City of Monash and zoned via a Comprehensive Development Zone. Auriton has established the master plan for the whole project. This affordable housing report is a part of its town planning application.

It is noted that the City of Monash does not have a comprehensive affordable housing policy or strategy, but it is in community and stakeholder consultation on a draft strategy.

Auriton is seeking to deliver a high quality urban environment that will incorporate a variety of dwelling types and sizes.

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 exploring a variety of commercial models to assist in the provision of housing that is affordable.

The Development Principles that have been engaged to design 409 Clayton Road are outlined below:

Principle 1 – The 20 10 Minute City Community

- Provide substantial new housing with immediate access to employment opportunities, public transport and existing local services (including retail, community, education and health) within ten (10) minutes of their home.

- Deliver new jobs, curated community services (including health and wellbeing) and a diversity of residential amenities for physical and social engagement within genuinely mixed use vertical community.

Principle 2 - Employment

- Provide opportunity for new businesses to establish within the building that will contribute to the overall diversity of jobs available within the Clayton Road precinct.
- Establish business synergies and employment links with the nearby Monash medical precinct and wider NEIC.
- Assist the post-COVID 19 recovery of the Victorian economy by contributing significant direct and indirect employment opportunities during construction of the project.

Principle 3 – Diversity & Affordability

- Provide different housing types and sizes that are currently under provided to meet the needs of the current and incoming population within the City of Monash and the wider Clayton area.
- Provide affordable housing options and investigate opportunities to provide housing for key workers and low income earners who currently wish to live and work within Clayton Road precinct, the Monash medical precinct or the NEIC.

Principle 4 – Sustainability

- Provide of building that responds to current challenges of climate change and contributes to the reduction of greenhouse gas emissions.
- Maximise access to sunlight for all dwellings and utilise passive heating and cooling design measures within the layout and overall design of the building.

Principle 5 – Health, Wellbeing & Security

- Create a mixed use building that responds to the mental and physical health needs of all residents, providing a safe and sustainable post-COVID 19 living environment.
- Utilise and integrate technology to maximise safety and security (health and personal) of all residents and workers within the building.

Principle 6 – Architectural Leadership

- Respond to the regional importance of the land as a strategic redevelopment site by maximising the development yield to support the overall future strategic ambitions of the Clayton Road precinct in terms of yield, scale and form.
- As a ‘first mover’ within the Clayton Road precinct deliver a high level of design integrity through height, scale, form and architecture to create a timeless contribution to the future urban context and streetscape.
- Respond to the high profile location of the land at southern entrance of the Clayton Road precinct to address the interface with a major intersection and the future urban context.
- Create a podium that engages at a human scale, integrates with the future Clayton Road context and provide an active, attractive and comfortable street environment.

This report directly addresses Principle 3 – Diversity and Affordable Housing. The report outlines the opportunities for key workers to achieve affordable housing. Further the development provides for social housing for low income people to be housed.

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 2.1 of this report).

These amendments to the Act also included changes to clarify that responsible authorities can enter into voluntary Section 173 agreements with developers for the provision of affordable housing.

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.

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 2020

	Very low income range (annual)	Low income range (annual)	Moderate income range (annual)
Single adult	Up to \$26,090	\$26,091 to \$41,750	\$41,751 to \$62,610
Couple, no dependents	Up to \$39,130	\$39,131 to \$62,620	\$62,621 to \$93,920
Family (with one or two parents) and dependent children	Up to \$54,780	\$54,781 to \$87,670	\$87,671 to \$131,500

So, what does this mean in terms of affordability and pricing for housing. The table below outlines what 30% of income represents for rental or mortgage payments, in \$5,000 increments.

Table 3 - Housing cost and incomes based on low to moderate income ranges on \$5,000 increments

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

3.3 CITY OF MONASH

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

Monash Council Plan 2017 – 2021

The Council Plan 2017 – 21 has four objectives outlined in the Council Plan. The objectives that are relevant to affordable housing are:

Objective 1, A Liveable and Sustainable City notes:

Advocacy on key issues impacting our city:

- *Affordable housing*

A Healthy and Resilient Monash: Integrated Plan 2017 - 2021

While affordable housing is not mentioned in the main plan document it is discussed in the rolling 4 year action plan attached to the main body document.

The note is via the Safe and Respectful City and states:

Explore the development of an affordable housing strategy

Draft Affordable Housing Strategy

Auriton acknowledges that Council has a Draft Affordable Housing Strategy. The Strategy has made a number of positive elements including adopting the Planning and Environment Act definition and acknowledgement that multiple tenures exist to achieve affordable housing outcomes. It is noted that the Draft Affordable Housing Strategy was presented to Council on 20 April 2020 who received and resolved to note the Draft Affordable Housing Strategy. The strategy was also to be presented industry and stakeholders for consultation.

Auriton would note the following:

- The Strategy is supportive of Social Housing (both public and community housing managed by not for profits), and housing tenures only procured by Not for Profits. However, the Strategy waives on private forms of tenures including Built to Rent, Rent to Buy, Shared Equity and Affordable Purchase

- The strategy is silent on the affordable housing space as an emerging and changing area at both a Federal and State level with opportunities to pursue private investment to leverage outcomes being considered
- The strategy does not provide the opportunity to pursue any one or multiple affordable housing outcomes that may emerge that requires little or no subsidy but rather relies solely on a significant subsidy.

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.

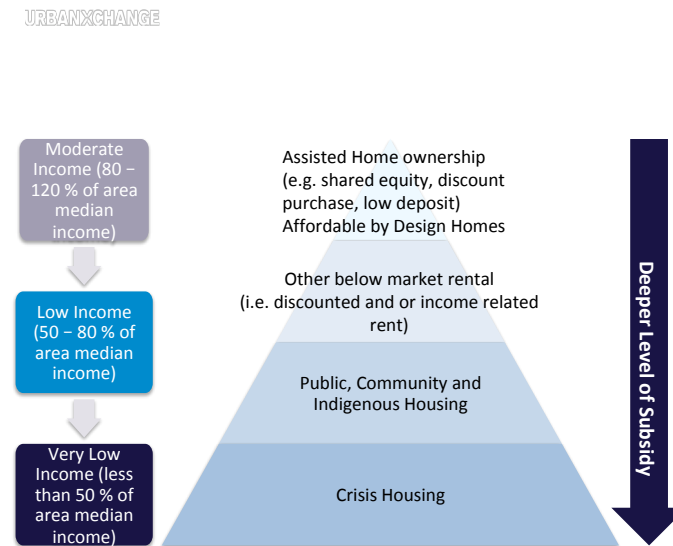


Figure 1 - Income ranges to affordable housing models and depth of subsidy

All of the models shown in Figure 1 may be applicable in Monash, 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 4.

Table 4 – Models of Affordable Housing

Category	Model
Affordable by design	Small lot housing Sustainable housing designs
Affordable	Deliberative Development Affordable Purchase
Assisted home ownership	Shared equity Rent to buy Restricted purchase
Below market rental	Build to rent NDIS/SDA
Public, community or indigenous housing	Public/state housing and associated renewal programmes Housing Associations, including bond aggregators
Crisis housing	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 Monash 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 year¹. Average prices have increased from about two to three times average disposable incomes in the 1980s and early 1990s to about five times more recently². 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)³.

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 2).

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

¹ Stapledon (2012).

² C. Kent (2013); Ellis (2017a); and Fox and Finlay (2012).

³ 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 MARIBYRNONG COUNCIL

The 2016 ABS Census provides an overview of the existing community within Monash.

Analysis of the five year age groups of City of Monash in 2016 compared to Greater Melbourne shows that there was a lower proportion of people in the younger age groups (under 10) as well as a lower proportion of people in the 30 – 59 year age groups.

Table 5 Population of Melbourne/Monash via age categories (2016)

Five year age groups (years)	Melbourne		Monash	
	Number	%	Number	%
0 to 4	287,178	6.4	9,283	5.1
5 to 9	278,506	6.2	9,939	5.4
10 to 14	254,017	5.7	9,672	5.3
15 to 19	269,015	6	12,399	6.8
20 to 24	333,367	7.4	17,853	9.8
25 to 29	362,435	8.1	14,233	7.8
30 to 34	367,913	8.2	12,895	7.1
35 to 39	325,319	7.3	11,514	6.3
40 to 44	313,768	7	11,986	6.6
45 to 49	307,580	6.9	12,187	6.7

Five year age groups (years)	Melbourne		Monash	
	Number	%	Number	%
50 to 54	279,728	6.2	10,892	6
55 to 59	255,824	5.7	9,672	5.3
60 to 64	221,078	4.9	8,693	4.8
65 to 69	197,002	4.4	8,134	4.5
70 to 74	147,281	3.3	7,047	3.9
75 to 79	112,832	2.5	6,284	3.4
80 to 84	112,832	1.9	4,827	2.6
85 and over	89,147	2	5,088	2.8

What is evident from the age data is that the City of Monash is a larger population representation in the 15 - 24 and then 60 years + year age groups. The 20 – 24 year age group are the people for whom affordable housing is important. It also raises why the house forming groups of 25 – 39 years are underrepresented – could it be that there is not enough affordable housing available?

Individual income earning capacity is an indicator of capacity to purchase a dwelling. Individual income levels in the City of Monash in 2016 compared to Greater Melbourne shows that there was a similar proportion of people earning a high income (those earning \$1,750 per week or more) at 11.6% and a higher proportion of low income people (those earning less than \$500 per week) at 43.6%.

Household incomes indicate the opportunity to purchase or maintain housing based on income. Household income levels in the City of Monash in 2016 compared to Greater Melbourne shows that there was a larger proportion of high income households (those earning \$2,500 per week or more) at 23.7% and a higher proportion of low income households (those earning less than \$650 per week) at 18.5%.

The population within Monash has a much higher percentage that own their property and a lower percentage of purchasing. This again indicates a problem with purchasing properties that are affordable.

Table 6 Housing tenure in Monash compared with Greater Melbourne (2016)

Tenure	Monash %	Greater Melbourne %
Owned	36.8	29.0
Mortgage	28.0	34.3
Rent	28.6	28.8

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

Table 7 Household sizes in Monash against Greater Melbourne (2016)

Number of persons usually resident	Monash %	Greater Melbourne %
1 person	19.8	23.2
2 persons	30.5	31.4
3 persons	19.4	17.3
4 persons	20.2	17.6
5 persons	7.1	7.1
6 or more persons	3.0	3.5

The household size and types are an indicator of current but may also provide direction of where household types maybe heading. Analysis of the household/family types in the City of Monash in 2016 compared to Greater Melbourne shows that there was a higher proportion of couple families with child(ren) as well as a similar proportion of one-parent families. Overall, 36.0% of total families were couple families with child(ren), and 9.6% were one-parent families, compared with 33.5% and 10.1% respectively for Greater Melbourne.

There were a lower proportion of lone person households and a higher proportion of couples without children. Overall, the proportion of lone person households was 18.9% compared to 22.0% in Greater Melbourne while the proportion of couples without children was 23.6% compared to 22.9% in Greater Melbourne.

Table 8 Household compositions in Monash against Greater Melbourne (2016)

Households by type	%	Greater Melbourne %
Couples with children	36.0	33.5
Couples without children	23.6	22.9
One parent family	9.6	10.1
Other families	1.7	1.4
Group household	6.1	4.7
Lone person	18.9	22
Other not classifiable household	3.3	4.5

The final review should be house size to understand whether there is a variety of housing sizes to attract a diverse household type. In 2016 indicate that City of Monash was overrepresented in larger homes of 3 – 5 bedrooms and needed smaller dwellings of 1 and 2 bedrooms.

Table 9 - House sizes in Monash against Melbourne

Bedrooms in a house	Monash %	Greater Melbourne %
1 bedroom	3.1	6
2 bedrooms	15.1	19.5
3 bedrooms	42.4	40.1
4 bedrooms	26.8	23
5 bedrooms	7.3	4.8
Not stated	5.3	6.8

4.3 POPULATION AND HOUSING PROJECTIONS FOR MONASH

The Monash 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.

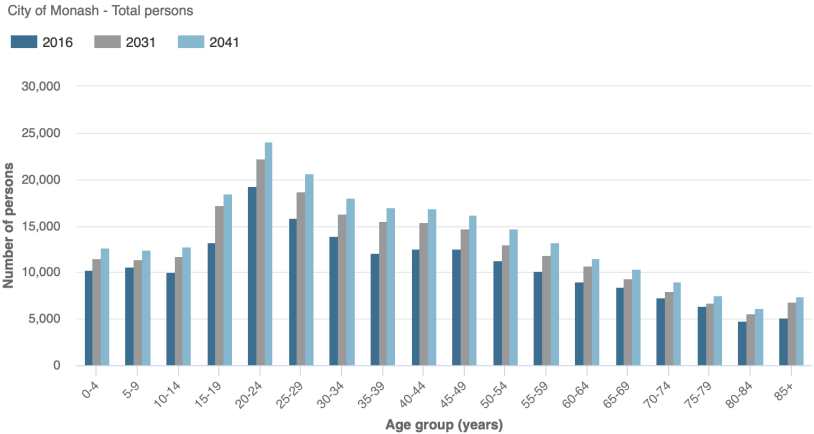
The id population forecasts suggest that Monash is going to grow from a population of 200,148 in 2020 to a population of 249,287 in 2041, representing an increase in population of some 24% over this period. This growth is on the lower side of growth expectations in the broader community with some municipalities expecting growth in excess of 40%.

This increase in population is also matched by an increase in the number of households from 70,952 at 2016 census to a predicted 93,408 in 2041. The size of households is expected to decline from 2.75 persons per household in 2016 to 2.70 persons in 2041.

The increase in population and households in Monash is supported by net migration into the municipality, primarily from redevelopment of redundant industrial sites to residential.

In 2016, the dominant age structure for persons in the City of Monash was ages 20 to 24, which accounted for 10.0% of the total persons. The largest increase in persons between 2016 and 2031 is forecast to be in ages 15 to 19, which is expected to increase by 4,076 and account for 7.6% of the total persons.

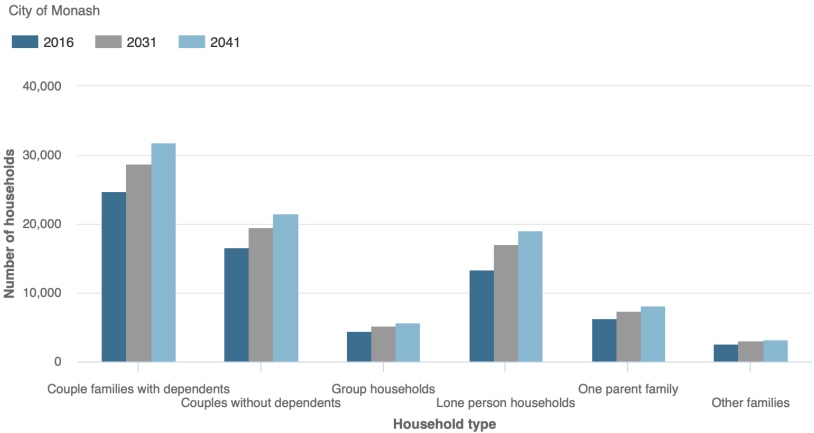
The largest 5 year age group in 2031 is 20 to 24 years, with a total of 22,265 persons.



Population and household forecasts, 2016 to 2041, prepared by .id the population experts, February 2019.



The household structure indicates that there will be growth in all household types.



Population and household forecasts, 2016 to 2041, prepared by .id the population experts, February 2019.



4.4 FORECAST AFFORDABLE HOUSING SUPPLY AND NEED IN MONASH

The need for social and affordable housing moving forward is a forecast. As at the 2016 census data Monash had 43.6% of individuals, and 30.5% of households that would have classified as very low income against the requirements of the Table 5. There were some 2.6% or 1,434 social housing owned dwellings and 8% of private dwellings were rented at an affordable price.

The number of individuals and households that identified as very low, low or moderate income households in Monash in the 2016 census data on the basis of Table 10 is shown below:

Table 10 - Individuals and Households who classify in GIC Orders within Monash

Income	Individuals		Households	
	\$ per week	% of individuals	\$ per week	% of households
Very Low	499	43.6	999	30.5
Low	799	13.4	1,750	19.9
Moderate	1,250	15.0	2,500	15.9
TOTAL %		71.9		66.2

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 processes⁴. 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 may be applied to on the 409 Clayton Road Clayton Development site.

Table 11 - 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 Monash LGA.</p> <p>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 accompanied by an executed Statutory Declaration from the occupier noting that they are within the specified GIC Income criteria.</p>
Affordability (in terms of the capacity for very low income, low income and moderate income	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

⁴ <https://www.dhhs.vic.gov.au/delivering-social-housing-affordable-housing-contribution>

Matter	Urbanxchange s recommendation
households that it is intended for)	<p>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 for 20 years, via restrictions on title that have a time limit of 20 years from initial occupancy. The value of any properties that are discounted on completion to Purchasers, Investors and Housing Associations via the Planning Scheme should remain within the Monash Municipality.</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>
Tenure	<p>Urbanxchange suggests that the following range of potential tenure solutions:</p> <ul style="list-style-type: none"> Affordable Purchase (e.g. capped capital growth a-la Nightingale model) Social Housing .
Type of housing, in terms of form and quality	The housing should be tenure blind and meet the Better Apartment Design Standards.

Matter	Urbanxchange s recommendation
	<p>The size of the dwellings needs to meet the identified demographic need of smaller housing for 25 – 39 year olds.</p> <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"> Up to 40% x 1 bedroom Up to 70% x 2 bedroom
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.
The following official estimates of housing need:	<p>The data in section 4. and Attachment 1 of this report indicate that the need within Monash 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 purchase stock providing opportunities for younger people to enter home ownership. Quality rental stock
<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 	

Matter	Urbanxchange s recommendation
<ul style="list-style-type: none"> guide housing growth Public housing waiting list (Victorian Housing Register list) Victoria in Future data tables. 	

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 can be achieved by two mechanisms one is a form of price controlled purchase housing that is accessible to purchase by those on defined incomes, the other is affordable by design.

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 15 per cent⁵. The initial incremental saving is retained via a formula for resales that is applied via a covenant on title.

Small lot housing and affordable by design offers entry price housing. It also can provide a diversity of housing stock for those entering the market and those wishing to down size.

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.

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

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

⁵ The formula for calculation of rate of return is:

$$\frac{\text{Market Valuation (incl. GST) minus (Land plus \{Development Cost excl. GST\})}{\text{Market Valuation (incl. GST) X 100}}$$

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.

6 CONCLUSION

Consideration should be given to assisted affordable purchase and rental. Based on mature markets overseas, the assisted purchase and affordable rental options are likely to gain traction in Australia and help with the supply of housing across the housing spectrum. These mechanisms will require only partial 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 and seek to deliver as close to five per cent of the finished dwellings.

The five percent of dwellings has been nominated based on the following precedence:

- 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 proposed that the development of the site will facilitate the equivalent of 5% of the site's total dwellings as affordable housing.

The provision of 10% affordable housing that provides for affordable housing outcomes that will provide opportunities to low to moderate income earners in the 20 – 39 year age groups on levels below level 13 of the building. This provides for 10 affordable housing dwellings. The proposed opportunity is based on applicability to meeting the target group needs:

1. Affordable housing for purchase with covenants. Purchase will be restricted to people who meet an agreed criterion for a price deemed affordable via the GIC Orders at the time of purchasing. The affordability remains via a series of covenants for future purchasers – as per the Nightingale model.

For the dwellings that are above level 13 of the building Auriton has committed to delivering affordable housing at a rate of 5% Social Housing dwelling for those

levels. This will be delivered through a Section 173 Agreement under the Planning and Environment Act 1987 with details of such arrangement to be confirmed through a planning permit condition, prior to the commencement of construction. Auriton proposes to facilitate the inclusion of social housing as follows:

- The inclusion of 3 one-bedroom dwellings for social housing.
- The social housing will be tenure blind externally.
- It would be Auriton intention to negotiate with a Housing Association for the provision of the dwellings at 50% of market value

7 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.⁶ Average prices have increased from about two to three times' average disposable incomes in the 1980s and early 1990s, to about five times more recently⁷. 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)⁸.

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 3). 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.

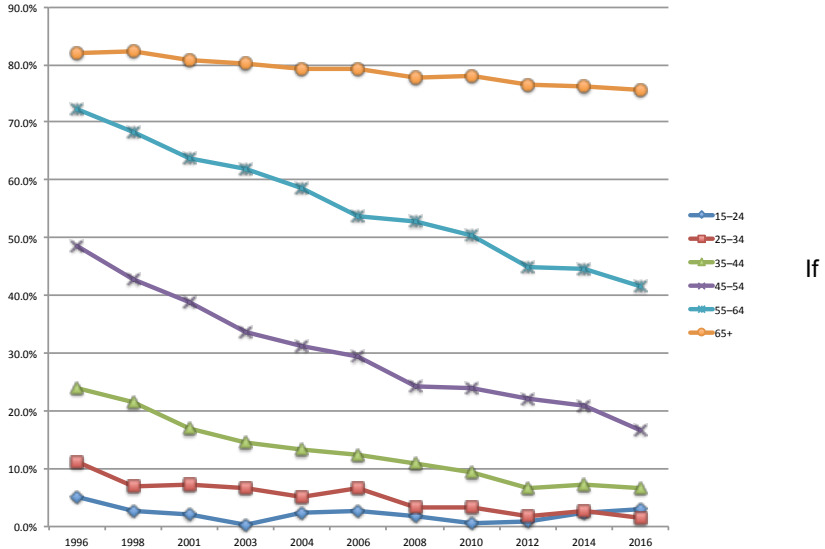
⁶ Stapledon (2012).

⁷ C. Kent (2013); Ellis (2017a); and Fox and Finlay (2012).

⁸ 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 2 - 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 Burke⁹, 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.

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
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

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.

⁹ 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 13).

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

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*¹⁰ 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.

¹⁰ 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 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.