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Yarra Ranges Affordable Housing Background Report

June 2019



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Definitions

Affordable Housing

Affordable Housing is housing, including social housing, that is appropriate for the housing needs of very low, low and moderate-income households. For the purposes of this definition:

- Very low-income households are defined as households earning less than 50 per cent of the gross median household income.
- Low income households are those earning less than 80 per cent of the gross median household income.
- Moderate income households are those earning less than 120 per cent of the gross median household income.

Maximum income bands for these household groups are published by the State for Greater Melbourne.

Affordable Housing should be priced (whether mortgage repayments or rent) so these households are able to meet their other essential basic living costs (generally no more than 30 per cent of income) and be 'Appropriate' for the household's needs which includes consideration of affordability, type, tenure, location, allocation, integration and housing need.¹

Affordable Housing includes:

Social Housing (Public and Community Housing)

Social Housing includes Public Housing (owned and managed by the Director of Housing); and housing owned, controlled or managed by a participating registered agency (registered as a Housing Association or a Housing Provider) where the dwelling will be allocated to a household that meets the State Government published Social Housing income and asset eligibility requirements.

Affordable Rental Housing

Affordable Rental Housing refers to housing that is rented at an affordable price and allocated to households that meet the *Planning and Environment Act 1987* Affordable Housing income eligibility requirements published by Governor in Council Order.

Affordable Home Purchase

Affordable Home Purchase involves the sale of a dwelling at the established market price for that dwelling to a low or moderate income household that meets the Affordable Housing income eligibility requirements where the market price is demonstrated to be affordable for that household without a discount.

Shared Equity Home Ownership

Shared Equity Home Ownership is where a household that has some (limited) capacity to borrow funds is supported to purchase a dwelling through a structured home purchase arrangement, where the difference between the purchaser's financial capacity and the market value of the dwelling is only required to be repaid on future sale or refinancing, with the funds then re-applied in future shared equity arrangements.

¹ Governor in Council Order (2018) Planning and Environment Act 1987, Section 3AB – Specification of Income Ranges, June 2019 & Ministerial Notice under the Planning and Environment Act 1987 Specified Matters Under Section 3aa (2), 17 May 2018



Affordable Housing Agreement

An Agreement reached between a landowner and the Responsible Authority in relation to the inclusion of Affordable Housing as a part of a planning amendment or permit approval. An Affordable Housing Agreement is expected to be subsequently reflected in a Section 173 Agreement made pursuant to the *Planning and Environment Act 1987*.

Eligible Household

A household that meets the established criteria for an Affordable Housing program, typically an income limit and asset test.

End Recipient

The intended recipient of an Affordable Housing benefit created as a result of a planning negotiation.

Housing Affordability

Housing affordability refers to the relationship between expenditure on housing (prices, mortgage payments or rents) and household income. Housing affordability is particularly an issue for lower income households who have reduced financial resources available to meet housing costs.

Housing Stress

A lower income household (those in the lowest 40 per cent of incomes) is considered to be in 'housing stress' when it is paying more than 30 per cent of gross household income on rent (the '30/40 rule').

Registered Housing Agency

A not-for-profit organisation that is a company limited by shares or guarantee, an incorporated association, or a co-operative, registered under the *Victorian Housing Act 1983*, regulated by the Victorian Housing Registrar, with a purpose to own, manage and/or develop affordable rental housing.

Section 173 Agreement

A Section 173 Agreement is a legal contract made between a local government authority (i.e. council) and any other party or parties, under Section 173 of the *Planning and Environment Act 1987*. This type of contract places a range of restrictions on how the land can be used and it is registered on the title to the land.



Executive Summary

1.1 Report Purpose

Affordable Development Outcomes was engaged by Yarra Ranges Council to prepare an Affordable Housing Background Report with an objective to:

- Support Council and key stakeholders to understand the policy context, establish the evidence of local Affordable Housing need, identify current and potential Affordable Housing programs and delivery models, and highlight the range of issues and opportunities to increase Affordable Housing supply in the municipality.
- Provide a strategic basis for Council to respond to recent legislative changes that require Council to facilitate Affordable Housing through the planning system and support Council to engage in negotiations with private landowners to secure Affordable Housing Agreements.

The Background Report is intended to form the basis of an 'Affordable Housing Development Negotiation Framework' which is expected to set a policy position for Council in relation to the negotiation of Affordable Housing as part of the planning process. The Background Report will also be drawn on to inform an update to the Yarra Ranges Housing Strategy and may support Council advocate for or pursue other opportunities to increase Affordable Housing supply.

1.2 Affordable Housing Overview

'Affordable Housing' is defined by the State Government as 'housing, including social housing, that is appropriate for the housing needs of very low, low and moderate income households'.²

Households that are eligible for Affordable Housing in the Greater Melbourne Area can earn up to \$62,310 per annum as a single person (\$1,195 / week), \$93,470 per annum for a couple (\$1,793 / week) or \$130,870 per annum for a family (\$2,510 / week).³

Affordable Housing is important for social and economic reasons. Having access to safe, secure and Affordable Housing underpins a person's ability to participate in society to their full capacity, supports a diverse community of people of all ages and incomes, and underpins the productivity of a city by enabling workers to live near employment within their community.

In 2018 Council undertook community engagement in relation to a proposed development on Council land that found that 20 per cent of respondents were concerned about the lack of Affordable Housing in the municipality.⁴

Affordable Housing covers a range of programs including crisis and rooming house accommodation, Social Housing, Affordable Rental Housing, and Affordable Home Ownership. Social Housing is a type of Affordable Housing that is owned by the State Government (public housing) or a Registered Housing Agency (community housing) and rented to lower income households. Eligibility requirements for Social Housing is set by the Director of Housing.⁵

In 2019 an estimated 1.14 per cent of all households living in Social Housing in Yarra Ranges were living in Social Housing compared to a Greater Melbourne average of 2.6 per cent.⁶ This indicates Yarra Ranges has had historically lower levels

² Planning and Environment Act 1987

³ Governor in Council Order (2018) Planning and Environment Act 1987, Section 3AB – Specification of Income Ranges, Applicable from 1 July 2019

⁴ Yarra Ranges Council (2018) Anderson Street Community Survey

⁵ Department of Health and Human Services (2019) Social Housing Eligibility as at March 2019, income eligibility is by household type, with a single person eligible if earning up to \$1,014 per week, a couple household up to \$1,552 per week and a family up to \$2,092 per week plus \$339 for each dependant above two children,

⁶ ID Consulting (2019) Community Profile – Yarra Ranges, <https://profile.id.com.au/yarra-ranges>



lower levels of Federal and State Government investment in Social Housing. As market housing supply increases the rate of Social Housing as a percentage of all dwellings will decline unless new Affordable Housing supply is delivered.

1.3 Policy Context

The policy context, Federal and State investment initiatives, and the key roles and requirements of different stakeholders to deliver Affordable Housing is set out in Part A.

Yarra Ranges Council recognises the importance of Affordable Housing in its Vision 2020 Community Plan, Council Plan 2017-2021, Action Plan 2018-19 and Health and Wellbeing Strategy 2017-2021, with the later expressing a goal of “affordable, safe and secure housing for all”. The Yarra Ranges Housing Strategy 2009 highlights the need for more Affordable Housing across the municipality and recognises the importance of housing supply and diversity on housing affordability more broadly.

Plan Melbourne and Homes for Victorians set the State Government legislative and policy context. These policies emphasise the importance of Affordable Housing and the need to grow supply, particularly of Social Housing for lower income households. The State Government has committed to utilising several tools at its disposal to begin to address the problem including land, planning, funding and financing initiatives.

Recent changes by the State Government to the *Planning and Environment Act 1987* requires Yarra Ranges Council to consider how it will facilitate Affordable Housing as part of the objectives of planning, set out in Section 4 of the Act.

The State Government has not mandated a requirement for Affordable Housing on private landowners, however, it is actively encouraging local councils to develop an evidence-base and policy position and pursue voluntary negotiations with landowners on appropriately located and sized sites. The State Government guidance in relation to voluntary planning negotiations is set out in Part A.

Affordable Housing arrangements Council could seek to negotiate to be included as a component of development include the gifting of dwellings or land or the discounted sale of dwellings for either Social and Affordable Rental Housing or for Affordable Home Purchase. It is proposed that an ‘Affordable Housing Development Negotiation Framework’ is developed to establish a Council policy position in relation to the negotiation of Affordable Housing as part of the planning process in accordance with the State guidance.

1.4 Council role and current actions

Local government in Victoria plays an important role in administering the planning system at a local level, advocating for community needs and investment, delivering community infrastructure and facilitating partnerships.

Council already undertakes a range of roles that intersect and influence the facilitation of Affordable Housing and in particular, is responsible for administering the local planning scheme which has a wider influence on housing supply, affordability and diversity. Actions underway include:

- Assessing the potential to develop underutilised Council-owned land in Lilydale.
- Continuing to support the provision of a transitional housing response through the Council-owned Jim Fuller House for older persons.
- Undertaking an update to the Yarra Ranges Housing Strategy 2009.
- Membership of the Eastern Affordable Housing Alliance which supports knowledge sharing across councils and advocates for further State Government action and investment.
- Indicating its intentions to the owners of the Lilydale Quarry to seek an Affordable Housing inclusion as part of the proposed stage 2 rezoning.

The Background Report provides further support and a clear evidence base for these and other actions.



1.5 Key Issues

The delivery of Affordable Housing ultimately requires a subsidy or investment if it is to be delivered. This subsidy can come in the form of Federal or State Government grants, tax incentives or low-cost financing for Registered Housing Agencies, philanthropic support, the provision of government land, and through the application of planning incentives and processes that support dwellings being gifted or sold at a discount on privately owned land by way of voluntary agreement as part of the planning process.

Federal, State and Local Governments, Registered Housing Agencies, other not-for-profit organisations and service support agencies, landowners, developers, and financiers are all important stakeholders in addressing Affordable Housing need. The requirements of these organisations to invest and support outcomes are critical to understand particularly if voluntarily agreed planning outcomes are to be achieved. Opportunities to facilitate the delivery of Affordable Housing must also be considered in light of the wider planning system and housing market challenges and opportunities.

Several issues have been identified through the research and engagement with stakeholders that impact on the availability and delivery of Affordable Housing in the municipality, summarised in Table 1.

Category	Issues
Housing Market	<ul style="list-style-type: none"> Lack of housing diversity with a predominance of free-standing, three and four-bedroom dwellings. Very limited market supply of one and two-bedroom dwellings. Range of difficulties and limitations associated with urban consolidation due to limited land supply, high costs of construction and risks including remediation and planning. Availability of well-located and affordably priced land for housing agencies to develop. Limited number of well-located development sites with good proximity to transport. No short-term crisis accommodation within the municipality, for example for households escaping family violence. Limited Social Housing supply with a significant gap between estimated demand and supply. Current Public Housing (owned by DHHS) supply is predominantly free-standing dwellings, expected to comprise three or more bedrooms. It is understood there are limited redevelopment opportunities for many of these assets as they are not located close to services. Increasing levels of rental stress by lower income households.
Funding and Financing	<ul style="list-style-type: none"> Limited and insufficient Federal and State government funding to redevelop public housing assets and support not-for-profit housing agencies to develop sites and/or purchase dwellings. Limited capacity of housing agencies to borrow funds due to the low rental returns on properties owned or managed by them. Not the primary role of private sector to fund. Not the role of Council to fund. No institutional investment in Affordable Housing in Australia.
Planning	<ul style="list-style-type: none"> No mandatory requirement for Affordable Housing under the <i>Planning and Environment Act 1987</i>. Constrained ability to influence the market's decision to deliver housing supply and diversity until planning permit applications are made to Council, other than to set the high-level strategic framework for where growth should occur and the housing outcomes that are desired. Outcomes can only be included on privately owned land by agreement with the landowner, with no clear percentage requirement or delivery model set by the State Government. Planning approval process can generate community opposition to Affordable Housing proposals. Limited capacity to offer planning incentives.
Community	<ul style="list-style-type: none"> Varied level of community understanding of Affordable Housing needs. Community concerns around urban consolidation / density, neighbourhood character and traffic / parking.

Table 1: Overview of Key Issues



1.6 Affordable Housing Supply and Demand

Part B of the Background Report sets out key data and analysis that highlight a key gap in the supply of Affordable Housing in Yarra Ranges, particularly rental housing for lower income households, and characteristics of this demand in the municipality.

Council rate data indicates there was a total 621 Social Housing dwellings in the municipality as at June 2019 (representing 1.14 per cent of all households in Social Housing), comprising 544 dwellings owned by the State Government (public housing) and 77 dwellings (houses or units) owned by Registered Housing Agencies, including two rooming houses (one community housing owned, one owned by Council). The majority of public housing dwellings are free-standing homes located in Lilydale and Mooroolbark.⁷

In relation to demand, the evidence, set out in Part B, highlights a significant unmet demand for Affordable Housing. Of note:

- There was a 25 per cent increase in homelessness in Yarra Ranges between 2011 and 2016 with a total of 622 persons estimated to be homeless, including persons in marginal housing. The highest number of homelessness persons was in Mooroolbark (78 persons), followed by the Healesville – Yarra Glen Area (70 persons).⁸
- An estimated 2,432 very low and low income households (earning in the bottom 40 per cent of incomes) living in Yarra Ranges in 2016 were in rental stress - paying more than 30 per cent of their income on rent.⁹
- A further 2,506 very low and low income households living in Yarra Ranges in 2016 and paying a mortgage were estimated to be in housing stress.¹⁰
- There has been a notable decline in affordability of the private rental market with only 87 private dwellings made available to rent in the municipality in 2018 assessed as being affordable for a household on a statutory (government) income to rent, representing 4.3 per cent of all new private rental properties available during the period. Only seven of these dwellings were one-bedroom properties.¹¹
- There is an overall lack of one and two-bedroom dwellings in the municipality (2.7 per cent and 11.3 per cent respectively), compared to 20 per cent single person households and 26.2 per cent couple households without children.¹²

Part B also sets out an assessment of Affordable Housing supply and demand including an estimate as to the gap in Affordable Housing dwellings in Yarra Ranges. This assessment, presented in Table 2 highlights:

- An estimated 2,460 low income households living in Yarra Ranges in 2016 that required Affordable Housing (2016 demand). If this demand was met, 4.15 per cent of all dwellings in Yarra Ranges would be Affordable (Social) Housing.
- A gap or shortfall of 1,839 Affordable Housing dwellings after considering existing supply (621 Social Housing dwellings as at 2019).
- An estimated 2,237 dwellings required to meet the needs of lower income households requiring Affordable (Social) Housing in Yarra Ranges by 2036.
- To provide the 2,237 dwellings required an average of 22.72 per cent of all dwellings forecast to be delivered per annum need to be delivered as Affordable (Social) Housing between 2019 and 2036 (representing 132 dwellings per annum).

⁷ Yarra Ranges Council (2019) Council rates data, June 2019

⁸ ABS (2018) 2049 - Census of Population and Housing: Estimating Homelessness, State and territory by place of enumeration, Statistical Area Level 2, 3 and 4

⁹ ID Community (2019), Social Atlas

¹⁰ ID Community (2019) Social Atlas

¹¹ Department of Health and Human Services (2018) Rental Report – affordability over time, September 2018 Report, time series, author's analysis

¹² ID Community (2019) Community Profile



	2016	2036
Affordable Housing Demand		
Estimated number of low income households	18,196	21,136
Very low income households in estimated to require Affordable Housing, comprising of:	1,839	2,237
<ul style="list-style-type: none"> - 622 persons estimated to be homeless in 2016, remaining constant as a percentage of all households to 2036 - 50% of low income renters in housing stress (totalling 1,217 households) in 2016 and 13.28 per cent of all low income households over time 		
Low income households living in Affordable Housing (Social Housing)	621	621
Estimated Affordable Housing Demand <i>(total of all households estimated to require Affordable Housing plus households living in Social Housing)</i>	2,460	2,858*
Demand as a percentage of all dwellings	4.15%	4.03%
Affordable Housing Supply		
Affordable Housing Supply (Number Social Housing units)	621	621
Supply as a percentage of all dwellings	1.05%	0.88%
Affordable Housing Gap		
Unmet demand (demand less supply) (Affordable Housing Gap)	1,839	2,237
Gap as a percentage of all dwellings	3.10%	3.16%
Affordable Housing Supply required to meet the estimated Gap (dwellings per annum between 2016 and 2036)	132 dwellings per annum	
Percentage of all forecast new dwellings required as Affordable Housing to address demand	22.72% of forecast dwelling supply demand	

Table 2: Summary of estimated Affordable Housing supply and demand

* Forecast demand and supply assumes the percentage of low income households and percentage in housing stress remains the same over time and there is no increase or decline in 2019 rates of Social Housing

1.7 Opportunity - Voluntary Planning Negotiations

To meet the gap and ensure the estimated needs of the future low income population is addressed will require significant action and investment particularly by Federal and State Governments.

Other actions such as facilitating and negotiating with developers through the planning process, outlined below, is one tool Council can draw on to support new Affordable Housing supply.

Engaging in negotiations with developers to determine a potential Affordable Housing inclusion as part of a planning approval process is supported by State Government policy. To undertake negotiations councils are first required to establish a clear strategic policy base and evidence of Affordable Housing need. These requirements are expected to be met by the publishing of the Background Report.

Council is also required by the State Government to consider how the planning system will enhance the development value and therefore support the delivery of an Affordable Housing inclusion. Options are explored in Part C and include facilitating rezonings, considering additional density where appropriate or other dispensations reflecting the housing and amenity requirements of the target group for Affordable Housing such as reduced car parking. Council can also pursue



non-planning scheme related matters, for example, faster assessment time frames to reduce holding costs to developers.

An assessment against a range of matters is required by the State when determining the appropriateness of a proposed Affordable Housing outcome, summarised in Table 3 and discussed in Part C. This assessment sets out the proposed priority locations, built form, and other key Affordable Housing criteria that are recommended Council seeks to achieve through voluntary negotiations.

This framework is proposed to form the basis of the ‘Affordable Housing Development Negotiation Framework’ that will be developed by Council.

State Government published Matters	Response and Framework for Action
Housing Need	<ul style="list-style-type: none"> • There is a clear need for Affordable Housing in Yarra Ranges with an estimated 2016 Affordable Housing Supply gap of 1,839 dwellings. This is the estimated gap of dwellings that is required to respond to the housing needs of very low and low income households and is therefore expected to need to be delivered as Social Housing. • Council actions to facilitate these outcomes are in accordance with the objectives of planning in Section 4 of the <i>Planning and Environment Act 1987</i> and are required if the level of need is to be addressed. • The need is greatest for lower income households, particularly singles and couples for whom one and two-bedroom rental housing is appropriate. Affordable Housing that is appropriate for older persons, particularly single person households is also a key area of need. • There is a gap in affordability of home purchase for moderate income singles, couples and families.
Location	<ul style="list-style-type: none"> • Locations that provide convenient access to services and amenities are preferred locations for Affordable Housing delivery as they are more suited to development that can deliver well-located smaller dwellings required to respond to the identified need. • Other locations may be considered where the development and/or rezoning of a site would result in a residential density of 20 or more dwellings or lots. • Government owned land in reasonable locations is also a priority for Affordable Housing. • Access to support services is particularly important for higher need households who require both Affordable Housing and support to maintain their tenancy and participate in the community to their full capacity.
Type	<ul style="list-style-type: none"> • One and two-bedroom dwellings are the priority built-form to meet the unmet and forecast Affordable Housing need. • A percentage of Affordable Housing dwellings should be accessible for people with a disability or be adaptable in the future to respond to population ageing and current need. • Affordable Housing should be built to a quality that is reflective of market standards, with consideration to long-term affordability features balanced against upfront capital costs. • Adaptable design should also be considered to allow for changing household needs.
Tenure	<ul style="list-style-type: none"> • Both affordable rental and ownership tenures are required to respond to the evidence of need, with emphasis on Social Housing and Affordable Rental Housing for lower income households. • Affordable rental tenures could include housing owned or managed by a Registered Housing Agency (Social Housing) or potentially privately-owned dwelling managed under an appropriately regulated Affordable Housing arrangement (subject to the proposal).
Allocation	<ul style="list-style-type: none"> • A clear and accountable process of ensuring any dwellings/lots delivered as Affordable Housing are allocated to households that meet either the <i>Planning and Environment Act 1987</i> published Affordable Housing income bands or Social Housing income eligibility is required. • Dwellings/lots proposed to result in the ownership and/or management by a Registered Housing Agency will meet this requirement. • Dwellings/lots proposed for a home purchase arrangement by an individual Eligible Purchaser must be allocated through an appropriately regulated process with an established process of income checking of proposed purchasing households.



State Government published Matters		Response and Framework for Action
Affordability	<ul style="list-style-type: none"> • Dwellings proposed as Affordable Housing must be clearly intended to be affordable for the proposed household target group. An acceptable benchmark is that very low, low or moderate income households should not pay more than 30 per cent of their household income on housing costs. • Ownership and/or management by a Registered Housing Agency will meet this requirement (i.e. matter), reflecting that Housing Agencies are regulated to deliver rental affordability outcomes. • Evidence that a sale price or shared equity arrangement will be affordable for intended target groups will be required for any proposed purchase model. 	
Longevity of outcome	<ul style="list-style-type: none"> • The evidence indicates a forecast need for Affordable Housing. Affordable Housing that is delivered is expected to therefore be intended for long-term use or an appropriate arrangement put in place to ensure that any value provided to facilitate the Affordable Housing outcome as a result of the planning process is appropriately secured and reinvested in other local Affordable Housing. • Terms of affordability are noted to likely vary depending on the funding / investment source and conditions of that funding. Consideration of an appropriate set of legal requirements is required to ensure they do not impact on the availability of this funding to a housing agency, for example, limitations on household allocation that would further limit revenue. • Where the State Government or a Registered Housing Agency is the intended owner and manager it is expected the dwelling will be affordable for a considerable period without the need for restrictions on title. • Where the dwelling is provided into a Shared Equity arrangement, the future repayment of the equity must be applied to new shared equity housing in the Yarra Ranges Local Government Area. 	
Integration	<ul style="list-style-type: none"> • Integration of Affordable Housing built form across an area is supported with an objective that Affordable Housing is not concentrated in any one single location unless supported by a Registered Housing Agency. • Clustering of Affordable Housing dwellings may be appropriate in some circumstances due to proximity to transport and/or availability of land or sites or government redevelopment or investment strategy. Advice from a Registered Housing Agency should be sought to confirm the number of dwellings that is appropriate in any one location/site. • Externally, Affordable Housing should be not look different from market housing and be equal in design quality and standards. • To support households to participate in their community may also requires other support services to be available for some residents of Affordable Housing that have more complex needs. 	

Table 3: Outline Affordable Housing Framework in response to State Government Affordable Housing 'matters'

As the State has not mandated an Affordable Housing requirement, the exact percentage, delivery model and program outcome to which Council may seek a landowner agreement is also required to be determined as part of the development of the proposed 'Affordable Housing Development Negotiation Framework'.

The Lilydale Quarry has been identified as a key opportunity to pursue a negotiation and test a Development Negotiation Framework as part of the proposed stage 2 rezoning process for the site.

1.8 Next steps

In addition to developing an Affordable Housing Development Negotiation Framework there is a range of other opportunities and potential actions that Council could take to continue to facilitate an increase in Affordable Housing in line with its roles as advocate and leader, land use planner, social planner and community developer.

For example, the Background Report could support actions including the updating the Yarra Ranges Housing Strategy, developing an Affordable Housing Strategy, and/or exploring other partnerships and development opportunities with the State Government, Registered Housing Agencies and other not-for-profit organisations.



1.9 Background Report Structure

The Background Report is structured in the following parts:

Part A - Context:

- Outlines a framework for translating a definition of Affordable Housing to a planning context.
- Outlines why Affordable Housing is important to the sustainable growth of the municipality.
- Establishes the policy context with emphasis on the State Government guidance in relation to voluntary planning negotiations.
- Sets out a framework for considering the potential scope of Council's work in relation to Affordable Housing facilitation and delivery.
- Outlines different Affordable Housing models and key stakeholders and their requirements to invest in the delivery and development of Affordable Housing.

Part B – Key Issues:

- Summarises key issues identified through research and local stakeholder engagement.
- Establishes the evidence of Affordable Housing need in the municipality, including an estimated Affordable Housing Supply Gap and the key characteristics of the need.

Part C – Key Opportunities and Options

- Highlights what other Councils are doing in this area.
- Identifies a range of opportunities Council could action in line with its role.
- Outlines a framework for Council to progress voluntary planning negotiations.



Part A: Context



1. Study Area

Yarra Ranges Council is a peri-urban municipality stretching between 30 and 110 kilometres north east of Melbourne CBD. Approximately 70 per cent of Yarra Ranges' population live in urban areas which account for approximately three per cent of the municipality's total land area. The municipality comprises of over 55 suburbs, townships and small communities, making it among the most geographically diverse of any Victorian municipality. The area is serviced by the Burwood, Warburton and Maroondah Highways and by the Belgrave and Lilydale rail lines.

The municipality has two Major Activity Centres; Lilydale and Chirnside Park with Neighbourhood Activity Centres in Healesville, Kilsyth, Mooroolbark, Mt Evelyn, Yarra Glen and Yarra Junction.

The following eight Consolidation Areas are identified by Council as having the capacity for higher density residential development; Chirnside Park, Lilydale, Healesville, Kilsyth, Mooroolbark, Mt Evelyn, Yarra Glen, and Yarra Junction. In the period 2011 to 2016, 24 per cent of residential development in the municipality is occurring within the consolidation areas.¹³

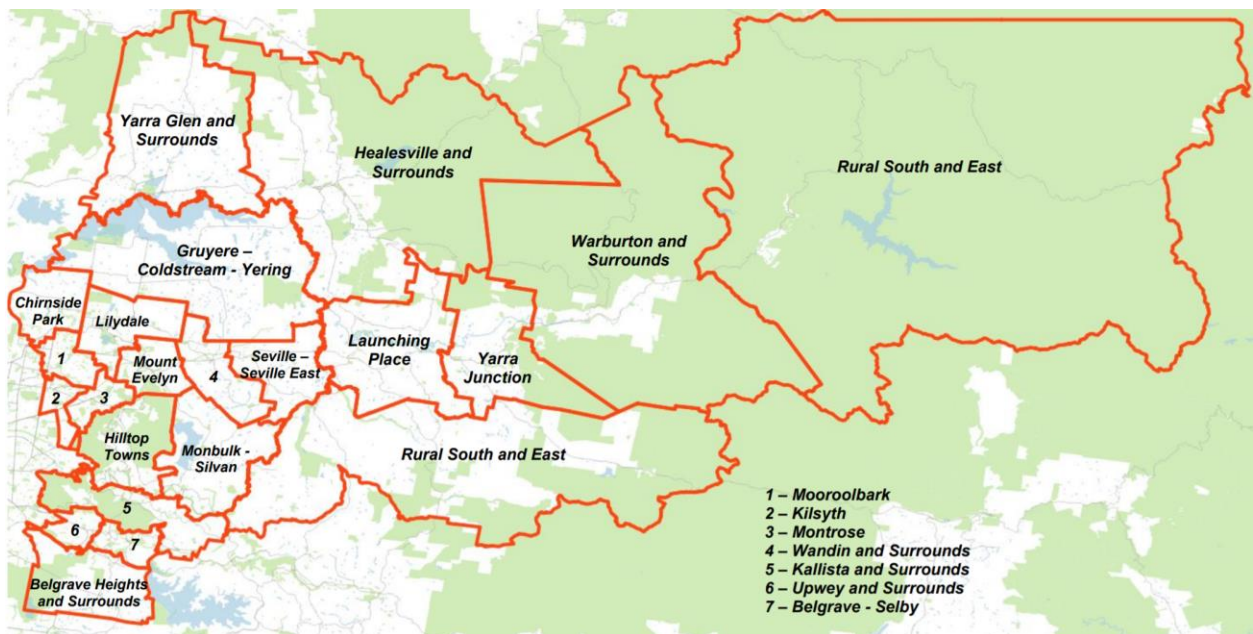


Figure 1: Yarra Ranges Local Government Area¹⁴

¹³ ID Consulting (2018) Yarra Ranges Shire, Analysis of Housing Demand and Supply, September 2018

¹⁴ ID Consulting (2018) Yarra Ranges Shire, Analysis of Housing Demand and Supply, September 2018



2. Affordable Housing Framework

2.1 Definition Translation

On 1 June 2018 the *Planning and Environment Act 1987* was amended to include a new objective of planning at section 4 of the Act “to facilitate the provision of affordable housing in Victoria” and the incorporation of the following definition:

‘Affordable Housing is housing, including social housing, that is appropriate for the housing needs of any of the following - very low income households; low income households; and moderate income households.’

The State Government has published household income bands to define very low, low and moderate income households (Table 4) and a list of ‘matters that are required to be given regard to’ when determining the appropriateness of the intended built form these households (Figure 2).¹⁵

Household type	Very low	Low	Moderate
Single adult	Up to \$25,970	\$25,971 - \$41,550	\$41,551 - \$62,310
Couple, no dependent children	Up to \$38,950	\$37,821 - \$62,320	\$63,321 - \$93,470
Family (1- 2 adults with dependent children)	Up to \$54,520	\$54,250 - \$87,250	\$87,251 - \$130,870

Table 4: Affordable Housing Income Bands, Greater Melbourne 2019-2020

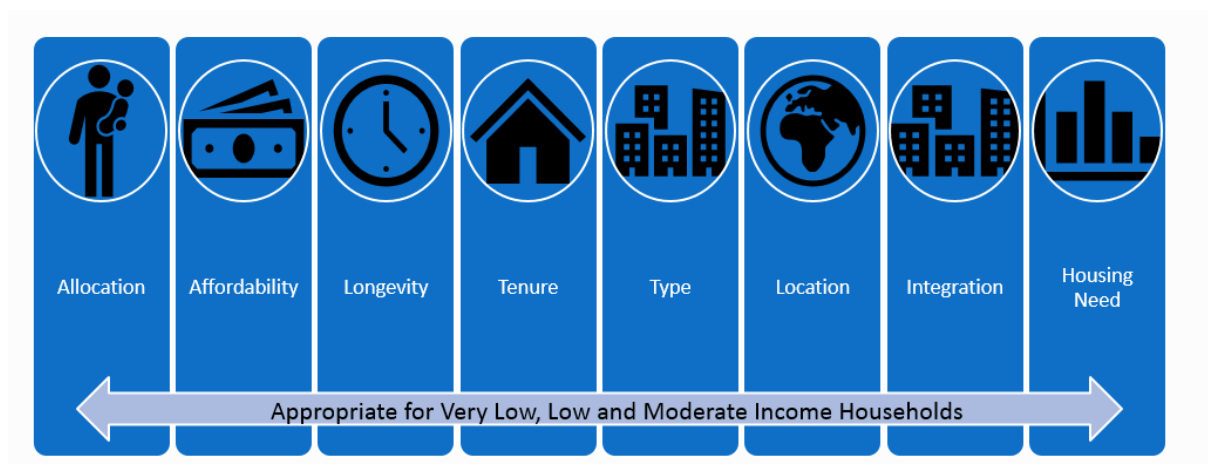


Figure 2: Matters to be considered when assessing potential appropriateness of a proposed built form for Affordable Housing

The definition, income bands and list of matters provides a framework for Council to consider whether a potential built form, whether proposed on private or Council owned land will deliver an Affordable Housing outcome.

¹⁵ Governor in Council Order (2018) Planning and Environment Act 1987, Section 3AB – Specification of Income Ranges, June 2019, and Ministerial Notice under the Planning and Environment Act 1987 Specified Matters Under Section 3aa (2), 17 May 2018



2.2 Basis for Action

Access to an adequate standard of living, of which housing is a foundation, is foremost a human rights issue as without appropriate shelter, a person’s ability to live and participate in their society to their full potential is significantly decreased.

People can find themselves in need of Affordable Housing at any life stages due to various circumstances, including limitation on their income generating capacity, physical and mental health concerns, family and relationship breakdown, family violence, loss of employment and substance dependency.

It is estimated that approximately 64 per cent of households in Greater Melbourne fall within the State Government published Affordable Housing income bands for Affordable Housing set out in Table 4.

Access to appropriate and Affordable Housing that is well located is critical to economic productivity and the efficient functioning of a city and place. Without sufficient and appropriate Affordable Housing supply, it is difficult for employers to attract and retain employees and people face significant time and cost pressures to access their place of employment. This has wider implications on family functioning, social cohesion and has environmental impacts due to an increase in car usage.

The provision of an adequate supply of Affordable Housing also has significant social benefits for individuals, families, the wider community and the economy, with links to households’ health and wellbeing, capacity to participate in education and the workforce, level of reliance on social supports and high cost welfare services, participation in society and rates of family violence.

2.3 Affordable Housing Programs

Affordable Housing under this definition included a spectrum of housing programs, including supported, crisis and transitional housing, Social Housing (Public and Community Housing), disability housing, discounted rental housing, shared equity home ownership and potentially affordable home ownership (Figure 3).

An overview of key models and their characteristics is set out in Table 5.

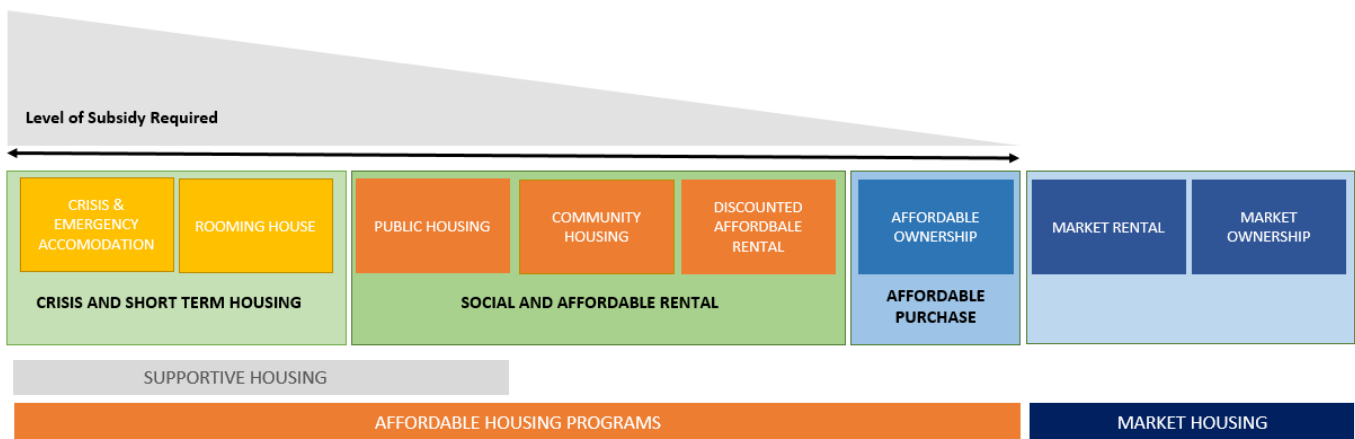


Figure 3: Housing spectrum illustrating Affordable Housing programs (Source: Affordable Development Outcomes (2019), adapted from Whitzman, Newton & Sheko, 2015),

The main form of Affordable Housing provided for in Yarra Ranges is Public and Community Housing (Social Housing). Yarra Ranges does not have a crisis centre within the municipality.

There are ten registered rooming houses in Yarra Ranges, which provide a form of transitional housing. The quality and affordability of rooming house accommodation can vary considerably and there is likely to be unregistered rooming houses operating in the private rental market.



Housing Program	Key Characteristics
Crisis Accommodation, Transitional Housing, Rooming House Accommodation	<ul style="list-style-type: none"> • Crisis accommodation refers to housing that is provided on a temporary basis to people in urgent need of housing. It may be provided in a specific nominated crisis accommodation building, or provided through support for people to access hostel, hotel, or caravan park accommodation. • Transitional housing is intended as a step between crisis accommodation and longer-term Affordable Housing. It is typically furnished, and households are placed on a short-term lease. • A Rooming House is a building where one or more rooms are available to rent, and four or more people in total can occupy those rooms. A building tenanted in this manner should be registered as a Rooming House with the State Government and is required to meet minimum standards for privacy, security safety and amenity.
Social Rental Housing	<ul style="list-style-type: none"> • Social Housing is housing owned or managed by the State Government (Public Housing) or a Registered Housing Agency. This housing is rented to very low or low income households, with income eligibility set by the Director of Housing. • Dwellings are rented to households that meet the income eligibility requirements and are registered on the Victorian Housing Register which categorises applicants into 'priority access' and 'register of interest' households. • Rents are set at a maximum of 30 per cent of household income plus Commonwealth Rent Assistance. • Provide a significant level of assurance as to the long-term provision of the housing, with housing generally 'for life'. • Outcomes that may be achieved under a planning negotiation are expected to be owned and/or managed by a Registered Housing Agency.
Affordable Rental Housing	<ul style="list-style-type: none"> • Affordable Rental Housing is housing that is provided typically at a discount to market rent to households that meet Social Housing or Planning and Environment Act 1987 Affordable Housing income eligibility requirements. Generally, a minimum 25 per cent discount is provided to ensure a Housing Agency maintains its charitable tax status. • An affordability test still applies with rent expected to be set at either a discount to market or no more than 30 per cent of a household's gross income. • Dwellings may be provided on a long-term basis if owned by a Registered Housing Agency or could be for a set period of time, such as dwellings rented under the National Rental Affordability Scheme. • Registered Housing Agencies are the primary manager of Affordable Rental Housing. There have been some limited examples where dwellings are managed by a real estate agent under the regulatory oversight of the Commonwealth Government.
Shared Equity	<ul style="list-style-type: none"> • Shared Equity Home Ownership entails a household that has limited capacity to borrow funds to be able to purchase a dwelling through an affordable housing purchase arrangement. On future sale the proportional equity provided is repaid based on the property's (future) market value and reinvested in future shared equity arrangements. • Typically, the household borrows between 70 and 80 per cent of the value of a property with the remaining percentage or 'social equity' provided by government grant, land contribution or developer contribution and captured within an appropriate legal arrangement with the purchaser. • In a planning negotiation the landowner would meet the land and development costs with the landowner receiving the agreed proportion of total sale revenue at settlement. • Shared equity requires an appropriate arrangement being put in place for the social equity to be held, managed and controlled and reinvested on any future sale or refinancing by the original owner. This ensures there is not a loss of the original developer contribution.
Affordable home purchase	<ul style="list-style-type: none"> • New model for Victoria that is operational in South Australia. One option to support a greater number of Affordable Housing being achieved on a site without a cost impact for the developer. • Involves sale of dwellings at the established market price to low or moderate income households if the price is determined to be affordable without a subsidy. • Requires an allocation and income testing process of potential purchasers to ensure dwellings are affordable and allocated to households that meet the Planning and Environment Act 1987 Affordable Housing income bands. • Does not require the dwelling to be managed as Affordable Housing in the long term as there is no subsidy or discount required to be secured (the dwelling being relatively affordable in the market).

Table 5: Affordable Housing Program Responses



3. Policy Framework

This section sets out the overarching global, Federal and State Government policy context in relation to Affordable Housing, with emphasis on financing and planning initiatives, and highlights the range of Council policies that identify Affordable Housing as a key need. Affordable Housing can be considered within a broader policy framework summarised in Figure 4.



Figure 4: Policy Context



3.1 Global Context

At an international level, housing rights are recognised as global human rights. The right to housing is more than simply a right to shelter and is concerned with the right of a person have somewhere to live that is adequate. Whether housing is adequate depends on a range of factors including security of tenure, affordability, accessibility, location and cultural adequacy.

In 2015 the Member States of the United Nations agreed on the 17 Sustainable Development Goals (SDGs) that are intended to guide global action on sustainable development until 2030. Primary Goal 11: 'Make cities and human settlements inclusive, safe, resilient and sustainable' is particularly relevant to the work of local government.¹⁶

3.2 Federal Government Policy Context

Macro housing policy settings are influenced through the policy settings of the Australian Government, including fiscal policy, and social policy settings. This includes taxation, funding for Social Housing and homelessness services, welfare payments, and assistance for first home buyers. Key policies include negative gearing and capital gains discounts for investors. Monetary policy (interest rates) is determined by the Reserve Bank of Australia (RBA) and this influences the behaviour of borrower and lenders, economic activity and the rate of inflation.

Affordable Housing and Homelessness Policy

The Australian Government sets high level and State-specific policy objectives in agreement with the State and Territories through the National Housing and Homelessness Agreement (NHHA). Between July 2018 and June 2023, Victoria will receive an estimated \$2.03 billion towards housing provision, with funding is linked to specified outcomes in priority areas. Homelessness funds are focused on people affected by domestic violence and vulnerable young people who are homeless or at risk of homelessness.

National Housing Finance and Investment Corporation

The National Housing Finance and Investment Corporation (NHFIC) was established by the Commonwealth in June 2018 and is dedicated to improving housing affordability. The NHFIC is responsible for managing a \$1 billion National Housing Infrastructure Facility (NHIF) and will seek to partner with local governments to unlock new housing supply. NHFIC will also establish an Affordable Housing Bond Aggregator to drive efficiencies and cost savings in the provision of Affordable Housing by registered housing providers.

The Federal Government has also committed \$1 billion over five years to the Infrastructure Facility which will provide finance in the form of loans, equity investments and grants to local, state and territory governments, government corporations and registered community housing providers to support housing-related infrastructure projects. This could include new or upgraded infrastructure for services such as water, sewerage, electricity or transportation, or site remediation, including the removal of hazardous waste or contamination. This funding may be relevant for large scale rezonings in the municipality and could enhance the viability of delivering Affordable Housing.

3.3 State Government Policy Context

State Government financial levers that impact on housing affordability include stamp duties, land taxes and infrastructure funding. The State also provides financial assistance to first home buyers and has recently implemented policy changes and taxation arrangements to disincentivise investors, particularly if properties are left vacant.

The *Housing Act 1983* and the *Planning and Environment Act 1987* are the key legislative frameworks that relate to Affordable Housing delivery in Victoria. The focus of the *Housing Act 1983* is on Social Housing for very low income households, particularly housing owned and managed as Public Housing by the State Government.

¹⁶ United Nations (2015) Sustainable Development Goals <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>



The ‘facilitation’ of the provision of Affordable Housing became a Section 4 objective of the *Planning and Environment Act 1987* on 1 June 2018. This objective is supported the Planning Policy Framework (PPF), which includes objectives and strategies to increase housing choice in terms of type, tenure and cost and encourage a significant proportion of new development to be affordable for households on very low to moderate incomes.

Housing Strategy – Homes for Victorians

Homes for Victorians and Plan Melbourne set out the State Government’s commitments in relation to Affordable Housing facilitation, investment and delivery. These strategies reflect that there are several tools the Government can use to facilitate increased Affordable Housing outcomes, including the application of government land, funding, financing and land-use planning instruments.

The State Government’s 2017 Housing Strategy *Homes for Victorians: Affordability, Access and Choice* is a significant policy and investment intervention with several key strategies that are now being implemented, including provision of funding and low-cost financing for Registered Housing Agencies, redevelopment of public housing assets and sale of underutilised State Government owned land with an Affordable Housing requirement. Other initiatives include support for a pilot shared equity program and planning mechanisms outlined above.

State Land-use Planning Policy

The *Planning and Environment Act 1987* establishes the overarching legislative framework under which planning policy is set and delivered in Victoria. Councils and decision makers must have regard to the Objectives set out in section 4 of the Act and the matters set out in the Victorian Planning Provisions (VPP) and Planning Policy Framework (PPF) when developing the Local Planning Scheme and Structure Plans and when determining planning matters.

Clause 16 – Housing of the VPP notes that “*Planning for housing should include the provision of land for affordable housing.*” Clause 6.01-1S – Integrated Housing notes that “*to promote a housing market that meets community needs*” strategies are required to:

- “*Ensure that an appropriate quantity, quality and type of housing is provided, including aged care facilities and other housing suitable for older people, supported accommodation for people with disability, rooming houses, student accommodation and social housing.*”
- “*Facilitate the delivery of high quality Social Housing.*”

Clause 16-014S – Housing Affordability contains the objective “*to deliver more affordable housing closer to jobs, transport and services*” includes recognition of the need for strategies that “*Encourage a significant proportion of new development to be affordable for households on very low to moderate incomes.*”

Plan Melbourne establishes a 35-year planning blueprint that aims to ensure Melbourne growth is more sustainable, productive and liveable. A five-year implementation plan sets out key actions to increase the supply of Social and Affordable Housing and provide greater choice and diversity of housing.

From 1 June 2018 there is a stronger legislative basis and obligation on Local Councils to give regard to Affordable Housing when undertaken planning with the introduction of a new objective in the *Planning and Environment Act 1987* “*to facilitate the provision of Affordable Housing in Victoria*”. The changes to the Act also confirmed that a Responsible Authority may enter a Section 173 Agreement with a landowner to secure an Affordable Housing agreement.

Voluntary Planning Negotiations

In 2018 the State Government released policy guidance to support responsible authorities and landowners to undertake voluntary negotiations and reach agreement to an Affordable Housing inclusion as part of the planning approval process. The guidance sets out requirements expected to inform a responsible authority’s decision to seek an agreement with a landowner which include:

- Establishing a strategic justification for a proposed Affordable Housing inclusion.



- Identifying value to support the Affordable Housing being delivered.
- Ensuring clear landowner agreement prior to the application of any requirement in the planning controls.
- Having regards to a Registered Housing Agency's support for the proposal.
- Ensuring the outcome does not unduly impact on the commerciality of the development.
- Ensuring the Affordable Housing outcome meets the definition and list of matters set out by Government to ensure appropriateness of the intended built form for Affordable Housing.¹⁷

The guidance highlights that regard must be given to the commercial viability of delivering a negotiated Affordable Housing outcome and emphasises that contributions should not unduly impact on development progression, market supply or affordability.

This new policy direction supports Council develop a strategic evidence base and policy position in relation to Affordable Housing and then engage with landowners looking to develop in priority areas or on strategic sites, particularly those identified for rezoning. This Background Report sets the evidence base to underpin the proposed policy approach.

Homelessness policy and operations

The Victorian Homelessness Strategy 'A Better Place' was released in 2010 and aims to deliver a more strategic, targeted and coordinated approach to homelessness with the goals to halve overall homelessness and offer supported accommodation to all rough sleepers who need it by 2020. The Government's Homelessness and Rough Sleeping Action Plan provides a framework to reduce the incidence and impacts of rough sleeping in Victoria.

Victoria's Homelessness Service System is organised under the 'The Opening Doors Framework' which is designed to provide an integrated and coordinated response for consumers by having a limited number of key access points into the homelessness system. The purpose of each access point is to provide a single point to assess a household's needs and prioritise and connect people to the services and resources they need. Anchor is the access point in the Yarra Ranges area.

3.4 Local Government Policy Context

Local Governments in Australia generally have a very limited role in the direct provision of housing and homelessness support due to the parameters set by the State Government, restrictions on generating revenue and raising finance, and the planning framework set by the State within the *Planning and Environment Act 1987* and Planning Policy Framework set out in the Victoria Planning Provisions and Planning Schemes.

Local Government is however influential in facilitating the private sector to increase housing supply and support housing affordability through its administration of the land-use planning system. This includes setting housing supply and diversity aspirations to respond to local population and needs and forecast demand.

Local Policy and Strategies

Yarra Ranges Council has several policies and strategies relating to the need for and delivery of Affordable Housing as highlighted in Table 6. Of note, Council's Vision 2020 Community Plan identifies affordable and sustainable housing as a key priority, with a vision that:

"the Shire in 2020 provides a diverse range of affordable housing types which play a valuable role in attracting and retaining specific population groups, particularly younger people, and in providing suitable housing alternatives for the Shire's growing older population".

¹⁷ Department of Environment, Land, Water and Planning (2017) Planning mechanisms for Affordable Housing, <https://www.planning.vic.gov.au/policy-and-strategy/affordable-housing>, last updated 2/11/2018



The Yarra Ranges Health and Wellbeing Strategy 2017 - 2021 also includes a goal to increase “affordable, safe and secure housing for all”.

Council has strategic commitments related to increasing access to social and affordable housing for residents in the 2018-19 Council Action Plan with actions to:

- Utilise Council owned land for suitable housing development to improve housing affordability.
- Advocate for reforms to State planning policy to require inclusion of affordable housing in new large scale developments.

Land use Planning

Land use planning and administration by Council is undertaken in accordance with the *Planning and Environment Act 1987*, the Victorian Planning Provisions (VPP) and Planning Policy Framework (PPF).

This is an important role with Council having a clear responsibility to plan for and administer the use, protection and development of land which has a direct and important influence on the delivery of housing supply and improving general housing affordability. Council is required to facilitate development under the Act and has a number of tools to support this activity.

The Planning Policy Framework (PPF) and Municipal Strategic Statement (MSS) provide the strategic basis for zones and overlays within the Yarra Ranges Planning Scheme and decision making by the Council in its role as a responsible authority. Council is required to ensure the MSS responds to the Planning Policy Framework and Local Planning Policy Framework.

The Yarra Ranges Planning Scheme is also required by Section 46F of the Act to be in accordance with the Upper Yarra Valley and Dandenong Ranges Regional Strategy Plan (RSP). The purpose of the RSP is to provide guidance for the future investment of resources in the region and to create links between wider State Government planning policies and the more specific Council planning controls within the area to ensure that planning activity in the region is consistent with the need to protect the character and features of the region.

Clause 21.04, Objective 2 of the Yarra Ranges Planning Scheme aims “to encourage a diversity of dwelling types to meet the needs of the population” by a range of strategies including to:

- *“Encourage the provision of affordable housing components in new developments in identified consolidation areas and other locations that provide convenient access to town centres, commercial and community facilities.*
- *Encourage 1 and 2 bedroom dwellings in all multi-unit developments.*
- *Support proposals for co-housing, retirement villages and residential aged care facilities in locations practical to the needs of an aging population and away from areas of environmental risk.”*

Proposed Amendment C148 to the Yarra Ranges Planning Scheme, adopted by Council in March 2019, introduces a new Municipal Strategic Statement that provides clearer strategic direction and decision making guidance on a wide range of land use and development issues, including those relevant to Affordable Housing. The proposed Clause 21.02 (Settlement and Housing) builds on existing policy currently in Clause 21.04 (Land Use), highlighting that a more diverse and adaptable housing stock will be required to meet current and future community needs. This includes a need to provide greater housing choice including Affordable Housing options and housing that is accessible to people with disabilities. It contains strategies to:

- Encourage the provision of Affordable Housing components in new developments in identified consolidation areas and other locations that provide convenient access to town centres, commercial and community facilities.
- Encourage dwellings that are accessible to people of all abilities and adaptable to the changing needs of people as they age.
- Encourage specialised forms of housing that meet the needs of people with disabilities.



- Provide diverse housing opportunities when subdividing large lots in consolidation areas.

The proposed Clause 21.08 applies to Yarra Ranges Activity Centres at Lilydale, Chirnside Park and Mooroolbark. It includes objectives in relation to housing diversity, and specifically references the strategic importance of the Cave Hill Quarry site in Lilydale for urban renewal. It reinforces objectives and strategies currently in Local Planning Policies for Chirnside Park (Clause 22.06), Lilydale (Clause 22.07) and (Clause 22.09) around housing diversity and affordability.

3.5 Council Policies with Links to Affordable Housing

Council has several existing policies that identify or relate to the issue of Affordable Housing, summarised in Table 6.

Strategy	Key points of relevance
Vision 2020 Community Plan and 'By Design' framework	<ul style="list-style-type: none"> • Sets the vision for the community and Council action with affordable and sustainable housing one of ten priorities. • Priority seeks to increase the provision of higher density housing near services as well as planning and policies that encourage sustainable housing. It also highlights the need for a greater range of housing options to be made available to support different priority household groups. • A number of other priorities recognise the importance of housing choice and supply. • 'Vision 2020: By Design' provides a built environment framework for the implementation of the community plan and emphasises the importance of local identity, environmental protection, design quality and sustainable urban form and building design.
Yarra Ranges Council Plan 2017- 2021	<ul style="list-style-type: none"> • Sets a plan for Council to deliver on the community vision. • Recognises there are lower socio-economic areas and households in greater need of Council support and enhanced service delivery. • Strategic objectives include Connected and Healthy Communities and Quality Infrastructure and Liveable Places. • Advocacy for Affordable Housing is reflected as a service Council provides to support a liveable place.
Yarra Ranges Housing Strategy 2009	<ul style="list-style-type: none"> • Strategy under review. • Recognises limited housing diversity, accessibility and affordability as key issues. • Key themes for action: <ul style="list-style-type: none"> • Sustainability: encourage sustainable housing design to provide a healthy environment for residents which is adaptable to the changing needs of residents. • Diversity: encourage the provision of a greater range of housing types (such as apartments and townhouses) to suit differing household types, age ranges and physical abilities. • Affordability: encourage the delivery of accessible and well-located affordable housing for households unable to access the private housing market.
Health and Wellbeing in the Yarra Ranges 2017-2021: Yarra Ranges Municipal Health and Wellbeing Plan	<ul style="list-style-type: none"> • Recognises the importance of social connectivity for the building of strong, healthy communities. • Places emphasis on the need for equitable infrastructure investment for peri-urban areas. • Acknowledges that social isolation and poverty issues are inextricably linked to transport disadvantages. • Importance of access to education, employment and public services.
Yarra Ranges Activity Centres Network Strategy 2012	<ul style="list-style-type: none"> • Acknowledges the importance of activity centres for the provision of services, amenities and employment opportunities for residents of Yarra Ranges. • Seeks to rectify a lack of strategic planning for activity centres. • Identifies opportunities for developing and expanding activity centres over the next 20 years. • Seeks to improve the functionality and performance of existing activity centres.
Yarra Ranges Equity, Access and Inclusion Strategy 2013-2023	<ul style="list-style-type: none"> • Recognises that the inclusion of people with disabilities in every aspect of public life is a basic human right which also brings numerous economic, social and cultural benefits to the wider community. • Articulates Council's commitment to encouraging participation of people with disabilities in all aspects of public life.



- Reflects that economic development is a primary driver of community well-being and is a vital business strategy which is essential for economic prosperity and growth.
- Aims to support partnerships, simplify the local Planning Scheme and permit process and enhance the Shire’s civic space.
- Focus on an ‘area based’ strategy for the area with a range of new systems and processes committed to deliver integrated planning and related outcomes.

Table 6: Key Council policies

3.6 Council Roles and Current Actions

Table 7 provides an overview of the roles of Council and highlights areas the Yarra Ranges Council is already active.

Role	Description	Potential scope of actions (Affordable Housing)	Current Yarra Ranges Council Actions
Leader, Advocate and Partner	Take responsibility; present position based on evidence; lobby key stakeholders for action; be accountable; show the way and consult widely; represent the whole community.	<ul style="list-style-type: none"> • Ensuring Affordable Housing is central to Council policy and planning deliberations. • Represent and advocate on behalf of the community for Federal and State action and funding. • Demonstrate potential solutions through leading by example, e.g. development of Council land. • Lead community in conversation about importance of Affordable Housing. • Broker partnerships with housing agencies and between housing agencies and property developers. • Collaborate with other Councils in the region facing similar issues. 	<ul style="list-style-type: none"> • Member of the Eastern Affordable Housing Alliance which advocates for State Government action. • Demonstrating leadership through investigations of Council owned land for Affordable Housing. • Looking to partner with a Registered Housing Agency in relation to the development of Council owned land in Lilydale.
Land use Planner	Planning for the efficient, orderly and appropriate use of land now and in the future, with consideration to balancing social, economic and environmental needs.	<ul style="list-style-type: none"> • Undertake a strategic planning role such as undertaking planning studies and preparing planning scheme amendments, etc that embed tools into the planning scheme to then facilitate housing supply, affordability and diversity outcomes. • Facilitate the supply of Affordable Housing through the planning process through supporting community housing development proposals and engaging with the private market. • Plan for the delivery of supporting infrastructure, housing diversity and Affordable Housing to meet the range of community needs, and long-term sustainability and affordability. 	<ul style="list-style-type: none"> • Housing Strategy objectives to increase the supply of one and two-bedroom dwellings and improve housing diversity and affordability outcomes. • Identification of a proposal to develop a Development Negotiation Framework to support negotiation with private landowners a part of major rezonings and permit applications.
Social Planner	Planning the development of social services and facilities based on evidence-based practise.	<ul style="list-style-type: none"> • Plan for social infrastructure to support all residents. • Support vulnerable and lower income households with support services that increase social and economic capacity. 	<ul style="list-style-type: none"> • Community development work to support vulnerable households to connect to services.



Community Developer	Developing broad and deep collaboration across all levels of government, community service providers, developers and residents.	<ul style="list-style-type: none"> • Capacity building activities by Local Government can come in many forms including: <ul style="list-style-type: none"> • Building of Council’s own knowledge, resources and capacity to find and deliver solutions; • Support for other organisations to build their capacity to develop and deliver responses that in turn support capacity building for individuals in the community; • Support for individuals or community groups to improve their own individual and localised capacity. • Seek to address or influence associated policy areas such as education and employment policies. 	<ul style="list-style-type: none"> • Council staff are undertaking training programs to enhance their knowledge of Affordable Housing delivery and negotiation. • Member of Eastern Affordable Housing Alliance – supporting capacity building and knowledge sharing across local governments.
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Table 7: Council roles and potential scope of actions

Example of Council Action as Leader and Community Developer

In 2018 Yarra Ranges Council identified a piece of land on Anderson Street, Lilydale, that was surplus to its requirements and that may be suitable for Affordable Housing development. The site has the potential to accommodate up to 20 dwellings.

A public engagement and submission process was held in November 2017 with Council subsequently deciding to undertake further investigations taking into consideration community feedback.

In 2018 the Council secured a State Government grant to undertake a Feasibility Study into the viability and delivery options which has supported the engagement of consultants to undertake preliminary site analysis including design options and costings.

In 2019 Council selected Registered Housing Agency Housing First and partner disability agency Melba Support Services, to work with Council and its consultants to support the investigation of delivery options for the site.

The feasibility study is expected to be finished in August/September 2019 and will then be considered by Council.



4. Key Stakeholders

The delivery of Affordable Housing requires participation and investment from a range of stakeholders, including the Federal and State Governments. Each stakeholder has an important role and requirements to operate effectively if they are to invest, summarised in Table 8.

	Federal, State and Local Government	Developers	Asset Owners	Financiers and Institutional Investors	NFP Housing developers
Key Stakeholder and Role	<ul style="list-style-type: none"> Leadership, long term vision Legal conditions and framework Funding and financing Appropriate regulation Safety net (support for those in need) Efficient regulation and land use planning 	<ul style="list-style-type: none"> Market delivery Housing supply, diversity, affordability and sustainability Affordable housing product Market risk / return Investment Innovation 	<ul style="list-style-type: none"> Invest and divest in land assets Facilitate land use response to market requirements Market return / risk 	<ul style="list-style-type: none"> Investment and finance Market risk / return Innovation 	<ul style="list-style-type: none"> Social investor and landlord Affordable housing supply and management Tenant Support Investor Quality standards Measured risk / return
Requirements to operate	<ul style="list-style-type: none"> Community support Industry participation Partnerships Effective administration 	<ul style="list-style-type: none"> Resourced market Certainty and stability of market and government conditions Supporting planning process Labour force, materials Access to finance Capacity to innovate 	<ul style="list-style-type: none"> Resourced market Planning certainty Incentives to divest 	<ul style="list-style-type: none"> Certainty and stability of market government conditions Access to funds Liquidity Nature of security 	<ul style="list-style-type: none"> Partnerships Access to long-term stable funding Low cost financing Opportunities to extract value

Table 8: Key Stakeholders, roles and requirements¹⁸

Federal and State Government

The Federal and State Governments have critical roles in policy and investment in Affordable Housing. Without significant investment by these levels of government the level of Affordable Housing need will not be addressed. Current policy initiatives are set out within the Background Report.

Of note, the Federal Government controls primary taxation levers and the State Government establishes the planning framework within which a Council must operate. The State also owns public housing assets, of which there are over 540 dwellings in the municipality.

Private Investors

Financiers or investors in property development are critical stakeholders that must be given regard to when considering the potential inclusion and delivery of Affordable Housing. These investors provide debt finance to a project on the basis of an acceptable financial return relative to the risk. A developer must satisfy its investor's terms to secure financing for a project.

¹⁸ Adapted from, Affordable Housing Industry Advisory Group & Affordable Development Outcomes (2017) Facilitating the provision of Affordable Housing through land use planning, Discussion Paper



Landowners and developers

Landowners and developers are critical stakeholders in the provision of housing. Landowners require sufficient return for their land in order to sell it for development. Developers in turn take considerable risk when developing, typically committing their own equity to a project and then relying on external finance which comes at a considerable cost. There are several requirements and hurdles a developer must achieve in order to progress a project to delivery with significant market risk.

Registered Housing Agencies

A Registered Housing Agency refers to an organisation that is a not-for-profit organisation that is registered by the Victorian Government under the *Housing Act 1983* as a provider or operator of Affordable Housing and that has a dedicated charitable purpose to deliver and manage Affordable Housing. Agencies are registered as either a:

- Housing Association – the highest level of registration, Associations have greater capacity and experience in developing and owning housing assets and managing larger portfolios and debt.
- Housing Provider – generally smaller organisations that primarily manage housing on behalf of the State Government, with potential for some assets under direct ownership.

Registration means that the organisation's work in providing Affordable Housing must comply with a range of standards and reporting obligations that are monitored by an independent Housing Registrar. Agencies are also regulated as charities by the Australian Charities and Not-for-profit Commission and the Australian Taxation Office. These processes provide a high level of oversight over the operations of the Agency and provides for a step-in mechanism if there is a significant breach in standards or obligations.

Registered Housing Agencies are identified as growth vehicles for Affordable Housing by the State Government and are therefore eligible for grants or financial support when it is available.

Agencies may have different priorities as to the locations and households they support. Agencies have strong links to wrap-around services and will generally link households to other agencies when other supports are required.

Ways in which a Registered Housing Agency can support an increase in Affordable Housing, include:

- Developing their own land assets, often former public housing dwellings to improve dwelling supply and quality.
- Securing government grants to enable land development and/or purchasing of completed dwellings from the private sector typically at a discount.
- Raising debt finance from banks to support capital costs of development or purchase.
- Utilising limited surplus rental revenue as equity to support development or purchases.
- Supporting arrangements between responsible authorities and landowners under a planning negotiation either by accepting gifting of dwellings or land for development or agreeing to purchase dwellings at an appropriate discount rate.

A Registered Housing Agency's capacity to invest is limited by the proposed below-market revenue and need to meet all operating costs from rents. They are also responsible for ensuring the long-term maintenance of dwellings. Some Housing Agencies have the capacity to develop sites which can support some cost savings. This requires the agency to have funds and capacity to finance and deliver the project which typically requires government grants or other philanthropic funding in addition to the land provision.

Any model agreed through a planning negotiation that depends on a Housing Agency to purchase, own or manage dwellings must be tested with one or more Agencies prior to the finalisation of the agreement to ensure it is realistic.

Other not-for-profit groups such as churches also manage small numbers of Affordable Housing in the municipality, including management of Council owned assets such as Council-owned Jim Fuller House. These agencies are not



regulated to the same standard as an Association or Provider and do not generally receive larger State Government grants to develop or purchase new dwellings. They do however provide an important specialised and local response particularly for very vulnerable household groups.

Yarra Ranges Housing Action Group

The Yarra Ranges Housing Action Group is a key stakeholder group within the municipality that is supported by Council. The Group's mission is to raise the profile of homelessness and housing affordability in Yarra Ranges, advocate to all levels of government to increase the stock of low cost housing and encourage, promote and support local initiatives in low cost housing.

Membership comprises of a Council representative and not-for-profit service agencies and faith-based groups that have an interest in Affordable Housing and related support services. Registered Housing Agencies are currently not members. The full membership comprises:

- Yarra Ranges Council
- Salvocare Eastern
- St Vincent de Paul Society
- Jim Fuller House
- Holy Fools
- Anchor Incorporated
- Stable One
- Community representative.

5. Government supported investment opportunities

The policy context section highlighted ways in which the State and Federal Governments are progressing key financial mechanisms to enhance the delivery of Affordable Housing.

These initiatives could support outcomes agreed between Council and a landowner as part of the planning process. For example:

- The Federal Government's National Housing Financing and Investment Corporation and its \$1 billion National Housing Infrastructure Facility (NHIF) is a potential source of funding that could assist delivery of infrastructure on large sites such as the Lilydale Quarry and in turn support delivery of Affordable Housing (<https://nhfic.gov.au/>).
- The State Government's Social Housing Growth Fund could provide long-term funding to registered housing agencies to support them to develop and hold Social and Affordable Housing for rental purposes in Yarra Ranges (<https://dhhs.vic.gov.au/victorian-social-housing-growth-fund>).



6. Other Local Government Activity

A scan of surrounding and similar councils has identified a range of similar activity being undertaken or proposed to be undertaken in relation to Affordable Housing facilitation, summarised in Table 9.

This summary reinforces that current actions being taken by Yarra Ranges Council are in accordance with its role. Current work to assess Affordable Housing need, investigate the use of Council land for Affordable Housing and to develop a Development Negotiation Policy is particularly reflective of emerging best practice.

A key action other councils are pursuing is to develop a specific Affordable Housing strategy. This is a proposed action that Yarra Ranges Council is recommended to consider focussing on in its next phase of work.

Council	Current Affordable Housing related activities
Cardinia	<ul style="list-style-type: none"> • Council endorsed Affordable Housing Strategy in February 2019. Key actions include: <ul style="list-style-type: none"> • Pursuing voluntary negotiations with an initial 2 per cent target objective for developments over 100 units with the percentage to increase over time. • Undertaking a land audit of Council land. • Continuing to work with other Councils on policy advocacy. • Considering updates to Municipal Strategic Statement to reflect new <i>Planning and Environment Act 1987</i> objective. • Provision of Council owned land to a registered housing agency to develop as Affordable Housing. • Developing a framework by which to assess the potential of Council owned land.
Nillumbik	<ul style="list-style-type: none"> • Undertaking an Affordable Housing Needs assessment and identification of Affordable Housing policy options for council to pursue; and • Updating its Housing Strategy and looking at how Affordable Housing requirements may be reflected in an updated Strategy.
Whittlesea	<ul style="list-style-type: none"> • Affordable Housing Strategy 2012 – 2016. An Issues and Opportunities paper is currently under development to inform an update to the Strategy. • Undertaking a feasibility assessment of two Council owned sites for Affordable Housing development. • Undertaking broader scoping of other Government owned land. • Undertaking a project in conjunction with Mitchell and Hume Councils to understand Affordable Housing needs and wrap-around-service requirements, and to test development scenarios on four sites. Includes local government capacity building on Affordable Housing. • Developing a voluntary tool kit project to assist officers to understand value creation opportunities and negotiation process. • Secured Affordable Housing outcomes on large a rezoning (subject to gazettal). The developer is understood to be partnering with a housing agency that has sought Social Housing Growth Funds to support delivery. • Agreement to lease a Council site for crisis accommodation. • Has undertaken a property audit of Council owned assets.
Knox	<ul style="list-style-type: none"> • Member of Eastern Affordable Housing Alliance. • Affordable Housing Strategy 2015 – 2020. • ‘Laying a Social Housing Pipeline’ project underway which seeks to establish a framework to identify strategic and surplus land sites in Knox, and the best way to deliver Social Housing at these sites; and explore the establishment of a fund that collects and invests contributions from developers to help deliver more Social Housing.
Maroondah	<ul style="list-style-type: none"> • Member Eastern Affordable Housing Alliance. • Released an Affordable Housing Discussion Paper followed by an Affordable and Social Housing Policy 2018. • Greening the Greyfield partnership Project looking at opportunities to deliver sustainable housing within existing ‘greyfield’ areas. Includes consideration of affordability and Affordable Housing opportunities, costs and benefits.



Whitehorse	<ul style="list-style-type: none"> • Member of Eastern Affordable Housing Alliance. • Affordable Housing Policy 2010. • Developing an Issues and Opportunities paper with intention to update Policy. • Pursued a number of voluntary negotiations with mixed success. • Project underway to develop a Local Planning Policy on Affordable Housing, including consideration of planning incentives and an approach to voluntary negotiations. • Consolidating existing Social Housing owned by Council into a new development in Box Hill through a partnership with a developer and housing agency.
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Table 9: Examples of Local Government activity

7. Examples of negotiated outcomes

The negotiation of Affordable Housing outcomes through the planning process has been attempted by a few Councils over the last few years with varying success. There is an increasing number of Councils currently pursuing negotiations since the change to the *Planning and Environment Act 1987* and the release of the State Government policy guidance.

Whilst a new policy framework, there are some examples of successfully negotiated outcomes other Councils have secured that provide some indication of the range of program and delivery model outcomes which could be negotiated. Key projects are summarised in Table 10.

Council	Development characteristics	Affordable Housing Outcomes
Glen Eira	Large rezoning from Industrial 3 Zone and Commercial 1 Zone to Comprehensive Development located in East Bentleigh Expected yield of 3,000 dwellings.	Land with the capacity for 5 per cent of residential dwellings (150 dwellings) to be built to be transferred to a Registered Housing Agency to develop, or construction and gifting of 28 dwellings to a Registered Housing Agency.
City of Yarra	Large development in Alphington, rezoned from Industrial to mixed-use in 2009. Development Plan Overlay approved in 2015. Expected yield of 2,500 dwellings	Affordable Housing component was included as part of the development plan overlay (post rezoning). Negotiation resulted in agreement to the gifting of 10 units to a Registered Housing Agency for 'in-perpetuity' use as Social Housing, and provision of 141 dwellings under a 10-year lease to be managed as Affordable Rental Housing.
Hobsons Bay	Large rezoning from Industrial 1 Zone (IN1Z) and Industrial 3 Zone (IN3Z) to Comprehensive Development Zone located in Altona North Expected yield of 3,000 dwellings	Requirement for 5 per cent of dwellings to be sold at a 25 per cent discount to a Registered Housing Agency. In the case a sale cannot be realised, the developer is required to pay the equivalent of 25 per cent of market value to a Housing Agency or Council to use for Affordable Housing purposes.

Table 10: Examples of negotiated outcomes

It is important to note these examples are site and council specific with a number negotiated prior to the recent State Government framework being implemented. They are useful as a guide to the type of outcomes that Council could pursue through its Development Negotiation Framework but do not reflect the actual outcomes that might be achieved on any specific site in the Yarra Ranges.



7.1 Summary

Part A highlights that there is a strong policy basis for Council to undertake further actions to facilitate Affordable Housing supply in the municipality, in particular through negotiations with private landowners. The section highlights there is:

- A supportive legislative basis, with Council now required to consider how it will facilitate the provision of Affordable Housing as a specific objective of planning.
- A clearer framework for understanding what is Affordable Housing and what needs to be considered when assessing whether a proposed built form will result in an Affordable Housing outcome for very low, low or moderate income households.
- A strong local policy base for action, with a number of Council documents identifying the importance of Affordable Housing to the social and economic success of the municipality.
- Support by the State Government for Council to develop a policy position and engage in negotiations with private landowners to support an Affordable Housing inclusion where an agreement can be reached.

This policy basis is supported by the evidence of need set out in Part B.

The case studies also highlight that to date outcomes that have been negotiated are not resulting in significant numbers of dwellings being gifted, or cash contributions as a first option.



Part B: Affordable Housing Needs Assessment



1. Key Data and Evidence of Need

Part B:

- Summarises a range of key issues in relation to the delivery of Affordable Housing in the municipality;
- Summarises an Affordable Housing Needs Assessment and assessment as to the indicative Affordable Housing Supply Gap; and
- Highlights characteristics of local Affordable Housing need now and in the future, and key issues identified by engagement with key stakeholders.

1.1 Demographic Snapshot

The following key statistics for the municipality provide context for the Affordable Housing assessment:

Key statistics – Yarra Ranges	
Population Characteristics	<ul style="list-style-type: none"> • 4.24% growth in population from 2011 to 2016. • 47% of households have children, 10.1% of families are sole parent households and 20% of households have one person. • 10,127 low income households (bottom 40% of all incomes). • 46.4% households have a mortgage, 14.1% of households rent. • 31,976 households are in receipt of a Commonwealth income support payment. • 1,598 households are registered for Social Housing in the Outer Eastern Division Melbourne Region, 629 of whom were assessed as being in priority need (Sept 2018).
Housing Diversity	<ul style="list-style-type: none"> • Majority (92.9%) separate dwellings. • 80.6% of dwellings have three or more bedrooms. • 2.7% of dwellings have one bedroom and 11.3% have two bedrooms. • 1.1% Social Housing (621 dwellings) (as at June 2019). • 22.72% of all forecast new dwelling supply between 2018 and 2036 is estimated to be required to be provided as dedicated Affordable Housing to meet household needs annually – the majority required to be one and two-bedroom dwellings.
Housing Affordability	<ul style="list-style-type: none"> • 71% of all low-income households are in rental stress (2,434 households). • 47.5% of all low-income households are in mortgage stress (2,506 households). • Median rents have increased by 72.1 per cent between 2006 to 2016. • Private rental affordability has declined from 43.5% of all dwellings in 2007 to 4.3% of all dwellings in 2018. • 2.32 per cent (128 dwellings) of all private lettings available to rent between January 2017 and December 2018 were affordable for households on a statutory income. • 49.83 per cent increase in the median price of units between 2007 and 2017. • Estimated Affordable Housing shortfall of 1,839 dwellings across the municipality as at 2016.
Homelessness	<ul style="list-style-type: none"> • 333 persons estimated to be homeless in Yarra Ranges Council in the 2016 Census - an increase of almost 25 per cent since 2011. A further 204 persons were living in marginal housing.

Table 11: Summary of key statistics, Yarra Ranges¹⁹

¹⁹ Sources set out in Part B and include ABS Census 2016, ID Consulting and Affordable Development Outcomes



1.2 Demographic Overview

An overview of the demographic profile in Yarra Ranges Council provides overarching context for assessing Affordable Housing need. Of note, in 2016:

- The usual resident population was 149,537 persons, living in 58,972 dwellings with an average household size of 2.67 persons.²⁰
- 35.8 per cent of households were couples with dependents; 20 per cent lone (single) persons and 26.2 per cent were couples without children.²¹
- The median weekly household income (equivalised) was \$1,501 per week – comparable to the Greater Melbourne median of \$1,539 per week.²²
- 9,837 households earned less than \$494 per week, and a further 12,938 households earned between \$495 and \$864 per week (equivalised household income).²³
- 79 per cent of households were purchasing or fully owned their home, 12.6 per cent were renting privately, and 1.1 per cent were renting in Social Housing.²⁴
- There was a lower proportion of households living in Social Housing at 1.1 per cent (621 households) compared to a Greater Melbourne average of 2.6 per cent.²⁵
- It was estimated that 334 persons were homeless and a further 204 persons were living in other marginal housing.²⁶
- 65 per cent of households in Yarra Ranges Council had two or more motor vehicles, compared to 51 per cent in Greater Melbourne and 25.6 per cent of households had at least 3 vehicles compared to 15.9 per cent of households in the Greater Melbourne Area.²⁷
- 95.4 per cent of all persons were in employment (56.5 per cent of these households in full-time employment).²⁸

By 2036 it is estimated the total population of Yarra Ranges Council will be 180,344 persons, with the largest increase in the percentage in couples without dependents (29.5 per cent). The average household size is also predicted to decline to 2.60 persons.²⁹

1.3 Household Profile

Yarra Ranges population is dominated by couples with children (35.8 per cent) followed by couples without children (26.2 per cent) and lone persons (20 per cent) (Figure 5). In 2016, 21.8 per cent of households were aged 60 years and over with this percentage expected to increase based on the current and projected household profile (Figure 6). Differences between the age structure of Yarra Ranges Council and Greater Melbourne include:

- A larger percentage of 'Empty nesters and retirees' (11.8 per cent compared to 9.3 per cent).
- A larger percentage of 'Older workers & pre-retirees' (14.2 per cent compared to 11.9 per cent).
- A smaller percentage of 'Young workforce' (12.0 per cent compared to 16.3 per cent).³⁰

²⁰ ID Consulting (2019) Community Profile

²¹ ID Consulting (2019) Community Profile

²² ABS (2018) Quick Stats Yarra Ranges 2016 Census

http://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/LGA27450

²³ ID Consulting (2019) Community Profile

²⁴ ID Consulting (2019) Community Profile

²⁵ Council rates data as at June 2019 as a proportion of all households (ID Consulting (2019) Community Profile)

²⁶ ABS (2018) 2049 - Census of Population and Housing: Estimating Homelessness, State and territory by place of enumeration, Statistical Area Level 2, 3 and 4

²⁷ ID Consulting (2019) Community Profile

²⁸ ID Consulting (2019) Community Profile

²⁹ ID Consulting (2019) Population Forecast



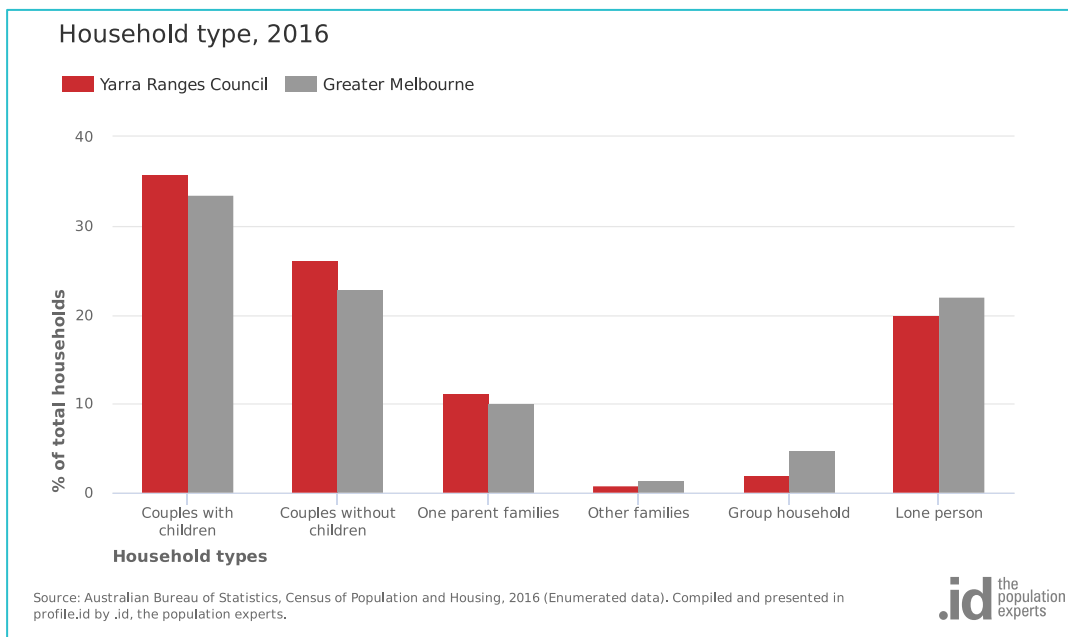


Figure 5: Household Type, 2016

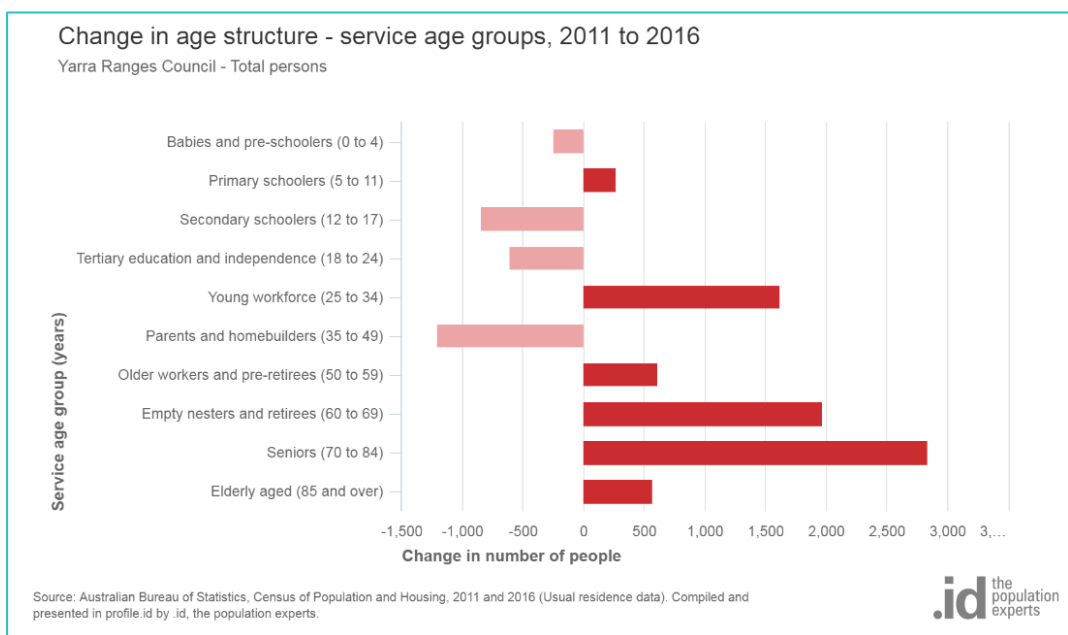


Figure 6: Change in Age Structure, 2011 – 2016

³⁰ ID Consulting (2019) Community Profile



1.4 Household Profile by Income

Yarra Ranges has a lower percentage (50.9 per cent) of households (earning over \$1,392 per week) than the Greater Melbourne average of 53.3 per cent and a slightly lower proportion (21.2 per cent) of low-income households (income of less than \$494 per week) than the Greater Melbourne average of 23.1 per cent (Table 12). In 2016, 15.4 per cent of households earned less than \$650 per week gross, compared to 16.7 per cent in Greater Melbourne.³¹

While there is a lower total proportion of low income households compared to Greater Melbourne, this varies across the municipality with proportions ranging from 9.1 per cent in Belgrave Heights and Surrounds to 27.0 per cent in Warburton and Surrounds. The areas with the highest percentages of low income household were:

- Warburton and Surrounds: 27.0 per cent.
- Yarra Junction - Millgrove – Wesburn: 25.2 per cent.
- Healesville and Surrounds: 20.0 per cent.
- Kilsyth: 19.2 per cent.
- Launching Place - Woori Yallock - Don Valley: 17.7 per cent.³²

Quartile group	Equivalised Household Weekly Income	Number of households	Yarra Ranges %	Greater Melbourne %
Lowest group	\$0 - \$494	9,837	21.2	23.1
Medium lowest	\$495 - \$864	12,938	27.9	23.6
Medium highest	\$865 - \$1,392	13,289	28.7	25.4
Highest group	\$1,393 or more	10,296	22.2	28.0
Total Households		46,361	100.0	100.0

Table 12: Households by income Yarra Ranges, 2016

Of low income residents living in Yarra Ranges, it is noted:

- In the June 2018 quarter there were a total of 29,575 recipients of main Commonwealth income support payments living in the municipality. The most common payment received was the Aged Pension at 49.1 per cent followed by the Disability Support Pension (13.7 per cent) and Carer Allowance (11.3 per cent) (Table 13).³³
- There were 5,542 recipients of Commonwealth Rent Assistance (CRA) in June 2018. CRA is a top-up subsidy for households that receive a government allowance or tax benefit and who rent in the private rental market.³⁴
- The greatest number of low income households that were in rental stress as a percentage of all renter households were living in Warburton and Surrounds (46 per cent), followed by Yarra Junction – Millgrove – Wesburn (38.6 per cent) and Launching Place – Woori Yallock – Don Valley (34.2 per cent). By number, the largest population of low income households in rental stress were living in Mooroolbark (385 households) and Lilydale (343 households) (Table 14).³⁵

³¹ ID Consulting (2019) Community Profile

³² ID Consulting (2019) Social Atlas

³³ Department of Social Services (DSS) (2018) DSS Payment Demographic Data, June 2018, Yarra Ranges Shire, author's analysis

³⁴ DSS (2018) *ibid*

³⁵ ID Consulting (2019) Social Atlas



Payment type	No. (2018)	Percentage
ABSTUDY (Living allowance)	19	0.1%
ABSTUDY (Non-living allowance)	25	0.1%
Age Pension	15,708	49.1%
Austudy	208	0.7%
Carer Allowance	3,615	11.3%
Carer Allowance (Child Health Care Card)	94	0.3%
Carer Payment	1,072	3.4%
Disability Support Pension	4,366	13.7%
Newstart Allowance	3,188	10.0%
Youth Allowance (other)	293	0.9%
Youth Allowance (student and apprentice)	987	3.1%
TOTAL PERSONS	29,575	

Table 13: Commonwealth Payment Recipients, June 2018, Yarra Ranges Local Government Area³⁶

Area	Total renting households	Number of low income households in rental stress	Low income households in housing stress as a percentage of rental households
Mooroolbark	1,358	385	28.4%
Lilydale	1,168	343	29.4%
Healesville and Surrounds	676	184	27.2%
Kilsyth	611	182	29.9%
Yarra Junction - Millgrove – Wesburn	348	135	38.6%
Warburton and Surrounds	210	97	46.0%
Upwey and Surrounds	385	93	24.2%
Chirnside Park	432	82	18.9%
Launching Place - Woori Yallock - Don Valley	199	68	34.2%
Yarra Glen and Surrounds	177	56	31.6%
Monbulk – Silvan	247	56	22.6%
Mount Evelyn	255	55	21.6%
Belgrave – Selby	166	48	29.0%
Montrose	221	44	19.7%

³⁶ DSS (2018) *ibid*



Area	Total renting households	Number of low income households in rental stress	Low income households in housing stress as a percentage of rental households
Hilltop Towns (area generally bound by Kalorama, Mt Dadenong, Olinda and Sassafras)	198	37	18.5%
Gruyere - Coldstream – Yering	110	23	20.9%
Kallista and Surrounds	143	23	15.8%
Seville - Seville East	80	18	22.5%
Belgrave Heights and Surrounds	71	14	19.5%
Rural South and East	69	10	14.5%
Wandin and Surrounds	118	9	7.6%
Yarra Ranges Council	7,606	2,434	32.0%

Table 14: Low income households in housing stress by location, 2016³⁷

1.3 Migration Patterns

Migration patterns in and out of the municipality (Figure 7) provide an indication of the household groups that are attracted to the area or that are leaving. Both of these could be driven by a range of factors with housing affordability expected to be one of the primary drivers. Of note:

- There was an overall net decrease in the population between 2011 and 2016.
- People that moved to Yarra Ranges were typically older, aged between 30 and 44 years, and with young children.
- Households that moved away Yarra Ranges were generally younger, aged 20-29 years and moved predominantly to outer south eastern growth areas (Casey and Cardinia) or inner city areas.

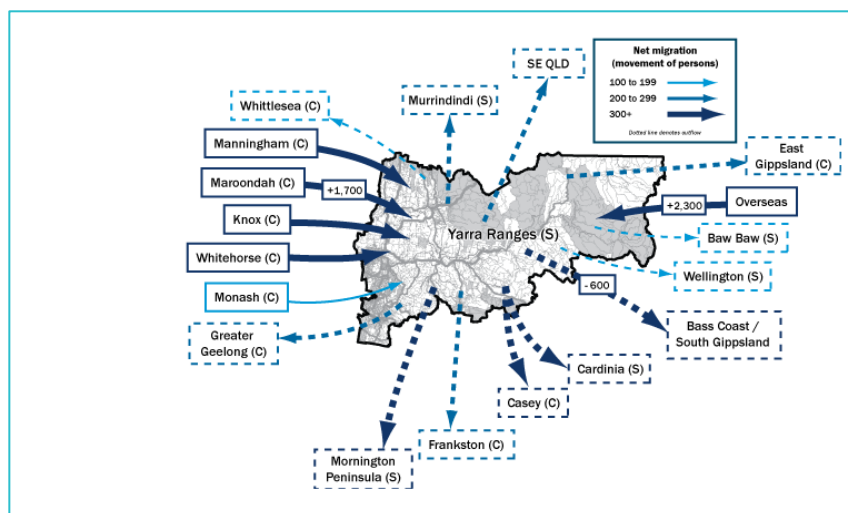


Figure 7: Migration In/Out 2011-2016 (Source: ID Community (2019))

³⁷ ID Community (2019) Social Atlas



1.4 Homelessness

As an indicator of the level of need at the most severe end, estimated levels of homelessness in Yarra Ranges is highlighted.

In 2015/16 the Opening Doors Program assisted over 13,000 people across the Eastern Region that contacted the service. Of 10,368 contacts made to local housing agency Anchor in 2016/17, 3,851 were for crisis support.

In 2017/18 Anchor directly supported a total of 967 people seeking homelessness support services. Of these households, 702 persons required crisis support and 265 persons were supported into transitional housing or other programs.³⁸

The 2016 Census reported a total of 360 person were homeless in Yarra Ranges with a further 262 persons living in other marginal housing including other crowded dwellings, improvised dwellings or people marginally housed in caravan parks (Table 15). The area with the highest number of contacts in the Yarra Ranges per 10,000 persons was Healesville-Yarra Glen with 70 persons reported homeless – a rate of 4.68 persons per 10,000 (Table 16).³⁹

	Homeless Operational Group							Other Marginal Housing		
	Persons living in improvised dwellings, tents, or sleeping out	Persons in supported accommodation for the homeless	Persons staying temporarily with other households	Persons living in boarding houses	Persons in other temporary lodgings	Persons living in 'severely' crowded dwellings	All homeless persons	Persons living in other crowded dwellings	Persons in other improvised dwellings	Persons who are marginally housed in caravan parks
Knox	12	138	70	39	0	104	365	174	0	38
Manningham – East	0	26	10	0	0	0	39	13	0	3
Maroondah	9	173	27	35	4	69	321	351	0	0
Whitehorse – East	0	88	17	16	0	50	179	153	0	0
Yarra Ranges	24	96	115	51	4	77	360	169	38	55

Table 15: Homeless by operational group by selected Local Government Area, 2016

³⁸ Yarra Ranges Homeless Protocol

³⁹ Australian Bureau of Statistics (2018) 2016 Census of Population and Housing: Estimating homelessness, 2016, Table 5.1 Homeless Operational Groups and Other Marginal Housing, by place of enumeration, Statistical Area Level 3 and 4, Eastern Metropolitan Region



Statistical Area Level 2 (SA2)	No. of homeless persons, 2016	Rate of homelessness per 10,000 persons
Belgrave – Selby	40	2.67
Chirnside Park	6	0.40
Healesville - Yarra Glen	70	4.68
Kilsyth	14	0.94
Lilydale – Coldstream	43	2.88
Monbulk – Silvan	4	0.27
Montrose	10	0.67
Mooroolbark	78	5.22
Mount Dandenong - Olinda	13	0.87
Mount Evelyn	18	1.20
Upwey – Tecoma	9	0.60
Wandin – Seville	11	0.74
Yarra Valley (Area generally bound by Fernshaw, Warburton East, Powelltown and Woori Yallock)	40	2.67

Table 16: Homelessness by sub-area (statistical area 2), 2016

2. Housing Market Snapshot

In the Yarra Ranges Local Government Area in 2016:

- 92.9 per cent of dwellings were separate dwellings, 5.9 per cent were classed as medium density and 0.2 per cent as high density. This compares to 7.2 per cent, 19.4 per cent and 7.4 per cent across Victoria.
- 2.7 per cent of dwellings had zero to one-bedrooms, 11.3 per cent had two-bedrooms and 80.6 per cent had three or more bedrooms (Table 17).
- Between 2011 and 2016, there has been a decrease in private renter households from 12.7 per cent to 12.6 per cent (Figure 10).⁴⁰
- In 2016, Yarra Ranges there was an average of 0.8 persons per bedroom for occupied dwellings, indicating an underutilisation of existing dwellings.⁴¹

Bedroom	Number	Percentage
1 Bedroom	1,479	2.7%
2 Bedroom	6,127	11.3%
3 Bedroom	25,135	46.5%
4 Bedroom	14,589	27%
5 Bedroom	3,857	7.1%

Table 17: Number and percentage of bedrooms, Yarra Ranges Local Government Area, 2016

⁴⁰ ID Consulting (2019) Social Atlas

⁴¹ ABS (2018) 2016 Census of Population and Housing, Average number of persons per bedroom for occupied private dwellings, by local government area



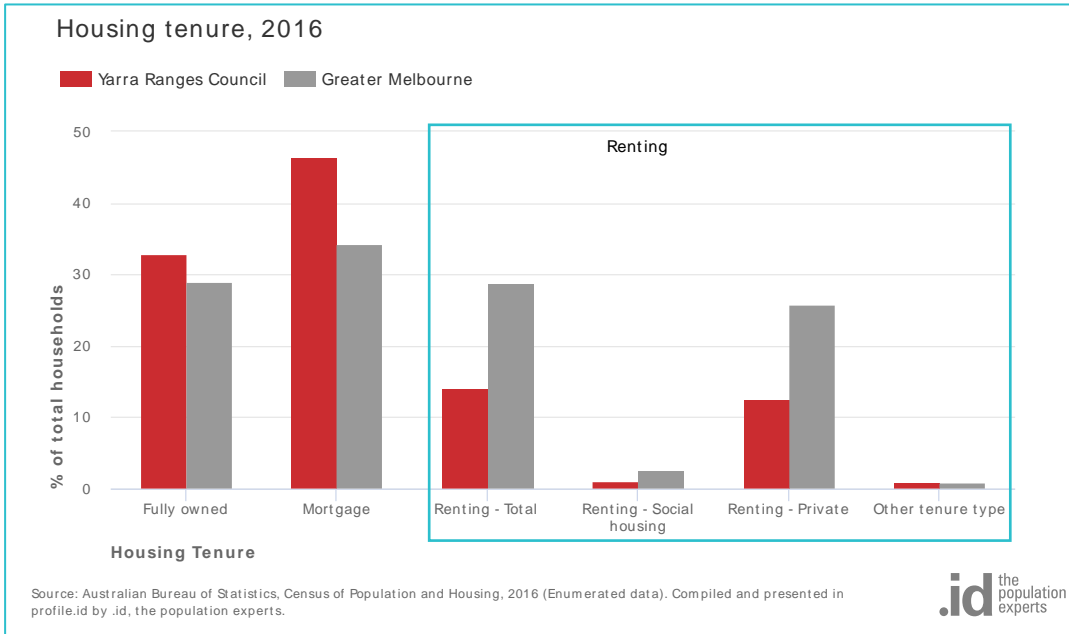


Figure 8: Housing Tenure Yarra Ranges Local Government Area, 2016

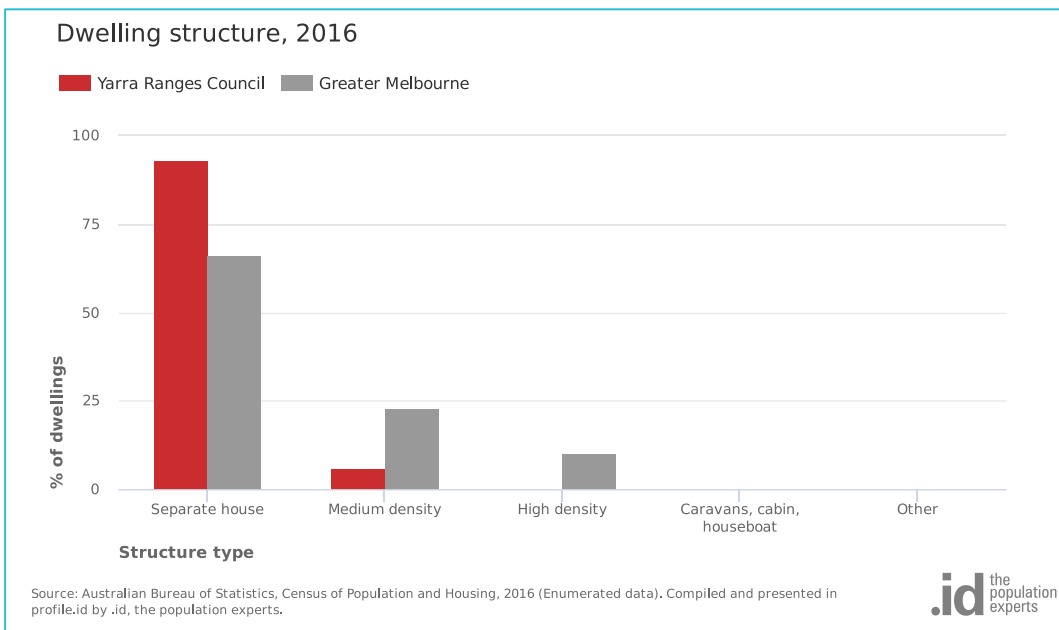


Figure 9: Dwelling structure: Yarra Ranges Local Government Area and Greater Melbourne, 2016



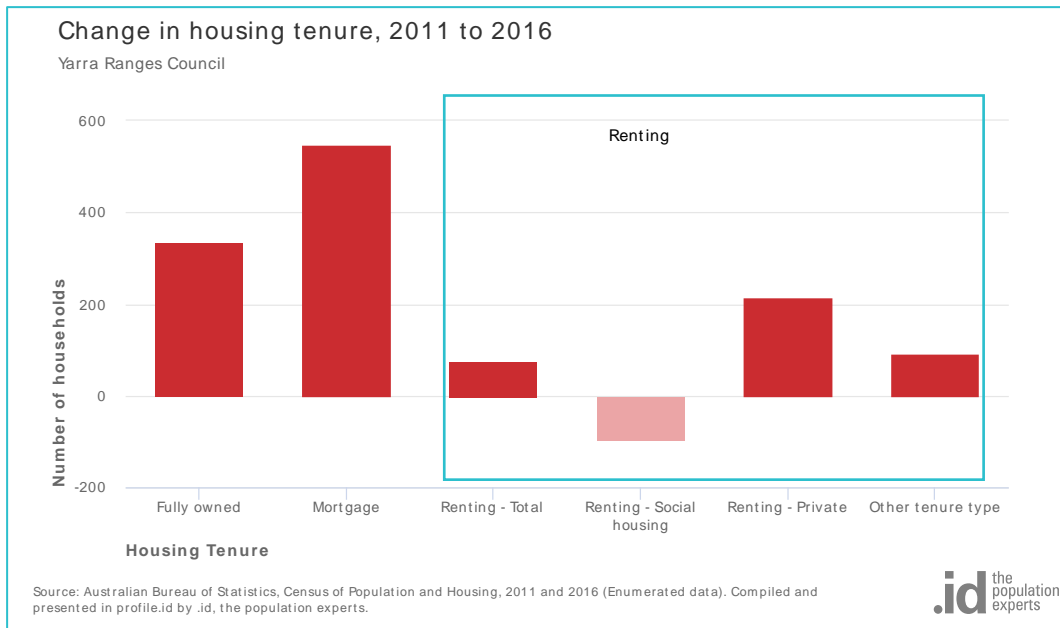


Figure 10: Change in Housing Tenure, Yarra Ranges Local Government Area, Change between 2011-2016

2.1 Land supply

It is estimated that Yarra Ranges has sufficient land supply to support a net gain of over 16,000 dwellings, representing an estimated 33 years of supply, with over 2,300 sites in major consolidation areas and over 1,500 in neighbourhood consolidation areas. Council has identified that within this forecast supply, over 5,500 dwellings will be developed in known strategic sites.

The Cave Hill Lilydale Quarry in Lilydale is the largest of these sites with significant supply also expected to be delivered in Mooroolbark and Kilsyth (Table 18).⁴²

Location	Potential new dwellings	
	1 – 2 dwellings	3+ dwellings
Chirnside Park	21	813
Lilydale	567	950
Healesville	71	51
Kilsyth	273	126
Mooroolbark	327	420
Mt Evelyn	27	51
Yarra Glen	53	45
Yarra Junction	21	115

Table 18: Potential net additional dwellings in Consolidation Areas in Yarra Ranges⁴³

⁴² ID Consulting (2018) Yarra Ranges Shire, Analysis of Housing Demand and Supply, September 2018

⁴³ ID Consulting (2018) Yarra Ranges Shire, Analysis of Housing Demand and Supply, September 2018



2.2 Home Purchasing and Ownership

In the Yarra Ranges Local Government Area in 2016:

- 32.8 per cent (17,757) of all households owned their home and 46.4 per cent (25,114) had a mortgage.
- Of those households that owned their own house, 8,507 were low income households and of those households that had a mortgage, 5,275 were low income households.⁴⁴
- Between 2011 and 2016 there was a decline in households that fully owned their dwelling from 33.3 per cent to 32.8 per cent, and a decrease in households with a mortgage from 47 per cent to 46.4 per cent.⁴⁵
- The median prices for Yarra Ranges Council in 2017 (when a full year sale data is available) ranged from \$512,000 for units to \$664,129 for houses. Median prices of units have increased by 49.83 per cent between 2007 and 2017.⁴⁶ Trends in sales for the first half of 2018 indicate in an increase in median prices to \$573,000 for units and \$674,000 for houses.⁴⁷

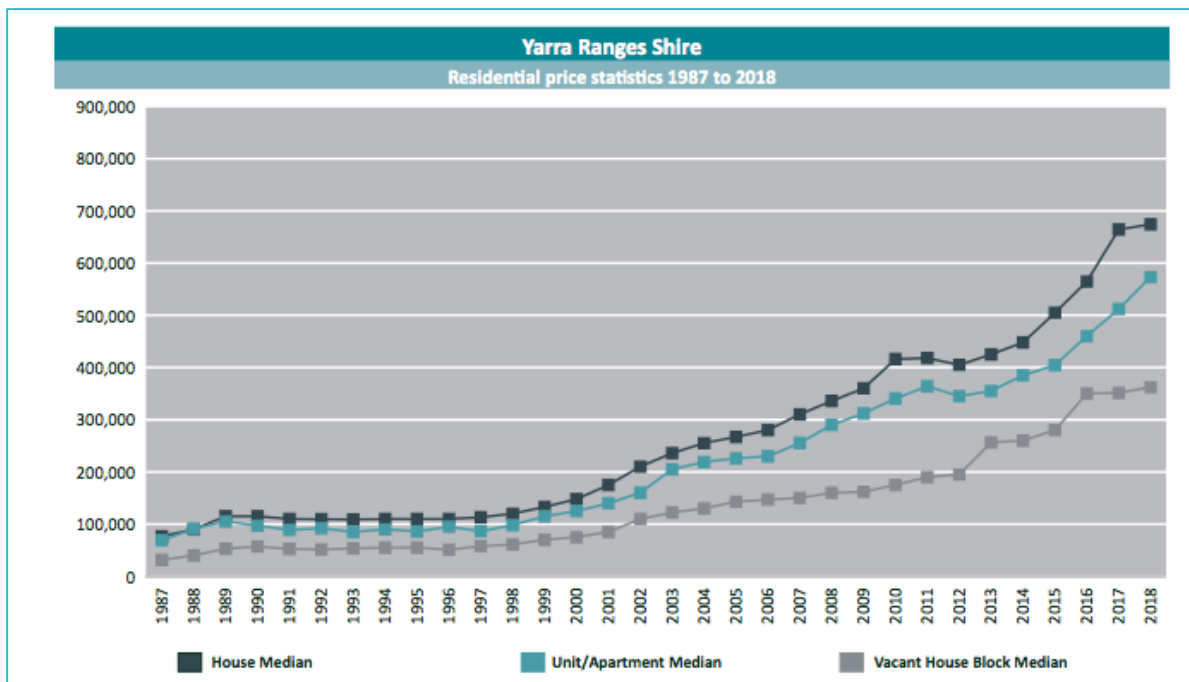


Figure 11: Residential Price Statistics, 1987 - 2018, Yarra Ranges Local Government Area (Source: VGV 2018)

⁴⁴ ID Consulting+ special catalogue order; Australian Bureau of Statistics- 2016 Census of Population and Housing - June Release - ID: 2016OUTPUT-for Dwelling Records- Local Government Areas (2016 Boundaries), tenure by households in the bottom 40 per cent of household income

⁴⁵ ID Consulting (2019) Social Atlas

⁴⁶ The State of Victoria, Department of Environment, Land, Water and Planning (2017) *A Guide to Property Values, Annual data and analysis from Valuer-General Victoria 2016*; median prices, Yarra Ranges Shire 2017

⁴⁷ Ibid, note that available 2018 sales data is based on a significantly lower number of sales



2.3 Social Housing

In 2016, the Census recorded 577 dwellings were available as Social Housing, representing 1.1 per cent of all dwellings in the municipality.⁴⁸

Council rate data as at June 2019 shows 621 Social Housing dwellings registered with Council, comprising 544 dwellings owned by the State Government, 77 dwellings (houses or units) owned by six Registered Agencies, with a further three smaller charitable organisations owning or operating other forms of Social Housing (Table 19).⁴⁹ This data is expected to be more accurate than self-reported Census.

Agency	Status	Number of dwellings in Yarra Ranges
Director of Housing / Department of Health and Human Services	State Government	544 dwellings
Common Equity Housing Limited	Housing Association	35 dwellings
Aboriginal Housing Victoria	Housing Association	21 dwellings
Haven, Home Safe	Housing Association	10 dwellings
Community Housing Limited	Housing Association	4 dwellings (1 rooming house)
EACH Housing	Housing Provider	5 dwellings
Melba Support Services	Charity, not registered as a Housing Agency	1 dwelling
Anchor Incorporated	Charity, not registered as a Housing Agency	1 dwelling
Yarra Ranges Council (owner) Jim Fuller House (operator)	Council, Operator is a registered charity	1 rooming house

Table 19: Social Housing Supply by Owner, Yarra Ranges March 2019

Based on Council rates data, 62 per cent of Social Housing dwellings are estimated to be free-standing houses and 32 per cent are units – the latter expected to be smaller one and two-bedroom dwellings which is a greater proportion than the general market supply.

In December 2018, there were 1,598 households on the Victorian Housing Registrar for the Outer Eastern Melbourne Region (Ringwood) region; 629 of whom were assessed as in priority need of housing assistance.⁵⁰

⁴⁸ ID Consulting (2019) Figure from 2016 Census. It is noted data from the Yarra Ranges Shire rates database indicates there is a total 621 Social Housing dwellings in the Shire in 2019

⁴⁹ Yarra Ranges Council (2019) Council rates data, June 2019

⁵⁰ DHHS (2019) Victorian Housing Register and Transfer List, December 2018



3. Private Rental market

In 2018 there were 6,661 Tenancy Bonds lodged with Consumer Affairs Victoria, indicating the number of formalised private rentals. This is an increase of 10.2 per cent since 2013.⁵¹

According to Census 2016 data, in 2016 there were 6,830 households renting in the private market, representing 12.6 per cent of all households – a significant lower rate than Greater Melbourne at 25.8 per cent of all households.⁵²

Median rents across 2017 and 2018 based on rental lettings on the market, ranged from \$254 per week for a one-bedroom unit, \$340 to \$348 per week for a two-bedroom unit or house, and \$398 to \$480 per week for a three or four-bedroom house.⁵³ Median rents increased by 72.1 per cent between 2006 to 2016 (Figure 12).⁵⁴

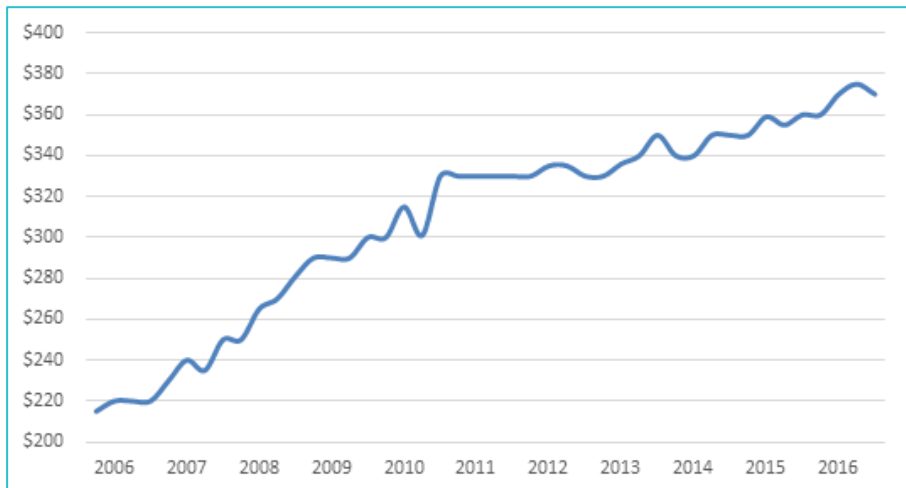


Figure 12: Median Rents over time, Yarra Ranges⁵⁵

3.1 Private Rental Market Affordability

Between January 2017 and December 2018, 2.32 per cent (128 dwellings) of all private dwellings made available to rent in Yarra Ranges were affordable for households on a statutory (government) income (Table 20). Over this period:

- 15 one-bedroom dwellings were affordable for a single person (3.1 per cent).
- 35 two-bedroom dwellings were affordable for a couple (3.34 per cent).
- 191 three and four-bedroom dwellings were affordable for a family.⁵⁶

⁵¹ Department of Health and Human Services (DHHS) (2018) Rental Report, September 2018

⁵² ID Consulting (2019) Community Profile, Note: 3,108 households did not state their tenure

⁵³ Department of Health and Human Services (DHHS) (2019) Rental Report, Time Series, December 2018 median rents by dwelling type,

⁵⁴ ID Consulting (2018) Yarra Ranges Council Analysis of Housing Demand and Supply, September 2018

⁵⁵ ID Consulting (2018) Yarra Ranges Community Profile, Report to Council

⁵⁶ DHHS (2019) Rental Report, Time Series, December 2018, Author's analysis



Quarter	1 Bedroom		2 Bedroom		3 Bedroom		4 Bedroom		All Dwellings	
	Count	%	Count	%	Count	%	Count	%	Total	%
Mar-17	1	2.9	6	4.6	19	5.9	16	15.7	42	1.75
Jun-17	0	0	4	2.7	23	6.7	9	10	8	1.45
Sep-17	0	0	7	5	25	8.4	7	8.2	14	1.3
Dec-17	7	5.7	7	5.7	16	5.2	7	7.7	17	1.55
Mar-18	2	0.8	2	0.8	2	0.8	19	2	0.8	1.3
Jun-18	1	0.9	1	0.9	1	0.9	14	1	1	0.9
Sep-18	2	6.2	2	1.7	13	5.8	6	8.7	23	5.2
Dec-18	2	8.3	6	5.3	11	3.5	3	3.6	22	5.1
Total	15	3.10	35	3.34	110	4.65	81	7.11	128	2.32

Table 20: Rental Affordability of available lettings by dwelling type, March 2017 - September 2018

3.2 Rental Affordability Over Time

Affordability of the private rental market for households on statutory incomes has declined significantly over time:

- From 43.5 per cent of all properties made available to rent in 2007 (new lettings) to 4.3 per cent in 2018 (Figure 13).
- From 15.5 per cent of one-bedroom new lettings in 2007 to 6.2 per cent in 2018 (Figure 14).
- From 31.9 per cent of two-bedroom new lettings in 2007 to 4.8 per cent in 2018 (Figure 15).
- 52.7 per cent of three-bedroom new lettings to 4.8 per cent in 2018 (Figure 16).⁵⁷

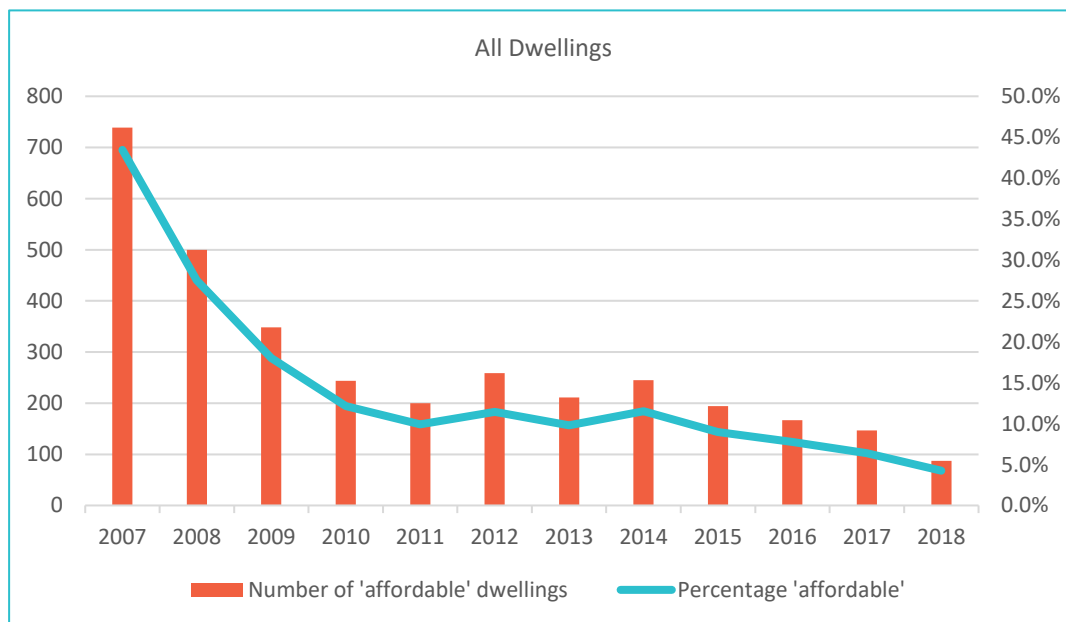


Figure 13: Private rental affordability, Yarra Ranges 2007 - 2018, All dwellings

⁵⁷ DHHS (2018) Rental Report, Time Series, published December 2018, Author's analysis,



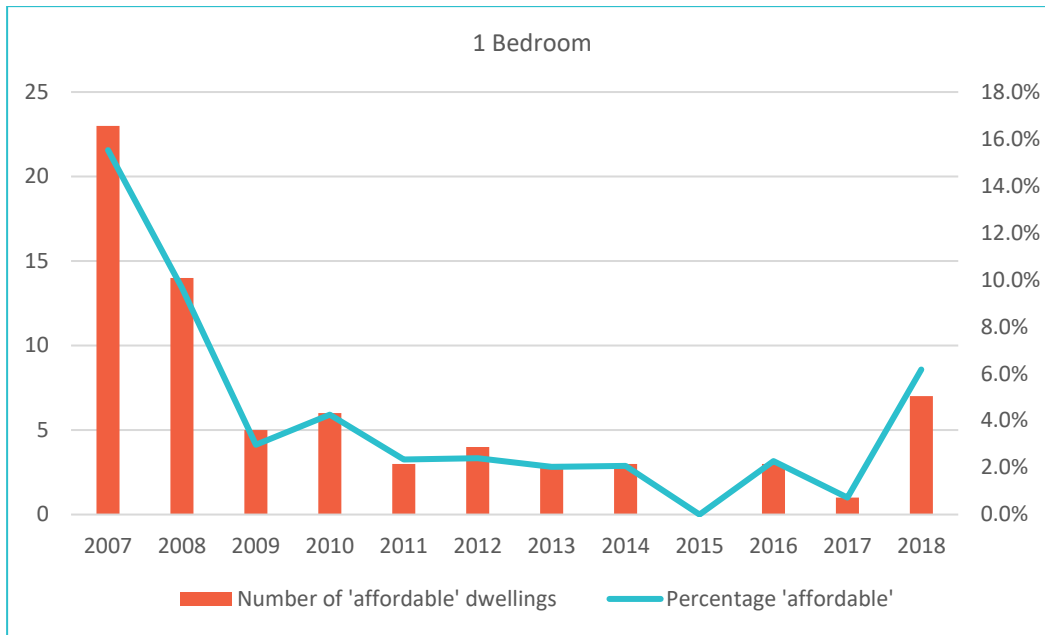


Figure 14: Private rental affordability, Yarra Ranges 2007 - 2018, 1 Bedroom dwellings

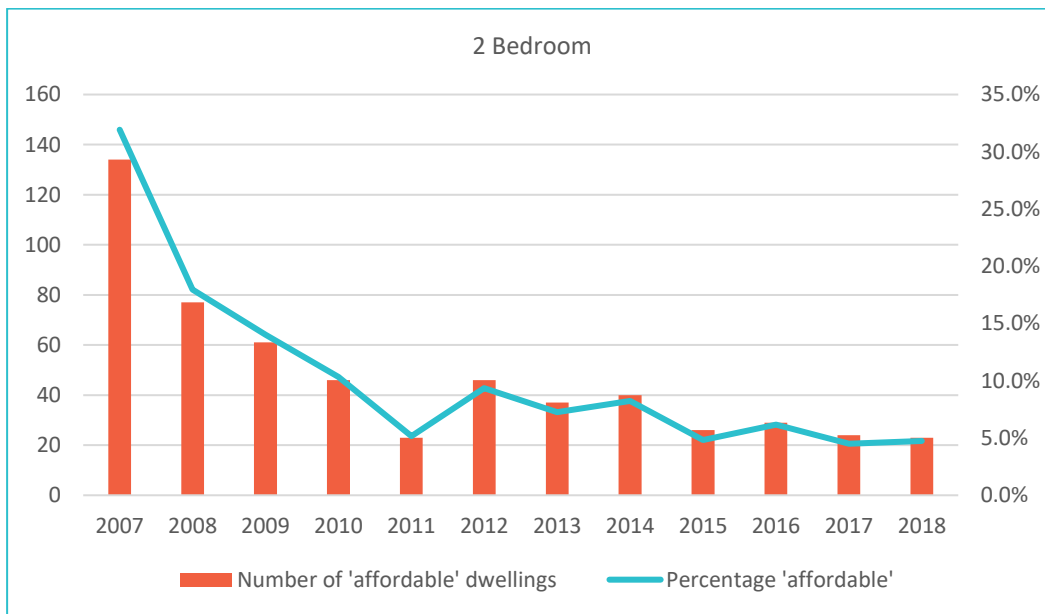


Figure 15: Private rental affordability, Yarra Ranges 2007 - 2018, 2 Bedroom dwellings



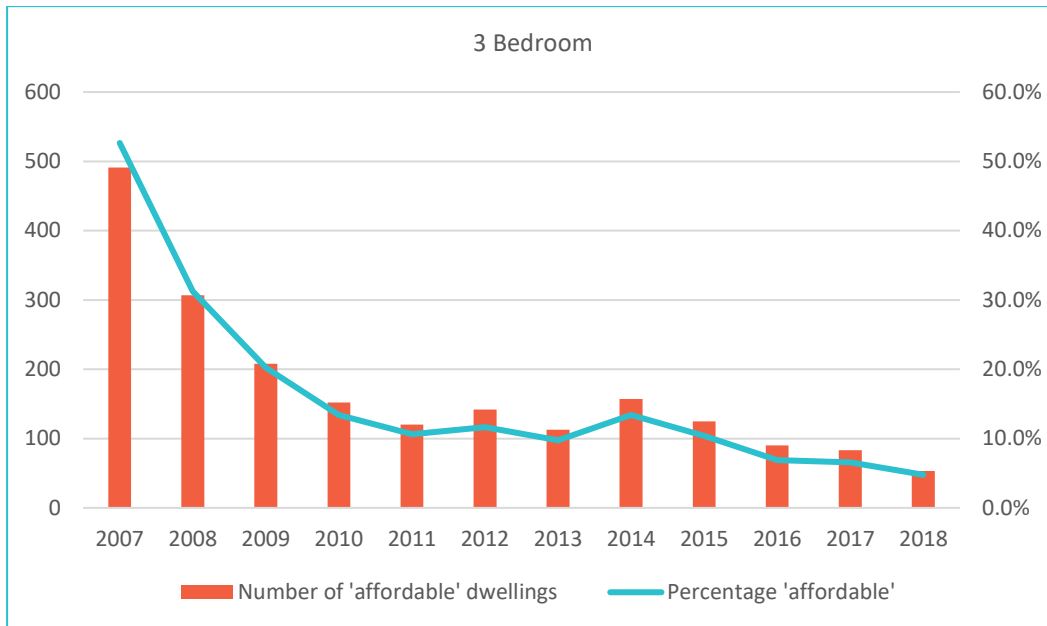


Figure 16: Private rental affordability, Yarra Ranges 2007 - 2018, 3 Bedroom dwelling

In 2016, 2,434 lower income households (earning in the bottom 40 per cent of household incomes) were in rental stress, representing:

- 32 per cent of all households in the private rental market.
- 75 per cent of all low-income renter households in Yarra Ranges.

In 2016, 2,506 low income mortgage holders were in housing stress, representing:

- 10 per cent of all households with a mortgage.
- 47.5 per cent of all low-income households with a mortgage.⁵⁸

Lower income households in rental and mortgage stress were more likely to live in Mooroolbark and Lilydale.⁵⁹

⁵⁸ ID Consulting (2019) Social Atlas, with further analysis by Affordable Development Outcomes using ABS data

⁵⁹ ID Consulting (2019) Social Atlas



4. Affordability Gap Assessment

Affordable Development Outcomes has undertaken a preliminary assessment of the 'affordability gap', being the gap between a household's income capacity and the median rents and purchase prices in the area, to further understand which household groups are most likely to have difficulty in participating in the market and find themselves in housing stress.

Indicative rental and purchase price points for households on the top end of each income bracket have been estimated, summarised in Table 21. This shows what different households on these incomes could afford if they were to pay no more than 30 per cent of gross weekly income on housing costs.

Greater Melbourne Household type	Very low (50% median)			Low (80% median)			Moderate (120% median)		
	Income Limit	Affordable Rent	Affordable Purchase	Income Limit	Affordable Rent	Affordable Purchase	Income Limit	Affordable Rent	Affordable Purchase
Single	\$25,970	\$150	\$105,407	\$41,550	\$240	\$168,643	\$62,310	\$359	\$252,903
Couple	\$38,950	\$225	\$158,090	\$62,320	\$360	\$252,944	\$93,470	\$539	\$379,375
Family	\$54,520	\$315	\$221,285	\$87,250	\$503	\$354,130	\$130,870	\$755	\$531,174

Table 21: Estimated Affordable Rental and Purchase Price Points (Greater Melbourne)⁶⁰

To assess affordability of the Yarra Ranges market, the modelling has assumed singles and couples require one and two-bedroom dwellings and families require three-plus bedroom dwellings. The following median price points have been adopted to then test affordability:

- Median market prices of \$512,000 for units and \$664,000 for houses.
- Median rents of \$301 / week for one – two bedroom dwellings and \$439 / week for 3 + bedroom dwellings.

Table 22 highlights the any estimated gap between what a household could afford (identified in Table 21) and median rental or purchase price for the relevant dwelling type in red.

Greater Melbourne Household type	Very low (50% median)			Low (80% median)			Moderate (120% median)		
	Income Limit	Affordable Rent	Affordable Purchase	Income Limit	Affordable Rent	Affordable Purchase	Income Limit	Affordable Rent	Affordable Purchase
Single	\$25,220	-\$151	-\$406,593	\$40,340	-\$61	-\$343,357	\$60,510	\$58	-\$259,097
Couple	\$37,820	-\$76	-\$353,910	\$60,520	\$59	-\$259,056	\$90,770	\$238	-\$132,625
Family	\$52,940	-\$124	-\$442,844	\$84,720	\$64	-\$309,999	\$127,080	\$316	-\$132,955

Table 22: Affordability Gap Assessment

⁶⁰ Estimated Affordable Purchase Price Points is based on an assumed 10 per cent deposit, 6.69 per cent interest rate, 25 year term and 30 per cent of income on housing costs (principal and interest). This is indicative and for illustration purposes only.



This analysis shows:

- No private rental or purchase option is estimated to be affordable for very low income households with the greatest gap for singles and families.
- Low income singles still face challenges in the private rental market and no low income household is estimated to be able to afford to purchase a medium priced dwelling.
- Moderate income households are estimated to be able to afford median priced rentals but there is still a gap for home purchase across all household types.

These affordability gaps are expected to be exacerbated by the low rates of one and two-bedroom dwelling supply.²⁵



4.1 Estimated Affordable Housing Supply Requirement

To inform the assessment of a potential Affordable Housing target for the municipality and in turn for voluntary planning negotiations, it is estimated that approximately 2,460 very low and low-income households living in Yarra Ranges Council in 2016 required Affordable Housing, expected to be required in the form of Social Housing (Table 23).

	2016	2036
Affordable Housing Demand		
Estimated number of low income households	18,196	21,136
Very low income households in estimated to require Affordable Housing, comprising of:	1,839	2,237
<ul style="list-style-type: none"> - 622 persons estimated to be homeless in 2016, remaining constant as a percentage of all households to 2036 - 50% of low income renters in housing stress in 2016 (totalling 1,217 households) and 13.28 per cent of all low income households over time 		
Low income households living in Affordable Housing (Social Housing)	621	621
Estimated Affordable Housing Demand <i>(total of all households estimated to require Affordable Housing plus households living in Social Housing).</i>	2,460	2,858*
Demand as a percentage of all dwellings	4.15%	4.03%
Affordable Housing Supply		
Affordable Housing Supply (Number Social Housing units)	621	621
Supply as a percentage of all dwellings	1.05%	0.88%
Affordable Housing Gap		
Unmet demand (demand less supply) (Affordable Housing Gap)	1,839	2,237
Gap as a percentage of all dwellings	3.10%	3.16%
Affordable Housing Supply required to meet the estimated Gap (dwellings per annum between 2016 and 2036)	132 dwellings per annum	
Percentage of all forecast new dwellings required as Affordable Housing to address demand	22.72% of forecast dwelling supply	

Table 23: Summary of estimated Affordable Housing supply and demand

* Forecast demand and supply assumes the percentage of low income households and percentage in housing stress remains the same over time and there is no increase or decline in 2019 rates of Social Housing



Year	Estimated Number of Low Income Households	Total Estimated Affordable Housing Need (No. households)	Affordable Housing Need (% dwellings)	Affordable Housing Supply Gap (No. dwellings)	Supply required per annum to address unmet (2016) need	Estimated dwellings required to be Affordable (% of forecast supply)
2016	18,196	2,460	4.15%	1,839	2,237	
2016 – 2021	18,907	2,556	4.11%	1,935	132	22.50%
2021 – 2026	19,627	2,654	4.07%	2,033	132	21.50%
2026 – 2031	20,403	2,758	4.05%	2,137	132	22.24%
2031 - 2036	21,136	2,858	4.03%	2,237	132	24.65%
Average (2016 – 2036)			4.08%			22.72%

Table 24: Estimated Affordable Housing Supply Gap and Forecast Supply requirement by four year period

Assumptions

The estimate of Affordable Housing need is based on an assessment that Affordable Housing is required to be provided to:

- All persons identified as homeless as at 2016.
- 50 per cent of all low income households that were defined as being in rental stress in 2016 (paying more than 30 per cent of income on rent).
- All persons already living in Social Housing in 2019 and therefore deemed to be eligible and require a Social Housing response.

The adoption of a 50 per cent measure of households in rental stress has been taken to reflect that rental stress may be a temporary situation for some households and therefore not all these households may require a dedicated Affordable Housing response. As households in Social Housing are already supported, this number is then also deducted from the total estimate of Affordable Housing need to determine the Affordable Housing Supply Gap.

Assuming that the percentage of low income households living in the municipality into the future remains constant, the 2016 level of need as a percentage of all low income households has then been extrapolated to 2036 using forecast population data set out by Community ID.

After considering forecast dwelling supply and assuming the current number of Social Housing dwellings does not change, the total percentage of dwellings required to be Social Housing to respond to the estimated gap at any point in time is calculated. This is translated back to a per annum supply requirement of 132 dwellings that are required to be Social Housing.

This analysis is considered a measured and likely conservative estimate as to Social Housing need. To meet the gap and ensure the estimated needs of the future low income population is addressed, significant action and investment particularly by Federal and State Governments is required.



5. Summary and Implications

This section sets out a comprehensive assessment of demographic and housing market analysis and specifically, Affordable Housing demand and supply, and confirms there is a significant and growing need to increase Affordable Housing supply, particularly Social Housing for rent by very low and low income households.

The following evidence and analysis is highlighted and is proposed to underpin a specific Council strategy for engaging with landowners and inform the amount and type of Affordable Housing that could result from a negotiation.

- The municipality has very limited housing diversity, with a mismatch between existing dwelling supply with 92 per cent separate dwellings and 80.6 per cent of dwellings comprising three or more bedrooms compared to household composition, with 20 per cent of households are lone (single) persons and 26.2 per cent couples without children.
- Only 2.7 per cent of dwellings had zero to one-bedrooms and 11.3 per cent had two-bedrooms, compounding the affordability issue for singles and couples without children who have to compete for a smaller number of dwellings or live in larger, more expensive dwellings.
- Median house prices of \$512,000 for units to \$664,129 (2017 figures) are estimated to be unaffordable for moderate income households with a significant deposit or other assistance. The median price of units increased by 49.83 per cent between 2007 and 2017 which may in part reflect the low level of supply and high demand.
- Affordability of the private rental market for households on statutory incomes has declined significantly over time, with only 1.92 per cent (106 dwellings) of all private lettings made available to rent in the municipality between January 2017 and June 2018 were affordable for households on a statutory (government) income. Between 2007 and 2017 rental affordability of all new lettings declined from:
 - 43.5 per cent of all lettings in 2007 to 5.7 per cent in 2018.
 - 15.5 per cent of one-bedroom lettings in 2007 to 5.5 per cent in 2018.
 - 31.9 per cent of two-bedroom lettings in 2007 to 4.8 per cent in 2018.
 - 52.7 per cent of three-bedroom lettings to 5.2 per cent in 2018.⁶¹
- Levels of homelessness are increasing, with an estimated 333 persons homeless in 2016 and a further 204 persons living in marginal housing. Homelessness in the municipality is expected to be a more hidden issue than municipalities closer to Melbourne's Central Business District and inner Melbourne Council areas due to lower number of public support services and a wider geographical area, with the number of households in marginal housing expected to be significantly higher than estimates.
- There is no crisis accommodation centre in the municipality and very limited transitional or rooming house options for people requiring emergency short-term housing responses. The limited supply of Social Housing compounds the issue.
- 2,434 lower income households (earning in the bottom 40 per cent of household incomes) were in rental stress in 2016, representing 32 per cent of all households in the private rental market and 1.56 per cent of all households.
- 2,506 low income households were in mortgage stress.
- Existing levels of Social Housing are low, with only 1.1 per cent of all dwellings available as Social Housing compared to the Greater Melbourne average of 2.6 per cent. The areas of Lilydale and Mooroolbark have a higher rate of existing Social Housing.
- There is an estimated 2,460 low income households living in Yarra Ranges in 2016 that required Affordable Housing (2016 demand) with a gap or shortfall of 1,839 Affordable Housing dwellings or 3.1 per cent of total dwellings, after taking into account existing supply (621 Social Housing dwellings as at 2019).

⁶¹ DHHS (2018) Rental Report, Time Series, published September 2018, Author's analysis, 2018 data is for first 6 months



- There is a forecast estimated need for 2,237 new dwellings to be available as Social Housing for lower income households in Yarra Ranges by 2036. To achieve this an average of 22.72 per cent of all dwellings forecast to be delivered per annum over the next seventeen years in the municipality is estimated to need to be delivered as Social Housing (132 dwellings per annum).
- Older persons, particularly single persons, people with a disability and women escaping family violence are identified a key priority group for Affordable Housing by the State Government, reflecting in the rates of households receiving a disability pension, the number of single persons and the increasing rates of older persons. Housing demand by this cohort expected to increase in demand. These households require tenure security that is not offered by the private rental market, rely on the aged pension, are often living in larger dwellings, and are more likely to require accessibility features.
- The areas of greatest need are Mooroolbark and Lilydale, with a need for new Affordable Housing supply to be delivered in areas close to transport and services.



Part C: Analysis and Proposed Development Negotiation Framework



1. Strategic Basis for Action

The State Government policy guidance in relation to voluntary planning negotiations emphasises the importance of Council establishing the policy context, evidence of Affordable Housing need and a clear strategic justification for seeking to engage in negotiations with landowners.

Council has identified a need to develop a specific Development Negotiation Framework to engage with private landowners and secure Affordable Housing outcomes as part of significant planning approval processes.

The evidence set out in this Background Report provides the strategic basis for action to respond to the evidence of need that:

- The primary household groups likely to experience rental stress are very low and low income singles, couples and families for whom Social Housing or discounted affordable rental are required and an appropriate and affordable tenure response.
- One and two-bedroom dwellings are the priority built form for Affordable Housing.
- The areas of greatest need are Mooroolbark and Lilydale, with a need for new Affordable Housing supply to be delivered in areas close to transport and services.
- Support for moderate income households to also purchase is also appropriate which will depend on a shared equity or other affordable purchase arrangement being implemented to facilitate this model.
- A percentage of Affordable Housing should also be accessible for people with a disability, or adaptable to support people to age in place.
- As a general principle, outcomes should be held as Affordable Housing for a long-term (life of the building), and integrated within the surrounding community, with some allowance for clustering to reflect the need for smaller dwellings (i.e. enhanced density) and requirements of Registered Housing Agencies to manage properties and tenancies. Monetary contributions are not recommended in the first instance reflecting that the outcome is negotiated in relation to a site-specific planning process and is outside a development contributions framework.

2. Council Action

Besides pursuing the development of a negotiation framework Council is also undertaking a range of other actions to facilitate affordable housing outcomes. These include:

- Investigations into the sale or lease of underutilised land at Anderson Street for Affordable Housing, which includes facilitating partnerships with Registered Housing Agencies.
- Supporting cross-Council advocacy and action through participation on the Eastern Affordable Housing Alliance.
- Ownership of Jim Fuller House – a registered rooming house.
- Continuing to look to improve housing diversity through application of its Planning Scheme and Housing Strategy.
- Engaging with the landowners of the Lilydale Quarry in relation to a potential Affordable Housing inclusion.

Other opportunities that Council could consider include:

- Developing an action plan to address and monitor affordable housing need and performance over time.
- Engaging with the Department of Health and Human Services and Registered Housing Agencies on the redevelopment of existing assets, particularly those in areas close to transport and services that could be redeveloped into increased supply of smaller dwellings and consider how Council could enhance redevelopment outcomes through the planning system.



- Continued engagement with the community to build knowledge and support for community housing through Yarra Ranges Housing Action Group.
- Encourage greater housing diversity and smaller dwellings within the municipality especially in areas of urban consolidation that are close to transport and services.

3. Proposed Affordable Housing Facilitation through Planning

The new objective in section 4 of the *Planning and Environment Act 1987* “to facilitate the provision of Affordable Housing” is a key opportunity for Council to pursue. Whilst it does not mandate a requirement, the inclusion of the objective now means there is greater legislative basis for Affordable Housing as a planning outcome.

It is important to note that applying the planning system to facilitate Affordable Housing is not the only tool governments have available, with Federal and State Government investment ultimately required to respond to the scale of need set out in Part B.

Proactive support for State Government or Registered Housing Agency led developments of their existing assets/stock is one way Council could facilitate these outcomes.

The State Government is also actively supporting councils to negotiate with and seek agreement from landowners under section 173 of the *Planning and Environment Act 1987* to include Affordable Housing as part of the planning approval process. The State Government policy guidance in relation to negotiations sets out several requirements expected to inform a Responsible Authority’s decision to seek an agreement with a land owner. This includes required steps to:

- Establish a strategic justification for a proposed Affordable Housing request.
- Identify value to support the Affordable Housing being delivered.
- Ensure land owner agreement.
- Give regard to a registered housing agency’s support for the proposal.
- Refer to the definition and list of matters when assessing an Affordable Housing proposal.

To support the application of voluntary negotiations Council will develop an ‘Affordable Housing Development Negotiation Framework’, which will set a policy position for Council in relation to the negotiation of Affordable Housing as part of the planning approval process. This framework will include a proposed process of negotiation and detail:

- Overview of the State Government guidance and definition of Affordable Housing.
- Summary of the evidence and characteristics of Affordable Housing need.
- Negotiation principles and process.
- Circumstances where Council will seek to enter a voluntary negotiation;
- The amount of Affordable Housing Council will seek to secure, which may vary by site or over time.
- Preferred delivery model or models, including information on how these outcomes are expected to be delivered and managed over time.
- What, if any, other planning incentives Council may consider to provide for to support an outcome.

The policy basis and evidence of need is set out in this Background Report is expected to meet the first criteria and will be reflected in the proposed Affordable Housing Development Negotiation Framework.

Key considerations in pursuing negotiations

A range of factors will need to be considered in developing the Development Negotiation Framework and determining an appropriate percentage and delivery arrangements, and undertaking the negotiation, reflecting the guidance set out by the State Government summarised in Part A, including:



- Ensuring landowner agreement and capturing detail of any proposal to achieve delivery of Affordable Housing.
- Ensuring a commercial and viable development proposition does not shift the cost of Affordable Housing to market housing, with sufficient value needing to be generated by the planning process or provision of other incentives to support delivery.
- Determining an appropriate range of required and preferred development and community outcomes against the need and priority for Affordable Housing.
- Considering opportunities to further enhance value and in turn the viability of Affordable Housing delivery.
- Providing an appropriate mix of tenures, built form and how this Affordable Housing might be best integrated.
- Providing opportunities for the land owner to partner with Registered Housing Agencies to support third-party investment and enhance number of outcomes delivered.
- Considering time frames and staging of any outcome - how it will be assessed by planners when applications for sub-division and permit approval are made.
- Planning controls and subsequent terms to be captured between landowner and Council in a Section 173 made pursuant to the *Planning and Environment Act 1987*, and what if any terms should carry to any future owner such as a Registered Housing Agency (ensuring these terms do not impact on capacity to invest and manage outcomes).

3.1 Proposed Affordable Housing Development Negotiation Framework

Items that are expected to be considered and reflected in the Affordable Housing Development Negotiation Framework include:

- Principles and process to underpin a negotiation.
- Policy context.
- Characteristics of sites and/or planning circumstances where Council may seek to negotiate;
- Percentage and type of Affordable Housing Council is seeking to secure as a basis for a site-specific negotiation.
- Delivery models prioritised by Council.
- Potential value enhancements Council may consider to assist in meeting the costs of Affordable Housing.
- Other considerations that will inform a negotiation and translation of an agreement into planning controls.

The percentage of Affordable Housing that may be sought and agreed is expected to be lower than the overall rate of unmet need set out in Part B. This is because a suite of tools and government investment is required to meet the extent of need, with voluntary negotiations only playing a potentially modest role particularly as only larger rezonings and planning permit applications will lend themselves to a negotiation.

An indicative framework set out in Table 25, highlights the range of matters that are expected to be reflected in the policy and inform the outcomes Council may seek through a negotiation to ensure any Affordable Housing that is delivered will be appropriate for the housing needs of very low, low and moderate income households.



State Government published Matters	Response and Framework for Action
Housing Need	<ul style="list-style-type: none"> • There is a clear need for Affordable Housing in Yarra Ranges with an estimated 2016 Affordable Housing Supply gap of 1,839 dwellings. This is the estimated gap of dwellings that is required to respond to the housing needs of very low and low income households and is therefore expected to need to be delivered as Social Housing. • Council actions to facilitate these outcomes are in accordance with the objectives of planning in Section 4 of the <i>Planning and Environment Act 1987</i> and are required if the level of need is to be addressed. • The need is greatest for lower income households, particularly singles and couples for whom one and two-bedroom rental housing is appropriate. Affordable Housing that is appropriate for older persons, particularly single person households, is a key area of need. • There is a gap in affordability of home purchase for moderate income singles, couples and families.
Location	<ul style="list-style-type: none"> • Locations that provide convenient access to services and amenities are preferred locations for Affordable Housing delivery as they are more suited to development that can deliver smaller dwellings required to respond to the identified need. • Other locations may be considered if the development and/or rezoning of a site would increase residential densities by over 20 or more dwellings or lots. • Government owned land in reasonable locations is also a priority for Affordable Housing. • Access to support services is particularly important for higher need households who require both Affordable Housing and support to maintain their tenancy and participate in the community to their full capacity.
Type	<ul style="list-style-type: none"> • One and two-bedroom dwellings are the priority built-form to meet the unmet and forecast Affordable Housing need. • A percentage of Affordable Housing dwellings should be fully accessible for people with a disability or be adaptable in the future to respond to population ageing and current need. • Affordable Housing should be built to a quality that is reflective of market standards, with consideration to long-term affordability features balanced against upfront capital costs. • Fit out and design should also be considered to allow for changing household needs and/or for some flexibility around which organisation delivers these aspects of the built form to support cost sharing.
Tenure	<ul style="list-style-type: none"> • Both affordable rental and ownership tenures are required to respond to need with emphasis on rental for lower income households. • Affordable rental tenures could include housing owned or managed by a Registered Housing Agency (Social Housing) or potentially privately-owned dwelling managed under an appropriately regulated Affordable Housing arrangement.
Allocation	<ul style="list-style-type: none"> • A clear and accountable process of ensuring any dwellings delivered as Affordable Housing are allocated to households that meet either the <i>Planning and Environment Act 1987</i> income bands, Social Housing income bands or other Government-backed Affordable Housing program is required. • Ownership and/or management by a Registered Housing Agency will meet this requirement. • Dwellings for purchase must have a transparent process of allocation that includes income checking of proposed eligible households.
Affordability	<ul style="list-style-type: none"> • Dwellings proposed as Affordable Housing must be clearly intended to be affordable for the proposed household target group. An acceptable benchmark is that very low, low or moderate income households should not pay more than 30 per cent of their household income on housing costs. • Ownership and/or management by a Registered Housing Agency will meet this requirement (i.e. matter), reflecting that agencies are established and regulated to deliver affordability outcomes. • Evidence that a sale price or shared equity arrangement will be affordable for intended target groups will be required for any proposed purchase model.
Longevity of outcome	<ul style="list-style-type: none"> • The evidence indicates a forecast growing need for Affordable Housing. Affordable Housing that is delivered should therefore be intended for long-term use as Affordable Housing. • Terms of affordability are noted to likely vary depending on the funding / investment source and conditions of that funding. Consideration of an appropriate set of legal requirements is required to ensure they do not impact on the availability of this funding to a housing agency, for example, limitations on household allocation that would further



State Government published Matters	Response and Framework for Action
Integration	<p>limit revenue.</p> <ul style="list-style-type: none"> Where the State Government or a registered housing agency is the intended owner and manager it is expected the dwelling will be affordable for a considerable period without the need for restrictions on title. <ul style="list-style-type: none"> Integration of Affordable Housing built form across an area is supported with an objective that Affordable Housing is not concentrated in any one single location unless supported by a Registered Housing Agency on the basis of management efficiency and delivery viability. Clustering of Affordable Housing dwellings may be appropriate in some circumstances due to proximity to transport and/or availability of land or sites as a result of a planning negotiation or government redevelopment or investment strategy. Advice from a Registered Housing Agency should be sought to confirm the number of dwellings that is appropriate in any one location/site. Externally, Affordable Housing should be not look different from market housing and be equal in design quality and standards. The requirements of a registered housing agency or other agency responsible for managing Affordable Housing are to be taken in to consideration when determining the placement of Affordable Housing across a single site or precinct. To support households to participate in their community also requires other support services to be available for some residents of Affordable Housing that have more complex needs.

Table 25: Proposed Framework for setting outcomes under Negotiations



4. Key Opportunity – Lilydale Quarry

Opportunities to support the delivery of Affordable Housing through voluntary negotiations are expected to focus on larger rezonings and planning permit approvals. The Lilydale Quarry has been identified as a key opportunity to seek an Affordable Housing Agreement.

Site Context and Planning History

The Lilydale Cave Hill Quarry (the Site) is a 163-hectare, former industrially zoned infill site located approximately 1 kilometre southwest of Lilydale centre. The site is bounded by Mooroolbark Road, Hull Road and the Maroondah Highway with the Lilydale train line bisecting the site.

The site operated as limestone quarry and processing plant between 1878 and 2015. The quarry owners commenced investigations into the potential sale infill of the quarry and sale of the site around 2011-12.

In 2014 the Site was identified as one of twenty key Strategic Urban Renewal Sites in Plan Melbourne due to its advantageous position located in close proximity to existing transport and social infrastructure, including schools, medical facilities and retail amenities. As the site is bisected by the Lilydale rail line, there is potential for a new railway station to be located on the Site. The Victorian Planning Authority (VPA) was in turn directed by the Minister for Planning to assist Council with the rezoning proposal.

In 2014, an application to rezone 20 hectares of the southern portion of the Site from Special Use Zone – Schedule 1 to General Residential Zone – Schedule 2 and approve a permit application for the first 147 residential lot subdivision (Planning Scheme Amendment C139) was approved by the Minister for Planning.

In 2016, Intrapac Property, Brencorp Property and the Bayport group formed a Joint Venture and purchased the site. In 2017, Intrapac developed a concept plan to address the potential for mixed use Transit Oriented Development (TOD) for the remainder of the site centred around a proposal for a new railway station. The Concept Plan proposed an update and reconfiguration of housing densities and community infrastructure.

The Stage 2 development is subject to a Planning Scheme Amendment that is expected to be lodged with Council in mid-2019 and which will seek to rezone the land from its current Special Use Zone to a Comprehensive Development Zone. If approved this would allow for the development of over 2,000 low, medium and high-density dwellings lots alongside a variety of community amenities.

Affordable Housing opportunity

The site is a significant opportunity for the delivery of Affordable Housing in alignment with the framework set out within this Background Report. In particular, the location, proposed built form outcomes and opportunities for more medium density and smaller dwellings in Yarra Ranges, integration and different tenures and affordability outcomes for different cohorts reflect priority areas of need and outcomes.

Council has indicated to the landowners that they will seek to enter a process of negotiation in relation to Affordable Housing inclusion as part of the consideration of the Stage 2 rezoning and development. This accords with the State Government intentions and guidance in relation to voluntary planning negotiations.

Building on the Development Negotiation Framework, an Affordable Housing strategy specific to the quarry site is proposed to be developed to support a negotiation and determination of an appropriate Affordable Housing outcome for the Site. This strategy is expected to set out for negotiation:

- Percentage of Affordable Housing sought to be achieved on the Site.
- Delivery models that could be adopted.
- Consideration of timing of delivery.
- Requirements to be captured within a Section 173 agreement, pursuant to the *Planning and Environment Act 1987*.



