



JULY 2020

KINGSTON SOCIAL & AFFORDABLE HOUSING STRATEGY

Prepared for Kingston City Council

Image courtesy of MGS Architects, McIntyre Drive Social Housing Project (<https://mgsarchitects.com.au/mcintyre-drive-social-housing>)



City of
KINGSTON



© SGS Economics and Planning Pty Ltd 2019

This report has been prepared for Kingston City Council. SGS Economics and Planning has taken all due care in the preparation of this report. However, SGS and its associated consultants are not liable to any person or entity for any damage or loss that has occurred, or may occur, in relation to that person or entity taking or not taking action in respect of any representation, statement, opinion or advice referred to herein.

SGS Economics and Planning Pty Ltd
ACN 007 437 729
www.sgsep.com.au
Offices in Canberra, Hobart, Melbourne, Sydney

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
1. INTRODUCTION	7
1.1 Context	7
1.2 Overview of this strategy	8
2. BACKGROUND	9
2.1 Affordable housing versus housing affordability	9
2.2 What housing is affordable?	9
2.5 What are the benefits social and affordable housing?	15
3. COUNCIL'S ROLE	18
3.1 Council's role in supplying social and affordable housing	18
3.2 Role of the registered housing sector	26
3.3 Ways forward	28
4. SOCIAL & AFFORDABLE HOUSING NEED	29
4.1 Scope and definitions	29
4.2 Need for housing assistance in Kingston	29
4.3 Conclusion	36
5. STRATEGIES AND ACTIONS	37
5.1 Introduction	37
5.2 A four-pillar strategy	37
5.3 Planning and Regulation	38
5.4 Direct Investment	40
5.5 Facilitation and Partnership	41
5.6 Advocacy	42
APPENDIX 1: IMPLEMENTATION PLAN	44
APPENDIX 2: KINGSTON'S DRAFT HOUSING STRATEGY AND NEIGHBOURHOOD CHARACTER STUDY	47
APPENDIX 3: HOUSING ASSISTANCE DEMAND MODEL	50
APPENDIX 4: EXPLAINING THE VALUE CAPTURE PROCESS	53
APPENDIX 3: PLANNING MECHANISMS	58

LIST OF FIGURES

FIGURE 1: SOUTH ROAD APARTMENTS, MOORABIN	8
FIGURE 2: HOUSING SUPPLY CONTINUUM	11
FIGURE 3: STATE & POLICY FRAMEWORK GUIDING COUNCIL'S POLICY LED APPROACH	13
FIGURE 4: RENTAL AFFORDABILITY IN KINGSTON (AVERAGE HOUSEHOLD, 2011 VS 2018)	17
FIGURE 5: THREE-TIERED APPROACH FOR THE PROMOTION OF AFFORDABLE HOUSING	18
FIGURE 6: LOCAL GOVERNMENT EFFORTS	25
FIGURE 7: TOTAL APPLICATIONS FOR SOCIAL HOUSING IN VICTORIA	31
FIGURE 8: SHARE OF HOUSEHOLDS EXPERIENCING RENTAL STRESS	33
FIGURE 9: HOUSEHOLDS EXPERIENCING RENTAL STRESS BY INCOME BANDS	33
FIGURE 10: HOUSEHOLDS EXPERIENCING MODERATE & SEVERE RENTAL STRESS BY FAMILY TYPE	34
FIGURE 11: HOUSEHOLDS EXPERIENCING RENTAL STRESS BY FAMILY TYPE SOUTHERN REGION AND KINGSTON	35
FIGURE 12: HOUSING ASSISTANCE DEMAND MODEL OVERVIEW	50
FIGURE 13: HADS MODEL ATTRIBUTE REALLOCATION	51
FIGURE 11: RESIDUAL LAND VALUE	54
FIGURE 12: VALUATION OF ADDITIONAL DEVELOPMENT RIGHTS UPON REZONING	54

LIST OF TABLES

TABLE 1: MINIMUM AFFORDABLE HOUSING REQUIREMENTS FOR KINGSTON	4
TABLE 2: HOUSEHOLDS ELIGIBLE FOR AFFORDABLE HOUSING	10
TABLE 3: ACTIVE COMMUNITY HOUSING AGENCIES IN KINGSTON	27
TABLE 4: VICTORIAN HOUSING REGISTER (SOUTH DIVISION)	31
TABLE 5: MORTGAGE MONTHLY REPAYMENTS	32
TABLE 6: COUNT OF HOUSEHOLDS EXPERIENCING RENTAL STRESS BY INCOME BANDS	34
TABLE 7: MINIMUM SOCIAL HOUSING REQUIREMENTS FOR KINGSTON	36
TABLE 8: CENSUS ATTRIBUTES USED IN THE HAD MODEL	51
TABLE 9: HOUSEHOLDS ELIGIBLE FOR AFFORDABLE HOUSING (2018)	52

EXECUTIVE SUMMARY

Overview

Rising house prices and rents and limited investment in social and affordable housing has led to increasing share of in households in Kingston experiencing housing stress. Left unchecked, increasing levels of housing stress in the community will lead to a reduction in well-being in the community: increase disadvantage, diminished diversity and inefficient labour markets.

Kingston City Council has developed this Social and Affordable Housing Strategy to describe Council commitments to addressing this urgent issue. The strategy includes an assessment of the need for social and affordable housing in the City of Kingston and sets out a range of strategies and actions that Council will pursue to assist households in Kingston affected by the lack of affordable accommodation.

Safe, secure and affordable housing provides both direct and indirect benefits to the community. As well as providing low-income and vulnerable households with secure tenure and protection from housing stress, social and affordable housing also reduces disadvantage, protects community diversity and enhances labour market efficiencies.

Housing affordability and affordable housing

The term *affordable housing* generally refers to housing that is available to lower-income households and which is affordable given their income. While there is no universal definition of affordable housing, however, a definition was recently added to the Victorian P&E Act.

The term *housing affordability* refers to the general cost of housing relative to incomes. Housing affordability has become a significant concern in recent decades as rents and house prices have increased significantly relative to wages.

Affordable housing and housing affordability are related but independent concepts. While aspects of the Strategy are relevant to the issue of housing affordability, the focus is on measures that Council might pursue to increase the supply of affordable housing.

Council's role

Council's largest and most significant role in affecting *housing affordability* is in facilitating efficient housing markets, which supply well over 90 percent of all housing. Local government can also have a role in facilitating the supply of social and affordable housing through the implementation of policies specifically designed to increase affordable housing and facilitation. Finally, local government can also have a role in actual provision and/or management of social and affordable housing as a social housing landlord or partner with such landlords in a material way. This three-tiered approach addresses different areas of market failure that have led to a lack of affordable housing.

Need for housing assistance

The need for housing assistance in Kingston has been estimated by considering the number of homeless persons, existing households living in social housing, and the prevalence of renting households that are in housing stress. Housing stress is defined as paying more than 30 per cent of gross household income as rent, while being in a very low, low or moderate household income category. Combined, these groups represent 6,881 households in housing stress or 10.9 per cent of all households in Kingston.

Of renting households in housing stress roughly 60 per cent are very-low income households and lone person households are the largest single cohort with over 2,000 households

represented. A significant share – more than 50 per cent – of households in rental stress are experiencing severe housing stress, that is, they are paying more than 50 per cent of their income on rent.

What is the scale of unmet need?

Accounting for fact that some of these households might only experience a situation of temporary housing stress we estimate that 6,175 households (9.8% of all Kingston households) required some form of housing assistance (see table below). This is the estimated demand for social and affordable housing in Kingston. Given there are some 1,485 existing social and affordable housing dwellings, there is a shortfall in the order of 4,690 dwellings. This could be treated as the target number of dwellings needed (in 2016) to alleviate homeless and housing stress in Kingston. This target would apply to the efforts of all levels government, not just Council.

TABLE 1: MINIMUM AFFORDABLE HOUSING REQUIREMENTS FOR KINGSTON

Household type	Households	% supply target	Minimum affordable housing requirement	Minimum requirement as % of all households
Homeless	444	100%	444	0.70%
Social housing	1,259	100%	1,259	2.00%
Very low-income households	2,359	90%	2,123	3.74%
Low income households	1,873	85%	1,592	2.52%
Moderate income households	946	80%	757	1.20%
Total	6,881	n/a	6,175	9.79%
All households	63,076			

Source: SGS 2018, using Australian Bureau of Statistics, 2016.

Council's affordable housing strategy

There are several policy levers available to Council to help increase the supply of affordable housing. Council can play a role from a hands-off advocacy through to direct investment in affordable housing. The levers Council will apply through this strategy are grouped into four pillars: regulation, partnerships, investment and advocacy.

The **'regulation'** group of interventions includes various mechanisms available to Council under the Planning and Environment Act 1987. This includes planning system measures to facilitate efficient housing markets, and measures to facilitate development contributions for affordable housing via inclusionary zoning and value capture.

The **'facilitation and partnership'** group of interventions includes strategies by which Council would work with private or community sector proponents to help them achieve affordable and social housing outcomes. Examples include brokerage of partnerships between corporate developers and registered community housing providers where the former are self-motivated to include affordable housing in their projects. Council also has a role to play in providing useful information on the Community Housing Sector to developers and interested parties.

The **'direct investment'** group of interventions would see Council applying its own assets – whether this be cash, land or underwriting capacity – to directly generate an expansion of social and affordable housing.

The **'advocacy'** group of interventions would see Council, through its involvement in the Eastern Affordable Housing Alliance (EAHA), continue to advocate for the introduction of mandatory inclusionary zoning and the delivery of 11,420 new social housing dwellings in the Eastern Metropolitan Region. Through this platform, Council has an opportunity to collectively develop and voice its views alongside like-minded Councils.

Council's specific strategies and actions under each pillar are summarised below .

PLANNING AND REGULATION	
Strategy 1: Continue to support housing diversity and choice through Council's existing planning policies	
1.1	Continue to implement the Kingston Housing Strategy and Neighbourhood Character Study
Strategy 2: Develop planning policies and mechanisms for AH where approvals create land value uplift	
2.1	Draft a planning policy and mechanisms using the guidance drafts prepared in this strategy to achieve a % of value uplift to be dedicated to social and affordable housing which is informed by planning pathways; development scale and location.
2.2	Establish an Affordable Housing Fund for the collection and redistribution for reinvestment into the delivery of affordable housing dwellings. The fund will provide a funding vehicle for the collection of monetary contributions; donations and Council revenue sources voluntarily contributed.
2.3	Develop a series of planning practice notes to include the following: <ul style="list-style-type: none"> ▪ planning practice note for internal use to guide statutory processes and consideration of the new controls. ▪ guidance notes for proponents when applying the new controls.
2.4	Draft a Section 173 model agreement.
DIRECT INVESTMENT	
Strategy 3: Consider opportunities for affordable housing on appropriate Council-owned land	
3.1	Investigate opportunities on Council owned land for affordable housing provision.
3.2	Establish a policy / guidance note for social and affordable housing outcomes to be sought on Council Land.
FACILITATION AND PARTNERSHIP	
Strategy 4: Explore options for contributions to affordable housing through joint ventures	
4.1	Facilitate discussions with DHHS to renew existing dwellings in areas suitable for change.
4.2	Explore the use of an MOU with DHHS to establish an agreed set of outcomes and potential timing.
4.3	Facilitate discussions with Registered Housing Agencies on the potential to renew or reinvest into the municipality to increase the supply of social housing.
Strategy 5: Adopt an information sharing and brokerage role for development and affordable housing sectors	
5.1	Develop and publish information on affordable housing for developers, that will include affordable housing definition, role of the sector, sector contacts, facilitation measures offered by Council and provide a single point of contact.
Strategy 6: Strategic linkages to other projects and policy initiatives led by other business areas of Council	
6.1	Promote and provide strategic linkages to other projects and policy initiatives led across other business areas of Council, i.e. Family Violence, Energy Efficiency Initiatives to reduce household living costs.
ADVOCACY	
Strategy 7: Advocate for state-wide mandatory inclusionary zoning policy and/or planning tools to allow a mandatory inclusionary zoning approach, in collaboration with other Councils.	
7.1	Continue to advocate mandatory affordable housing planning mechanisms through local government networks and forums including the City of Melbourne Inter Council Forum on Affordable Housing.
Strategy 8: Advocate for increase investment into social housing through information and demonstration projects	
8.1	Continue to monitor aggregate data on household needs and share this information with relevant government agencies, RHAs and the industry sector.
8.2	Promote demonstration projects and local government achievements in social and affordable housing through an electronic subscription-based newsletter.
8.3	Explore the reuse / repurpose of vacant buildings for use as short-term housing.
Strategy 9: Advocacy for direct government investment and subsidies	

- 8.4 Advocate for a grant to bridge the return gap between market rents and rents that are affordable to moderate and lower income households.

1. INTRODUCTION

SGS Economics and Planning (SGS) have been commissioned to assist Kingston City Council in the preparation of a social and affordable housing policy. This draft strategy sets out context for the strategy, the need for social and affordable housing, and the intended strategies Councils wishes to pursue to address this need.

1.1 Context

This Strategy is Kingston City Council's response to the growing need for social and affordable housing in the City of Kingston.

The Kingston community confronts the same challenges as most others across the Melbourne metropolitan region: escalating housing costs relative to incomes have resulting in increased levels of rental stress, mortgage stress, displacement and homelessness.

The Australian Housing Urban Research Institute modelled housing need in Australia to 2025 and identified estimates of current housing need in Australia to be 1.3 million households (just under 14 per cent of households) and this is estimated to rise to 1.7 million households by 2025 under a baseline scenario. In Victoria alone, housing need is estimated to rise from 291,000 to 462,000 households over the eight-year period.¹

Council's in Australia have traditionally played only a very limited role in assisting households in need of assistance. However, the increasing demand for assistance and limited intervention by other level of government to address this need has meant that council is increasingly drawn to playing a part in responding to the housing needs of vulnerable and lower income households.

Recent changes to the Planning and Environment Act provide a stronger framework for Council to negotiate affordable housing outcomes via voluntary planning agreements but offer limited direction in relation to the quantum of affordable housing to be provided. Key changes include:

- A new objective to the Act to "facilitate the provision of affordable housing in Victoria;
- A definition of affordable housing as "housing, including social housing, that is appropriate for the housing needs of very low, low and moderate-income households";
- Income bands were defined for very low, low and moderate income households in a Ministerial Notice (Governor in Council Order, Section 3AB);
- Affirmation of the use of Section 173 for voluntary housing agreements.

Council has developed this Strategy with a view to fulfilling the commitment in the *Council Plan 2017 – 21* (Annual Action Plan) to "work with State Government, the Housing Associations and developers to increase the availability of affordable housing".

¹ Australian Housing and Urban Research Institute; Modelling housing need in Australia to 2025; August 2017

1.2 Overview of this strategy

This chapter discusses key concepts and definitions and considers why it is beneficial to increase the supply of social and affordable housing in Kingston. A short overview of the state and local policy context is also provided.

Chapter 2 introduces key background material including key concepts and definitions, the existing policy context and concludes with a discussion of the direct and indirect benefits of providing social and affordable housing.

Chapter 3 discusses Council's role in supplying social and affordable housing and distinguishes various roles that local government can play in influencing housing markets and housing supply, and the various options and mechanisms implied by each role.

Chapter 4 provides an overview of the need for social and affordable housing in Kingston and estimates the minimum social housing requirement for Kingston.

Finally, Chapter 5 describes the Strategy as a four-pillar approach – regulation, partnership, investment and advocacy – and the associated strategies and actions.

There are five appendices. Appendix 1 sets out an implementation plan which sets out indicative time frames and prioritises the timing of actions. Appendix 2 discusses the relevance of the Kingston's Draft Housing Strategy and Neighbourhood Character Study. Appendix 3 provides an outline of the Housing Assistance Demand Model used that was used in the needs analysis. Appendix 4 explains the value capture process and a Kingston case study of value capture on an industrial precinct. Appendix 5 provides details on the planning mechanism approach including a draft outline on the proposed approach and tools.

FIGURE 1: SOUTH ROAD APARTMENTS, MOORABIN



Source: Pellicano website. (<https://www.pellicano.com.au/project/mab-corporation-apartments-2/>)

2. BACKGROUND

This chapter provides background to the Strategy: key concepts and definitions; an overview of existing policy; and discussed the direct and indirect benefits of providing social and affordable housing.

2.1 Affordable housing versus housing affordability

Affordable housing and housing affordability are two closely related but independent concepts. While aspects of the Strategy are relevant to the issue of housing affordability, the focus is on measures that Council might pursue to increase the supply of affordable housing.

The term *housing affordability* refers to the general cost of housing relative to incomes. Housing affordability has become a significant concern in recent decades as rent and house prices have increased relative to wage growth making it more difficult for households to afford suitable accommodation. On the other hand, for many households that are already 'on the home ownership ladder' this increase in prices has generated significant wealth.

The term *affordable housing* generally refers to housing both rental and in some circumstances home ownership that is available to lower income households and which is affordable for their level of income. The specific forms and models that affordable housing can take are many and varied. There is no universal or precise definition of affordable housing. However, the definition in the Planning and Environment Act has become the standard for planning in Victoria (see text box in Section 2.2).

Affordable to rent or to own?

While *housing affordability* is concerned with cost of housing for all households, *affordable housing* is targeted to the needs lower income *renting* households. Affordable housing policies are intended to address failures in the housing market that prevent lower-income households from living, working and participating in the local community. Policies that support home ownership, have broader objectives of addressing the financial security of households, their long-term investments, and retirement savings. The primary impact of these policies is on the assets and investments of a household. This focus of this Strategy is on the supply of social and affordable housing for rent rather than for purchase.

2.2 What housing is affordable?

The affordability of housing depends on the income of the household. When housing costs are too high, relative to income, a household can find themselves in *housing stress*. Housing stress is a situation in which a household's rental payments are so high that they must sacrifice on food, health care, education and other necessities.

A household that spends more than 30 per cent of their income² on housing are considered to be in moderate housing stress. A household that spends more than 50 per cent of their income on housing is considered to be in severe housing stress. These thresholds are commonly used by researchers and policy makers, such as the Australian Housing and Urban Research Institute.

² Different household income measures include gross versus net income, and equalised versus non-equalised measures. The estimate of total need does not vary substantially under various approaches but the composition of the need does vary somewhat; in particular, equalised income measures result in higher estimates for families because they account for household size (Yates and Gabriel, 2006). Noting that the income measure does not dramatically change the results and the availability of data for modelling housing stress at the LGA level, this Strategy uses gross income when estimating need.

Households with low or moderate incomes and experience housing stress, they are considered in need of affordable housing. While households with higher incomes are excluded because high housing costs do not typically impact their ability to pay for necessities. They also have more choice over their housing costs because they are often able to reduce their housing costs (by moving to a house with lower rent). For lower income households, already renting towards the lower end of the market, an even lower rent dwelling is not likely be an option.

Therefore, housing is considered affordable if the costs of that housing do not place the household into housing stress. Specifically, if the housing costs are below 30 per cent of gross income for households with very low, low or moderate incomes.

The State Government has introduced definition of affordable housing to the Planning and Environment Act being “housing that is appropriate to the needs of very low, low, and moderate-income households” (see text box below). The Minister has also provided a list of “matters that must be considered in determining whether housing provided under an Affordable Housing Agreement is appropriate for the needs of very low, low and moderate-income households.” These include allocation, affordability, longevity, tenure, type, location, integration and need.³

Notwithstanding this advice, it does not provide definitive guidance on what is meant by ‘appropriate to the needs’ of households within the defined income bands. In line with the discussion above, this Strategy adopts the benchmark of housing costs being below 30 per cent of income as appropriate to the needs of these households as it implies that they would not be experiencing housing stress. Section 3 applies the benchmark to estimate the number of Kingston households in housing stress and identify the need for affordable housing.

PLANNING & ENVIRONMENT ACT DEFINITION OF AFFORDABLE HOUSING

A definition of **affordable housing** was introduced into the *Planning and Environment Act 1987* in June 2018. Affordable housing is defined as housing (including social housing) that is appropriate to the needs of very low, low, and moderate-income households.

Income ranges for the three income 'quintiles' are provided for three different household types: single adults, couples without dependents and families with dependents. These are updated periodically, and the current ranges are shown in Table 2 below. The analysis in this report assumes that the income is gross income before tax.

Social housing is a subset of affordable housing. DHHS defines social housing as "housing that is provided to eligible households, with rents subsidised to ensure that households pay an affordable rent" and is owned and managed by either the Director of Housing (public housing) or Registered Housing Agencies (community housing).

TABLE 2: HOUSEHOLDS ELIGIBLE FOR AFFORDABLE HOUSING

Household	Very low (Bottom 20 per cent)	Low (Bottom 20% - 40%)	Moderate (Middle 40% to 60%)
Single adult	Up to \$25,970	\$25,971 to \$41,550	\$41,551 to \$62,310
Couple, no dependents	Up to \$38,950	\$38,951 to \$62,320	\$62,321 to \$93,470
Family with dependents (one or two parents)	Up to \$54,520	\$54,521 to \$87,250	\$87,251 to \$130,870

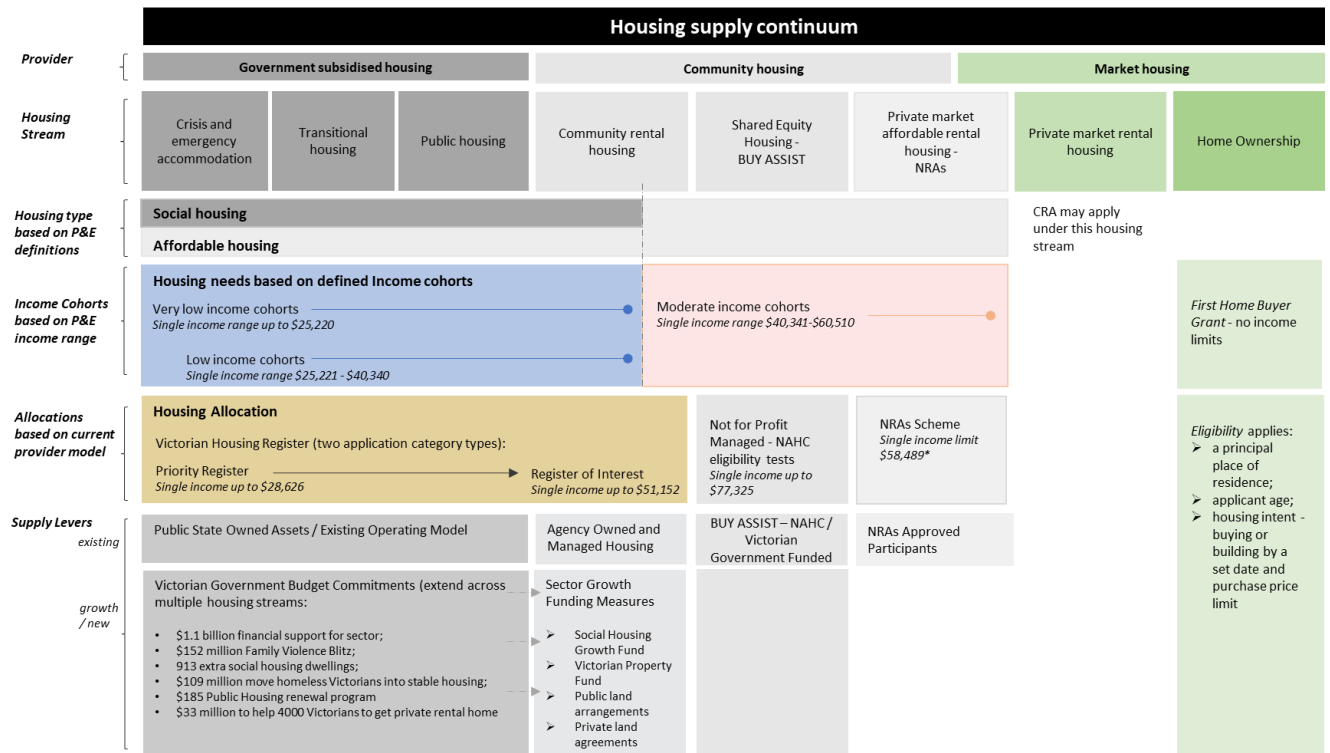
Source: Planning and Environment Act 1987, Section 3AB – Specification of Income ranges (Order in Council), dated 4 June 2019

³ For the full details, see: www.planning.vic.gov.au/policy-and-strategy/affordable-housing

The housing continuum: social, affordable and market housing

The various types of housing – social, affordable and market – as frequently described as forming a continuum where the level of assistance or subsidy required is at its highest at one end of the continuum, progressively decreasing to no subsidy at the other end. Figure 2 illustrates this concept. The housing continuum framework helps understand the range of housing options available to the community and the households that benefit from their provisions, or experience housing stress, displacement or other hardship, when there is a shortfall in provision relative to demand.

FIGURE 2: HOUSING SUPPLY CONTINUUM



* Based on one adult 2018/2019 income limits

Source: City of Sydney, 2015, Housing Issues Paper.

Housing which require the deepest of subsidy is shown on the left of the diagram. These include emergency shelters, women’s refuges, youth refuges, major crisis supported accommodation services, transitional housing and social housing. These types of housing support households with no or very low incomes, are experiencing disadvantage, are homeless, have escaped family violence, have a disability, or must move for health reasons. The Victorian homelessness system is organised under what is called The Opening Doors Framework, also commonly referred to as ‘Opening Doors’. The purpose of these access points is to assess needs, prioritise and connect people to the services and the resources they need.

Rooming houses have traditionally been seen as a form of transitional housing. They are a short-term housing option for people transitioning from homelessness into short term housing. Rooming houses have varied significantly in terms of suitability for crisis accommodation and have become the alternative where no other crisis accommodation option is available. Recently rooming houses have undergone significant reform.⁴

⁴ All Rooming House operators are to be licensed under the Rooming Housing Operators Act 2016 by the Business Licensing Authority Act 1998 and registered with local council under the Public Health and Wellbeing Act 2008 if they intend to rent out one or more rooms to four or more people.

There is a set of minimum standards that rooming house operators must comply. Registered Housing Agencies may still own and operate rooming houses, along with Victorian Government, a high percentage are smaller operators.

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

Public housing includes housing owned and managed by the Director of Housing and housing owned and/or managed by Registered Housing Agencies and typically accommodates households with the highest need for housing assistance which is largely driven by number of priority applications seeking assistance. Rents are typically set as a proportion (e.g. less than 25 per cent) of the gross income of the households.⁵

Affordable rental housing (or community rental housing) refers to dwellings delivered and managed by a Registered Housing Agency for low income people, including those eligible for public housing. This housing generally accommodates a wider range of households than government or agency owned social housing from high needs to low through to moderate income earners. Some Registered Housing Agencies specialise in assisting specific groups, such as those with a disability, the elderly or women experiencing domestic violence.

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

The housing supply continuum also includes three categories of market housing. The first category is what might be thought of as targeted private affordable rental housing. This is housing delivered by the private sector rented to certain target markets such as student accommodation. Student housing typically provide smaller and lower amenity dwellings than market housing, which results in lower rents that are affordable to the target households.

Private market rental housing and home ownership can also satisfy the technical definition of affordable when rents or mortgage payments are less than 30 per cent of households' incomes. However, in the context of rising property prices and slow growth in wages and government income support, the share of market housing that meets this criterion is declining.

Other forms of housing assistance

Another form of housing assistance not captured in the housing continuum is the National Disability Insurance Scheme (NDIS) supported disability accommodation and support services. NDIS accommodation and services vary depending on the nature of the disability, i.e. permanent or significant, intellectual, physical, sensory, cognitive and psychosocial disability. While not all applicants will require supported accommodation, for those who do require housing, these are provided under a shared housing model and are designed to meet a range of accessible design standards and installed with aids and equipment.

Disability supported housing is delivered by the Victorian Government and registered NDIS providers. These organisations are separate to the Registered Housing Agencies in Victoria as they are regulated by National Disability Insurance Authority (NDIA). There are instances where a Registered Housing Agency may partner with an NDIS provider for specific services or accommodation depending on the people eligible for housing assistance.

This form of housing assistance sits outside the discussion paper, on the basis that NDIS enables those regardless of their housing situation to access services and supports for eligible recipients.

The other fully subsidised program is Out of Home Care, specific for children and young people who are placed in care when they cannot live with their families. Once again there are

⁵ Housing VIC (2019) <http://www.housing.vic.gov.au/public-housing>

specific service providers that are registered via a Victorian Carer Register, which is separate to the Registered Housing Agencies. This form of housing is not a consideration for this paper, as it is a regulatory function of the State that is fully subsidised.

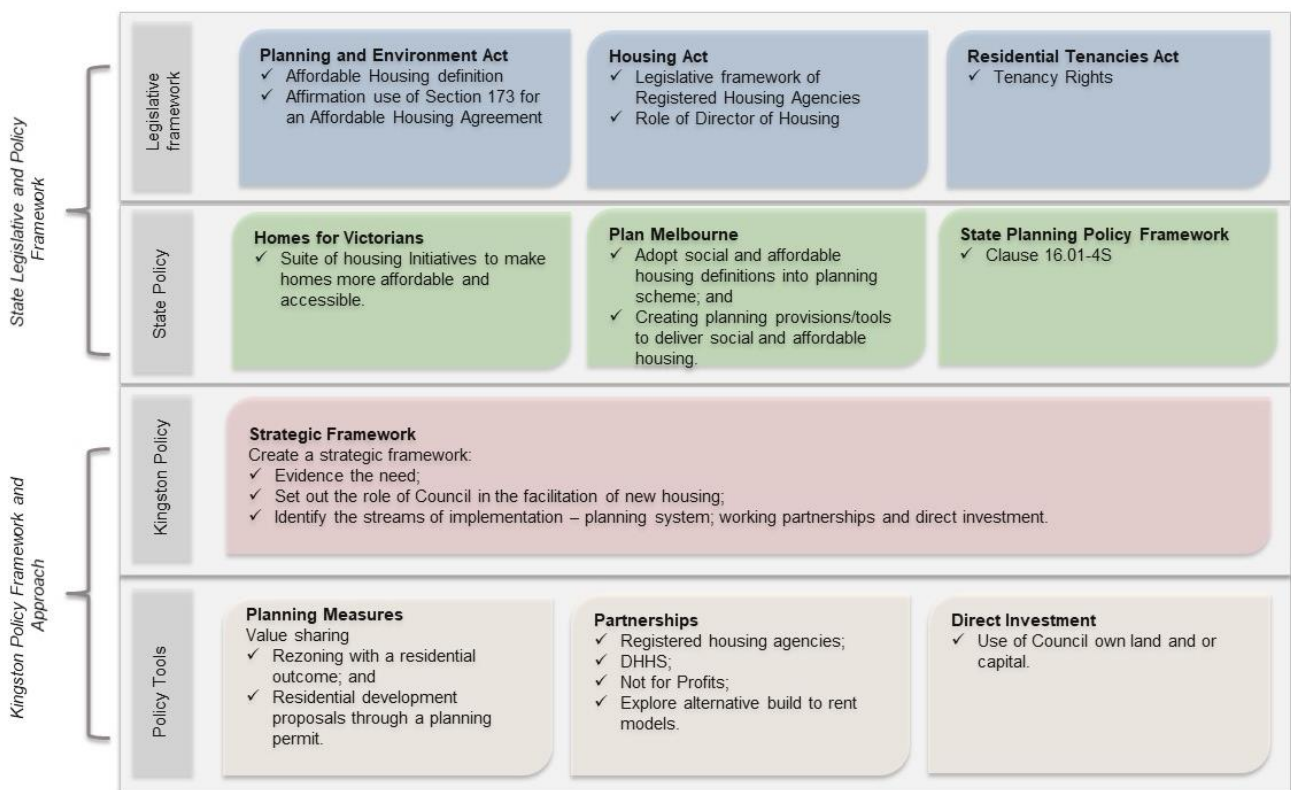
2.3 State policy context

In Australia, the task of supplying social and affordable housing has generally been borne by broad-based tax systems operated by the Australian Government and state governments. Recent state government policy in Victoria and New South Wales has signaled a shift towards increased government support for facilitating the supply of social and affordable housing through the planning system.

As outlined above, recent developments include introduction by the State Government of a definition of affordable housing to the Planning and Environment Act being “housing that is appropriate to the needs of very low, low, and moderate-income households”

Figure 3 provides an overview of the overarching framework guiding Council’s policy led approach.

FIGURE 3: STATE & POLICY FRAMEWORK GUIDING COUNCIL’S POLICY LED APPROACH



Source: Kingston City Council, 2019.

The Victorian Government has recently established a Ministerial Advisory Committee on Planning Mechanisms for Affordable Housing. The Advisory Committee is tasked with considering and providing advice to the Minister on possible models and options to facilitate the supply of affordable housing through the Victorian planning system.

2.4 Local policy context

Kingston City Council is taking an active approach to understanding housing affordability and striving for affordable housing outcomes within Kingston. Council has undertaken a *Housing Affordability Study*⁶ and a draft *Housing Strategy and Neighbourhood Character Study* to identify issues and opportunities in relation to housing supply more broadly.

Kingston City Council in their *Council Plan 2017 – 21* and *Annual Action Plan* commit under Goal 1 for a ‘well – planned, liveable city supported by infrastructure to meet future needs’ with a supporting action to “develop an Affordable Housing Implementation Plan to work with State Government, Housing Associations and developers to increase the availability of affordable housing”.

Other initiatives that complement this project and contribute to supporting Council’s commitment to increase the availability of affordable housing include Council’s *Public Health and Wellbeing Plan 2017-2021* and associated action plans including the *Prevention of Family Violence Action Plan*, *Positive Ageing Plan* and *Disability Action Plan*. These plans provide insight into specific needs of priority populations in Kingston, particularly those that are vulnerable and more likely to experience disadvantage. The plans provide a framework to ensure that Council programs and services are responding to the changing needs of the community.

Recent affordable housing negotiations and outcomes

Council has already been working to secure affordable housing outcomes in major redevelopments through both planning and advocacy efforts and direct financial contributions. Some recent examples include:

- In 2011, Council successfully delivered an affordable and social housing outcome in partnership with MAB Corporation. The Moorabbin Affordable Housing development 75 apartments on a Council owned car park site.
- The Highbett Gasworks site was recently the subject of hearings through the Victorian Government Land Standing Advisory Committee Process. Through this process the owner of the site, Department of Treasury and Finance, advocated for the application of revised planning controls to further enable the future development of the site. Council, in its submissions through the hearing advocated for a 5 per cent affordable housing contribution to be required, via a Section 173 Agreement, as part of the proposed Development Plan Overlay, noting that the exhibited amendment did not include a requirement for affordable housing. The Advisory Committee process was held in March 2018 to review the proposed amendment and the Minister for Planning’s response to the Advisory Committee report recommended a proposed requirement for a range of dwelling types to cater for a variety of housing needs including the provision of up to 10% as affordable housing.
- Council’s recent consideration of Planning Scheme Amendment C151 – Kingswood Peninsula Golf Course included consideration of an appropriate affordable housing contribution to be secured via a Section 173 Agreement. The Agreement was signed by the proponent prior to exhibition of the Planning Scheme Amendment in 2018 and required the creation of a cash reserve to be accessed by Housing Associations through an expression of interest process allowing them to purchase dwellings within the development at a reduced price. The monetary contribution required through the Section 173 Agreement reflected 5 per cent of the total land value. The Amendment was ultimately abandoned by Council in October 2018 for reasons unrelated to the proposed affordable housing contribution.

⁶ Housing Affordability 2018, id.

- Council is negotiating a Section 173 Agreement on a residential development in Moorabbin. This negotiation is for a five per cent affordable housing contribution at a discount.

2.5 What are the benefits social and affordable housing?

Safe, secure and affordable housing provides direct benefits for those households that the provided with a secure home and/or alleviated from the burden of living in housing stress. Providing adequate social and affordable housing also has broader economic, social and cultural benefits for the broader community. Research into the impacts of increased social and affordable housing supply note the following key benefits:

- Reduced disadvantage through the reduction of housing stress and reduced risk of homelessness
- Improved diversity by creating the opportunity for people with any income level to live and work in the community
- Economic efficiency by ensuring that high housing costs do not exclude valuable members of the labour force from living near to their jobs.

Reduced disadvantage

A primary benefit of social and affordable housing is to reduce disadvantage in the community. Australian social housing tenants are 65 per cent less likely to experience homelessness than similar tenants in the private rental market. At the regional level, areas with higher level of affordable housing supply are likely to have lower rates of homelessness.

Stable shelter affords a 'well-being dividend': households with stable accommodation require less healthcare, have fewer emergency admissions and have longer life expectancy. Furthermore, they are more likely to maintain or re-engage with work and study, less likely to be involved in crime, and children experience better learning outcomes and develop stronger social capital.

Increasing the supply of affordable housing in Kingston would help to disadvantaged households to avoid housing stress or homelessness, improving their well-being and ability to contribute to the community.

Community inclusion and diversity

Contemporary planning discourse has consistently justified the uneven allocation of resources across metropolitan areas to enhance economic productivity.⁷ In many cities, government investment in infrastructure and services has been targeted to areas like the CBD or major employment clusters. A downside of this strategy is that high demand for scarce housing near these job-rich areas raises costs and reduces affordability.

Lower income households who cannot afford housing in these favoured areas must seek out alternative locations. The alternative areas are frequently defined by poorer access to employment, services, transport and amenity. This process, along with gentrification and urban renewal, has driven a long trend of low income Australians being displaced from locations where well-paid jobs are found.⁸

This spatial mismatch has been considered in the annual State of Australian Cities (SOAC) report for some years now, with the Department of Infrastructure and Regional Development noting in its 2015 report:

⁷ Wiesel, I., Lui, F. and Buckle, C. (2017) 'Locational disadvantage and the spatial distribution of government expenditure on urban infrastructure and services in metropolitan Sydney (1988-2015)', *Journal of Geographical Research*, 56(3): 285-297.

⁸ Randolph, B. and Tice, A. (2014) 'Suburbanizing disadvantage in Australian cities: Socio-spatial change in an era of neoliberalism', *Journal of Urban Affairs*, 36(1): 384-399.

“Australia’s cities are increasingly characterised by the significant spatial divide between areas of highly productive jobs and the areas of population-based services, reflected through the price premiums associated with houses that have better access to the city centre”.

Such locational disadvantage and social segregation have significant consequences. The costs to individuals include poor psychological and health and wellbeing outcomes. Local communities suffer in terms of reduced social capital and cohesion, and increased rates of crime and violence. Meanwhile, the metropolitan and regional landscape sees decreased productivity and rising fiscal costs to government.⁹ More broadly, spatial segregation runs counter to egalitarian values widely held in Australian society.

Housing diversity, including diversity of tenure, type and price, can play a crucial role in the stimulation of a broader socio-demographic diversity.¹⁰ The City of Kingston offers many opportunities to its residents and those of neighbouring municipalities. This is especially true given its proximity to the CBD and the Monash and Dandenong National Employment and Innovation Clusters. However, declining rental affordability means that some lower income households could be excluded from those opportunities. The figure below shows the decline in affordability between 2011 and 2018 for a household with average income (affordability is considerably worse for low and income households). If affordability declines further, Kingston risks missing out on the diverse social and economic contributions that all members of the community have to offer.

Labour markets efficiencies

The efficiencies that come with large labour markets and the opportunities they afford to firms and workers are the very reason that large cities exist.¹¹ Effective urban policy should therefore ensure that firms and workers in all industries have good access to each other. This enables efficient labour markets, higher incomes for workers, lower costs to consumers and firms, and greater overall productivity.

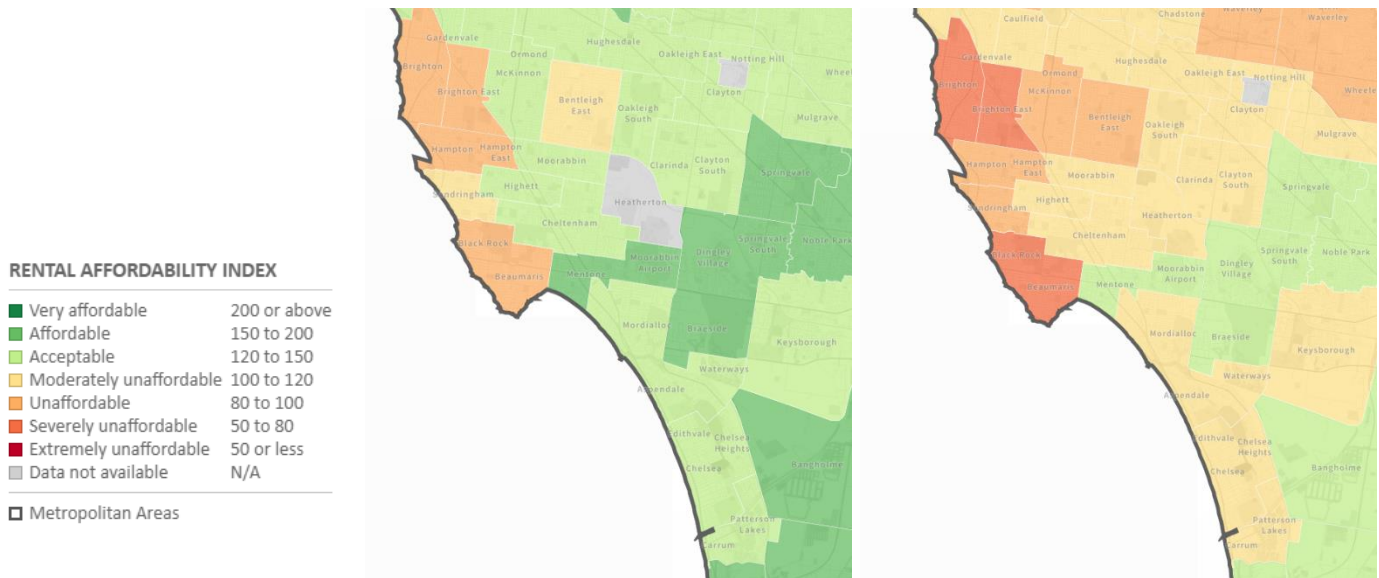
For labour markets to work efficiently, both low-income and high-income workers need to live sufficiently close to major employment clusters. If low income workers cannot afford to live in housing close to jobs, employers may not be able to hire the skills they need to effectively run the businesses and services that the community needs. Such labour shortages can mean unproductive labour, poor staff retention and higher costs for consumers.

⁹ Berry, M. (2003) ‘Why is it important to boost the supply of social housing in Australia’, *Urban Policy and Research* 24(1), 413-435.

¹⁰ Rolnik, R. (2014), ‘Place, Inhabitation, and Citizenship: The right to housing and the right to the city in the contemporary urban world’, *International Journal of Housing Policy*, 14(3): 293-300.

¹¹ Bertaud, A. (2004) ‘The Spatial Organization of Cities: Deliberate Outcome or Unforeseen Consequence?’

FIGURE 4: RENTAL AFFORDABILITY IN KINGSTON (AVERAGE HOUSEHOLD, 2011 VS 2018)



Source: SGS Economics and Planning, National Shelter and Community Sector Banking (2018), Rental Affordability Index, available at www.sgsep.com.au/maps/thirdspace/australia-rental-affordability-index

Evidence from the United Kingdom shows the impact of high housing costs on recruitment and productivity. The impacts include divestment from regions, increased training costs, crowding out of lower income workers, and poor performance of public services like health and education.¹² There is some analogous Australian evidence where low income, central city workers in Australia live much further from their jobs than the average metropolitan workers – roughly double the median distance.¹³

Excessive commute times and housing stress impact on human capital formation of workers. This can come through adverse impacts on individual health and wellbeing, including increased stress and mental ill-health, capped career progression, reduced ability to upskill and diminished workforce participation. Each of these outcomes will reduce the human capital potential of individuals, this has negative impacts on their own personal development as well as the economy which relies on their human capital for production and growth.

A highly functioning labour market will be essential to the future success of the local economy in the City of Kingston, especially around Kingston’s activity centres. This means that employers need to access workers and workers need to access jobs, for both high and low income job opportunities. Ensuring sufficient access to social and affordable housing for low income earners will assist in supporting the function of the local economy stimulation of a broader socio-demographic diversity.¹⁴

¹² Propper, C., and Van Reenen, J. (2010) ‘Can Pay Regulation Kill? Panel Data Evidence on the Effect of Labor Markets on Hospital Performance’, *Journal of Political Economy*, 118(2), 222-273.

¹³ Van den Nouwelant, R. Crommelin, L., Herath, S. and Randolph, B. (2016) ‘Housing affordability, central city economic productivity and the lower income labour market’, AHURI Final Report No. 261, Australia Housing and Urban Research Institute, Melbourne.

¹⁴ Fainstein, S. (2010) ‘The Just City’, Ithaca: Cornell University Press.

3. COUNCIL'S ROLE

It is helpful to distinguish between the various roles that local government can play in influencing housing markets and housing supply, and the various options and mechanism implied by each role.

This chapter will introduce a three-tiered approach to promote the increase of affordable housing and examine Council's potential role in social and affordable housing supply. The chapter will also discuss the role of the registered housing sector and other potential Not for Profit providers.

3.1 Council's role in supplying social and affordable housing

A council's largest and most significant role in affecting housing affordability is in **facilitating efficient housing markets**, which supply well over 90 percent of all housing. Thereafter, local government can also have a role in **facilitating** the supply of social and affordable housing. Finally, local government can also have a role in **actual provision and/or management** of social and affordable housing; that is, Council could become a social housing landlord or partner with such landlords in a material way. This three-tiered approach addresses different areas of market failure that have led to a lack of affordable housing. For most councils, the first step in correcting market failures is to address the inefficiencies in Tiers 1 and 2. Following this, some councils have extended their efforts into providing ratepayer funds or land to further stimulate the supply of affordable and social housing (Tier 3).

FIGURE 5: THREE-TIERED APPROACH FOR THE PROMOTION OF AFFORDABLE HOUSING



Source: SGS Economics & Planning Pty Ltd

Tier 1: Facilitating efficient housing markets

An efficient housing market mean that the supply of housing can readily meet demand. In simple terms this means that there are adequate opportunities to provide new housing such that the type and location that matches the needs of both new households that are seeking to form and existing households that require alternative accommodation options. An efficient housing market is more attractive for investment, as it is less risky and more likely to provide

a return. It is also likely, in the long run, to reduce upwards pressures on the cost of housing that result when demand outstrips supply or when new supply is mismatched with need.

Councils can undertake a range of initiatives or improvements to facilitate market efficiencies including planning system measures, infrastructure provision and information dissemination. In aggregate, these initiatives and/ or improvements by Council will have a significant impact on the efficiency of the local housing market and perceptions of risks and return of investing in Kingston.

Specific measures can include:

- Planning system measures including ensuring is sufficient land for new housing (e.g. opportunities for intensification of suitable urban land) and planning policies that support an appropriate mix of dwelling types in appropriate locations.
- Streamlining development approvals processes
- Ensuring areas nominated for additional housing are adequately equipped with supporting infrastructure
- Providing supportive infrastructure to help make areas more affordable through reduction of living costs
- Providing information on trends, best practice, innovative tenures and designs to active and prospective builders and developers to help ensure new housing is appropriately responding to demand.

HOW EFFICIENT IS KINGSTON'S CURRENT HOUSING MARKET?

Council's activity centre structure plans have guided recent development activity within some of Kingston's major activity centres. As evidenced by Currie & Brown more than 7000 building permits were issued over the past 10 years that led to new dwellings. While this related to unprecedented building activity comparable to metropolitan Melbourne, of this total, 41.65 per cent occurred in Mordialloc, Parkdale, Mentone and Cheltenham which reflects the available land supply opportunities for infill development, urban renewal sites and land available in activity centre locations for medium to high density development.

The report also noted the overall number of dwellings increased by approximately 800 per annum during the 2011-2016 census period with the number of detached dwellings falling substantially.

Between 2011 and 2016, the number of detached dwellings declined by 2,048, whereas medium density dwellings increased by 4,636 dwellings and high density increased by 1,286 dwellings, demonstrating the changes occurring in the dwelling composition for the municipality.

These trends suggest Council's existing planning policies have allowed for greater housing diversity in areas identified for densification. Notwithstanding this trend, the large number of single person households in housing stress suggests that there is likely to be unmet demand for small and more affordable dwellings better suited to the needs of these households. Demand from these smaller households is likely to require both apartments as well as medium density dwellings. Whilst it is often the case that smaller dwellings are located in and around activity centres, there may well be demand for this type of supply in lower density suburban locations.

Kingston has a Draft Housing Strategy and Neighbourhood Character Study that accounts for the projected growth considerations and changes in the age profile and household type.

Actions relevant to this Strategy include to:

- Encourage concentration of higher densities around existing and proposed Activity Centres, where community infrastructure is available and public transport opportunities can be maximised. While this pattern of development will assist in supporting more walkable neighbourhoods, it will also encourage housing density to support the economic viability of activity centres and provide more options for affordable and convenient housing;

- Address the short fall in the supply of social housing dwellings in the municipality, which identifies Victoria having the lowest percentage of social and affordable housing provision in Australia;
- Consider the limited local options to access immediate housing assistance in Kingston, with respect to crisis and emergency accommodation.

The Kingston Housing and Neighbourhood Character Study (currently in draft form) is a key document that will set out the broader planning strategy for housing in Kingston and should ensure the combination and land supply and planning policies will underpin an efficient housing market in Kingston. It is understood that the Strategy will:

- Identify preferred locations for change;
- Provide clarity and certainty about the type, scale and character of change;
- Identify barriers to housing supply and diversity and propose appropriate changes;
- Identify opportunity sites suitable for redevelopment for housing; and
- Ensure adequate zoned land to meet demand for the next 20 years that is both available to be developed and likely to be developed.

Other key planning system measure that Council could also consider include addressing barriers to smaller and more affordable dwellings (e.g. mandatory parking requirements, dwelling size requirements, open space provision, etc.).

Tier 2: Facilitating affordable housing supply

Having considered measures that influence an efficient overall housing market, the second tier of considerations are those that might facilitate the supply of social and affordable housing. There are several options available to Council, including the use of private land, public land and Registered Housing Agency owned land to facilitate social and affordable housing outcomes. Specific roles under this tier include:

- Providing a clear justification for the need to intervene in the housing market to ensure adequate supply of affordable housing;
- Applying purpose designed planning measures, including inclusionary provisions and value sharing arrangements; and
- Brokering joint ventures and partnerships between Registered Housing Agency and developers.

Demonstrating need

To justify an intervention into the housing market it is important to demonstrate a need for social and affordable housing. This issue is addressed in Chapter 2 of this strategy which models social and affordable housing need. SGS has used its Housing Assistance Demand Model to estimate a minimum social and affordable housing requirement for Kingston.

Purpose designed planning measures

Outside of Victoria, in jurisdictions in Australia and overseas, a range of mechanisms are used by local government to leverage affordable housing supply through their planning systems. These mechanisms typically fall into two different types: mandatory requirements that mandate a share of new development to be designated as affordable housing; and value sharing approaches that capture land value uplift to fund for affordable housing.

Mandatory requirements in planning are premised on minimum acceptable standards that must be met as a condition of planning approval, to ensure sustainable and liveable places. Examples of mandatory requirements include on-site car parking provision, open space, heritage, etc. Proponents sometimes have the option of cash-in-lieu contributions to pay for these to be satisfied off site. In the case of affordable housing, it could be argued that a minimum level of this housing is required in all communities to ensure social sustainability. Therefore, in the same way that a minimum level of open space contributions must accompany any new development, there should also be a minimum level of affordable

housing provided either in the site in question or as a cash-in-lieu contribution so that housing might be provided elsewhere.

A key benefit of a mandatory approach is that it would provide certainty for developers, land owners and the community regarding affordable housing contributions. It would also deliver a predictable flow of affordable dwellings.

At present, the Victorian planning framework does not provide a planning mechanism that would enable councils to require developers to provide affordable housing as an inclusionary requirement which effectively is a mandatory tool. Therefore, this option cannot be pursued by Council at this time. Council might however wish to advocate for planning changes through discussions with the Victorian Government and the various representations that Council has with other municipalities.

Plan Melbourne refers to further reforms to include new planning provisions or tools to deliver social and affordable housing including exploring inclusionary zoning and mechanisms to capture a share of the value created through the planning decisions. To date the Victorian Government has focussed on the latter approach and has placed greater emphasis on the role of voluntary planning agreements, non-mandatory planning approaches and the use of incentives to encourage developers to provide affordable housing dwellings.

The premise of value capture or value sharing arrangements is that land value uplift is created by planning decisions such as re-zoning or development approvals that exceed as-of-right limits. Under these circumstances, councils can seek to capture part of this value to benefit the broader community. This is the basis for the floor area uplift scheme in central Melbourne (Am C270) and the adopted floor area uplift scheme for Fishermans Bend (Am GC81).

RATIONALE FOR VALUE CAPTURE

Development contributions generated under value capture requirements are premised on efficient regulation of community sanctioned development rights. Regulation of land use through planning controls represents a form of restriction on market access necessitated by the objective of economic efficiency. The state deliberately and systematically rations access to 'development rights' via planning regulations to generate a net community benefit.

As occurs with other regulated markets – commercial fisheries, mineral exploitation, broadcasting bandwidth, etc. – it is appropriate to charge a licence fee for access to these regulated development rights. Licence fees in the context of the development assessment process can be paid by providing public benefits in return for development rights.

The value of development rights is capitalised into the price of the land. Land which is enabled for use as a major shopping centre is more valuable than land without this privileged access. Land enabled for a multi-storey apartment building will be worth more than the same land designated for a single household dwelling. Land zoned for mixed use residential will be more valuable than land designated for industrial uses.

The largest amounts of value uplift will generally be created when a site is rezoned from a low value use to a higher value use.¹ The rezoning is an increase in development rights that should be shared with the community. This is an opportunity for Council to require an affordable housing contribution through the rezoning process.

The proceeds of value capture in the planning system could be used for a variety of purposes or even fed into consolidated revenue. While affordable housing contributions are one avenue through which public benefits might be secured, focussing on affordable housing can be justified based on the high level of need for this type of infrastructure.

An important distinction is that the process captures the value uplift after developer's costs are accounted for. This means that value capture does not make development unfeasible. The value that is captured is the difference between:

- The existing use value of the site – this is without capital improvements and is distinct from the market value which factors in development potential
- The residual land value given the highest and best use possible with additional development rights (such as a new zoning) – this is the value of the land after all development costs and margins for profit and risk are deducted from their anticipated gross sales (or 'gross realisation') upon completion of the project

Further explanation of value capture and potential opportunities for Council to seek affordable housing contributions based on value capture arrangements are explored further in Appendix 3 and 4.

Partnership mechanisms

Council can play a role in brokering joint ventures and partnerships between the Department of Health and Human Services, Registered Housing Associations and developers. Options include leveraging existing Registered Housing Agency assets and partnering with the Director of Housing.

Through partnership with Registered Housing Agencies active in Kingston, Council can identify existing property assets that can be effectively and viably leveraged to realise an increased affordable housing yields through redevelopment. This may include the opportunity to leverage any Victorian and Australian Government partnership funding.

This option relies on Council formulating a working relationship with the agencies active in the area, to understand their portfolio capacity. This may also involve identifying sites that are located within areas that are suitable for renewal and align with Council's existing or future planning policies.

Council can also play a place management role not dissimilar to its current role with the implementation of key activity centre structure plans. This role would also include linking any potential funding that could be leveraged through the Victorian Government's Social Housing Growth Fund and the Victorian Property Fund.

Council can identify and facilitate opportunities to pilot new delivery models and increase the yield, diversity and/or quality of housing in existing public housing estates, through partnerships with the Victorian State Government. Council has the potential to strengthen its working relationship with the Department of Health and Human Services, where there are sites or areas that are suitable for urban renewal. These conversations could be formalised as part of a memorandum of understanding where there are areas that Council would like the Department of Health and Human Services to redevelop. This is currently being explored by the City of Port Phillip for one of the larger housing estates in Port Melbourne.

Advocacy

In the past 10 years there has been an evolution of different housing models that facilitate different housing outcomes both within the rental and ownership market, that remain affordable and accessible for people requiring housing support. Different housing measures include build to rent, shared equity schemes and rent to buy models.

Council has the potential to build its advocacy role in promoting innovative housing models that address local housing need. This role could involve:

- Pursue innovative housing models that address local housing need, including build to rent, Community Land Trusts, Shared Equity schemes, and Rent to buy models.
- Council can encourage the private sector and other organisations to pilot new models to provide affordable housing in the City of Kingston.
- Furthermore, Council also can lead in the establishment of a regional approach by sharing experiences and collaborating with neighbouring Councils.

Tier 3: Investing in affordable housing

The third tier of considerations are those that include Council funded subsidies through land and rate payer investment in Affordable housing provision. This would include direct investment. Several councils across metropolitan Melbourne are currently exploring the possibility of direct investment in social and affordable housing. A role involving direct provision is far more resource intensive, and requires a skill set which covers public land management, legal agreements, contract administration and procurement.

For example, Moreland City Council is in the process of establishing Moreland Affordable Housing Ltd (MAH), a charitable entity which will operate at arm's length from council and take responsibility for the redevelopment of several parcels of council owned land.

As a charitable entity the MAH will be able to participate in innovative development and financing models.¹⁵ This includes joint ventures with other agencies, Victorian Government and other local governments to pool other funding sources to deliver social and affordable housing outcomes on sites across Moreland.

If Council has the appetite for a more proactive role in the provision of social and affordable housing in Kingston, it could pursue this via:

- Ad hoc joint ventures
- Equity investment in housing associations
- Formation of a Housing Trust

Ad hoc joint ventures

¹⁵ <https://www.moreland.vic.gov.au/community-care/advocacy-services/housing-and-employment/affordable-housing/>

Joint ventures can involve a government agency or local government formally partnering with a private sector developer, housing association or other non-government organisations to develop and/or manage a housing project. Such developments often encompass mixed tenure options (a mix of social, affordable and/or private market housing).

Joint ventures can involve direct financial contributions by all parties, or, for example, through a local government 'gifting' land or air-rights to a social housing provider.

Ad hoc joint ventures apply when a local government wishes to contribute some asset or funding to the development of affordable housing, and to have the ability to influence the nature and location of a development but does not wish to have an ongoing ownership or management role.

City of Whitehorse recently embarked on a project in Box Hill, utilising Council owned land, redeveloping a former car park to deliver a multi tenure housing development in partnership with a developer and a Registered Housing Agency. The project formed part of a broader strategy to transfer existing independent housing units owned by the Council to the management of a Registered Housing Agency. City of Whitehorse led the feasibility, business case documentation and procurement process.

This option is not entirely new to City of Kingston. In 2011, Council successfully delivered an affordable and social housing outcome in partnership with MAB Corporation at 358 South Road, Moorabbin.

Council contributed council owned land used for a car park to a broader redevelopment that would result in the construction of social and affordable housing units. This arrangement was established under a Section 173 Agreement requiring the retention of the ground floor carparking numbers. The units are now owned and managed by Housing First. This example also demonstrates the use of public funds, in the form of the Nation Building Stimulus package, to deliver a large-scale redevelopment with a social housing benefit of seventy-five units.

Equity investment in housing associations

This intervention would see Council making a long-term commitment to investing ratepayer equity in the provision of local social housing, recognising that this is important local infrastructure.

This could occur via a Trust (as outlined below), or via a direct recurrent injection of capital into one or more housing associations that will be providing social housing in Kingston.

The exemplar Council in this area is Port Phillip.

Port Phillip has a 30-year history of involvement in the provision of social housing. The City owned and managed social housing stock from 1985 to 2006, much of which was rooming house accommodation. The City of Port Phillip Municipal Strategic Statement lists 'supporting a diversity of people across all six of its neighbourhood planning areas' as a key community goal. In meeting this goal, Council chose to become actively involved in the provision of housing to protect disadvantaged residents from rental inflation in an otherwise rapidly gentrifying municipality.

The Port Phillip Housing Association (PPHA) was established in 1985 to manage the City's housing stock. In 2006 the City of Port Phillip and the PPHA established the Port Phillip Housing Trust (PPHT). PPHA acts as the Trustee and the City of Port Phillip serves as governor of the Trust. The PPHA sought and received official registration with the Victorian Government to continue to access joint venture funding from the DHHS. The City of Port Phillip transferred the titles of 12 of its 17 social housing projects to the PPHT in 2006. In part, these reforms reflected Council's desire to divest itself of the role of housing developer.

The City has supported the PPHA (as trustee of the PPHT) with an ongoing capital injection of around \$400,000 subsidy per year, plus access to surplus Council properties for social housing

projects. More recently, the City has canvassed the possibility of spreading its annual investment to a broader range of local providers, including niche organisations geared to the needs of particular demographic groups or districts.

Housing Trust

Council could form a Trust to hold and disburse assets for social and affordable housing generated via the development approval system. The Trust could also be used to leverage contributions from community groups and not for profits, as well as any asset dedications that Council might make from time to time.

The Trust would be governed and administered at arm’s length from Council.

City of Hobsons Bay is currently exploring the establishment of a Housing Trust. The purpose of the trust will be to ensure monetary and/ or unit contributions from site specific negotiations are held in perpetuity for the provision of social and affordable housing. This mechanism also affords Council superior influence over where and how the funds are reinvested. It is expected the trust will be established through an EOI process in order to appoint a Registered Housing Association to take on the management and responsibility of the trust funds.

Local Government Governance Framework

Many municipalities in metropolitan and regional centres are working towards to addressing a shortfall in the supply of affordable housing. While the type and tenure of affordable housing may vary from one municipality to another, there is a consistent approach to the type of initiatives being delivered by local government. The following table illustrates the profile of initiatives.

FIGURE 6: LOCAL GOVERNMENT EFFORTS

	Council Policy	Planning Policy and Mechanisms	Research / Background Investigations	Information / Communication / Advocacy	Legal Entity / Public Land Arrangements	Private Development
Darebin	√	√ (investigating)	√	√	√	
Hobsons bay	√	√			√	√
Hume	√ (in development)				√	
Kingston	√ (in development)	√ (investigating)	√ (investigating)	√		√
Melbourne	√	√	√		√	√
Melton	√		√	√	√	
Moonee Valley	√	√ (updating PS)	√	√	√	√
Moreland	√		√	√	√	
Port Phillip	√	√	√		√	
Stonnington	√		√			
Wyndham	√		√			√
Whittlesea	√	√	√	√	√	√
Yarra	√	√	√	√		√

Source: Kingston City Council, 2019.

Role of Inter Council Metropolitan Forum

City of Kingston is a member of the Inter Council Metropolitan Affordable Housing Forum which was established in January 2019 as an information sharing opportunity for

metropolitan Councils who are working towards to responding to affordable housing needs within their municipality.

The Forum has recently agreed to a governance framework and a formalised commitment from all participating municipalities that the forum would actively progress an agreed suite of initiatives/ priorities. The purpose of this work is to guide conversations / advocate to State Government on any State policy or legislative framework affecting local government from facilitating affordable housing outcomes.

These priorities include:

- Advocate to DELWP and DHHS for a shared evidence base of affordable housing need across metropolitan Melbourne, as defined by income ranges in the Planning and Environment Act, to establish a baseline and consistent methodology for assessment at the municipal level.
- Identify opportunities for the planning system to assist with delivery of affordable housing (including voluntary and mandatory mechanisms such as Inclusionary Zoning).
- Advocate for a review of the lease and sale of Council land and property under the Local Government Act to enable streamlined processes for achieving particular outcomes such as affordable housing.
- Advocate for federal government tax incentives or funding to subsidise the expedited supply of affordable housing and investigate opportunities for City Deals with Federal and State Governments.

3.2 Role of the registered housing sector

The registered housing sector is a critical partner in the delivery and management of social and affordable housing outcomes.

The community housing sector comprises of both registered housing associations and registered housing providers, who are not for profit organisations that provide affordable rental housing for low income households. Allocation of housing is managed via the Victorian Housing Register, which prioritises housing need based on income and circumstance.

The community housing sector is highly regulated. In 2005, amendments to the Housing Act 1983, introduced a new system of regulation for non-government rental housing agencies. The legislation established a Registrar of Housing Agencies as the body to be responsible for this regulatory system. The Housing Registrar regulates the sector by enabling a housing association and housing provider to be an approved entity to manage and supply social housing.

As of July 2018, there were 40 registered agencies consisting of ten housing associations and 30 housing providers who in total manages approximately 20,000 tenancies and a portfolio of 19,500 dwellings.

The main difference between Registered Housing Associations and Providers is the scale of its operations, the portfolio size and its development capacity. Under the legislation housing associations are companies limited by shares or guarantee. Housing associations have the necessary scale of operations and mix of business skills to invest in and grow the social housing portfolio. In addition to managing housing properties leased from other stakeholders, housing associations build purchase and/or acquire new housing, using a mix of government funds and private sector investment.

Housing providers are generally smaller in scale and diverse in terms of size and capacity. Housing providers can also acquire new housing using a mix of government funds but at a smaller scale.

Within Kingston, there are nine active Registered Housing Agencies who currently own and manage properties. These organisations are diverse both in size and scale. Some of the organisations are gender and cohort specific. Table 5 provides an overview of all active agencies and their portfolio size.

TABLE 3: ACTIVE COMMUNITY HOUSING AGENCIES IN KINGSTON

Agency	Agency Type	Portfolio Size
Housing First	Housing Association	1200 dwellings
Common Equity Housing Limited	Housing Association	2200 dwellings
Community Housing Limited	Housing Association	2000 dwellings
Housing Choices Australia	Housing Association	2165 dwellings
Women's Housing Limited	Housing Association	308 dwellings
Women's Property Initiatives	Housing Provider	83 dwellings
South East Housing Limited	Housing Provider	14 properties and manages 152 properties owned by the Director of Housing.
Launch Housing	Housing Provider	1030 dwellings

Source: Kingston City Council, 2019.

In late November 2018, Council hosted a forum with these organisations to commence discussions with the sector. The forum highlighted the importance for Council to engage with the sector and work with them in partnership to bring affordable housing negotiations to the sector early on. The organisations are committed to working with local government to ensure new housing supplied meets the needs of the community members who have registered for assistance on the Victorian Housing Register.

From the forum, several key observations were made that will inform this strategy:

- It is important the sector is engaged early in the process of negotiating agreements for social and affordable housing provision
- Engaging with developers can be time consuming and sometimes misguided in that the developers are not certain about the role or capacity of the sector to take on new obligations where the discounted rates apply
- Not many agencies necessarily have capacity to pay for housing (for example even at discounted market price of 50-70 per cent)
- The agencies are open to models whereby Council collects cash contributions and redistributes to the sector via a competitive procurement process.
- The agencies also expressed a willingness to work with Council where negotiations are underway to inform the process so that the outcomes are guided and can be met by the agencies.

Other potential Not for Profit partners

The Registered Housing Sector specifically deals with the provision of affordable rentals. Other potential partners are not for profit organisations that focus on affordable home ownership as well as affordable rentals. The National Affordable Housing Consortium (NAHC) is a Tier 1 Community Housing Provider under the National Regulatory System and an Approved Participant under the National Rental Affordability System.

This organisation, which is yet to be registered in Victoria, is a lead agency delivering affordable home ownership schemes and attracting private investment into social and affordable housing. The most prevalent home ownership scheme in Victoria is Shared Equity Ownership.

NAHC, through its wholly owned specialist subsidiary, BuyAssist Australia is delivering Shared Equity Home Ownership through a contract with the Victorian Government, and a co-funded arrangement. NAHC brokers shared equity arrangements in partnership with developers and approved bank financiers. Whilst the first 100 new build homes are from general market stock the BuyAssist program could work with Council to capture affordable housing requirements through planning outcomes. In addition, BuyAssist Shared Equity is being offered as part of

State Land projects and could work to deliver a commercial and social outcome on Council land.

NAHC enters into arrangements with the developer or relevant land owner, supporting shared equity home buyers and creating mixed tenure, mixed income communities. NAHC works with the land owner or relevant partner of the agreement to establish the target cohort groups. Once these are established, NAHC acts as the agent to match eligible participants with new homes and responsible finance lending. Where the arrangement involves Council owned land, an equity agreement remains in place, where the invested capital is held to the title. Should that property be sold, the equity remains in perpetuity and in agreement with Council is reinvested into other dwellings within the municipality.

The role of NAHC is one that will be explored as a potential lever particularly where Council is seeking to promote home ownership.]

3.3 Ways forward

This chapter has discussed how Council might play a role in promoting an increase in social and affordable housing for Kingston and considered the role of the community housing sector. As captured by the three tiers discussion, Council's degree of intervention can range from one which fulfills its traditional role to facilitate efficient markets to direct investment in social and affordable housing.

In addition to the considerations presented above, it is important to keep in mind that the Victorian housing system is complex in that there are several layers of consideration when developing a policy, including:

- The Planning and Environment Act income bands to define housing type (social / affordable housing);
- The Planning and Environment Act sub types of very low, low and moderate;
- Victorian Government waiting list and allocation policy for social and affordable rentals;
- Multi housing provider model that encompasses public housing; social housing; private rental and ownership providers / models;
- Range of other supply levers through State led funding initiatives and private investment led programs
- Policy environment that supports value uplift measures rather than mandatory requirements

The focus of this strategy is on strategies and action Council can pursue in the short to medium term to increase the supply of social and affordable housing.

4. SOCIAL & AFFORDABLE HOUSING NEED

This section provides an assessment of the need for social and affordable housing in the Kingston, as derived from an analysis of need at the LGA level. This discussion covers definitions of housing need and the assumptions and analytical methods applied by SGS to arrive at a range of discrete estimates of the shortfall in social and affordable housing as at 2016.

4.1 Scope and definitions

Focus on rental affordability

The focus of this study is the need for affordable and appropriate rental accommodation for very low, low and moderate-income households in Kingston.

Mortgage stress and opportunities for households to gain affordable access to home ownership are not within the scope of this report. This is not to diminish these issues. Rather this scope delineation recognises the greatly different types of policy responses required to support home ownership as distinct from securing an adequate supply of accommodation for households that are effectively confined to the rental market for the time being if not indefinitely.

Furthermore, mortgage stress is generally considered a less accurate way of measuring housing stress for both high and low-income households. This is largely due to the difficulty determining what level of mortgage repayment is necessary compared to what households are saving or spending by choice. In repaying their mortgage debt, households are paying for housing and saving in a tax-effective way. Furthermore, they may draw on these savings in future.

For this reason, the analysis focuses on rental stress as an indicator of the number of households in housing stress in Kingston.

A need or a unit of 'demand' for social and affordable housing arises when a moderate- or lower-income households confronts moderate or severe rental stress. Obviously, a state of homelessness, including marginal accommodation, signifies a need for social and affordable housing. Households in existing social housing must also be included in the demand for this form of housing, particularly in the contemporary context where, because of severe shortages, social housing is effectively reserved for households on very low incomes that would otherwise face serious rental stress in the private market.

4.2 Need for housing assistance in Kingston

Housing Assistance Demand (HAD) Model

This analysis uses a HAD micro-simulation model to estimate the total number of households in need of housing assistance. It does this by adding together the existing count of social housing households, the count of homeless persons and the count of renting households that are in moderate or severe rental stress.

To identify households in rental stress, the HAD micro-simulation model segments households by many demographic and spatial variables. Rent paid against gross household income is the measure of rental stress and it is only applied to very low, low or moderate-income households. A full account of the methodology is available in Appendix A.

Homeless persons

For the purposes of this report we define homeless persons as those recorded by the Australian Bureau of Statistics (ABS) across homeless operational groups. Operational groups include persons living in improvised dwellings, tents or sleeping out, as well as those in supported accommodation; temporarily staying with other households; living in boarding houses; persons in temporary lodgings; and persons living in severely crowded dwellings (Australian Bureau of Statistics, 2018).

Based on this definition, there were approximately 444 persons recorded across homeless operational groups in Kingston in 2016.

Across Greater Melbourne the proportion of the population who were living in improvised dwellings, tents, or sleeping out was steady, moving from 0.016 per cent in 2011 to 0.018 per cent in 2016. The Southern Region and Kingston experienced lower rates of improvised dwellings, tents, sleeping out although a marked increase was observed in the Southern Region between 2011 and 2016. In Kingston, this translates to 9 people in 2011 and 10 in 2016.

Anecdotal evidence from a Registered Housing Agency, suggests they have experienced an overall increase in clients in Kingston from 2015 – 17, noting a higher proportion of women. The highest number fall into the client age cohort of 35 – 44 years.

Households on the Victorian Housing Register

In Victoria, social housing allocations are managed via a wait list which people eligible for assistance can register their interest, which include those on a very low, low to moderate incomes. Prior to 2017, the public housing system operated on a separate wait list to Registered Housing Agencies. More recently, the Victorian Government has developed a common housing register, which is one list where people eligible for assistance can register and nominate locational preferences for where they are seeking housing assistance. Applicants cannot nominate a Registered Housing Agency but can flag their preference for public housing or community housing assistance. The implementation of the common housing register is in transition as Registered Housing Agencies are going through a process to sign up to the register and once signed will transfer existing applications.

The Department of Health and Human Services is updating the Victorian Housing Register regularly and currently reporting on the transfer list by local area every three months. This report provides an indication of the number of people waiting to move and transfer to a social housing property.¹⁶

Victoria

As of the September quarter in 2018, the total number of people on the Victorian Housing Register was 46,150. This includes:

- Existing priority access and register of interest public housing applications transferred to the new register
- New applications submitted since August 2016 in the Register (where applicants have chosen public housing, community housing or both)

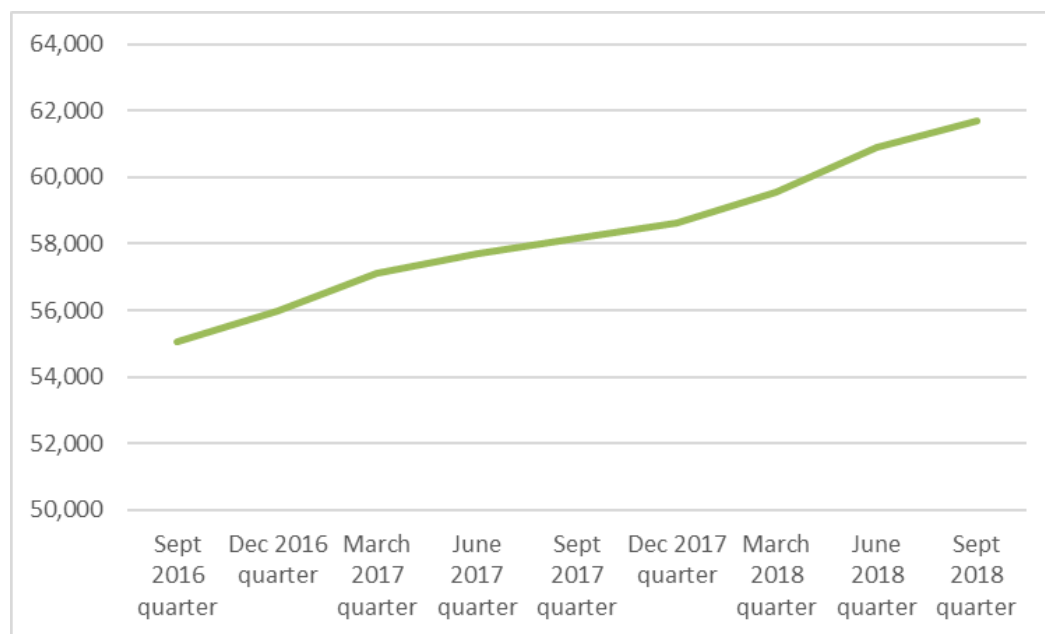
It is worth noting that community housing applications transferred from community housing waiting lists as of September 2015 are estimates only. The September 2018 quarter estimates

¹⁶ <https://housing.vic.gov.au/victorian-housing-register>

the number of applications at 15,528, as registered housing agencies formally sign up to the housing register, this number will change.

Figure 7 shows the total number of applications for social housing in Victoria continues to grow, having increased from 55,056 in the September quarter of 2016 to 61,678 in 2018.

FIGURE 7: TOTAL APPLICATIONS FOR SOCIAL HOUSING IN VICTORIA



Source: Victorian Housing Register, Transition Report September 2018.

Kingston

There are currently 1,485 social housing dwellings available in Kingston, approximately 2 per cent of households.¹⁷

Within the Victorian Housing Register, Kingston is split across two areas in the south division (see table below). These figures do not include an estimate of the Registered Housing Agencies existing applications.

TABLE 4: VICTORIAN HOUSING REGISTER (SOUTH DIVISION)

Area (office)	Priority access	Register of Interest	Total
Bayside-Peninsula (Cheltenham)	830	638	1,468 (1799 new and transferred applicants)
Bayside-Peninsula (Frankston)	903	1,058	1,961 (2232 new and transferred applicants)

Source: DHHS, September 2018.

Mortgage stress

Kingston City Council – Housing Affordability Report 2018 prepared by .id confirms that mortgage stress is less of an issue for Kingston than rental stress. While the highest rates of mortgage stress were found in Clayton South, Heatherton and Waterways, the report finds that mortgage stress rates do not show much of a concentration across Kingston.

There was some evidence that young families are leaving the area and looking for new housing on the urban fringe. Young couples with children were experiencing slightly higher

¹⁷ Department of Health and Human Services (DHHS), Housing Assistance Delivery Data 2017 – 18.

marginal mortgage stress, however, these were generally higher income households. It was indicated that low-income mortgage stress was not prevalent in Kingston.

Analysis of actual sale prices revealed that Kingston’s role and function is not as a first home buyer area, and Kingston’s housing stock could only be considered affordable to first home buyers in the top quartile of all incomes. Kingston was referred to as an upgrader area, only affordable to those with substantial equity from a previous home. Furthermore, most of those living in fully owned dwellings could not now afford to purchase in the area.

The report suggests that Kingston might consider initiatives aimed at directly assisting rental households move into home ownership, including equity sharing and rent to buy schemes. Such initiatives would be targeted at enabling low income households leave the ‘debt or rent cycle of poverty’ and get a foothold into the property market.

Table 5 shows that in 2016, there were 20,627 occupied private dwellings owned with a mortgage. In Kingston 7.7 per cent of households have mortgage repayments greater than or equal to 30 per cent of household income.¹⁸ This is slightly higher than the Victorian average of 7.5 per cent. It should also be noted that Kingston has a higher median monthly mortgage repayment.

TABLE 5: MORTGAGE MONTHLY REPAYMENTS

Mortgage monthly repayments	Kingston	Victoria
Median mortgage repayments	\$1,933	\$1,728
Households with mortgage repayments greater than or equal to 30% of household income	1,588	55,988
Share of households with mortgage repayments greater than or equal to 30% of household income	7.7%	7.5%
Total number of occupied private dwellings owned with a mortgage	20,627 (36.8%)	746,502 (35.3%)

Source: ABS Census, 2016.

As described above, mortgage stress is generally a less accurate way of measuring housing stress for both high and low income households. For this reason, the analysis focuses on rental stress as an indicator of the number of households in housing stress in Kingston.

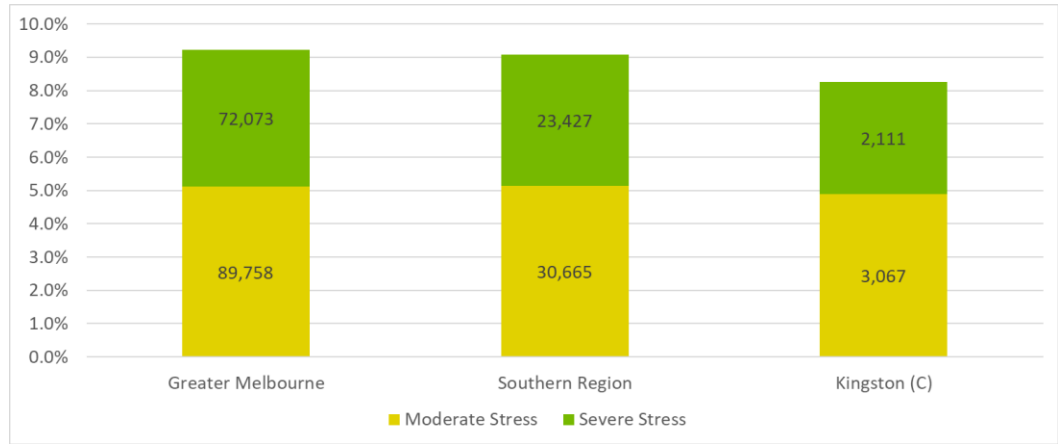
Households in rental stress

In Kingston, there are a total of 5,178 households in rental stress, with 3,067 households in moderate stress and 2,111 households in severe stress. This accounts for 8.3 per cent of all households in Kingston (see Figure 8).

The proportion of households in Kingston in 2016 experiencing rental stress is slightly lower than those of Greater Melbourne and the Southern Region. However, Kingston has 4.9 per cent of its households in moderate stress which is comparable to the 5.1 per cent in both Greater Melbourne and the Southern region.

¹⁸ ABS Census 2016 Quick Stats Kingston. This differs from the figures reported in ID report (p 13).

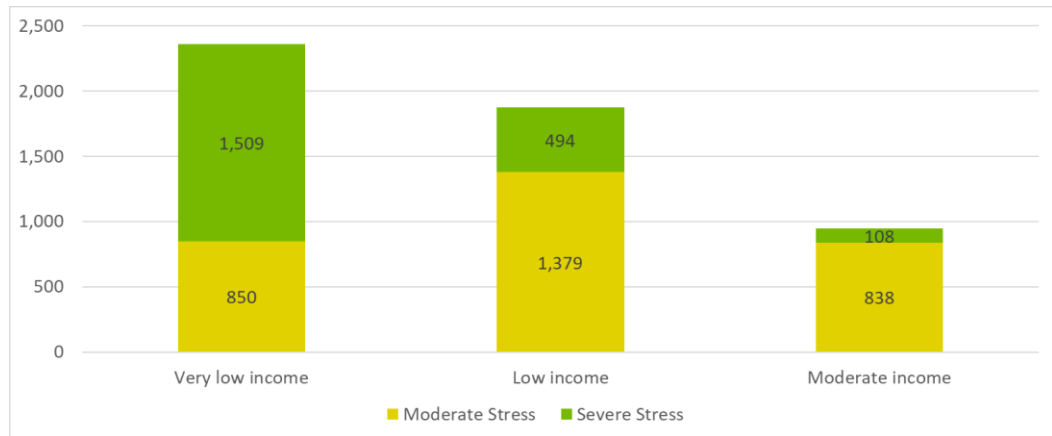
FIGURE 8: SHARE OF HOUSEHOLDS EXPERIENCING RENTAL STRESS



Source: ABS Census 2016, VIF 2016.

Figure 9 shows of the households experiencing rental stress in Kingston, the highest proportion fall into the very low-income band, with 1,509 households of this category in severe rental stress. These findings are also summarised in Table 6 below.

FIGURE 9: HOUSEHOLDS EXPERIENCING RENTAL STRESS BY INCOME BANDS



Source: ABS Census 2016, VIF 2016.

TABLE 6: COUNT OF HOUSEHOLDS EXPERIENCING RENTAL STRESS BY INCOME BANDS

	Households	% of all households	Income bands					
			Very Low		Low		Moderate	
			No.	%	No.	%	No.	%
Moderate Rental Stress (40:30)	3,067	4.9%	850	27.7	1379	45.0	838	27.3
Severe Rental Stress (50:30)	2,111	3.4%	1509	71.4	494	23.4	108	5.1
Total Rental Stress	5,178	8.3%	2359	45.5	1873	36.2	946	18.3

Source: SGS Economics and Planning, 2018.

Profile of households experiencing rental stress

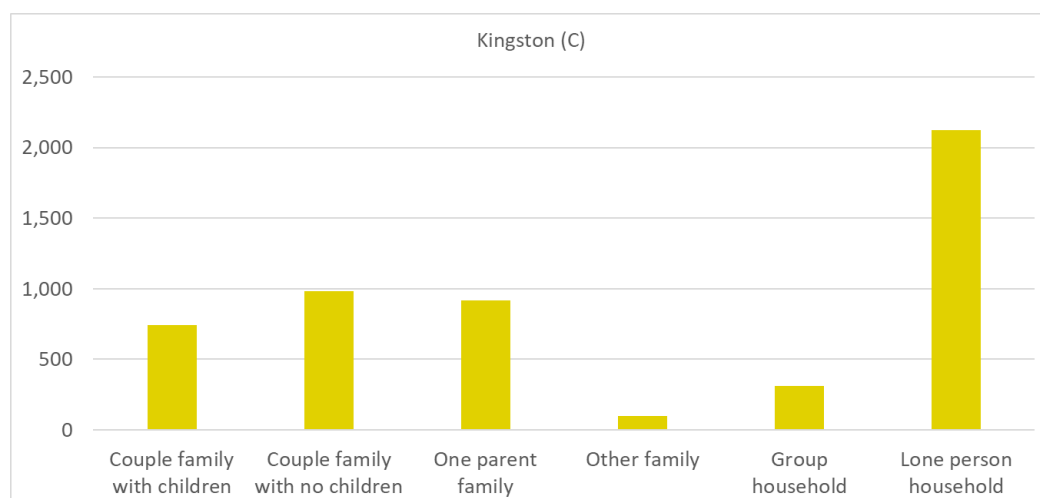
Of households experiencing moderate and severe rental stress, lone person households were the dominant household composition with 2,124 households or 41 per cent of households in this category.

The categories couple family, couple family with no children and one parent family, other family, and group household make up smaller shares at 14 per cent, 19 per cent, 18 per cent, 2 per cent and 6 per cent respectively.

This trend is consistent with Greater Melbourne, which also has the second largest share of households in rental stress in the couple family with no children category, followed by one parent families. However, in the Southern Region there is a slightly higher proportion of one parent families than couple families with no children (see Figure 10).

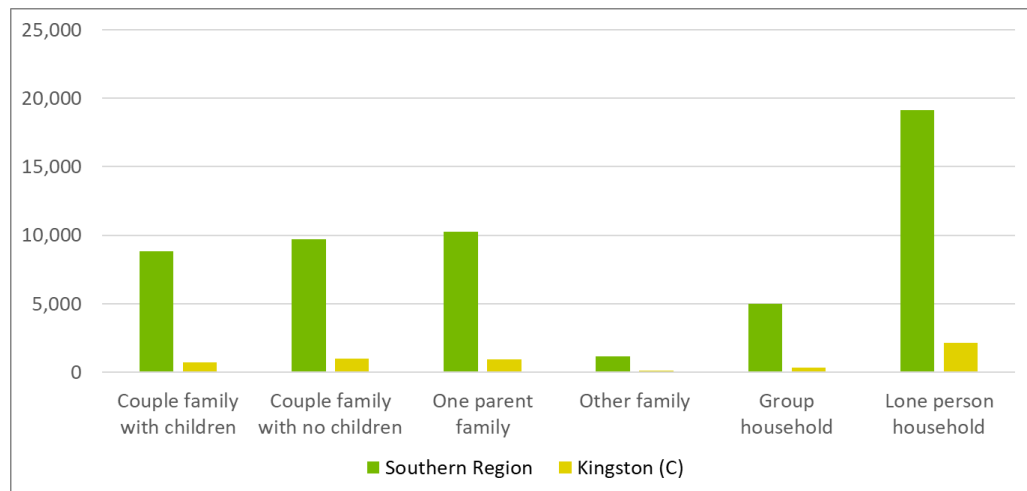
A recent report for *Kingston City Council – Housing Affordability Report 2018* prepared by .id provides further narrative about the households experiencing rental stress. The lone person households experiencing rental stress within Kingston tended to be elderly persons over the age of 65 that have lived in the same address for more than 5 years. The report notes that this rate of rental stress was in excess of the Melbourne average for this group as well as for older couples. This was followed by couples aged 65 and over, and then singles aged 15 – 24 and one parent families.

FIGURE 10: HOUSEHOLDS EXPERIENCING MODERATE & SEVERE RENTAL STRESS BY FAMILY TYPE



Source: ABS Census 2016, VIF 2016.

FIGURE 11: HOUSEHOLDS EXPERIENCING RENTAL STRESS BY FAMILY TYPE SOUTHERN REGION AND KINGSTON



Source: ABS Census 2016, VIF 2016.

Estimating a minimum social and affordable housing requirement in Kingston

Further analysis of the 2016 demand numbers was carried out to measure the number of required dwellings to address unmet demand.

In the Kingston LGA, it is estimated that a total of 6,881 social and affordable dwellings would be required to accommodate the measured number of homeless households, social housing households and very low, low- and moderate-income households in housing stress (see Table 7 below).

Research by Rowley and Ong (2014) describes several reasons why households might choose housing that placed them within the technical definition of housing stress. Households may voluntarily enter a situation where they pay more than 30 per cent of their income on housing to live in a better house, live in a better neighbourhood, or live in a location where other households expenses such as transport costs are lower. The research also notes that it is normal for some households to experience a temporary periods of housing stress. This can be due to temporary changes in circumstances such as the birth of a child, short term unemployment, or the breakdown of a relationship. Consideration of these factors would suggest that measured housing stress, using the 30 per cent of income threshold, could overestimate the actual number of households that are likely to be experiencing housing stress in the longer term.

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

These contrasting research findings suggest the need for housing assistance measured using SGS's modelling could either overestimate or underestimate the actual level of need. On the balance of evidence, and to ensure the need estimates are conservative on the low side, we have applied a slight discount to derive an estimate of the actual need. The reduction is shown in the third column in table below and applies to very low-, low- and moderate-income households in rental stress. For all other categories we have assumed the measured level of needs approximates actual need.

The estimated minimum social and affordable housing requirement to address the actual demand in 2016 is 6,175 dwelling (see table below). This estimate does not assume Council will be expected to meet this dwelling shortage in its entirety. It is intended to provide an estimate of demand for social and affordable housing in Kingston.

TABLE 7: MINIMUM SOCIAL & AFFORDABLE HOUSING REQUIREMENTS FOR KINGSTON

Household type	No. of Households	% supply target	Minimum social housing requirement	Minimum requirement as % of all households
Homeless	444	100%	444	0.70%
Social housing	1,259	100%	1,259	2.00%
Very low-income households	2,359	90%	2,123	3.74%
Low income households	1,873	85%	1,592	2.52%
Moderate income households	946	80%	757	1.20%
Total	6,881	n/a	6,175	9.79%
All households	63,076			

Source: SGS 2018, using Australian Bureau of Statistics, 2016.

4.3 Conclusion

It is estimated that in 2016 a total of 6,175 social and affordable dwellings would be required to accommodate homeless households, very low-, low- and moderate-income renting households in housing stress, as well as existing social housing households. This is around 9.79 per cent of all households. The same figure for metropolitan Melbourne is 11.9 per cent.

This estimate of need exceeds the current social housing dwelling stock of 1,485 (DHHS, 2017 – 18) by a significant margin and suggests there is sufficient justification for Council to intervene in the housing market to ensure the needs of households that are unable to find affordable accommodation in Kingston.

Some other key findings from the preceding analysis include:

- 444 persons were recorded across homeless operational groups. Anecdotal evidence suggests in Kingston had an estimated 10 rough sleepers in 2016.
- 7.7 per cent of households experience a level of mortgage stress with repayments greater than or equal to 30 per cent of household income.
- 5178 households are experiencing rental stress. This accounts for 8.3 per cent of all households in Kingston;
- 2,359 of these households fall in the very low-income band;
- Of the households experiencing severe rental stress (2,111), 71 per cent fall within the very low-income band which equates to 1,509 households;
- 41 per cent of households experiencing housing stress are lone persons; this is followed by couple families with no children at 19 per cent and one parent families at 18 per cent.
- There are approximately 3,429 households on the Victorian Housing Register in the South Division which covers both Bayside-Peninsula (Cheltenham) and Bayside-Peninsula (Frankston).
- Existing social (including public) housing dwellings stock houses only 2 per cent of households.

5. STRATEGIES AND ACTIONS

There is a clear mandate for Council to contribute to social and affordable housing provision in Kingston.

5.1 Introduction

Historically the task of supplying social and affordable housing has been borne by the broad-based tax systems operated by federal and state governments. They are best placed, both constitutionally and financially, to continue to make a significant contribution by virtue of their superior revenue raising powers, ability to take on debt and legislative powers.

The recent policy changes, including amendments to the *Planning and Environment Act 1987*, have given helped to clarify that it is appropriate for councils to use policy- and decision-making powers to facilitate the provision of affordable housing. While these powers remain limited, these changes lend support to the view that the large and increasing shortfall of affordable housing might be viewed as a shared responsibility of all levels of government.

The previous chapter has demonstrated there is an unmet need for social and affordable housing in Kingston. It is not Council's sole responsibility to address that need. However, Council can endeavour to work towards addressing the issue within limits of the planning policy mechanisms and Council resource available. The remainder of this chapter sets out strategies and actions for Council to fulfil this role.

5.2 A four-pillar strategy

There are several policy levers and activities that Council might use to help increase the supply of affordable housing. This have been grouped into four pillars: regulation, facilitation and partnerships, direct investment and advocacy.

The **'regulation'** group of interventions includes various mechanisms available to Council under the Planning and Environment Act. For the purposes of this document, this includes planning system measures to facilitate efficient housing markets, and measures to facilitate development contributions for affordable housing via inclusionary zoning and value capture.

The **'facilitation and partnership'** group of interventions includes strategies by which Council would work with private or community sector proponents to help them achieve affordable and social housing outcomes. Examples include brokerage of partnerships between corporate developers and registered community housing providers where the former are self-motivated to include affordable housing in their projects. Council also has a role to play in providing useful information on the Community Housing Sector to developers and interested parties.

The **'direct investment'** group of interventions would see Council applying its own assets – whether this be cash, land or underwriting capacity – to directly generate an expansion of social and affordable housing.

The **'advocacy'** group of interventions would see Council, through its involvement in the Eastern Affordable Housing Alliance (EAHA), continue to advocate for the introduction of mandatory inclusionary zoning and the delivery of 11,420 new social housing dwellings in the Eastern Metropolitan Region. Through this platform, Council has an opportunity to collectively develop and voice its views alongside like-minded Councils.

The remainder of this section details the strategies and actions under each of the four pillars.

5.3 Planning and Regulation

Strategy 1 Continue to support housing diversity and choice through Council's existing planning policies

Action 1.1 Continue to implement the Kingston Housing Strategy to ensure sufficient supply of available residential land.

While not the direct focus of this strategy, efficient housing markets contribute to the larger affordability picture. In an efficient housing market, the supply of housing can readily meet demand. In simple terms, this means that there are adequate opportunities for new housing, and that their type, location and price match the needs of new households that are forming, as well as existing households that require an alternative accommodation option.

An efficient housing market is more attractive for investment, as it is less risky and more likely to provide a return. It is also likely, in the long run, to reduce upwards pressure on the cost of housing that arises when demand outstrips supply or when new supply is mismatched with need.

Efficient housing markets deliver more affordable housing and a larger diversity of housing to meet a range of needs. Councils can choose from several initiatives or improvements to facilitate market efficiencies, including planning system measures, infrastructure provision and information dissemination. In aggregate, these initiatives and/or improvements by will have a significant impact on the efficiency of the local housing market and perceptions of risks and return on investment in Kingston.

Efficient housing markets are not the focus of this Affordable Housing Strategy. Instead, it recognises that Kingston has undertaken substantial work on the local housing market through its Kingston Housing Strategy. The Housing Strategy actions relevant to this strategy include:

- Encourage concentration of higher densities around existing and proposed Activity Centres, where community infrastructure is available and public transport opportunities can be maximised. While this pattern of development will assist in supporting more walkable neighbourhoods, it will also encourage housing density to support the economic viability of activity centres and provide more options for affordable and convenient housing;
- Address the short fall in the supply of social housing dwellings in the municipality, which identifies Victoria having the lowest percentage of social and affordable housing provision in Australia;
- Consider the limited local options to access immediate housing assistance in Kingston, with respect to crisis and emergency accommodation.

Strategy 2 Establish value capture policies for rezoned land and where approvals create land value uplift

Action 2.1 Draft a planning policy and mechanisms using the guidance drafts prepared in this strategy to achieve 50% of value uplift on brownfield sites and a % of activity centre development to be dedicated to social and affordable housing which is informed by planning pathways; development scale and location.

There are three potential scenarios under which Council could seek affordable housing contributions based on value capture arrangements. These include:

- Rezoning of larger sites that are in single or multiple ownership (e.g. from industrial to residential)

- Planning approvals that exceed preferred height limits or densities in activity centres (zoned ACZ).
- Planning approvals that exceed preferred height limits in rezoned residential areas (zoned RGZ).

In order to facilitate successful negotiations with permit applicants Council's planning scheme should provide clear guidance as to when and how Council will seek contributions for affordable housing, and, to the extent possible, the proportion or value of these contributions.

This strategy sets out the potential planning mechanisms to apply an affordable housing contribution and the proposed metrics. These pathways are summarised in the table below and Appendix 3. The intent of the strategy is to provide a planning framework and approach for the controls and preliminary drafts of the controls. The drafting of the planning scheme amendment will form part of the next steps.

See Appendix 3 supporting documentation of planning pathways.

Brownfield rezoning (and other ad hoc rezonings)

Specific Planning Scheme Tools

- CDZ
- DPO – identify the AH contribution
- SUZ – may apply in certain circumstances and include AH within the zone (as per West Melbourne – although Panel report is still pending). Provides opportunity to utilise either the table of uses or the permit requirements

Metrics

- Anticipated AH contribution as 50%* of land value uplift generated by the rezoning, being the difference between the existing use value of the site (EUV) and the residual land value (RLV) after the rezoning.
-

Floor area uplift in activity centres

Specific Planning Scheme Tools

- ACZ – customise the ACZ in each centre to allow for 'floor area uplift' arrangements where value capture-based contributions are for affordable housing only (as per Fisherman's Bend):
 - Base height/density limit: no AH contribution required
 - Between base height/density and maximum height/density limit: AH contribution based on value uplift from additional floor space.
 - Opportunity to utilise either the table of uses or the permit requirements.
-

Metrics

- 100% of the residual land value (RLV) of the *additional* floor space.
- Provide a table of 'pre-scheduled' rates (RLV/sqm) for each Activity Centre.
- Contribution will be calculated as a dollar value (rather than fixed % of dwellings or floor space).

Residential Growth Zone (where development exceeds 13.5 metres)

Specific Planning Scheme Tools

- DDO – require contributions for development over 13.5 metres in the RGZ. Note: mechanisms assume 13.5 metres is the correct ‘base’ height; determine maximum height for each RGZ area; apply DDO that enables the value capture for floor space between base and max. height.

Metrics

- 100% of the RLV of additional floor space (same approach as used in central Melbourne).
 - Use a table of ‘pre-scheduled’ rates (RLV/sqm) for each RGZ area. (same as Central Melbourne – see next slide).
-

Action 2.2 Establish an Affordable Housing Fund for the collection and redistribution for reinvestment into the delivery of affordable housing dwellings. The fund will provide a funding vehicle for the collection of monetary contributions; donations and Council revenue sources voluntarily contributed.

A separate paper will be drafted that will propose the establishment of a fund for the collection and redistribution of contributions for the purposes of social and affordable housing. The paper will set out the governance and accounting structure for Council to consider for the management and procurement of the funds to the registered housing sector

Action 2.3 Develop a series of planning practice notes to include the following:

- Planning practice note for internal use to guide statutory processes and consideration of the new controls.
- Guidance notes for proponents when applying the new controls.

Action 2.4 Draft a Section 173 model agreement.

Seek advice and prepare a guidance note to support the drafting and preparation of model 173 Agreement.

5.4 Direct Investment

Strategy 3: Consider opportunities for affordable housing on appropriate Council-owned land

Action 3.1 Investigate opportunities on Council owned land for affordable housing provision.

Council should investigate the opportunities for direct investment on land it is deemed suitable for social and affordable housing and surplus to the intended use of the land. The investigation should include an audit of suitable sites and assessment of affordable housing against other suitable uses on those sites.

As part of the investigations, Council should develop criteria for the determination of land as suitable for social and affordable housing purpose. Criteria to include locational parameters and demand factors.

Criteria could include:

- X distance to services that may include convenience stores and / or a range of community facilities and transport connections; Land area to be greater than 500 sqm;

- Suitability for a residential use;
- Potential to include other community benefit services on site for larger sites or join with other services off site;
- Capacity of the land to accommodate;

Action 3.2 Establish a policy / guidance note for social and affordable housing outcomes to be sought on Council land.

This action involves opportunities for Council to directly invest in the provision of social and affordable housing on Council owned land that are declared suitable. Council can pursue this agenda via joint ventures with developers and Registered Housing Associations using its own land and/or equity, equity investment in housing associations or via the formation of a housing trust.

A guidance note should be drafted that considers the process for examining the potential land arrangements with the transfer of the land; the potential scale of development and the potential outcomes that Council is seeking as part of the redevelopment.

5.5 Facilitation and Partnership

Strategy 4 Explore options for contributions to affordable housing through joint ventures with government agencies, RHA or private landowners

Action 4.1 Facilitate discussions with DHHS to renew existing dwellings in areas where Council has identified areas suitable for change.

Action 4.2 Explore the use of an MOU with DHHS to establish an agreed set of outcomes and potential timing.

Council should identify suitable government owned sites within Kingston and build an understanding of the status of the sites based on the planning policy framework, DHHS’s asset intent. In doing so Council can identify opportunities for where underutilised sites may be considered for renewal / reuse opportunities depending on the agency and nature of the use of the land.

Action 4.3 Facilitate discussions with Registered Housing Agencies on the potential to renew or reinvest into the municipality to increase the supply of social housing.

Council should establish a regular forum with agencies to discuss planning related strategies that are underway. The forum will also be an opportunity for the agencies to identify any future renewal or redevelopment plans for any development synergies to be identified or facilitation opportunities to be discussed.

Strategy 5 Adopt a relationship building, information sharing and brokerage role between the development and affordable housing sector

Action 5.1 Develop and publish information on affordable housing for developers, that will include affordable housing definition, role of the sector, sector contacts, facilitation measures offered by Council and provide a single point of contact.

There is an opportunity for Council to show leadership by playing a role in brokering joint ventures and partnerships between developers, Registered Housing Associations active in Kingston or the southeast region, other housing providers and DHHS.

A brokerage role relies on Council identifying and formulating working relationships with the agencies active in the area. Council can play an introductory role, while also disseminating appropriate information on the sector to developers and providing a point of contact.

A regular forum with the agencies will also be a great opportunity to build on these relationships.

Strategy 6 Promote and provide strategic linkages to other projects and policy initiatives led by other business areas of Council

Action 6.1 Provide strategy linkages into other projects / policy initiatives led across other business areas of Council, i.e. Family Violence, Energy efficiency initiatives to reduce household living costs.

5.6 Advocacy

Strategy 7 Advocate for state wide mandatory inclusionary zoning policy and/or planning tools to allow a mandatory inclusionary zoning approach, in collaboration with other Councils.

Action 7.1 Continue to advocate through various local government networks and forums including the City of Melbourne Inter Council Forum on Affordable Housing.

Council will advocate to the Victorian State Government to introduce a state-wide mandatory policy and/or planning tools to allow all Councils to pursue mandatory approaches through their planning schemes.

As advocacy efforts will be more likely to gain traction if undertaken with other Councils and with a shared view of the preferred mechanism or approach, Council can advocate collectively with likeminded councils on the key issues surrounding social and affordable housing. This includes to advocate for mandatory inclusionary zoning.

Strategy 8 Advocate for increase investment into social housing through information and demonstration projects

Action 8.1 Continue to monitor aggregate data on household needs and share this information with relevant government agencies, RHAs and the industry sector.

Action 8.2 Promote demonstration projects and local government achievements in social and affordable housing through an electronic subscription-based newsletter

Council should continue to monitor data on household needs and gap experienced in the number of households requiring housing assistance, using the baseline data developed in this strategy. This information should be disseminated to the development industry, registered housing sector and government agencies to assist them in understanding the housing issues; type of responses and outcomes achieved within metropolitan Melbourne and status on the implementation of this strategy.

Action 8.3 Explore the reuse / repurpose of vacant buildings where pro-bono works can reinstate a building to a state for use as short-term housing.

Council may explore the temporary use of vacant residential buildings or land which could be reused for a social and affordable housing purpose. This arrangement would rely on a registered housing agency to enter an arrangement with the relevant owner. Two scenarios include the use of publicly and privately-owned properties.

For council owned properties this arrangement relies on the registered housing agency to enter into a lease agreement with the Council. For privately owned properties, the land owner after receiving a planning permit may voluntarily agree to make the property available for social and affordable housing by entering a leasing arrangement with a registered housing agency.

Strategy 9 Advocacy for direct government investment and subsidies

Action 9.1 Advocate for a grant to bridge the return gap between market rents and rents that are affordable to moderate and lower income households.

In addition to the actions outlined above, Council will also advocate to the Victorian and Federal Governments to deliver grants to investors to bridge the 'return gap' between market rents and rents that are affordable to moderate and lower income households. The National Rental Affordability Scheme (NRAS), initiated by the Commonwealth following the global financial crisis, is an example of this type of funding arrangement.

Action 9.2 Advocate for increased funding toward homelessness services and accommodation options.

Council should advocate for greater investment from the Australian and Victorian Government to provide housing for homeless persons and other vulnerable households.

APPENDIX 1: IMPLEMENTATION PLAN

This implementation plan outlines the actions to be undertaken by Council to give effect to the strategies set out in this report. It also suggests indicative time frames to guide the programming of actions and potential resource requirements. The indicative time frames suggest the following time periods:

- Short term – 6 to 12 months;
- Medium term – 12 to 24 months; and
- Long term – 24 months plus.

Theme: Planning and Regulation			
Strategy 1 – Continue to support housing diversity and choice through Council’s existing planning policies			
Action Number	Action Description	Policy and Strategic Linkages	Timeframe
1.1	Continue to implement the Kingston Housing Strategy and Neighbourhood Character Study	This action aligns with the current Council work program. The Housing Strategy and Neighbourhood Character Study will inform Strategy 2 and its actions.	Medium to Long Term
Strategy 2 – Establish value capture policies for rezoned land and where approvals create land value uplift.			
2.1	Draft a planning policy and mechanisms based on the guidance drafts set out in this strategy to achieve a % of value uplift to be dedicated to social and affordable housing which is informed by planning pathways; development scale and location.	This action aligns with the Housing Strategy and Neighbourhood Character Study.	Short to Medium Term
2.2	Establish an Affordable Housing Fund for the collection and redistribution for reinvestment into the delivery of affordable housing dwellings. The fund will provide a funding vehicle for the collection of monetary contributions; donations and Council revenue sources voluntarily contributed.	New initiative that will support the implementation of the planning mechanism and metric to measuring the size of the contribution.	Short to Medium Term
2.3	Develop a series of planning practice notes to include the following: <ul style="list-style-type: none"> ▪ planning practice note for internal use to guide statutory processes and consideration of the new controls. ▪ guidance notes for proponents when applying the new controls. 	New initiative that will support the implementation of the planning policy and mechanisms.	Medium Term
2.4	Draft a Section 173 model agreement.	New initiative that will support the implementation of the planning policy and mechanisms.	Medium Term
Theme: Direct Investment			
Strategy 3: Consider opportunities for affordable housing on appropriate Council-owned land			
3.1	Investigate opportunities on Council owned land for affordable housing provision.	New initiative that will need to consider Council’s existing asset planning and review processes.	Medium to Long Term
3.2	Prepare a guidance note on facilitation of social and affordable housing outcomes through existing place making and structure planning processes to ensure Council or other publicly owned land is explored as a potential housing outcome. This practice note will consider air rights or land platforms proposed over existing / new infrastructure, i.e. LXRA.	New initiative that will align with existing structure planning and place making processes.	Medium to Long Term

Theme: Facilitation and Partnership			
Strategy 4: Explore options for contributions to affordable housing through joint ventures with government agencies, RHA or private landowners.			
Action Number	Action Description	Policy and Strategy Linkages	Timeframe
4.1	Facilitate discussions with DHHS to renew existing dwellings in areas where Council has identified areas suitable for change.	New initiative to establish collaborative working relationship with relevant government agency.	Medium Term
4.2	Explore the use of an MOU with DHHS to establish an agreed set of outcomes and potential timing.	New initiative to establish collaborative working relationship with relevant government agency.	Long Term
4.3	Facilitate discussions with Registered Housing Agencies on the potential to renew or reinvest into the municipality to increase the supply of social housing.	New initiative to establish collaborative working relationship with external parties.	Medium Term
Strategy 5: Adopt a relationship building, information sharing and brokerage role between the development and affordable housing sector.			
5.1	Develop and publish information on affordable housing for developers, that will include affordable housing definition, role of the sector, sector contacts, facilitation measures offered by Council and provide a single point of contact.	New initiative.	Medium Term
Strategy 6: Promote and provide strategic linkages to other projects and policy initiatives led by other business areas of Council.			
6.1	Promote and provide strategic linkages to other projects and policy initiatives led across other business areas of Council, i.e. Family Violence, Energy Efficiency Initiatives to reduce household living costs.	Council plan and annual action plan	Ongoing
Theme: Advocacy			
Strategy 7: Advocate for state wide mandatory inclusionary zoning policy and/or planning tools to allow a mandatory inclusionary zoning approach, in collaboration with other Councils.			
7.1	Continue to advocate mandatory affordable housing planning mechanisms through various local government networks and forums including the City of Melbourne Inter Council Forum on Affordable Housing.	City of Melbourne Inter Council Forum and other forums	Ongoing
Strategy 8: Advocate for increase investment into social housing through information and demonstration projects			
8.1	Continue to monitor aggregate data on household needs and share this information with relevant government agencies, RHAs and the industry sector.	New initiative.	Medium to long term
8.2	Promote demonstration projects and local government achievements in social and affordable housing through an electronic subscription-based newsletter.	New initiative.	Short term
8.3	Explore the reuse / repurpose of vacant buildings where pro-bono works can reinstate a building to a state for use as short-term housing.	New initiative.	Long term

Strategy 9: Advocacy for direct government investment and subsidies			
8.4	Advocate for a grant to bridge the return gap between market rents and rents that are affordable to moderate and lower income households.	New initiative.	Ongoing
8.5	Advocate for increased funding toward homelessness services and accommodation options.	New initiative.	Ongoing

APPENDIX 2: KINGSTON'S DRAFT HOUSING STRATEGY AND NEIGHBOURHOOD CHARACTER STUDY

This appendix presents an overview of the relevance of Kingston's Draft Housing Strategy and Neighbourhood Character Study.

The City of Kingston's 2018 population is estimated to be 162,536 and is forecast to grow to 186,967 by 2036. Kingston will experience absolute growth in population numbers across every age group, however the age profile will shift towards an older population, with the most common age band in the City by 2036 being 40-44, and 14.7% of the population aged 70 or older.

Kingston will continue to have a diverse mix of household types dominated by couples with dependants, couples without dependants, and lone person households. Household size will slowly decrease, and lone person households will become more prevalent over time.

City of Kingston recently released its Draft Housing Strategy and Neighbourhood Character Study that takes into account the projected growth considerations and changes in the age profile and household type.

The vision for the strategy is to:

- Ensure that housing in the City of Kingston meets the needs of current and future residents;
- Ensure a housing stock that is diverse in its types, designs, sizes and tenures and that is flexible and adaptable to be able to accommodate changing needs within the community;
- Promote housing growth and diversity, including medium and high-density housing, in locations within walking distance of public transport, local services, parks and education.
- Ensure housing in substantial change areas is designed to achieve and enhance a sense of place and identity and facilitate neighbourhood participation.
- Advocate for increased affordable and special housing needs stock, including for elderly people and people with disabilities.

The framework plan identifies that the location of housing affects residents' amenity, transport choices, and housing affordability as well as access to employment, retail, community services and open spaces. It also has implications for the cost and provision of infrastructure.

The plan considers a number of factors in determining the location of future housing:

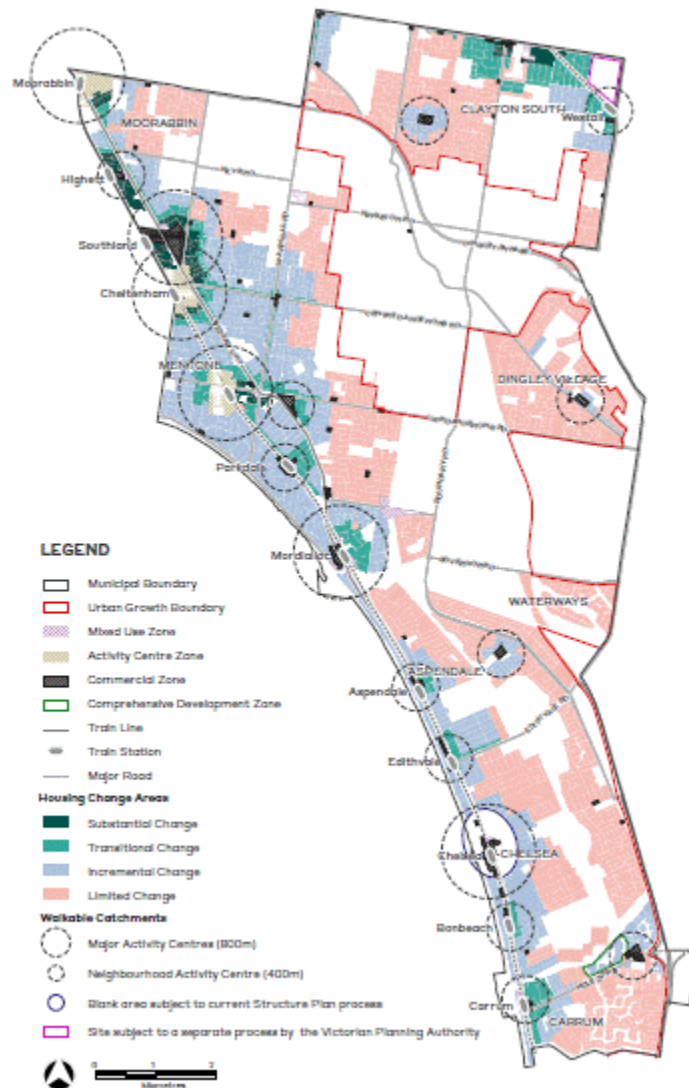
- Kingston's role in providing additional housing to accommodate expected population growth in metropolitan Melbourne;
- The predicted future demographic characteristics and house needs within Kingston;
- Maximising access to public transport and activity centres;
- Protection of coastal, heritage and neighbourhood character values;

- Protection of significant environmental and ecological values and landscapes;
- Improving housing choice and affordability;
- Diversifying the mix of housing types and sizes across the City;
- Retaining a mix of residential lot sizes across the City.

The Housing Framework Plan categories areas of change to guide the future growth and development into four groupings:

- Limited change;
- Incremental change;
- Transitional change;
- Substantial change.

Change areas are illustrated in the map below.



The Housing Strategy clearly states, in Kingston, there is a significant proportion of the population exposed to increased affordability issues. The Housing Strategy provides the strategic context and direction for the social and affordable housing strategy by:

- Setting out key population, housing trends and projections for City of Kingston, highlighting that the municipalities residential role in the future will be multi-faceted due to the anticipated range of housing type needs;

- Summarising the key challenges affecting housing affordability in the municipality; and
- Identifying preferred areas of change.

Housing affordability is considered under the following headings:

- Affordable living;
- Regulated housing;
- Affordable rental housing;
- Housing vulnerability.

Actions relevant to this Strategy include:

- Encourage concentration of higher densities around existing and proposed Activity Centres, where community infrastructure is available and public transport opportunities can be maximised. While this pattern of development will assist in supporting more walkable neighbourhoods, it will also encourage housing density to support the economic viability of activity centres and provide more options for affordable and convenient housing;
- Address the short fall in the supply of social housing dwellings in the municipality, which identifies Victoria having the lowest percentage of social and affordable housing provision in Australia;
- Consider the limited local options to access immediate housing assistance in Kingston, with respect to crisis and emergency accommodation.

The Kingston Housing and Neighbourhood Character Study (currently in draft form) is a key document that will set out the broader planning strategy for housing in Kingston and should ensure the combination and land supply and planning policies will underpin an efficient housing market in Kingston. It is understood that the Strategy will:

- Identify preferred locations for change;
- Provide clarity and certainty about the type, scale and character of change;
- Identify barriers to housing supply and diversity and propose appropriate changes;
- Identify opportunity sites suitable for redevelopment for housing; and
- Ensure adequate zoned land to meet demand for the next 20 years that is both available to be developed and likely to be developed.

APPENDIX 3: HOUSING ASSISTANCE DEMAND MODEL

Overview

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

The model uses the following key datasets:

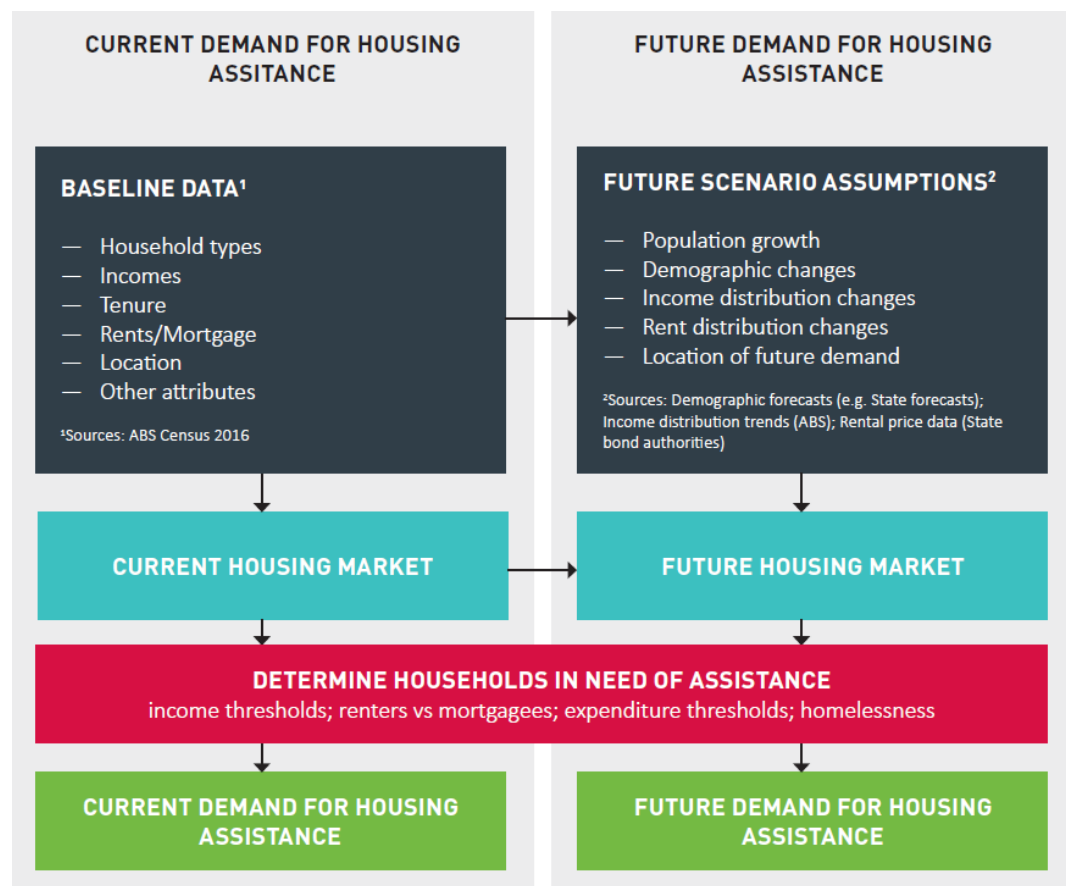
- ABS Census 2016
- 2016 ABS estimation of homelessness (cat 2049.0)
- Forecasts of household by type – Victoria in Future 2016

The structure of the HAD model follows three key steps:

- Preparation of the current market state
- Evolution of the market state into the future
- Query for the count of households in need of affordable housing (in rental stress).

These steps are illustrated in the diagram below and described in detail overleaf.

FIGURE 12: HOUSING ASSISTANCE DEMAND MODEL OVERVIEW



Source: SGS Economics & Planning

Preparation of the current market state

An initial market state is prepared using 2016 ABS Census data, and household forecast data (VIF 2016 and City of Melbourne forecasts). The main data inputs are 2016 Census data, which is used to prepare a detailed attribute-by-attribute market state distribution.

Household forecast data provides control totals against which the market state is adjusted, ameliorating systematic errors in Census data (e.g. undercount). The attributes necessary to identify financial stress appear in Table 8.

TABLE 8: CENSUS ATTRIBUTES USED IN THE HAD MODEL

Variable	Use
Weekly rent	To identify households spending a large proportion of their income on rent
Weekly household income	To identify households spending a large proportion of their income on rent
Household type	To determine the type of affordable housing needed, groups include: couple families, one-parent family, group household, lone person, other family
Tenure type	To differentiate between home-owners, renters, social housing households and households with no tenure (including homeless persons)
Local Government Area	Spatial component used to show distribution of SAH demand across Victoria

Source: SGS Economics & Planning 2018

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

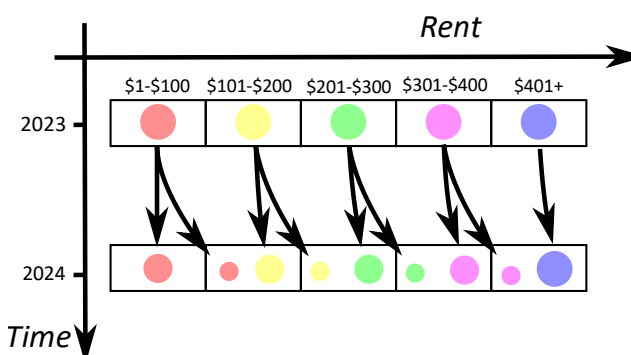
To overcome this issue, a quintuple-attribute model was developed. A total of 16 data tables were obtained (5 single-attribute tables and 11 double-attribute tables) and used in the preparation of the market state. These tables are then developed into a model of the market state is prepared at a local government area level, using a process called iterative proportional fitting (statistics), or the RAS algorithm (economics).

Evolution of the market state into the future

Time evolution of the market state is inspired by a Markov-like process: a household with certain attributes (a) in year y may become a household of another type (a') in year $y+1$. This occurs with a certain probability and parameters in the model determine those probabilities.

Scenario-defined parameters specify how the state of the market steps forward in time. In each time step, households are re-allocated to other attribute sets based on their initial set of attributes. This process is portrayed in Figure 13.

FIGURE 13: HADS MODEL ATTRIBUTE REALLOCATION



For this analysis, there were three scenarios:

- A **base case** with no future change in the relative distribution of rents and incomes
- An **optimistic case** where incomes grow faster than rents in the first five years
- A **pessimistic case** where rents grow faster than incomes in the first five years.

Query for the count of households in need of affordable housing (in rental stress)

Finally, for each year in the forecasting period, households that meet three key criteria are identified and counted as needing affordable housing. These criteria are:

- Household income level
- Proportion of income spent on rent (to indicate **rental stress**)
- Whether the household is in social housing or experiencing homelessness.

If a household has a very low, low or moderate **household income** it could be counted as in need of affordable housing (pending the second criterion). Households with higher income levels are excluded due to their ability to substitute other expenditure when in housing stress.

The income ranges are defined by the Victorian Government and shown in Table 9. The ranges here are for 2018 and were updated in 2019 to align with inflation. The model has not been updated, however, because the incomes in the input Census data are at 2016 levels.

TABLE 9: HOUSEHOLDS ELIGIBLE FOR AFFORDABLE HOUSING (2018)

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

Planning and Environment Act, Section 3AA(2)

* Other family set equivalent to couple family with children

** Group household set equivalent to couple family without children

A household is considered in need of affordable housing if it is in one of the income groups above *and* in rental stress. **Rental stress** is classified as either moderate (more than 30 per cent of income spent on rent) or severe (more than 50 per cent of income spent on rent).

Two additional groups do not fit the criteria above but are still in need of affordable housing:

- **Social housing:** these households would be in financial stress were it not for this assistance. This implicitly assumes that these are very low income households.
- **Homeless or no tenure:** persons experiencing homelessness need of affordable housing despite not experiencing rental stress. The model assumes that they are lone persons households with very low income.

Persons experiencing homelessness are not counted in the previous categories and estimated separately using the ABS survey of homelessness (cat. no. 2049.0). The ABS uses 'operational groups' to define homelessness:

- Persons living in improvised dwellings, tents, sleepers out
- Persons in supported accommodation for the homeless
- Persons staying temporarily with other households
- Persons living in boarding houses
- Persons in other temporary lodging
- Persons living in 'severely' crowded dwellings.

In forecast years, the model queries the number of households in rental stress based on the same attributes and the evolved market state defined in the previous step.

When considering the social housing, homeless or no tenure categories, it is important to note that the model does not forecast changes to the social housing supply or the incidence of homelessness. Social housing supply is held constant (in lieu of information about committed government investment) while homelessness grows in line with the population.

APPENDIX 4: EXPLAINING THE VALUE CAPTURE PROCESS

Rationale

Development contributions generated under value capture requirements are premised on efficient regulation of community sanctioned development rights. Regulation of land use through planning controls is a form of restriction on market access to ensure that development produces economically efficient (positive) outcomes for the community. The state deliberately and systematically rations access to 'development rights' via planning regulations to generate a net community benefit.

The value of development rights is capitalised into the price of the land. Land which is enabled for use as a major shopping centre is more valuable than land without this privileged access. Land enabled for a multi-storey apartment building will be worth more than the same land designated for a single household dwelling. Land zoned for mixed use residential will be more valuable than land designated for industrial uses.

The largest amounts of value uplift will generally be created when a site is rezoned from a low value use to a higher value use. The rezoning is an increase in development rights that should be shared with the community. This is an opportunity for Council to require an affordable housing contribution through the rezoning process.

The other major opportunity is where land is already zoned for a given purpose, but the quantum of permissible development is subject to discretionary height limits. Proponents could have the option to acquire additional development capacity through the provision of a community benefit of commensurate value. For example, a height exceedance policy for an Activity Centre might allow additional storeys in return for an affordable housing contribution.

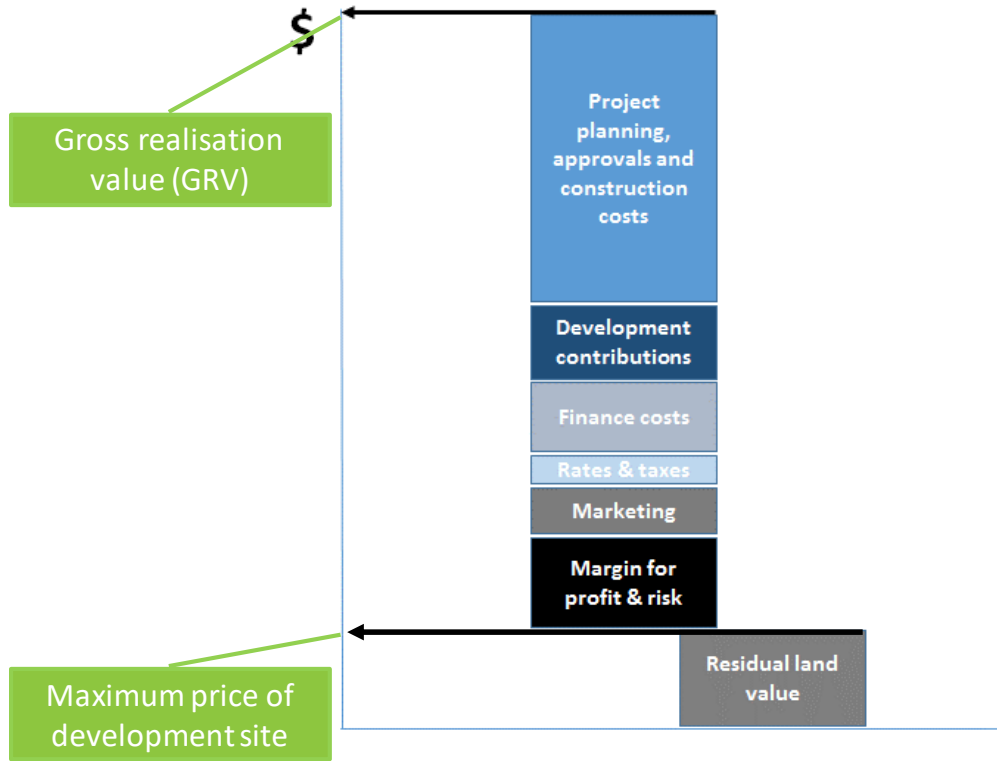
Residual land value

A developer will value a property on a residual basis. As a price taking agent in the market, the developer will pay no more for a site than the residual land value (RLV) after all development costs and margins for profit and risk are deducted from their anticipated gross sales (or 'gross realisation') upon completion of the project. This equation is illustrated in Figure 14.

Meanwhile, any value capture requirement would simply target a proportion of the uplift in land value brought about by the granting of additional development rights or development potential, as illustrated in Figure 15 which contemplates a rezoning from a lower value use (such as industrial) to a higher value use (such as residential). This is the uplift which remains after all other development contributions, where applicable, have been met.

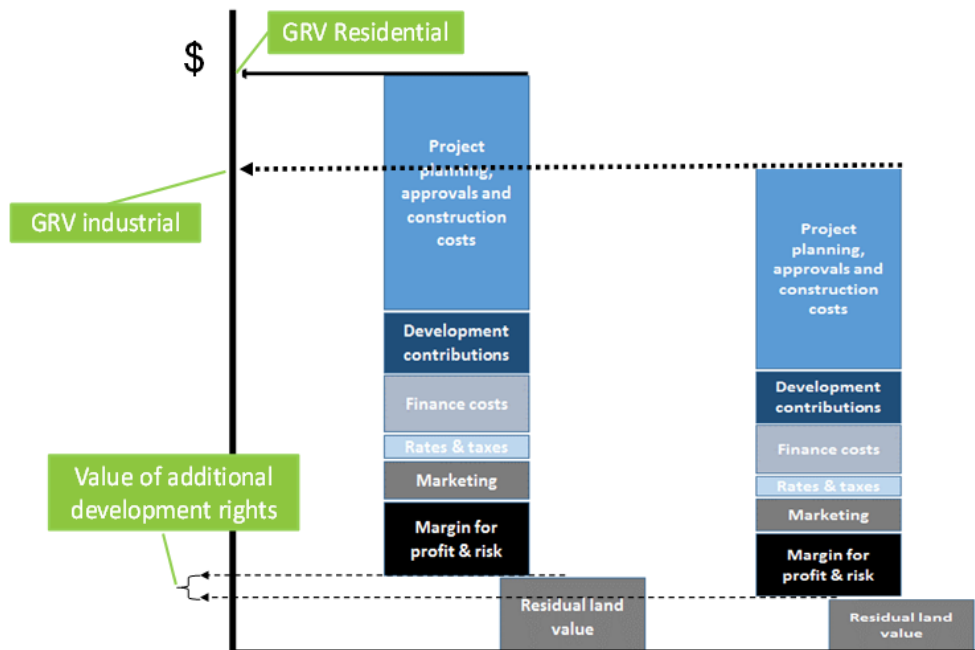
Note that the development proponent cannot simply pass costs forward to home buyers in higher prices for their product. These prices are set exogenously by the market. Thus, for example, if the proponent is confronted with a value capture requirement for affordable housing, this would add to their development costs which, in turn, would necessitate a larger dollar amount for profit and risk. This additional cost will ultimately be reflected in a lower RLV and lower bid price for the development site. That is, they will pay less for the land but the sale price of the properties they build will stay the same.

FIGURE 14: RESIDUAL LAND VALUE



Source: SGS Economics and Planning, 2019

FIGURE 15: VALUATION OF ADDITIONAL DEVELOPMENT RIGHTS UPON REZONING



Source: SGS Economics and Planning, 2019

Value capture via a rezoning

When there is a rezoning, the value uplift is calculated as the difference between:

- The **existing use value** of the site – this is without capital improvements and is distinct from the market value which factors in development potential
- The **residual land value** given the highest and best use possible with the additional development rights of the new zone.

Once the value uplift is calculated, the **value capture rate of 50 per cent is applied**. A rate of 100 per cent value capture rate would mean that the value of the land to a private developer is the same with its existing use or with the new development. No value capture means that the private developer receives a windfall gain at the community's expense. The recommended rate means that 50 per cent of the value uplift is left on the table for developers and provides an ongoing incentive to develop land into higher and better uses.

An important distinction is that the process captures the value uplift after developer's costs are accounted for. This means that **value capture does not make development unfeasible**.

Value capture via height exceedance in an Activity Centre

When there is a height exceedance in an Activity Centre zone, the value uplift is calculated as the difference between:

- The **residual land value** of the development at the initial height limit.
- The **residual land value** of the development with increased height, which includes the additional revenues from sold floorspace, the additional costs of developing the floorspace and the additional margin for profit and risk.

Once the value uplift is calculated, the **value capture rate of 100 per cent is applied**. This is different to a rezoning because the proponent is already committed to the project and the process only captures the value uplift for the additional height, rather than the total development (which is the case in a rezoning). There is no disincentive for the developer to pursue the additional height, including with affordable housing contributions, because the RLV accounts for the developer's margin for profit and risk.

Again, the process captures the value uplift after developer's costs are accounted for. This means that value capture does not make development unfeasible.

Options to deliver contributions

For both inclusionary zoning and value capture affordable housing contributions, developers should be given options to contribute in the most efficient way. Each option must be an equivalent value to the contribution rate.

The options can include:

- On-site contributions via full transfer of title on dwellings to a Registered Housing Association at no cost. The value of the dwellings should be based on the market value (or gross realisation value).
- Transfer of title to a Registered Housing Association on double the number dwelling number at 50 per cent of dwelling cost (or equivalent substitution rate)
- Cash in-lieu payments to an affordable housing trust
- Another form of the same value, to be agreed between Council and the proponent.

Any difference between the requirement and the on-site provision should be met by a cash in-lieu payment to meet the difference.

To minimise transaction costs for developers, the above options should be clearly published as part of a standard s173 Agreement template to facilitate the agreement and execution of contributions.

Feasibility modelling for 3 case study sites

To support the strategy, SGS undertook feasibility modelling for three separate case studies:

1. Rezoning of an industrial site
2. Structure plan led rezoning
3. Value capture associated with discretionary controls

Case Study 1: Value capture on brownfield site

- This case study demonstrates the likely value that Council could capture on a large **industrial site of 1.5 hectares**.
- A site is currently used as a storage facility with an **existing use value of \$5 million, or \$300/sqm**.
- The proposed residential development includes 409 dwellings with an average price of \$562,500 per dwelling. It has an estimated **residual land value of \$21.7 million**, or around \$53,000 per dwelling. This RLV represents revenues less costs and the developer's margin for profit and risk.
- This leaves a **value uplift of \$16.7 million**. Council will capture **50 per cent**, which equates to an **affordable housing contribution of \$8.3 million**.
- The contribution can be converted to the following rates:
 - **3.6 per cent of floorspace on-site contribution**
 - **\$204 per sqm of floorspace**.
- When applied across the site, this contribution rate sums to around **14.8 dwellings** transferred to a Registered Housing Association at no cost.
- Given this amount is not equal to a full number of dwellings, the additional 0.8 dwellings could be contributed as cash in-lieu by the proponent.
- Note, the figures above are based on SGS modelling of a hypothetical development using typical industry costs and revenues.

Case Study 2: Value capture for the rezoning of a precinct

- This case study demonstrates a Structure Plan led rezoning of an entire precinct (note the uplift measure is in land value rather than building height).
- This case study demonstrates the likely value that Council could capture on a general residential site of **1,480sqm**. The existing controls are three storeys with the rezoning to allow for four storeys.
- The site is currently vacant and is within the general residential zone with an **existing use value of \$1.5 million, or \$1000/sqm**.
- A three-storey development would yield 31 dwellings, at an average sale price of \$562,500 per dwelling. It has an estimated **residual land value of \$1.6 million**, or around \$52,000 per dwelling. This RLV represents revenues less costs and the developer's margin for profit and risk.
- A five-storey development would yield 41 dwellings, with the same sale price. It has an estimated **residual land value of \$2.3 million**, or around \$55,000 per dwelling.
- Going from three storeys to five storeys creates a **value uplift of \$650,000**. Council will capture **100 per cent** of this amount because both developments are feasible and the proponent still retains its profit margin (i.e. there is still an incentive to develop).
- The contribution can be converted to the following rates:
 - **2.8 per cent of floorspace on-site contribution**
 - **\$157 per sqm of floorspace**.
- When applied across the site, this contribution rate sums to around 1.16 dwellings transferred to a Registered Housing Association at no cost.
- Given this amount is not equal to a full number of dwellings, the additional 0.16 dwellings could be contributed as cash in-lieu by the proponent.

- Note, the figures above are based on SGS modelling of a hypothetical development using typical industry costs and revenues.

Case Study 3: Value capture associated with discretionary controls

- This case study demonstrates a Planning Permit Application Voluntary Value Capture in discretionary height controls.
- The existing controls are 3 storeys and 27 dwellings and the height exceedance would see an increase of 5 – 6 storeys and 27 dwellings.
- This case study demonstrates the likely value that Council could capture on an activity centre site of **1,300sqm**. The existing controls are three storeys with a discretionary height exceedance allowing six storeys.
- The site is currently vacant and is within the existing activity centre zone with an **existing use value of \$1 million, or \$769/sqm**
- A three-storey development would yield 27 dwellings, at an average sale price of \$562,500 per dwelling. It has an estimated **residual land value of \$1.4 million**, or around \$52,000 per dwelling. This RLV represents revenues less costs and the developer's margin for profit and risk.
- A six-storey development would yield 49 dwellings, with the same sale price. It has an estimated **residual land value of \$2.8 million**, or around \$57,000 per dwelling.
- Going from three storeys to six storeys creates a **value uplift of \$1.4 million**. Council will capture **100 per cent** of this amount because both developments are feasible and the proponent still retains its profit margin (i.e. there is still an incentive to develop).
- The contribution can be converted to the following rates:
 - **5 per cent of floorspace on-site contribution**
 - **\$281 per sqm of floorspace.**
- When applied across the site, this contribution rate sums to around **2.5 dwellings** transferred to a Registered Housing Association at no cost.
- Given this amount is not equal to a full number of dwellings, the additional 0.5 dwellings could be contributed as cash in-lieu by the proponent.
- Note, the figures above are based on SGS modelling of a hypothetical development using typical industry costs and revenues.

APPENDIX 5: PLANNING PATHWAYS

Three pathways have been identified as being options in the Kingston context.

- Brownfield rezoning (and other ad hoc rezonings)
- Floor area uplift in Activity Centres.
- Uplift in the Residential Growth Zone (RGZ) where new development exceeds 13.5 metres.

The combination of planning tools and metrics to be applied to each has been developed and described in the following sections.

Pathway 1: Brownfield rezoning

This category applies to parcels of land which are proposed to be rezoned from one use to another. Examples in Kingston include the former Gas and Fuel site in Highett, and the South Road site in Mentone.

This is a more-or-less conventional approach. The main innovation is the calibration of the contribution to a fixed percentage of the land value uplift. The contribution would be calculated as a dollar value rather than fixed percentage of dwellings or floor space.

Proposed metric

Anticipated Affordable Housing contribution as 50 per cent of land value uplift generated by the rezoning, being the difference between the existing use value of the site (EUV) and the residual land value (RLV) after the rezoning.

Case study

SGS has undertaken the relevant feasibility model for this scenario in *Appendix 4, Case study 1: Value Capture on Brownfield Site*.

How to calculate the uplift in land value

This is relatively straightforward for rezoning as it is a matter of valuing the land based on what can be built under its current zoning versus what can be built under the proposed zoning.

The more detail that is provided about preferred heights and densities preferred on the site, the more accurate the valuation will be. These can be nominated through development overlays such as the Development Plan Overlay (DPO) or Design and Development Overlay (DDO) and some zones such as the Special Use Zone (SUZ) and Residential Growth Zone (RGZ).

How to calculate the RLV/sqm

As described in Appendix 4, a developer will value a property on a residual basis. As a price taking agent in the market, the developer will pay no more for a site than the residual land value (RLV) after all development costs and margins for profit and risk are deducted from their anticipated gross sales (or 'gross realisation') upon completion of the project.

In this scenario, it is envisioned that Council would have this independently valued, based on a proponent's proposal.

Planning interventions required

Planning interventions are not essential, however, if used they have the advantage of guaranteeing an affordable housing contribution rather than relying on site by site negotiations. They also establish the expectation for the affordable housing contribution transparently to all parties and the community.

As a minimum, a policy framing statement should be inserted into the Municipal Strategic Statement (MSS)/Municipal Planning Strategy (MPS) and a strategy in the Planning Policy Framework (PPF) under Clause 16.01-4L Housing Affordability which specifies Council's affordable housing approach for brownfield sites.

Controls could be included for specific brownfield development sites to facilitate delivery of affordable housing. The appropriate tools to use to achieve this are:

- The **Development Plan Overlay (DDO)** to include a requirement for a Section 173 agreement and articulate the preferred method of delivering affordable housing on the site.
- The **Special Use Zone (SUZ)** to include a requirement for a Section 173 agreement and articulate the preferred method of delivering affordable housing on the site.
- The **Special Control Overlay (SCO)** to introduce an Incorporated Document which specifies the affordable housing contribution expectations on the site.

The benefits and value of each of these tools is explained in Appendix 5A.

Ideally Council should identify potential brownfield development sites and prepare planning tools for each to secure the preferred future development in advance of the rezoning. This will provide certainty and transparency to potential purchasers and the wider community.

Supporting material required

The following supporting material is required:

- A tool for developers that outlines the methodology about how RLV and EUV will be calculated.
- A model Section 173 Agreement.

Further Comments

In the past there has been little rigor in calculating the percentage of value of sites to be contributed to Affordable Housing. For example, the former Highett Gas and Fuel site has a blanket five percent value of the site to be put into affordable housing. This value was selected by considering the amounts that other Council's had sought on similar projects, as opposed to applying a considered formula.

The proposed methodology is much fairer as it shares an equitable amount of value uplift which can be calculated by all parties in a transparent way.

Pathway 2: Floor area uplift in activity centres

This category applies to development in activity centres that goes above the set height or density control in the centre (or part of the centre) on the basis that a community benefit is provided in the form of affordable housing.

There are no examples of this in place in Kingston at the moment, but several Councils are experimenting with this strategy, notably the City of Melbourne with Amendment C270 in West Melbourne.

Proposed metric

100 percent of the residual land value (RLV) of the additional floor space (i.e. same as approach used in the Melbourne CBD).

Supporting material required

The following supporting material is required:

- Provide a table of 'pre-scheduled' rates (RLV/sqm) for each Activity Centre.
- Contribution will be calculated as a dollar value (rather than fixed % of dwellings or floor space).

Case study

SGS has undertaken the relevant feasibility model for this scenario in *Appendix 4, Case Study 2: Value capture in a rezoning of a precinct.*

How to calculate what the additional floor space is

There are three ways to calculate the additional floor space. Each require an Urban Design Framework to be prepared for the activity centre.

Approach 1: Based on existing height controls

This method looks at the heights that the existing controls allow, then assesses the potential heights that could be achieved in the precinct or activity centre through an urban design framework. Once this is complete, the difference between the current controls and what can be allowed through an urban design framework can be calculated on a site, precinct basis or activity centre basis. This difference would form the basis for the calculation of floor area uplift.

This approach will be effective if the current planning controls are specific about heights that can be achieved within the Activity Centre. If the current planning controls are subjective, this will make it difficult to calculate.

This method is fair as it bases the additional floor space on what is possible under the existing controls compared to the controls established through the urban design process. This means sites that haven't yet been developed to the existing potential of the site do not make a higher contribution relative to those who have already developed to the existing potential of their site.

Approach 1: Based on existing actual heights

This method looks at the existing heights in the activity centre, then assesses the potential heights that could be achieved on each site, each precinct or the whole activity centre through an urban design framework. Once this is complete, the difference between the current building heights and what can be allowed through an urban design framework can be calculated on a site basis. This difference would form the basis for the calculation of floor area uplift.

This approach is the simplest of the three methods as it is based on existing conditions which are not subjective. A drawback of this method is that sites that have not yet been developed or redeveloped may be required to make a higher contribution relative to those who have already developed to the existing potential of their site

Approach 3: Based on population growth requirements

This method is the most difficult to calculate but is the most strategic and can be applied at a municipal level.

It would involve determining the proportion of the population that needs to be accommodated in each activity centre based on the population forecasts for the municipality and working out a theoretical height for each precinct or activity centre based on this.

Separately, an assessment of the potential heights that could be achieved on each site, each precinct or the whole activity centre through an urban design framework would be made. The

difference between the two heights would form the basis for the calculation of floor area uplift.

This approach has challenges because the distribution of population in a municipality is highly subjective and can be contentious. It would also require a municipal wide body of work to be undertaken whereas the other two methods allow each activity centre to be assessed in isolation from the others.

How to calculate the RLV/sqm

As described in Appendix 4, a developer will value a property on a residual basis. As a price taking agent in the market, the developer will pay no more for a site than the residual land value (RLV) after all development costs and margins for profit and risk are deducted from their anticipated gross sales (or 'gross realisation') upon completion of the project.

In this scenario, it is envisioned that Council would have this independently valued.

Planning interventions required

It would be difficult to achieve this pathway without planning scheme interventions.

As a minimum, a policy framing statement should be inserted into the Municipal Strategic Statement (MSS)/Municipal Planning Strategy (MPS) and a strategy in the Planning Policy Framework (PPF) under Clause 16.01-4L Housing Affordability which specifies Council's affordable housing approach for activity centres.

Controls could be included for each activity centre to facilitate delivery of affordable housing. The appropriate tools to use to achieve this are:

- The Activity Centre Zone (ACZ) to include heights, the requirement for a Section 173 agreement and articulate the preferred method of delivering affordable housing on the site, or
- A combination of standard zones, a DDO to specify preferred height ranges and at which point a FAU will be applied, and a SCO to introduce an Incorporated Document which specifies the affordable housing contribution expectations.
- A DPO may be appropriate on specific sites that are either brownfields or are comprehensive redevelopment sites.

The benefits and value of each of these tools is explained in Appendix 5A.

The recommended approach is to undertake this work on a centre-by-centre basis, applying the same methodology for each for transparency, efficiency and to establish an equitable system across the municipality.

Supporting material required

- An existing conditions report for each Activity Centre.
- Urban design frameworks for each Activity Centre.
- A tool for developers that outlined the methodology about how RLV and EUV will be calculated.
- A model Section 173 Agreement.

Pathway 3: Uplift in the Residential Growth Zone

This category is similar to the floor area uplift in activity centres. It would apply to residential development in the residential growth zone in excess of the zone discretionary height limit of 13.5 metres. Heights would be able to be exceeded on the basis that a community benefit is provided in the form of affordable housing.

There are no examples of this in place in Kingston or elsewhere in Victoria at this time.

Proposed metric

100% of the RLV of *additional* floor space (same approach as used in central Melbourne). Use a table of 'pre-scheduled' rates (RLV/sqm) for each RGZ area.

Case study

SGS has undertaken the relevant feasibility model for this scenario in *Appendix 4, Case Study 3: Value capture associated with discretionary controls*.

How to calculate the RLV/sqm

As described in Appendix 4, a developer will value a property on a residual basis. As a price taking agent in the market, the developer will pay no more for a site than the residual land value (RLV) after all development costs and margins for profit and risk are deducted from their anticipated gross sales (or 'gross realisation') upon completion of the project.

In this scenario, Council would have this independently valued, based on a proponent's proposal.

Planning interventions required

Planning interventions are not essential, however if they are used they have the advantage of guaranteeing an affordable housing contribution rather than relying on site by site negotiations. They also establish the expectation for the affordable housing contribution transparently to all parties and the community.

As a minimum, a policy framing statement should be inserted into the Municipal Strategic Statement (MSS)/Municipal Planning Strategy (MPS) and a strategy in the Planning Policy Framework (PPF) under Clause 16.01-4L Housing Affordability which specifies Council's affordable housing approach for the RGZ.

Each of these areas will already be zoned Residential Growth Zone. The default height limit (discretionary) is 13.5 metres unless a schedule specifies otherwise.

Options to capture value uplift include:

- Applying a SCO to introduce an Incorporated Document which specifies that a FAU will be calculated if the building height exceeds 13.5 metres.
- Applying a DDO to specify preferred height ranges and at which point a FAU will be applied. (This is not ideal as the schedule to the RGZ contains an option to specify heights).

The benefits and value of each of these tools is explained in Appendix 5A.

An alternative is to rely on the policy statements within a PPF Clause 16.01-4 Housing Affordability to guide the capture of FAU in the RGZ. This method does not provide as much certainty as the application of an overlay.

APPENDIX 5A: PLANNING TOOLS

Legislative framework

Both the Planning and Environment Act 1987 and the Planning Policy Framework support the delivery of affordable housing.

Planning and Environment Act 1987

The Planning and Environment Act was amended in 2018 to include specific provisions relating to housing affordability. These provisions include:

- A new objective in the Act “to facilitate the provision of affordable housing in Victoria”.
- Changes that clarify that Responsible Authorities can enter into an agreement with landowners and others under section 173 of the P&E Act for the provision of affordable housing as part of a development.
- A definition of affordable housing in the P&E Act.

It seems clear from the legislation that the use of a Section 173 Agreement is the preferred method of securing affordable housing.

The Victorian Planning Provisions

Clause 16.01-4S of the Planning Policy Framework (PPF) sets out the state policy for Housing Affordability. The objective is:

To deliver more affordable housing closer to jobs, transport and services.

The strategies are:

Improve housing affordability by:

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

Increase the supply of well-located affordable housing by:

- *Facilitating a mix of private, affordable and social housing in suburbs, activity centres and urban renewal precincts.*
- *Ensuring the redevelopment and renewal of public housing stock better meets community needs.*

Facilitate the delivery of social housing by identifying surplus government land suitable for housing.

The planning pathways identified in the previous Appendix 5 outline the strategy to deliver this state policy locally in Kingston.

Potential tools

Appendix 5 outlines a number of planning tools that have been identified that may be used to deliver the planning pathways that have been identified.

The Victorian Planning Provisions does not contain a specific tool to assist with delivering affordable housing through the capture of value uplift as has been proposed in this strategy.

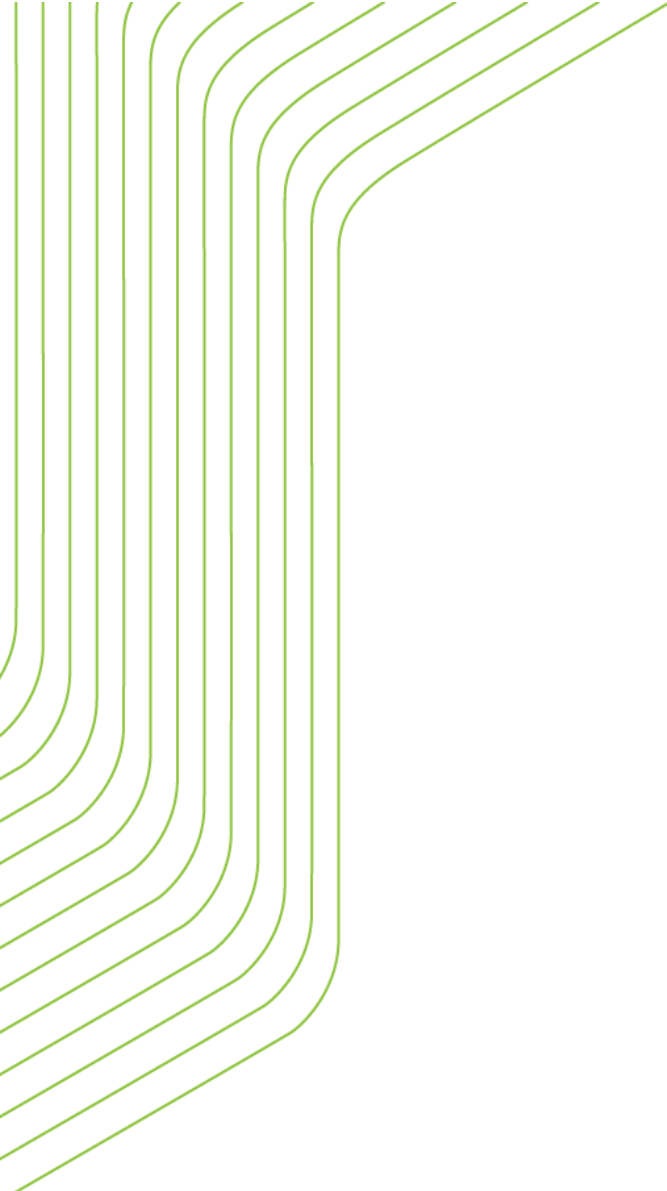
A number of tools have been used with varying degrees of effectiveness in both Kingston and other municipalities. Another tool (the Special Control Overlay) has been identified as a potential tool to use. This tool has not been used for the capture of value uplift for affordable housing to date as far as is known. The table below outlines the tools that have been identified, for which planning pathway they may be able to be used, and the advantages and disadvantages of each.

Tool	Pathway	Scope of the tool for affordable housing	Comments
Activity Centre Zone (ACZ)	AC	<ul style="list-style-type: none"> Table of uses allows conditions to be included against uses, which could incorporate an affordable housing requirement. A permit requirement to enter into a Section 173 agreement to provide affordable housing can be included. 	<ul style="list-style-type: none"> A structure plan is required to underpin the ACZ. Only suitable for defined activity centres.
Special Use Zone (SUZ)	BF	<ul style="list-style-type: none"> Table of uses allows conditions to be included against uses, which could incorporate an affordable housing requirement. A permit requirement to enter into a Section 173 agreement to provide affordable housing can be included. 	<ul style="list-style-type: none"> This tool is only meant to be applied in exceptional circumstances where the standard zones won't deliver the desired outcome. Melbourne C270 has applied this approach. It is currently being tested at Panel.
Residential Growth Zone (RGZ)	BF RGZ	<ul style="list-style-type: none"> The schedule allows for a maximum height to be specified. The 'default' height is 13.5m. 	<ul style="list-style-type: none"> A policy in 16.01-4L could specify that maximum height will only be permitted if an affordable housing contribution is made. The FAU will be calculated on the difference between 13.5 metres (zone default) and the permitted height. Only suitable for residential areas. Would require urban design work to determine maximum permissible height.
Development Plan Overlay (DPO)	BF AC RGZ	<ul style="list-style-type: none"> Can include a permit requirement that a S173 be entered into. Can include guidance and requirements about how affordable housing will be delivered. 	
Special Control Overlay (SCO)	BF AC RGZ	<ul style="list-style-type: none"> The overlay schedule is accompanied by an Incorporated Document. The Incorporated Document could include the requirements for affordable housing contributions. 	<ul style="list-style-type: none"> This approach hasn't been tested. The SCO is only meant to be applied in exceptional circumstances.
Design and Development Overlay (DDO)	BF AC RGZ	<ul style="list-style-type: none"> This overlay can only control built form and design issues. 	<ul style="list-style-type: none"> Affordable housing is not a built form issue. Not an ideal tool for collecting affordable housing contributions, but

			can establish a preferred height which can be read in conjunction with Clause 16.01-4L policy.
--	--	--	--

BF: Brownfields, AC: Activity centres, RGZ: Residential Growth Zone

Source: Red Ink Planning, 2019.



Contact us

CANBERRA

Level 2, 28-36 Ainslie Place
Canberra ACT 2601
+61 2 6257 4525
sgsact@sgsep.com.au

HOBART

PO Box 123
Franklin TAS 7113
+61 421 372 940
sgstas@sgsep.com.au

MELBOURNE

Level 14, 222 Exhibition St
Melbourne VIC 3000
+61 3 8616 0331
sgsvic@sgsep.com.au

SYDNEY

209/50 Holt St
Surry Hills NSW 2010
+61 2 8307 0121
sgsnsw@sgsep.com.au