



URBANXCHANGE

Affordable and Social Housing Overview

March 2022

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1 EXECUTIVE SUMMARY

This discussion paper provides background information on the affordable housing issues and challenges facing Greater Melbourne and Victoria. It includes a definition and description of affordable housing and the ways in which may be considered to facilitate affordable housing. It also includes an explanation of potential affordable housing delivery models that Lara Farms Pty Ltd may wish to consider as a part of a whole solution to the affordable housing.

The Victorian Government report *Homes for Victorians*, June 2018, provides a clear definition of affordable housing:

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

It also defines:

Public Housing

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

Community Housing

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

Social Housing

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

In addition, section 3AA of the *Victorian Planning and Environment Act 1987* contains the following definition of affordable housing:

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

(a) very low income households;

(b) low income households;

(c) moderate income households.”

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

This report uses these definitions, and it is recommended that Lara Farm also adopt them in its dealings with Council.

“Affordable housing”, as the definition, is in need by many market segments, including:

- First-time buyers
- The older poor
- Singles and young people
- Lone parents
- Key workers
- Low-income workers
- Welfare recipients, including those with a disability.

All of whom who have demonstrated need in Greater Geelong.

Table 1 – Housing tenure in Geelong compared with Greater Melbourne (%)

Tenure	Geelong %	Greater Melbourne %
Owned	33.2	29.0
Mortgage	32.5	34.3
Rent	26.6	28.8

There are a number of affordable housing delivery mechanisms that can be considered and have knowledge of, as outlined below.

Affordable design – compact lots and housing that can be delivered by the market at an affordable price point, and with sustainable design features that result in lower running costs.

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

- The dwelling must be offered for sale at or below the appropriate price
- The dwelling must be offered for sale to eligible buyers
- The discount for affordable housing for the first purchaser is preserved for future purchasers, either in perpetuity or for a fixed period of time.

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

Build to rent – developers and their financiers build dwellings and, instead of selling them, retain them to let to tenant households. Rents may be set at market rent or, for affordable and social housing, at an appropriate discount to market rents. The NRAS was a build to rent model.

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

Social housing – this is housing owned by a state government or by a community housing organization. Typically, community housing organisations will seek to develop and build units or apartments.

NDIS/SDA – this is housing that is provided for a person receiving NDIS support. SDA providers are registered and subject to Government oversight.

The questions for Lara Farms are:

- How much affordable it is willing to provide, noting that none or a low offer would not be well received by Geelong or DEWLP?
- What is the nature of the affordable housing that is prepared to engage in providing?
- What type of housing will have a minimum impact?

2 AFFORDABLE HOUSING OPTIONS

There are a number of questions that need to be addressed in providing the affordable housing for a project such as Lara Farms. The questions that need to be addressed:

- What is required in planning for affordable housing?
- What will Geelong Council want to support?
- What will DEWLP's expectations be?
- What type of affordable housing?
- What type of social housing and who will have least impact on marketing?
- What will the cost to the development be
- When do you provide it

In addressing each of these matters.

2.1 PLANNING SCHEME REQUIREMENTS

The Victorian Government affordable housing reforms purpose was to increase affordable housing through local councils seeking a “voluntary” affordable housing contribution, as part of planning approval processes¹. The legislated definition of affordable housing and the associated GIC Orders set out the income bands for individuals and households. The Planning and Environment Act 1987, Section 3AA(2) provides the details of the requirements.

The Geelong Planning Scheme does not have the Council adopted the Social Housing Plan 2020 – 2041 as an incorporated document. However, the Social Housing Plan is a Council endorsed document.

Lara Farms, should also consider whether it would wish to pay a levy in lieu of providing for affordable and social housing in its land. That is, if a levy of 1.75% of the land value at the time of rezoning was introduced would Lara Farms prefer to

pay this levy? Any affordable housing report could preserve your position on this matter.

2.2 GEELONG COUNCIL POSITION

The City of Greater Geelong will pursue an outcome that incorporates some social housing contribution. Council will also consider the incorporation of affordable housing in the form of affordable purchase, build to rent.

As Lara Farms is a land only developer, a consideration be given to a piece of land, that could hold circa 25 dwellings, being provided to a housing association who would be responsible for the planning approvals and delivery of the dwellings.

Council will consider the incorporation of affordable housing contributions in the form of affordable purchase (see Section 4 and attachment 1 of this report) or Build to Rent. It is recommended that Lara Farms remain flexible in this regard, because if there is a change of Federal Government the Labor opposition has a clear policy on a number of affordable and social housing outcomes.

2.3 DEWLP POSITION

DEWLP will support Council in seeking a “voluntary” affordable housing contribution, as part of planning approval process. DEWLP, through precedence (see Section 8 of this report) will seek an outcome that offers 5% of the dwellings as affordable/social housing or a cash contribution in lieu.

2.4 PROPOSED AFFORDABLE HOUSING

It is likely that, in reaching an agreed position with Council, that the development of the site will facilitate the development of the equivalent of 5% of the site's total dwellings as affordable housing. However, given the changing economic and policy environment associated with affordable housing two options are provided

¹ <https://www.dhhs.vic.gov.au/delivering-social-housing-affordable-housing-contribution>

as possible solutions for the delivery of affordable housing. The two options for delivery of affordable housing are outlined below.

The provision of 5% affordable housing that provides for a diverse range of affordable housing outcomes that will provide opportunities to low to moderate income earners in the 25 – 40 year age groups who have been identified as the groups most requiring affordable housing in Geelong.

1. Build to rent. Developers and their financiers build dwellings and, instead of selling the dwellings, retain them to rent to qualified GIC households. Rents may be set at no more than 30% ²of income for low to moderate income earners or 75% of the market rent.
2. Social housing . That a piece of land that can sustain 5% of the planned dwellings/lots be provided to a registered housing association. The housing association would be responsible for the planning and development of the dwellings.

To determine the most appropriate product and delivery model to provide 5% of the proposed total number of dwellings will require the developer to work with a Registered Housing Association to determine the most appropriate product and delivery model to provide 5% of the proposed total number of dwellings.

2.5 IMPACT ON DEVELOPMENT

The options for the delivery of affordable housing to Lara Farm should be considered in the context of the longevity and staging of the project. Opportunities related to assisted affordable purchase and rental should remain as an option as they may gain traction in Australia and, if there is a change of Federal Government will become real possibilities and help with the supply of affordable housing across the housing spectrum. These mechanisms will require only partial government funding to achieve outcomes. Given the changing political environment and the long period over which the development will take place, the affordable housing should be flexible to reflect the changing environment and seek to deliver five per cent.

It is noted that any future development of Lara Farm will take place in stages. The affordable housing framework of the whole project should be agreed to with the

proposed future planning permit application. The affordable housing report accompanying the planning permit application must articulate:

- The location and quantum of land of the affordable housing (noting that prior to permit stage that the nature of product (i.e. house, apartments versus townhouses) and stage format remains uncertain
- The approximate quantum of housing
- The proposed delivery mechanism of the affordable housing
- Identify a process of how Housing Associations will be engaged and the nature of the product that will be delivered. The process must provide certainty that the Housing Association has the economic means to deliver the appropriate affordable housing outcome within an agreed timeframe.

2.6 COST TO THE DEVELOPMENT

The application of these models of affordable housing to the different income groups is shown below:

Table 2 – Affordable housing models against target groups

Category	Model	Target Group	Discount to market price
Affordable by design	<ul style="list-style-type: none"> • Small lots and compact dwelling designs that can be delivered at affordable price points 	<ul style="list-style-type: none"> • Moderate income earners 	<ul style="list-style-type: none"> • Usually 10 – 15%
Assisted home ownership	<ul style="list-style-type: none"> • Shared equity • Rent to buy • Restricted purchase 	<ul style="list-style-type: none"> • Moderate income earners – 25–39 years 	<ul style="list-style-type: none"> • Usually 10 – 20%

² Gabriel and Yates, AHURI, 2006. Rents for low income

Category	Model	Target Group	Discount to market price
Below market rental	<ul style="list-style-type: none"> • Build to rent (below market) • NDIS/SDA 	<ul style="list-style-type: none"> • Low to Moderate income earners – 25– 45 years • Disability housing 	<ul style="list-style-type: none"> • Usually 25%
Public, community or indigenous housing	<ul style="list-style-type: none"> • Public/state housing and associated renewal programmes • Housing Associations, including bond aggregators 	<ul style="list-style-type: none"> • Low to very low income groups – all age groups – particularly the ageing community and those with disabilities 	<ul style="list-style-type: none"> • Usually 60% for finished dwellings

2.7 TIMING OF PROVISION

The delivery of the affordable housing outcomes of 5% of the dwellings should be delivered in a timely manner with the whole precinct. To allow the Lara Farms sufficient time to establish the project and ensure that the affordable housing is not isolated in the first stages of the project but also to ensure that the affordable housing is not left until the final stages of the project, a milestone by which the affordable housing plan should be presented to Council needs to be established. It is suggested that, Lara Farms must ensure that the affordable housing obligation has been met prior to 80% of the dwellings being complete.

3 DEFINING AFFORDABLE HOUSING

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

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

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

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

Public Housing

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

Community Housing

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

Social Housing

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

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

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

(a) very low income households;

(b) low income households;

(c) moderate income households.

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

3.2 AFFORDABLE HOUSING IN THE PLANNING AND ENVIRONMENT ACT 1987

In 2018, the Planning and Environment Act (the Act) was amended to include a new Objective to “facilitate the provision of affordable housing in Victoria” and to include a definition of affordable housing (as described in section 2.1 of this report).

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

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

The first instrument is the specification of the income levels associated with very low, low and moderate income households for affordable housing that is not social housing. A Governor in Council Order setting out these income levels has been

published and will be updated annually in the Government Gazette (refer to Section 2.3 for the current rates)³.

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

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

Various supporting materials have also been prepared by the State Government to assist with the application of the legislative reforms. These include an example

(template) Section 173 Agreement for affordable housing, and guidelines for seeking and negotiating the agreements.

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

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

3.3 AFFORDABLE HOUSING REVIEWED

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

The models identified in Figure 1 provide a simple conceptual framework for considering the relationship between income groups, tenure types and the relative level of subsidy (government or via a affordable housing contribution from developers or philanthropists) that might be needed for each model to be applied.

³ Note that this is different to the income limits set for social housing set by the Director of Housing, which are published at www.housing.vic.gov.au.

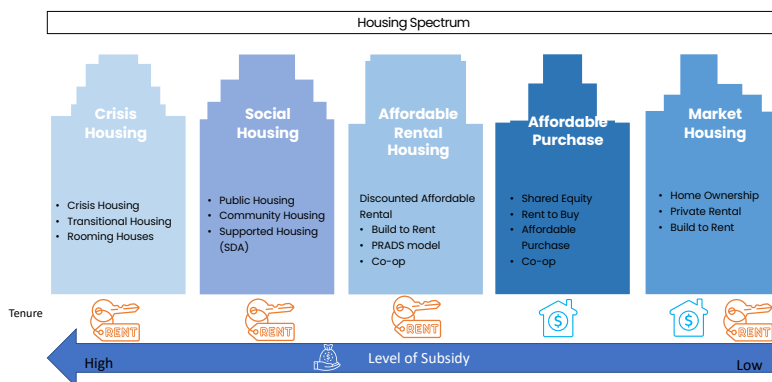


Figure 1 - Income ranges to affordable housing models and depth of subsidy

This can be further expanded to reflect the occupiers of each type of housing and is reflected in the figure below

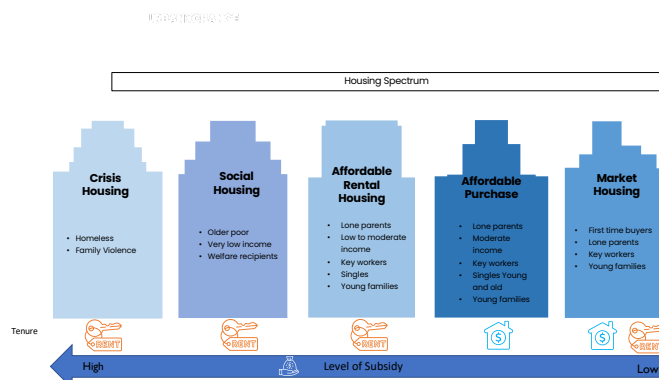


Figure 2 Occupier of types of affordable housing

All of the models shown in Figure 2 may be applicable in Geelong, as follows:

- Affordable purchase, which would include housing bought at a capped market price and the affordability retained through a restriction on title, shared equity, or rent to buy
- Below market rental, which would include build to rent, co-operative models, and a reinvented NRAS
- Social housing, which would include public housing development and renewal projects
- Crisis housing.

Affordable housing is needed by many specific market segments, including:

- **First-time buyers**, who can no longer buy due to casual work arrangements or the cost of housing. As a consequence, the rental market has young people entering who, in previous generations, would have been purchasers of homes. First home buyers will typically be seeking programmes associated with assisted home ownership
- The **older poor**, particularly those in gentrifying inner suburbs. As they leave the workforce, they can no longer afford the private rental market and sometimes are forced to relocate; this is particularly affecting older women. The older poor will be seeking programmes associated with a blend of assisted home ownership and below market rental
- **Singles and young people** who are staying at home longer, partly because of the lack of affordable housing. Singles/young people would be seeking schemes associated with a blend of assisted home ownership and below market rental
- **Lone parents**, the plight of whom was highlighted by the Victorian Parliamentary Enquiry into Domestic Violence. Lone parents will initially be seeking housing associated with public and community housing; however, over a longer period, will seeking schemes associated with a blend of assisted home ownership and below market rental
- **Key workers**, who are often forced to travel great distances between work and housing that is affordable. Key workers will be seeking

programmes associated with a blend of assisted home ownership schemes and below market rental. Key workers are those members of the community who are essential to its operation such as teachers, health care workers, and operators of key community services.

- **Low income workers**, who are being forced into sub-grade rentals and teeter on the edge of homelessness. Low income workers will be seeking housing associated with below market rental
- **Welfare recipients**, including those with a disability, who have the least options in the housing market of all. They will be seeking public or community housing.

There are a myriad of matters that affect the affordability of housing for different household types and income groups. However, some key statistics that are relevant to the above target groups are:

- First-time buyers/singles/young: The level of home ownership among 20-34 year olds in capital cities is less than 50 per cent. It is also predicted that a child born in the year 2000 will leave home for the first time in their late twenties
- Those earning 80 per cent of the median – but who are not in public or community housing – spend, on average, 45 per cent of their income on housing costs
- Lone parents also struggle to own their own home. Home ownership for single parents is below 50 per cent.

Section 3AA (2) of the *Victorian Planning and Environment Act 1987* notes that the Victorian Government will specify the income ranges that apply as affordable annually via a Governor in Council Order (GIC).

The Victorian Government has defined following income ranges for the purposes of informing affordable housing policy across Greater Melbourne⁴ in 2019 – 2020:

Table 3– GIC orders for income ranges associated with affordable housing (July 2020) Greater Melbourne

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

The income ranges are shown in Table 3 for three types of household. The Victorian Government publishes income bands for Greater Melbourne and the Rest of Victoria. There is conjecture as to where Geelong belongs as the ABS would classify Geelong as Greater Melbourne.

Table 4 Annual income ranges - households eligible for Affordable Housing, Rest of Victoria

Household Type	Very low income range (annual)	Low income range (annual)	Moderate income range (annual)
Single Adult	Up to \$19,020	\$19,021 - \$30,430	\$30,431 - \$45,640
Couple, no dependents	Up to \$28,520	\$28,521 - \$45,640	\$45,641 - \$68,460
Family (one or two parents and dependent children)	Up to \$39,930	\$39,931 - \$63,900	\$63,901 - \$95,840

⁴These income ranges have been gazette set under section 3AB of the Planning and Environment Act 1987. The income ranges are intended to inform policy relating to

income groups access to affordable housing – the income thresholds for eligibility for social housing are separately set by the Director of Housing.

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

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

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

4 AFFORDABLE HOUSING DELIVERY MODELS

This section of the report outlines the various affordable housing models that can be considered to increase affordable housing within a municipality. They can be summarized as:

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

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

In Victoria, The Nightingale housing model has a transparent process to documenting land purchase and development costs and, the purchase price is based on the development achieving a return of 15 per cent.

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

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

purchaser/seller and it also recognises that the market opportunity provided to the first purchaser should be transferred.

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

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

Rent to buy. The homes are offered at a fixed (sometimes below market) rent for a minimum of five years and let on assured short-hold tenancies for a fixed term. The model being adapted in Australia is that, after five years of renting, the tenant has first option to purchase the dwelling at price agreed at the commencement of the 5 years. If the tenants don't want to buy, the landlord can retain the property as rented housing or sell it on the open market.

Community Land Trust. The land upon which the dwelling is located is held in a Trust. The land is provided as a long term lease to home owners who pay a peppercorn lease on the land and only have to seek finance for the dwelling being delivered (not the land and dwelling). Alternatively, the land is held in a Trust for a NFP or Private company to develop dwellings, again finance only needs to be sought for the built form and not the land – the savings are reflected in lower rents or purchase prices.

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

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

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

NDIS/SDA. Housing for NDIS participants has three elements, housing, planning and support. All three elements are required for a successful outcome. There is a clear delineation of responsibility with the NDIA being responsible for the SDA and the relevant state governments/agencies will be responsible for the balance being support and planning.

Each of these models is discussed in greater in attachment 1.

5 ADDRESSING THE MINISTERS REQUIREMENTS

The purpose of the Victorian Government affordable housing reforms is to encourage an increase in affordable housing through local councils seeking a voluntary affordable housing contribution, as part of planning approval processes⁵. The legislated definition of affordable housing and the associated GIC Orders set out the income bands for individuals and households that the State Government considers to be in need of affordable housing as described in Section 2 of this report.

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

The Planning and Environment Act 1987, Section 3AA(2) includes reference to the Ministerial Notice relating to the specified matters and lists “matters to which regard must be had for the purposes of determining what is appropriate for the housing needs of very low, low and moderate income households.” The table below provides a response to the matters in the Ministerial Notice as these may be applied to on the proposed Lara Farms development in Lara.

Table 6 - Application of the Ministerial Guidelines

Matter	Urbanxchange s recommendation
Allocation	<p>The definition of affordability as set out in the Planning and Environment Act 1987, Section 3AA (i.e. very low, low and moderate income earners) should be applied in relation to any affordable housing provisions at the site. The application of all income categories is justified based on the demographics and housing need in the Geelong LGA.</p> <p>It will be incumbent upon the operator of the affordable housing to ensure that the occupants meet the income eligibility criteria as set out in the GIC Orders at the time that occupancy commences. For dwellings that are provides as affordable purchase or discounted rents this can be achieved by evidence of income accompanied by an executed Statutory Declaration from the occupier noting that they are within the specified GIC Income criteria.</p> <p>For dwellings that are developed as social housing it will be incumbent upon the operator to manage allocations.</p>
Affordability (in terms of the capacity for very low income, low income and moderate income households that it is intended for)	<p>Occupants of the dwellings should pay no more than 30% of income on affordable housing costs. The affordability is for occupants who meet the income eligibility criteria as set out in the GIC Orders at the time that occupancy commences. In this instance the affordable housing is targeted at moderate income earners.</p> <p>The position of 30% was established by AHURI (Yates and Gabriel, 2006) and has been adopted by all levels of government and the broader housing industry as an agreed position.</p>

⁵ <https://www.dhhs.vic.gov.au/delivering-social-housing-affordable-housing-contribution>

Matter	Urbanxchange s recommendation
	These are demonstrated in Table 5 of this report.
Longevity (in terms of the public benefit of the provision)	<p>The affordable housing should be provisioned for 20 years, via agreed mechanisms that have a time limit of 20 years from initial occupancy.</p> <p>If titles are incumbered via a Section 173 then the Section 173 must have a timeframe in which it will elapse.</p> <p>The longevity of ownership to the actual site cannot be in perpetuity as financial institutions will not finance projects with this condition. Nor in some instances of tenure type will they consider beyond 25 years.</p>
Tenure	<p>Urbanxchange suggests that the following range of potential tenure solutions:</p> <ul style="list-style-type: none"> • Build to Rent (either private or RHA) • Social Housing <p>In addition, the possible extended time frame (5 plus years) for implementation of affordable housing within the project means that there will be wider solutions for supply of housing as time progresses and there is a need to leave the ability for these solutions to be applied.</p> <p>If there is a change of Federal Government in May 2022, then there will be a significant change in affordable housing position and possible funds. For example, there are discussion of a Housing Future Fund to deliver some 30,000 dwellings over 5years. This would include a Build to Rent and Shared Equity.</p>
Type of housing, in terms of form and quality	<p>The housing should be tenure blind and meet Silver living standards from the Liveable Design Guides and if the properties are apartments the Better Apartment Design Standards.</p> <p>The size of the dwellings needs to meet the identified demographic need of smaller housing for 25 – 39 year olds.</p> <p>Based on the projected demographic need for single person and smaller households (as outlined in section 7.2, Urbanxchange suggests the following as maximum splits of housing types:</p> <ul style="list-style-type: none"> • Up to 40% x 1 bedroom (social housing) • Up to 70% x 2 bedroom • Up to 40% x 3 bedroom
Location, in terms of site location and proximity to amenities, employment and transport	<p>The site has access key amenities that would be considered essential for social housing being:</p> <ul style="list-style-type: none"> • Supermarket • Schools • Medical and health centres • Community facilities and services.

Matter	Urbanxchange s recommendation
Integration, in terms of the physical build and local community	It is premature to determine whether the housing format should be within a standalone building or collective of buildings, integrated as mixed tenure across the development site, or a blend of both outcomes. The affordable housing dwellings should be tenure blind.
The following official estimates of housing need: <ul style="list-style-type: none"> • Australian Bureau of Statistics Community Profiles • Census profiles for Victoria • Department of Health and Human Services Rental Report • Metropolitan regional housing plans to guide housing growth • Public housing waiting list (Victorian Housing Register list) • Victoria in Future data tables. 	The data in section 7. and Attachment 2 of this report indicate that the need within Geelong is: <ul style="list-style-type: none"> ○ For housing for those aged 25 – 39 years ○ Housing for the over 55's ○ Housing for low and moderate income households ○ Need for an increase in stock providing opportunities for younger people to who are on low to moderate incomes.* ○ Quality rental stock

It is noted that there are two GIC orders (as outlined in tables 4 and 5 respectively). A substantive argument should be based upon the fact that the housing continuum requires those on moderate incomes (as per Greater Melbourne) should be provided with opportunities to purchase dwellings, thus providing those on lower incomes with the ability to rent. Noting the discussion in attachment 1 of this report, that financial institutions generally require applicants to earn at, or above the 50 per cent of income earners and have met a criteria that includes:

- Steady savings pattern for 12 months
- Funds to service all purchase costs (stamp duty, insurance, rates and conveyancing)
- A minimum deposit of 10 per cent of value
- A full-time employment history of five years.

For those earning below the \$52,000 the requirements are even more substantial and unlikely to be achieved.

This places individuals/lone households in Geelong who qualify for affordable housing in a position where the purchase of a dwelling is unachievable without considerable subsidy. With the current GIC orders for Victoria, as outlined in table 3 and 4, no single would be able to enter the housing market and only couples and families on the higher end of the moderate income would qualify for a financial institution loan.

6 GREATER GEELONG STRATEGIC DIRECTION REVIEW

The City of Greater Geelong adopted the Social Housing Plan 2020 – 2041 (The Plan) in June 2020. It outlines the strategies and actions to achieve a substantial increase in social housing by 2041. There are five key goals and recommendations of specific roles for the council.

1. Increase the supply of social housing from the current 3% to 7% of total households by 2031, an estimated increase in supply of 6,000 dwellings and to 10% by 2041 (a further 6,000 dwellings).
2. Increase the supply of social housing through the provision of the City's owned land for social housing developments; and a new requirement for all development of the City's owned land to contribute to an increase supply of social housing. There is significant land supply in Geelong and the municipality is not "locked" by adjacent populated municipalities.
3. Maximise State and Commonwealth investment in new social housing across the City.
4. Amend the City of Greater Geelong Planning Scheme to require the inclusion of social and affordable housing in new developments based on identified need.
5. Complete an 'Urban Refreshment' of areas of high social housing concentration to enhance the utilisation and quality of social housing and increase the liveability and social wellbeing of these areas.

The Plan notes that the purpose of the plan is to provide a framework designed to meet the housing needs of the lowest income households in the community

The plan outlines the Strategies to be employed to increase social housing as:

1. Consider the suitability of council owned land, which is identified as surplus, for social housing
2. Update and complete urban renewal plans for areas of high public housing concentration (Corio, Norlane, and Whittington)
3. Negotiate the inclusion of social housing in all new private developments where rezoning and planning approvals add value to land
4. Maximise State and Commonwealth investment in new Social Housing in the municipality

Strategic Direction 3 is applicable to this application and the mechanisms by which that will be addressed are outlined below.

Negotiate the inclusion of social housing in all new private developments where rezoning and planning approvals add value to land

Table 7 Application of Council Directions on Affordable Housing

Direction	Council Position	Urbanxchange Recommendation
<p>Amend the Greater Geelong Planning Scheme to require the inclusion of social and affordable housing in new developments based on identified need</p>	<p>Future housing development will include a meaningful contribution to meeting the identified needs for social and affordable housing where there is a demonstrated uplift in land value</p> <p>A site-specific inclusion relevant to the context of the site will be negotiated when:</p> <ul style="list-style-type: none"> - A rezoning for a residential use is sought - A residential precinct structure plan is prepared - A development concession or incentive is provided as part of a development application⁶. <p>Delivery models will include the gifting, discounted sale or leasing of land or dwellings to a Registered Housing Agency appropriate to the needs of the RHA and the location.</p> <p>Alternative arrangements such as the sale of dwellings to households under an affordable home purchase arrangement such as a shared equity program will also be considered.</p> <p>A Social and Affordable Housing Assessment should be prepared as part of the relevant planning assessment process.</p>	<p>Council has proven that it will not support amendments if there is not a contribution to affordable housing. The nature and scale of the affordable housing is to be addressed.</p> <p>It is recommended that a blend of affordable and social housing be considered.</p> <p>The commitment to Council on the form of actual affordable housing types should be withheld until after the Federal election to determine if there is opportunity for Lara Farms to leverage of new Federal initiatives.</p>

⁶ It is noted that the State Government has not set a mandatory or minimum affordable housing requirement, however, there is broad state based policy supporting the provision of affordable housing. There is a broad strategic planning basis to include affordable housing matters in local policy and in site specific planning controls.

Direction	Council Position	Urbanxchange Recommendation
<p>Negotiate Section 173 Agreements with applicants</p>	<p>Voluntary agreements will set out:</p> <ul style="list-style-type: none"> - the percentage of total dwellings on site to be contributed to social housing; - the type of social housing dwellings to be provided - the location of the social housing dwellings to be provided - the owner and manager of the social housing dwellings to be provided, and - the cost of the dwellings (or land) to be provided for social housing. 	<p>The allocation of dwellings and location of the dwellings at the concept stage and prior to planning is challenging at best. It is Urbanxchanges view that this is best handled via series of milestone events and as percentages.</p> <p>If social housing is to be provided, Lara Farms should nominate the method of delivery and which organisation is to be nominated. In addition, it should strike an MOU with the organisation to ensure that the occupants will not have a detrimental impact on marketing.</p> <p>The delivery of the affordable housing outcomes should be delivered in a timely manner with the whole precinct. To allow sufficient time to establish the project and ensure that the affordable housing is not isolated in the first stages of the project but also to ensure that the affordable housing is not left until the final stages of the project, an affordable housing plan should be presented to Council with the initial planning permit. On this basis it is recommended that prior to the issue of the Statement of Compliance for 50% the Developer must identify the parts of the Parent Title Land on which the affordable housing will be delivered and the nature of the options of the affordable housing tenure. Lara Farms must ensure that the affordable housing obligation has been met prior to 80% of the dwellings are complete.</p>
<p>Identify principles to guide negotiations with developers on appropriate social and affordable housing outcomes</p>	<p>Principles for negotiation will include:</p> <ul style="list-style-type: none"> • Commercial: the cost to the developer should not exceed the value uplift in the land value generated by the development approval. • Integration: the scale, design and finish of the social housing should be compatible with the surrounding streetscape and not distinguishable from other dwellings. The social housing dwellings will have access to the same communal facilities and services as the other dwellings. • Progressive: the social housing should be delivered progressively in accordance with an agreed program. • Certainty: the party identified as the owner and manager of the social housing must have the 	<p>The housing should be tenure blind, that is indistinguishable from all the other housing.</p> <p>Lara Farms should nominate the methods of delivery. In addition, it should identify the occupants will not have a detrimental impact on marketing. A registered Housing Association would be best placed as they will have the opportunity to either deliver or manage. For example, for any social housing women over 55 and women and children would be seen as low risk social housing tenants. In addition, housing these cohorts would enable a housing association to attract funds for the delivery of housing from Victorian Government grants.</p>

Direction	Council Position	Urbanxchange Recommendation
	<p>financial capacity to complete the acquisition and the operational capacity to manage the dwellings in accordance with recognised good practice.</p> <ul style="list-style-type: none"> • Sustainable: the social housing dwellings provided should be consistent with an evidenced based model of good practice that demonstrates social, economic and environmental sustainability. 	

7 DEMOGRAPHIC OVERVIEW

7.1 OVERVIEW OF AUSTRALIAN

Australian dwelling prices have grown much faster than incomes, particularly since the mid-1990s. Over the long term, prices have risen rapidly in all cities and most regions, although there are variations from year to year⁷. Average prices have increased from about two to three times average disposable incomes in the 1980s and early 1990s to about five times more recently⁸. Median prices have increased from around four times median incomes in the early 1990s to more than seven times today (and more than eight times in Sydney and Melbourne)⁹.

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

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

But the ageing of the Australian population has concealed a greater fall in home-ownership rates during the past 20 years for all but the oldest households. Younger Australians have always had lower incomes and less accumulated savings, hence lower home-ownership rates. But between 1981 and 2016, home ownership rates among 25-34 year olds fell from more than 60 per cent to 45 per cent (see figure 5).

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

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

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

Accurate predictions for the growth of household formation relative to income have not been available since the Abbott Government ceased the work of the National Housing Supply Council. However, the work of the National Supply Council has remained valid and indicates we should expect a rapid increase in lone person households, mostly at the expense of family households. It also indicates a need for a diversity of housing types to meet changing household structures in the future.

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

⁷ Stapledon (2012).

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

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

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

7.2 OVERVIEW OF POPULATION AND HOUSING ISSUES IN GREATER GEELONG COUNCIL

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

Analysis of the five year age groups of Greater Geelong Council in 2016 compared to Greater Melbourne shows that there very similar proportions of the community in the under 15 years age group, s smaller percentage of the 25 – 39 year age group and a greater percentage of those aged over 65, the distribution as shown below.

Table 8 Population of Melbourne/Greater Geelong via age categories (2016)

Five year age groups (years)	Melbourne		Greater Geelong	
	Number	%	Number	%
0 to 4	287,178	6.4	14,347	6.1
5 to 9	278,506	6.2	14,320	6.1
10 to 14	254,017	5.7	13,594	5.8
15 to 19	269,015	6	14,447	6.2
20 to 24	333,367	7.4	15,606	6.7
25 to 29	362,435	8.1	14,807	6.3
30 to 34	367,913	8.2	14,830	6.4
35 to 39	325,319	7.3	13,998	6
40 to 44	313,768	7	15,258	6.5
45 to 49	307,580	6.9	15,025	6.4
50 to 54	279,728	6.2	14,948	6.4
55 to 59	255,824	5.7	14,817	6.3
60 to 64	221,078	4.9	14,073	6
65 to 69	197,002	4.4	13,418	5.7
70 to 74	147,281	3.3	10,171	4.4
75 to 79	112,832	2.5	7,663	3.3

Five year age groups (years)	Melbourne		Greater Geelong	
	Number	%	Number	%
80 to 84	112,832	1.9	5,657	2.4
85 and over	89,147	2	6,460	2.8

An analysis of the jobs held by the resident population in City of Greater Geelong in 2016 shows the three most popular industry sectors were:

- Health Care and Social Assistance (15,860 people or 15.3%)
- Retail Trade (12,262 people or 11.8%)
- Construction (10,179 people or 9.8%)

In combination, these three industries employed 38,301 people in total or 37.0% of the total employed resident population.

In comparison, Greater Melbourne employed 12.0% in Health Care and Social Assistance; 10.1% in Retail Trade; and 8.2% in Construction.

The major differences between the jobs held by the population of the City of Greater Geelong and Greater Melbourne were:

- A *larger* percentage of persons employed in health care and social assistance (15.3% compared to 12.0%)
- A *larger* percentage of persons employed in retail trade (11.8% compared to 10.1%)
- A *smaller* percentage of persons employed in professional, scientific and technical services (5.5% compared to 9.0%)
- A *smaller* percentage of persons employed in financial and insurance services (2.8% compared to 4.5%)

Analysis of individual income levels in the City of Greater Geelong in 2016 compared to Greater Melbourne shows that there was a lower proportion of people earning a high income (those earning \$1,750 per week or more) and a higher proportion of low income people (those earning less than \$500 per week).

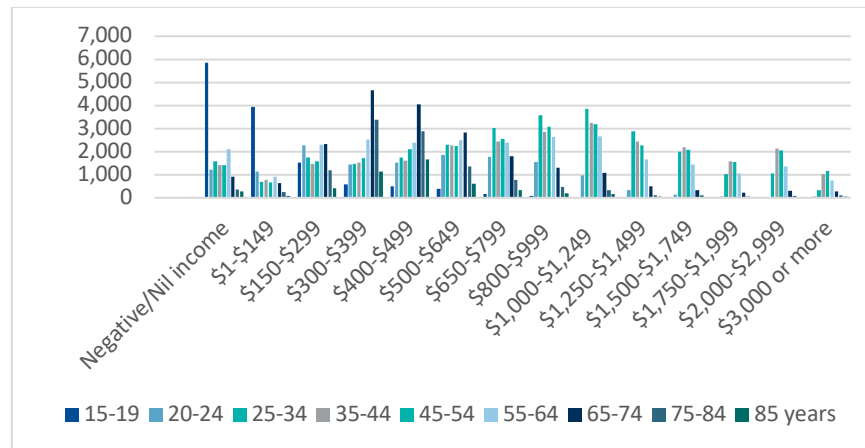
Overall, 8.6% of the population earned a high income, and 39.7% earned a low income, compared with 11.9% and 37.8% respectively for Greater Melbourne

The major differences between the City of Greater Geelong's individual incomes and Greater Melbourne's individual incomes were:

- A larger percentage of persons who earned \$400 - \$499 (9.7% compared to 7.4%)
- A larger percentage of persons who earned \$300 - \$399 (9.7% compared to 7.7%)
- A larger percentage of persons who earned \$500 - \$649 (8.5% compared to 7.0%)
- A smaller percentage of persons who earned Negative Income/ Nil income (7.9% compared to 11.2%)

The individual income in age categories is shown below. The income distribution across age groups highlights the needs for affordable housing on the basis and purchasing/renting capacity and other forms of entry to affordable housing as may be available:

Figure 3 - Income per week per age Greater Geelong (2016)



Analysis of household income levels in the City of Greater Geelong in 2016 compared to Greater Melbourne shows that there was a smaller proportion of high income households (those earning \$2,500 per week or more) and a higher proportion of low income households (those earning less than \$650 per week).

Overall, 15.6% of the households earned a high income and 21.1% were low income households, compared with 22.9% and 16.7% respectively for Greater Melbourne.

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

- A larger percentage of households who earned \$400 - \$499 (8.0% compared to 5.3%)
- A larger percentage of households who earned \$650 - \$799 (8.1% compared to 6.1%)
- A larger percentage of households who earned \$500 - \$649 (5.3% compared to 3.9%)
- A smaller percentage of households who earned \$3,500 - \$3,999 (2.4% compared to 4.1%)

The income distribution across household groups is relevant when considering those eligible for affordable housing and other forms of entry to affordable housing as may be available:

Table 9 Income per week per household types in Greater Geelong (2016)

	<i>Couple family no children</i>	<i>Couple family with children</i>	<i>One parent family</i>	<i>Other family</i>
Nil income	299	81	147	20
\$1-\$149	180	51	93	5
\$150-\$299	157	77	287	19
\$300-\$399	98	41	367	17
\$400-\$499	1,130	186	706	37
\$500-\$649	592	276	1,177	36
\$650-\$799	3,309	558	1,173	82
\$800-\$999	2,026	879	1,205	102
\$1,000-\$1,249	2,413	1,550	1,229	112
\$1,250-\$1,499	2,168	1,969	855	109
\$1,500-\$1,749	1,261	2,084	600	58
\$1,750-\$1,999	1,419	2,169	455	61
\$2,000-\$2,499	2,765	4,233	562	85
\$2,500-\$2,999	1,661	2,939	185	30
\$3,000-\$3,499	829	1,861	71	20
\$3,500-\$3,999	446	1,111	96	6
\$4,000 or more	909	2,272	81	8
Partial income	1,457	2,957	916	50
Incomes not stated	561	278	250	19

The population within Greater Geelong has a greater percentage that either own or are purchasing a dwelling and lower percentages of rental.

Table 10 Housing tenure in Shire of Greater Geelong compared with Greater Melbourne (2016)

Tenure	Greater Geelong %	Greater Melbourne %
Owned	33.2	29.0
Mortgage	32.5	34.3
Rent	26.6	28.8

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

Table 11 Household sizes in Greater Geelong against Greater Melbourne (2016)

Number of persons usually resident	Greater Geelong %	Greater Melbourne %
1 person	27.8	23.2
2 persons	34.2	31.4
3 persons	15.1	17.3
4 persons	14.5	17.6
5 persons	6.0	7.1
6 or more persons	2.3	3.5

The household/family types in the City of Greater Geelong in 2016 compared to Greater Melbourne shows that there was:

- A larger percentage of households with 1 person usually resident (27.8% compared to 23.2%)
- A larger percentage of households with 2 persons usually resident (34.2% compared to 31.4%)
- A smaller percentage of households with 4 persons usually resident (14.5% compared to 17.6%)
- A smaller percentage of households with 3 persons usually resident (15.1% compared to 17.3%)

There was a lower proportion of couple families with child(ren) as well as a higher proportion of one-parent families. Overall, 27.7% of total families were couple families with child(ren), and 11.1% were one-parent families, compared with 33.5% and 10.1% respectively for Greater Melbourne. There were a higher proportion of lone person households and a higher proportion of couples without

children. These are indicators of an aging community. These details are shown in the table below below:

Table 12 Household compositions in Greater Geelong against Greater Melbourne (2016)

Households by type	%	Greater Melbourne %
Couples with children	27.7	33.5
Couples without children	25.3	22.9
One parent families	11.1	10.1
Other families	0.9	1.4
Group household	3.4	4.7
Lone person	26.3	22
Other not classifiable household	4.2	4.5
Visitor only households	1.0	0.9

7.3 POPULATION AND HOUSING PROJECTIONS FOR GREATER GEELONG

The City of Greater Geelong population forecast for 2021 is 268,984, and is forecast to grow to 393,216 by 2041, representing an increase in population of some 46% over this period.

This increase in population is also matched by an increase in the number of dwellings in the City of Greater Geelong is forecast to grow from 106,568 in 2016 to 176,622 in 2041, with the average household size rising from 2.43 to 2.43 by 2041.

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

In 2016, the total population of the City of Greater Geelong was estimated to be 239,531 people. It is expected to increase by over 90,897 people to 330,428 by 2026, at an average annual growth rate of 3.27%. This is based on an increase of over 36,492 households during the period, with the average number of persons per household rising from 2.43 to 2.44 by 2026.

Between 2016 and 2026, the age structure forecasts for the City of Greater Geelong indicate a 26.7% increase in population under working age, a 34.6%

increase in population of retirement age, and a 21.4% increase in population of working age.

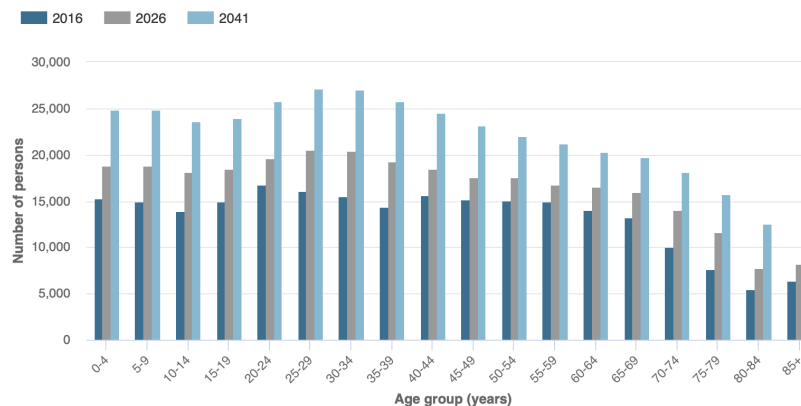
In 2016, the dominant age structure for persons in the City of Greater Geelong was ages 20 to 24, which accounted for 7.0% of the total persons.

The largest increase in persons between 2016 and 2026 is forecast to be in ages 35 to 39, which is expected to increase by 4,937 and account for 6.5% of the total persons.

The largest 5 year age group in 2026 is 25 to 29 years, with a total of 20,551 persons.

Forecast age structure - 5 year age groups

City of Greater Geelong - Total persons



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



In 2016, the dominant household type in the City of Greater Geelong was 'Couples with dependents', and by 2026 the largest forecast increase is expected in 'Couples without dependents'.

7.4 FORECAST SOCIAL HOUSING SUPPLY AND NEED IN GREATER GEELONG

The need for social housing moving forward is a forecast. As at the 2016 census data Greater Geelong had 39.8% of individuals and 36% of households that would have classified as very low income against the requirements of Table 3. There were some 3.6% or 1534 social housing owned dwellings and 13.2% of private dwellings were rented at an affordable price.

However, the predicted growth within Greater Geelong means that the requirements for affordable housing for the very low income will also grow. While other Melbourne municipalities have established housing and growth predicted within 20% it has allowed for predictions of requirements for affordable housing for the very low income. On the basis of the growth in very low income households being similar as a percentage and the same percentage of private rentals being affordable to the full predicted growth and DHHS have stagnant growth in public housing, predictions are made as to the level of social housing required to meet future demand with an estimated shortfall of 11,063 dwellings by 2041.

Table 13 Social housing needs, Greater Geelong, 2016-2041

Year and population	Predicted dwelling no.	2016 census 36% of households would be very low income and require social housing	No. of social housing dwellings as at 2016 Census 3305	As at 2016 Census 13.2% of private dwellings were affordable	% of dwellings for very low income	Possible Shortfall of social housing
2016						
239531	95,840	34,502	3305	12,651	17%	18,547
2021						
268984	107,371	38,654	3305	14,173	16%	21,176
2026						
298716	119,467	43,008	3305	15,770	16%	23,933
2031						
330428	132,332	47,640	3305	17,468	16%	26,867
2036						
361014	144,822	52,136	3305	19,117	15%	29,714
2041						
393216	158,111	56,920	3305	20,871	15%	32,744

The number of individuals and households that identified as very low, low or moderate income households in Greater Geelong in the 2016 census data on the basis table 4 is shown below:

Table 14 Individuals and Households who classify in GIC Orders within Greater Geelong

Income	Individuals		Households	
	\$ per week	% of individuals	\$ per week	% of households
Very Low	499	39.8	999	36.6
Low	799	16.5	1,750	22.2
Moderate	1,250	16.4	2,500	15.5
TOTAL %		72.7		74.3

8 WHAT IS HAPPENING ELSEWHERE IN MELBOURNE

The following is an overview of the range of affordable housing contributions being sought within existing or proposed planning controls or strategy documents elsewhere across Melbourne:

- Precinct 15 (City of Hobsons Bay) 5% (in planning controls)
- East Village (City of Glen Eira) 5% (S173 agreement)
- Fishermans Bend (City of Melbourne and City of Port Phillip) - 6% (in planning controls)
- Burwood Highway and Scoresby Road (City of Knox) - Up to 10% (in planning controls)
- Proposed Beveridge North West Precinct Structure Plan (VPA) 10% (proposed in PSP)
- Proposed Shenstone Park Precinct Structure Plan (VPA) 10% (proposed in PSP)
- City of Port Phillip 20% of new dwellings within multi-unit developments to be affordable (in Affordable Housing Strategy)
- City of Knox 5% (in Affordable Housing Action Plan)
- City of Moreland 5% (in Affordable Housing Action Plan)

These are discussed below:

Precinct 15, Altona North, City of Hobsons Bay

The Comprehensive Development Zone Schedule 2 which applies to the site includes a requirement for 5% of the total dwellings to be provided as affordable housing. These are to be made available for purchase to Council or a Housing Agency at a cost that does not “exceed an amount that is 25% less than the current 12-month median unit price for a two-bedroom unit in Altona North as published by the Real Estate Institute of Victoria as at the date the agreement is made”.

The controls also allow for an equivalent Affordable Housing Payment to be made for any unpurchased dwellings if the offer is not taken up. They also

include the ability to nominate other methods of delivering the Affordable Housing Contribution (which could for example include the provision of land).

East Village, Bentleigh East, City of Glen Eira

The Council negotiated an Affordable Housing Agreement with the landowners that has been registered on the certificates of title via a Section 173 Agreement. The agreement was settled prior to the rezoning, with Planning Scheme Amendment C155 to be considered by a Planning Panel in December. The agreement provides two options for the affordable housing contribution as follows:

- Option 1 = transfer of land that will enable a net floor area that would yield 150 dwellings at 70 square metres each (i.e. 10,500 sqm). This equates to a 5% contribution (being 150 dwellings across a site that is to accommodate 3,000 dwellings).
- Option 2 = transfer completed affordable housing dwellings with an aggregate net floor area of 1,975 sqm. This equates to 28 dwellings at 70 sqm each, which would be a 1% contribution.

The agreement also provides for the affordable housing contribution to be staged over four parcels of land as long as at least 50% of the contribution is delivered by the date of practical completion of the 1,500th market dwelling, and 100% of the contribution by the 2,100th market dwelling.

Fishermans Bend, City of Melbourne and City of Port Phillip

The Fishermans Bend planning controls seek at least six percent of dwellings to be provided as affordable housing unless economically unviable, impractical within the built form envelope, or it can be demonstrated that the development will contribute to the affordable housing objectives while providing a lesser amount. It also encourages greater provision through a ‘Social Housing Uplift’ whereby 8 additional private dwellings can be provided for each social housing

unit provided. The uplift is provided in excess of the number of dwellings allowable under the dwelling density requirements in the Capital City Zone schedules, and is registered on a Section 173 Agreement.

Burwood Highway and Scoresby Road, City of Knox

The Comprehensive Development Zone Schedule 2 for this redevelopment site requires a Housing Diversity and Adaptability Report to be provided that provides information on how up to 10% of dwellings are to be provided as affordable housing as defined at section 3AA of the Planning and Environment Act.

Proposed Beveridge North West Precinct Structure Plan, VPA

The draft PSP includes two guidelines that relate to affordable housing as follows:

- *G17 – Subdivision of land should provide up to 10% of the NDA for the provision of affordable housing as defined by the Planning & Environment Act 1987 (as amended).*
- *G18 – Land for affordable housing should:*
 - *Be provided within walkable catchments*
 - *Provide for a range of housing typologies to meet demonstrated local need*

The draft Schedule 3 to the Urban Growth Zone applies the Residential Growth Zone to residential lots that fall wholly within the walkable catchment. The combined effect of G17, G18 and the Requirement for there to be higher residential densities in the walkable catchments will mean that the 10% NDA AH Requirement will result in more than 10% of dwellings within the overall PSP being affordable dwellings.

This proposed approach is the first time a PSP has included this approach and has yet to be tested at Planning Panels Victoria.

Proposed Shenstone Park Precinct Structure Plan, VPA

The proposed Shenstone Park PSP includes the same affordable housing guidelines as are included in the proposed Beveridge North West PSP.

City of Port Phillip

The City of Port Phillip's In Our Backyard – Growing Affordable Housing 2015-2025 includes an action to “apply planning mechanisms to require, facilitate or provide incentives to increase the supply of social and affordable housing supply, with the aim that 20 per cent of new dwellings within multiunit developments are ‘affordable’.

The City has been instrumental in seeking from developers a significant contribution to affordable housing within a number of developments across the municipality. While the contribution has usually been significantly less than the historic desired donation of six per cent of finished dwellings, the equivalent of approximately two to three per cent of finished dwellings have often been negotiated as a donation to a housing trust.

City of Knox

City of Knox has an Affordable Housing Action Plan that sets out its forecast of housing needs and includes an action to negotiate a voluntary 5% contribution for social housing on larger-scale private land developments.

City of Moreland

City of Moreland's Affordable Housing Action Plan 2019/20 includes an action to “Facilitate affordable housing through voluntary s.173 agreements, promoting the trial of the Design Excellence Scorecard and in value capture from rezonings”. It does not include a specific % target.

Moreland has successfully negotiated affordable housing within its municipality. The large redevelopment of Pentridge, Kodak and other sites has provided leverage to implement affordable housing in these schemes or to leverage outcomes at other sites. The Moreland Land Trust's creation has provided a vehicle that is able to direct funds to affordable/social housing projects

Moreland also supports affordable purchase models such as The Commons and Nightingale. These benchmark projects showcase alternate methods of achieving affordable housing outcomes by allowing purchasers to be involved in design decisions, allowing them to choose lower cost options such as forgoing air conditioning and parking spaces. The Nightingale Model also includes a cap on the resale price, where the price cannot exceed the initial purchase price plus the percentage increase in median house prices of that suburb.

9 ATTACHMENT 1 – DETAILED AFFORDABLE HOUSING

AFFORDABLE PURCHASE

Overview

The challenge for developers seeking to deliver new housing is to be able to achieve sale prices that support an acceptable return on development costs.

When considering a potential development, developers review both revenue and costs. The revenue/market price must be relative to prices in surrounding suburbs; the development pricing must be consistent, as prices too far above market levels are not achievable. A pricing strategy can be developed in several ways, as this table shows:

Table 15 Market pricing

Strategy	
Premium	Consistently priced above the market; when competitors move up, the developer maintains a price premium
Parity	Developer matches the surrounding market. Prices are only slightly above or below that of the price leader in the market
Penetration	Developer consistently prices below the price leader in order to obtain a faster sales rate at the expense of margin
Bundling/value added	Developer adds a package of goods to the price to increase the perceived value of the offering
Discount	Developer maintains a list price that is usually parity-based and periodically discounts to increase or top-up sales

Developers usually follow a price parity strategy. However, in order to move stock, sometimes developers will price their product at the lower range and thus adopt a penetration or discount strategy.

Most costs are relatively fixed as a proportion of development costs. These include:

- **Design costs.** Generally, 8 per cent to 10 per cent of any development costs.
- **Construction costs.** For the areas of development these are fixed. Multi-storey construction costs vary according to height and finishes, but these are a reflection of market expectations and pricing.
- **Statutory authority charges.** There is little variability in the charges imposed across any development type and there is no room for negotiation.
- **Finance costs.** The rate at which finance is charged and the required requirements to achieve finance will remain constant across project types. In the present economic climate, and despite interest rates, most developers cannot achieve full funding for projects. The variable cost factor is the price paid for the land. Just about all affordable housing outcomes require a subsidy and in providing affordable housing, the developer will remove the subsidy cost of supplying the affordable housing from the cost paid for the land. In the current financial environment, developers typically require the following to secure finance for a development project:
 - 65 per cent debt/35 per cent equity
 - Return or profit of 20 per cent before overheads and corporate costs
 - 70 per cent presales contracts on residential (of which only 30 per cent can be to overseas buyers)
 - 70 per cent plus sales or lease on commercial/retail components.

The only capacity available, in a commercial development model, to achieve a dwelling at an affordable price is for there to be a discount to the price of the land.

The addition of any requirement to deliver specific types or quantities of affordable housing needs to be managed in a manner that does not affect the developer return and provides for presales.

Based on the agreed definition of affordable housing for purchase and for households paying no more than 30 per cent of income on housing costs and a 5

per cent yield¹⁰, the prices for those low- to moderate-income earners at \$5,000 intervals is shown below.

Table 16 - Property values based on low to moderate income ranges on \$5,000 increments

Income	Housing cost @ 30%				Cost of housing 5% yield
	Per week	Per annum	Per week	Per month	
962	50,024	289	1,251	15,007	300,144
1,058	55,016	317	1,375	16,505	330,096
1,154	60,008	346	1,500	18,002	360,048
1,250	65,000	375	1,625	19,500	390,000
1,346	69,992	404	1,750	20,998	419,952
1,442	74,984	433	1,875	22,495	449,904
1,538	79,976	461	1,999	23,993	479,856
1,635	85,020	491	2,126	25,506	510,120
1,731	90,012	519	2,250	27,004	540,072
1,827	95,004	548	2,375	28,501	570,024
1,923	99,996	577	2,500	29,999	599,976
2,019	104,988	606	2,625	31,496	629,928
2,115	109,980	635	2,750	32,994	659,880
2,212	115,024	664	2,876	34,507	690,144
2,308	120,016	692	3,000	36,005	720,096
2,404	125,008	721	3,125	37,502	750,048
2,500	130,000	750	3,250	39,000	780,000

The key consideration relating to purchase capacity is the requirement for low- to moderate-income earners to obtain finance from a financial institution. In general, the existing requirements for a potential purchaser who is at, or above the 50 per cent of income earners include:

- Steady savings pattern for 12 months
- Funds to service all purchase costs (stamp duty, insurance, rates and conveyancing)
- A minimum deposit of 10 per cent of value
- A full-time employment history of five years.
- However, for potential individual purchasers who earn below the 50 per cent income benchmark (generally considered \$52,000), financial institutions require:
 - A steady savings pattern for 18-24 months
 - Funds to service all purchase costs (stamp duty, insurance, rates and conveyancing)
 - A minimum deposit of 20-25 per cent of value
 - Full-time employment history of five years.

It is reasonable to argue that it is exceptionally unlikely that a person earning less than \$52,000 per year is in the market to purchase because they will have considerable difficulty in raising finance.

The requirements of financial institutions for earnings and income means that singles and families earning below the \$52,000 will not be able to meet the requirement to access purchase housing without significant subsidy. The subsidy will need to be perceived by financial institutions as a large equity contribution towards the property purchase.

¹⁰ The yield of 4 - 5% has been adopted from the Valuer General of Victoria guidance documents for valuers.

This places individuals/lone households in Geelong who qualify for affordable housing in a position where the purchase of a dwelling is unachievable without considerable subsidy.

SHARED EQUITY

Overview

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

- Compared with conventional mortgage arrangements, shared equity can enhance affordability for homebuyers by reducing both deposit requirements and ongoing housing costs
- It may provide mortgage lenders with opportunities to expand into new markets and offer equity investors a more flexible opportunity to invest in residential real estate other than through direct investment
- More broadly, shared equity approaches can contribute to policy reform and offer a means of leveraging in more, and more appropriate, forms of affordable housing. To achieve this outcome, equity investment is required.

Inevitably, these benefits have risks associated with them, and the viability and relative attractiveness of shared equity depends upon favourable financial and housing market contexts. The relatively complex nature of such arrangement's vis-a-vis standard home loan products emphasises that they cannot be seen simply as a mechanism for addressing barriers at the time of home purchase. These innovative frameworks also require the ongoing support of government policy commitment.

Shared equity initiatives are closely integrated within, and connected to the housing markets in which they operate. Individual and community equity schemes relate to and depend on housing market contexts in different ways; the nature of this relationship acts as a defining characteristic between them.

Community equity arrangements seek to preserve affordability over time within the housing stock and, arguably, a distinct sub-market would be established tied to that supply. Although segmented, it would be wrong to suggest that a clear detachment from wider housing market activity and considerations would exist in this context.

If and when residents move home, then issues regarding the interface between scheme and market at the time of exit will have an impact on options available for mobility in the market.

Individual equity arrangements have a more explicit link to the market context in which they operate. In effect, they seek to work within the parameters of market values and aim to assist households meet those values.

These concepts are outlined in this diagram:

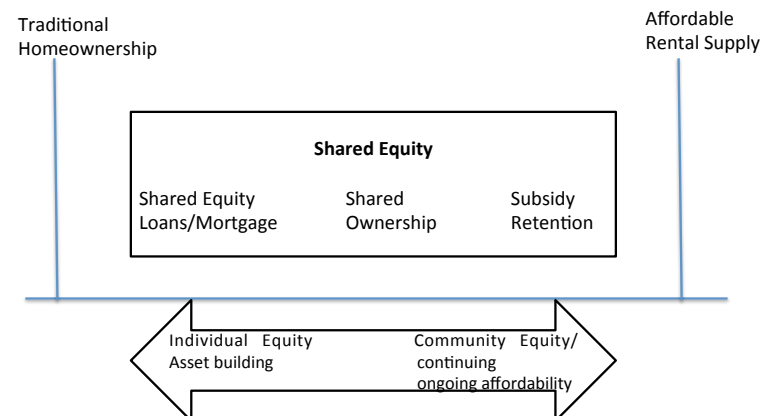


Figure 4 - Shared equity – market positioning

Shared equity loan arrangements are typically, but not always, in the form of mortgages. They consist of a first mortgage taken out by the purchaser on a proportion of the full cost of the property, and a second subordinate loan, set against the remaining portion of that cost. Sometimes the secondary loan may take the form of a covenant deed (as is the case in Western Australia’s Keystart First Start loan).

Either way, this second element, held by the partner, represents an equity share in the property for the loan period, which is recouped alongside a share in capital appreciation at the time of sale. Determination of return on the equity share is dependent on the nature of the contract. There is an expectation that purchasers will buy further equity tranches and eventually progress to full ownership.

The question that arises, however, is who will hold the equity for the long-term? The equity being held is usually the equivalent of between 20 per cent and 30 per cent of the dwelling cost. The other issue is what constitutes a fair and equitable division of equity when the dwelling is sold.

The shared equity partner is not a joint owner of the home. They share only in the appreciation gains, or depreciation value, when the property is eventually sold. This is called a shared appreciation arrangement.

The shared equity partner’s stake will depend on the percentage of equity when compared with the original property value, multiplied by an appreciation factor of usually 1.4 or 1.5.

For example, if the shared equity were to be 20 per cent, then the following would apply:

Property value increases	
Value of property at pay out of loan	\$600,000
Less value of property at purchase	\$450,000
Appreciation	\$150,000
Shared equity share of increase \$150,000 x 28%	\$42,000
Occupant share of appreciation gain	\$108,000

Shared ownership schemes have several distinguishable characteristics. Shared ownership purchasers typically make repayments on the mortgage component, but pay rent on the remaining portion. The partner has a stronger ongoing interest in the property, particularly at the time of selling on.

As with shared equity schemes, shared ownership has traditionally enabled primary owners to “staircase” their equity share in tranches to outright ownership when they wish to, at a price based on market values. The Barnett Model is one such example of the shared ownership.

Shared equity mortgages (and to a lesser extent, shared ownership) offer approaches largely predicated on market growth as a means of assisting asset building by individual households. Although public subsidy will be recouped by the provider at the time of loan discharge – market conditions willing – gains can be seen to accrue disproportionately to the purchaser at the expense of recouping a “fairer” share given that initial subsidy to help preserve ongoing affordability or what can be called “community equity”.

While subsidy retention models are based on equity sharing principles, they are predicated on the “community’s” share of the equity staying with the actual home, which acts to reduce the cost to the next buyer.

Consideration of issues relating to the interface between shared equity arrangements and the housing market within which they operate should not simply start and end at the point of enabling access and purchase. Arrangements also need to relate to the market context for the duration of the loan.

Alongside consumer and market considerations, how shared equity is financed and the financial contexts within which schemes operate in Australia must be examined. There are two foci for consideration:

1. An overview of the financing arrangements of government-backed agencies is provided, outlining the similar structures within which these schemes operate, but also highlighting differences in terms of governance and flexibilities to act as full commercial concerns.
2. The role of private-sector engagement and leadership in helping build the potential of shared equity is considered, including innovation in the financial markets to foster conducive frameworks for lender, investor and consumer interest.

Government-backed agencies essentially operate within the market as commercial concerns, interacting with the financial markets much as other lenders do. Benefiting from guarantees or support agreements that, in turn, provide access to funding at a favourable rate, government-backed agencies have been risk-averse in recent years, tending not to expose themselves to the potential for higher margins – and therefore higher risk. Nevertheless, they operate as commercial concerns, and provide a return on equity albeit at lower rates than expected by investors from the larger banks.

Therefore, while subsidy has been involved (certainly in the establishment phase), over time such arrangements have demonstrated that such agencies can sustain their lending portfolios, have space to innovate, and indeed can contribute to broader affordable housing funding arrangements while still targeting those households perceived as greater risk by mainstream lenders. Restrictions are now occurring, not due to demand but purely the investment of funds. By contrast, private lender interest in shared equity has been almost nonexistent since the global financial crisis

Of course, shared equity and sub-prime are quite different things, but the markets' reduced confidence in knowing what has been packaged up, and what those asset

classes are now really worth, ensures that such assurances are largely circumstantial. This is likely to further restricted by whatever recommendations are contained in the final report from the banking royal commission as we move towards a more cautious banking environment in the short-term.

Discussions have been held with members of the Federal Government regarding the implementation of a shared equity scheme. The discussions are in the very early phases.

BUILD TO RENT

Overview

Build to rent is the process whereby developers and their financiers build multi-unit buildings and, instead of selling the units, retain them to let to tenant households. Rents may be set at market prices or, for affordable and social housing, at an appropriate discount to market rents.

The ABS defines “private rental housing” and “renter: private landlord” as an economic relationship between a household and landlord; that is:

“... a household paying rent to a landlord who is a real estate agent; a parent or other relative not in the same household; or another person not in the same household”. (ABS, 2017b).

The profile of build to rent mostly tends towards apartments, small households and people on lower incomes, but the degree of difference between build to rent and the broader housing system varies between household incomes and locations.

Rental housing tends also to be occupied by lower-income households. Income quintiles across Australia's rental closely align with other housing tenures in Australia.

In Australia, housing investment is mostly financed by credit, and this credit is mostly provided by banks. During the past 20 years, housing credit has expanded with the development of new funding sources. At the moment, private individuals with small holdings are the predominant type of landlord. But most countries in the world also have some large corporate landlords (LCLs) and a few have recently seen rapid growth in very large, new LCLs. The origins of LCLs are diverse, but their recent activity has been facilitated by government programmes: for example, in Germany, municipal housing privatisation; in the USA and Ireland, post-GFC

programmes for the disposal of impaired assets. There are various regimes for regulating rent increases, security against landlord termination and, less commonly, rents for new tenancies.

There are several factors restricting the growth of large-scale build to rent schemes in Australia; one is the source of finance. This comes largely from banks, which have limits on investor lending as a part of their portfolio management and serviceability buffers. There are increased risk weightings for housing investment returns, loan to value ratios and low returns.

Real Estate Investment Trusts (REITs) are also emerging as an important funding mechanism for rental housing investment. Used for decades in Australia by the commercial property sector, REITs are vehicles for the ownership of large property portfolios in which investors buy units that entitle them to receive rent and other revenue. REITs are restricted from retaining revenues and from some trading activities. Property revenues are taxed lightly or not at all at the level of the REIT, the rationale being that property revenues flow through the REIT to investors, at which level they may be taxed. For some years REITs have operated in the US “multi-family” (apartment) rental housing sector.

Larger institutional landlords are, however, present in most countries and their activities are becoming more significant. In most places, including Australia, institutional landlords are active in niches of the private rental sector, particularly the student accommodation subsector. Some of this has grown from the rectification of impaired assets from the GFC; others from transfer of institutional assets; and some have a historical context.

Build to rent is an established practice in both the UK and the US, but has yet to be fully taken up in Australia. However, the Federal opposition has noted that it will continue to support a build to rent model, including the reintroduction of NRAS for institutional investment if it were to be re-elected in the future. The Federal opposition noted it would seek a model that will offer either a tax incentive or subsidy to provide properties at a discounted rent to eligible renters (eligibility will be defined via income ranges). It is also noted that the Property Council and Urban Development Institute are both supportive of such models and have commenced a campaign for consideration with the Federal Government.

The question is what levers would a federal government implement to introduce build to rent? They could include:

- A reduction in market rental
- A subsidy in the form of cash payments
- Taxation settings
- Qualifying renter eligibility
- Property management.

To encourage institutional and large corporate landlords’ investment in the build to rent sector in Australia, the regulation of the terms of landlord–tenant law, with a focus on the regulation of rents, tenant obligations, landlord security and tenants’ security against termination by landlords, need to be considered and somewhat standardised.

The identified barriers for institutional investment in the Australian market that reduce the attractiveness of build to rent for investment by the large banks, insurance companies and the superannuation funds, include:

- **Low returns.** The Australian private rental market is made up of a diverse collection of small landlords who have a variety of motivations for supplying rental housing. Consequently, income yield is seldom high enough to attract professional investors, who are well informed about alternative investment opportunities that yield higher returns for equivalent or lower risk, except where tax shelters deliver adequate compensating benefits. This was evident with the NRAS scheme
- **High risk.** Rental investment generates significant and multiple risks associated with revenue flows, financing costs, operation and management, and public policy changes. It is this coupling of low returns with high risks that provides the basic barrier to institutional involvement in this sector
- **High management costs.** Property and tenancy management costs are high on a per dwelling basis. Institutions prefer to allocate large tranches of funds in order to spread transaction costs, including the heavy compliance and due diligence processes that must accompany their investment decisions. The rental sector as it is configured does not meet this requirement

- **Illiquidity.** All property assets are illiquid by comparison with asset classes such as equities (shares). The institutions will invest in commercial property, directly and through company or trust structures, but generally require a premium on the rate of return
- **Poor market information.** Information on property values and their movement over time is incomplete and uneven in quality, by comparison with the minute-by-minute tracking of share prices, for example. This makes it difficult for investors to accurately calculate and price risk on property assets. Uncertainty replaces risk, which tends to load a further premium on the required rate of return
- **No track record.** Allied to a lack of good market information, institutions have no real experience of large-scale investment in rental housing in this country to judge outcomes. Untried investment niches normally require a pioneering investor and a “novelty” premium on the rate of return.

Systems

Private

There are two scenarios to be considered with the Private Build to rent, one is the institutional investor that will build a whole building for 100% build to rent as discussed above, the other option to be considered is the developer who retains or sells a portion of the dwellings to be rented at a below market rent to eligible renters.

The Inner Councils within Melbourne Councils are considering a model developed by Robert Pradolin (Prads model) where the applicable mechanism for management of the dwellings would align with the established NRAS criteria. The only applicable mechanism for the management of the dwellings would be via a Registered Housing Association or Entity. This would mean that the dwellings would be managed in line with the legislative requirements for NRAS. The rent would charge at 75 per cent of market rent of the local area being either the LGA or ABS Geographic Statistical Division. Renters would be those defined as low to moderate income earners, on the basis of the legislative framework. The maximum return the investor would get would be 75 per cent of the full market

rent. The affordability would remain on the dwellings for the economic life of the building (usually 25 years).

To entice an Australian investor to purchase a dwelling that has a discounted rent, the purchase price would also need to be discounted proportionately. Typically, this would be about 20 percent of the purchase price.

The ongoing affordability aspect of this model would be managed via a caveat agreement on title.

The developer would be expected to select a Housing Association/entity to administer the rentals and associated reporting.

Management

The consideration in any future build to rent scheme would be management of the properties. Council may consider that a Registered Housing Association must manage them. However, a private rent to build could have an entity such as a registered real estate agent manage. The key considerations for Council are:

1. The need to be satisfied that the organization has demonstrated experience and has a proven track record in managing affordable housing and tenancies in an integrated development.
2. That the tenancy and property managers assigned to the dwellings are trained and have experience in managing client groups in an integrated development.
3. That the Entity has the capability to undertake all the reporting requirements that may be necessary in any restrictions on title.

RENT TO BUY

Overview

In 2015, the UK government instigated a rent to buy programme to encourage low-income households to save money while renting so that they would have a sufficient deposit to put towards buying a home in several years' time. As part of the scheme, the UK government offered £400 million in loans to Housing

Associations and social landlords to build 10,000 new homes for potential lower income rent-to-buyers.

In September 2016, the rent to buy programme became part of the Shared Ownership and Affordable Homes Programme 2016-2021. Social landlords let rent-to-buy homes to lower-income working households at a rent of up to 80 per cent of the local market rent in order to give tenants the opportunity to save for a deposit to buy their first home (either their rented home, or another one if they wanted to).

The homes are being offered at the reduced rent for a minimum of five years and let on assured short-hold tenancies for a fixed term of less than two years. If after five years of letting, the landlord wants to sell the property, the existing tenants have a right of first refusal. If the tenants don't want to buy, the landlord can retain the property as rented housing (at either affordable or market rate rent) or sell it on the open market. If after five years (or longer if they choose) the tenants ask to buy their home, the landlord is expected to agree to sell it "except in the most exceptional circumstances". When the home is sold or moved to a market rent, the landlord will repay the UK Government grant.

The price for the home will be the market price at the time of the actual sale and not the price of the property when the home was first rented five or more years earlier. The buyers will need to get a bank loan to buy their home.

There are risks for lower-income tenants. If house prices increase significantly then they may not be able to afford the mortgage on the property when it comes time for the landlord to sell, or the money they have saved towards a deposit is still not enough. In such cases, the tenants could have to find a new residence (albeit with a saved deposit).

In the UK, government rent to buy schemes are ways to help lower income households buy a home. In Australia, rent to buy contracts offered by private vendors are very different arrangements and have even been banned by one state (South Australia). Other states are preparing legislation to do (Victoria and New South Wales).

The legislative framework established by the UK Government to support rent to buy is shown in this table and compared with Australia.

Table 17 Comparison Rent to Buy, UK and Australia

Conditions	UK	Australia
Authorised government scheme	Yes	No
Approved social landlord	Yes	No
Rent discount to market rate to let the tenant build a deposit	Yes	No
Right to buy after specified time	Yes	Yes
Financial loss to tenant if they decide to not purchase the property	No	Yes
Tenant covered by residential tenancy law	Yes	Yes
At start of contract, state the value of the property at time of sale to tenant	No	Yes

Systems

Illegal in Australia

In Australia, rent to buy describes a private vendor (i.e. non-government) scheme whereby a tenant pays rent and the costs associated with an option to buy the rental property in the future (usually at an inflated "future" price to cover anticipated property price rises) from the vendor. The rent to buy contract requires the tenant to source finance from a bank or other mainstream lender so as to buy out the vendor at a determined future date.

The Consumer Action Law Centre identifies that tenants are usually lower-income householders who are not able to get a loan from a mainstream bank or credit society because they don't have a large enough deposit, can't afford the mortgage repayments or have a poor credit history.

Of course, as the tenant was not able to satisfy the requirements of mainstream lenders in the first place, they are very unlikely to get a loan when the rent to buy contract expires. As a consequence, the tenant forfeits all option monies paid to the vendor, and often is evicted from the property.

The Consumer Action Law Centre has noted that it “has seen no examples of successful rent to buy deals. These schemes do not enable people who could otherwise not buy a property to achieve home ownership. They are extremely financially risky and the legal protections for buyers are grossly inadequate”.

Rent to buy contracts are illegal in South Australia; both Victorian and New South Wales are in the process of legislating to ban such schemes and the Consumer Action Law Centre recommends that they be banned throughout Australia.

Australian Mirror of UK

The key to a successful implementation of a rent to buy scheme will be to ensure that the tenant has the financial capacity to enter into such a transaction. With Australia’s state-based income levels, such a scheme’s implementation could prove difficult. In most instances, for a single person the minimum would be \$52,000 per year but more likely in this instance, it would be appropriate as a commencement benchmark; that is more likely for individuals earning closer to \$60,000 per annum and households at \$100,000.

To date, there have been no replicable models in Australia. However, with the MAKE/Assemble model now being implemented – and containing encumbrances concerning the inflationary growth of the property during the rent period, the rent being at or below market and the option to purchase being fair and reasonable – it is a model that could be considered.

The MAKE/Assemble model provides a market niche that allows it to be considered, as the potential purchasers initially enter a residential tenancy on an apartment that they may consider purchasing some five years later. An option to purchase is entered into at the time of the residential tenancy agreement. However, the option is also available for the tenant/purchaser to opt out at any point during the tenancy.

The suggested criteria for consideration is:

Table 18 Rent to Buy criteria

Conditions	
Compliance with government legislation	Given the outlawing of the rent to buy schemes that target the vulnerable, clear legal opinion on compliance with both Federal and State legislation regarding any proposal should be a priority. The banning of some rent to buy schemes will require a current legal opinion.
Tenancy management	A comprehensive management system that is operated by experienced staff.
Rent discount to market rate to let the tenant build a deposit	The rent will need to meet investment criteria while always reflecting a risk/return measure. If the criteria are met, then a discount to rent can be made.
Right to buy after specified time	The right to purchase should be applied to a legal option that includes a clearly defined period for purchase and a purchase price of the property at time of sale to tenant.
Financial loss to tenant if decide to not purchase the property	The tenant savings should be with an APRA approved financial institution and not available to the vendor of the property. If the tenant decides not to purchase the property at the completion of the option period, the funds must be returned to the potential purchasers
Tenant covered by residential tenancy law	Any rent to buy schemes must be covered by the appropriate state residential tenancy act. Ongoing compliance.

The key investment factors for consideration in a rent to buy scheme such as the MAKE/Assemble model are:

- Sizable investment opportunities and product base. The model is easily replicable across inner and middle ring suburbs in major cities
- Active asset management
- Potential for development activity.

COMMUNITY LAND TRUSTS

Overview

A Community Land Trust (CLT) is a form of shared ownership of a property, where the land component of a residential property is owned by community based, not-for-profit legal entity and the actual building is owned (or leased long-term) by an individual household.

As CLTs remove land costs from the cost of housing they can make housing more affordable, particularly in markets where increases in land value outpace income gains for lower income workers. The CLT will charge an ongoing ground lease (i.e. a form of rent) for the land, often payable monthly by the householder. This ground lease may be subsidised for low income households so as to make housing affordable.

CLTs offer householder's many of the benefits of home ownership, including householder's control over a dwelling, security of tenure and transfer of occupancy rights, and the potential for some asset wealth building. The ground leases on which the homes are built are inheritable, and properties on leased land can be bought and sold at prices determined by a resale formula spelt out in each CLT's ground lease.

When the householder decides to sell, any increases in the value of the property are limited through the use of predetermined price formulae instead of being based upon open market values. The intention is that, rather than the initial subsidy dissipating when the household sells, the community partner's ongoing financial interest ensures the home will remain affordable for future households.

The benefits come from assisting lower income households into affordable rental or housing ownership, which can relieve the strain on housing assistance programs.

CLTs are a more common form of land ownership in the USA and the UK. In the US, CLT housing ranges from affordable rentals in boarding houses to buyers of single-family houses, townhouses, and apartments.

In the US most CLTs have relied on government or philanthropic subsidies (including land donation) to get going, and, in general, begin to cover their ongoing operational costs when they are leasing over 200 housing units. Householders are only able to fund their home purchase through long-term, fixed-rate mortgages, which means all parties are aware of the ongoing costs.

Application

CLTs may have potential application in Geelong to address affordable home ownership concerns, increase the range of housing tenure options available as the Federal and State Government support programs for affordable housing change. CLT foster community development and social capital, and maintain a stock of perpetually affordable housing options. CLT's carry a dual focus on ongoing affordability and community development that enables substantial flexibility in their operation. Hence, while largely promoted or perceived as a home ownership model, CLTs in the US and UK provide boarding houses, affordable rentals, cooperative housing and mortgage home ownership, as well as community, commercial and open spaces. Most CLTs provide more than one of these tenures' options across diverse portfolios of non-contiguous sites, and many partners with other organisations to address relevant issues in individual CLT jurisdictions, such as youth unemployment, drug and alcohol issues, food security, child care and so forth.

As CLT's are property based programs the advantages that they offer are making a particular property affordable to a targeted household type and income, and then maintaining its affordability over time. Key aspects are:

- All impose a long-lasting set of contractual controls over the resale of publicly assisted, privately owned homes, ensuring that every time they change hands these homes will be resold at an affordable price to another income-eligible household. This is intended to create a permanent stock of resale-restricted, owner-occupied housing.
- All require or involve a body dedicated to monitoring and enforcing long-term contractual controls regulating the occupancy and affordability of

owner-occupied housing units; protecting the condition of these units; and, preventing foreclosures among the owners of these units.

- All require outside funding, both to lower the initial purchase price of homes and to subsidise operations of the organisation charged with long-term stewardship body until the portfolio of resale-restricted, owner-occupied housing becomes large enough (at around 200 units) to become self-sustaining.
- All require education and/or training of prospective residents to firstly, ensure familiarity with home ownership requirements and the particularities of the model they are buying into and secondly, generate a pool of buyers with the knowledge and skill to meet the obligations and responsibilities that come with owning a newly built or refurbished home.

The key features of the CLT that must be met for successful implementation are described below.

- **Non-profit, tax-exempt corporation** - All CLTs are registered non-profit organisations.; since most CLTs focus on renewing derelict areas, providing housing to low-moderate income people.
- **Dual ownership** - Once the organisation acquires parcels of land throughout a targeted area, to hold in perpetuity, any buildings existing or developed on that land are subsequently sold off to individuals, condominium owners (bodies corporate), community rental housing providers, cooperatives, or other non- or for-profit groups.
- **Leased land** - Full usage rights to the land parcels are granted to the buildings' holders via a long-term (usually 99-year) renewable ground lease. A ground lease fee is attached to this lease and paid to the CLT.
- **Perpetual affordability** - The CLT holds an option to repurchase any home ownership properties on its land if an owner chooses to sell. The price is determined by a resale formula contained in the ground lease. Each CLT designs its resale formula so as to try to balance equity returns to the seller with affordability to the buyer. This is intended to maintain the affordability of the stock in perpetuity while enabling a degree of equity gain to the seller.
- **Community control** - In the US and UK CLT Board has two-thirds of its

members elected from among residents of the area—with one-third drawn from CLT residents, and one-third from non-resident CLT members.

- **Tripartite governance** - In addition to those two-thirds, the last third of the CLT's governing board is drawn from representatives of the public at large, such as local administrators, financiers, other non-profits, local businesses, chambers of commerce, etc. This three-part structure is intended to allow residents, the broader community and the public at large to have an equal voice in the governance of the organisation and ideally, to prevent any one interest dominating.
- **Flexible development** - In the US CLT sector has undertaken development of housing ranging from boarding houses, through affordable rentals and cooperatives, to single-family houses, townhouses, and condominiums. The physical stock includes individual apartments, entire apartment buildings, duplexes, individual homes, ecovillages and cohousing, as well as community, commercial and open spaces.
- **Resale formulae** - Home ownership resale formulae can be tailored to reflect the local market and the intentions of the CLT.
- **Maintenance and improvements** - CLTs vary in their policies and procedures regarding regular maintenance and capital improvement of properties. Again, these controls aim to balance householders' and the community's rights and responsibilities.

Challenges

The CLT model, although operating extensively in the USA and in an expansion phase in the UK, is less well known in Australia. It is yet to be implemented at scale in Australia. The challenges that the implementation of a system that is unknown are:

- CLTs are not common in Australia, where most property sales contracts entwine ownership title of the land and the building (if there is one).
- Banks and finance - Because CLTs are a new type of product, they require a new type of understanding from lenders.
- Land Lease - Banks can lend against interest in land, including 99-year leases. Currently, 99-year leases apply across a range of leases, including pastoral leases and residential land leases. However, lenders

need to assess security before lending, which implies that in the case of default, there is an asset that can be repossessed and sold. By virtue of holding title to the land, the CLT as landowner is ultimately responsible for securitising any loan made to an individual from a lender who has entered into a lease on CLT land. In Australia, banks already lend on 99-year lease residential properties in the ACT.

SOCIAL HOUSING

All states, excluding Victoria, have endorsed and agreed to the National Housing Regulator. The Regulator manages the compliance and financial readiness of the Registered Housing Entities. The Regulator has the Housing Associations divided into Tier 1, Tier 2 and Tier 3. The division is based upon capacity to grow, financial resources and management of tenancies.

Community housing organisations are not-for-profit corporations that own and/or manage community housing and are registered by Federal and/or State Housing Regulators. Housing Associations and Providers are independent companies that are overseen by a skills-based Board.

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

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

Tier 2 and 3 Housing Associations and Providers are managers of housing portfolios (not developers). Housing Associations and Housing Providers vary hugely in size. The largest Housing Associations have more than \$600 million in assets, while the smaller Housing Providers may have a portfolio of less than \$200,000. Housing Associations are developers and managers of social housing; Housing Providers generally only manage housing. Large Housing Associations are sophisticated property development and management corporations.

Housing Associations have differing rent policies, starting from 25 per cent to 30 per cent of pension income and increasing to 75 per cent of market rent/30 per cent of employment income.

Housing Associations will consider the following commercial options (or variations of them) to develop/acquire dwellings:

- Acquisition of newly built dwellings on the open market when they reach completion
- Acquisition of existing units, which may require upgrade work
- Purchase of dwellings from a developer/builder with progress payments made during construction
- Development of new dwellings by the Housing Associations themselves, involving land purchase, financial approval, engagement of consultants, design, approvals, tendering and construction, all under the control of the Association and at the Association's risk.

Housing Associations and Providers are usually tax concession charities and, subject to meeting certain requirements, are exempt from income tax, capital gains tax, fringe benefits tax and GST. They may also be exempt from stamp duty, land tax and, in some cases, council rates. Housing Associations and Providers may also have Deductible Gift Recipient status, meaning donations to them are tax deductible by the donor.

Community housing organisations have financial and operating benefits not available to State housing organisations and private developers, most notably:

- They do not pay GST on the cost of constructing housing
- They have greater flexibility in the sale and re-investment of property
- Their tenants are eligible for Commonwealth Rent Assistance whereas State Government housing tenants are not.

The opportunity offered by a development structure with a Housing Association as a Tax Concession Charity, and excluding the GST as a part of the costs, will be a key point in achieving an outcome that is financially sustainable for the development.

Housing Associations and Providers can raise debt to purchase dwellings. However, the capacity to raise debt is limited by:

- The tenant profile, as dwellings are leased at a submarket rent and thus income to repay is greatly reduced
- The requirement by financial institutions for the Housing Associations to meet commercial hurdles of two times earnings; that is, they must cover repayments with double the income) to achieve funding. As a consequence, this reduces the amount that can be borrowed.

People who occupy social housing dwellings have high needs in relation to access to medical and social needs care and regular reliable public transport. People in social housing are generally on very low incomes and as such car ownership is often not available and if car ownership is available there is a need

to keep operating costs low. Homes Victoria guide that in considering any social housing the following access to amenity needs must be met:

Amenity	Distance from dwelling
Access to shops (supermarket, butcher, fruit and vegetable, pharmacy)	800m -
Access to regular and reliable public transport	800m
Access to education	Primary 800m – Yes Lara Lake PS Secondary 1,500m – Lara Secondary
Access to community services	800m – appears at shop centre
Access to health services	800m at shop centre
Access to employment	1,500km into geelong

FUTURE GROWTH

The key to the social housing industry’s future through Housing Associations is that governments, in consultation with Housing Associations, establish a clear industry vision with defined policy objectives, and specify medium-term growth strategies and targets to realise that vision.

Whether involving new finance or the redirection of existing housing subsidies, government financial support is essential to complement private financing of additional social housing supply. Inadequate government co-funding is the primary capacity constraint that providers currently face in their efforts to expand affordable and social housing. Affordable housing targets mandated through the planning system are a highly likely as a complementary reform.

Continuity of policy and funding settings is crucial to build confidence in the industry, maintain momentum for reform, and attract private investment at scale. In this regard recent volatility has damaged industry capacity and wasted resources.

A complete overhaul of the existing provider regulation system is required. Regulatory compliance does not allow (but rather stifles) reform. Supporting institutions and frameworks lack necessary capacity. A web of supporting institutions and frameworks is crucial in maximising industry effectiveness. Industry-wide, there is general agreement about the key capacity shortcomings.

Industry regulation needs a major overhaul to complete national coverage, refine the regulatory framework, enhance regulatory capacity, curb regulatory burden (e.g. duplicate contractual regulation) and align regulatory effort with a new policy direction.

A lack of political leadership and dismantling of housing policy-making capacity in government agencies in recent years has hindered industry development. This has contributed to a lack of mutual understanding about affordable housing operations and how to fulfil their leadership, policy-making and regulatory roles.

A major overhaul of industry data and analytical capacity is required to identify the costs of affordable housing provision, improve accountability for tenant outcomes, inform resource allocations and improve services. Optimising publicly available information about the industry, such as publishing more regulator-collected data, will raise the industry’s profile, facilitate identification of capacity deficiencies and help secure public and private financing.

The provider part of industry needs to strengthen its leadership and profile, invest in professional development and continue to build capacity in its supporting institutions and networks.

Employee development within the industry needs more attention. Industry-specific competencies required include specialist property development and development finance ability; long-term asset management and asset-management planning; complex tenancy management; culturally adapted housing services; and contract management. Priorities also include safeguarding the industry’s ethos and core social values and embedding in future leaders a balance of commercial skills and dedication to affordable housing and community development.

Industry leadership representing provider interests must be strengthened. To foster its development and represent its interests, the provider part of the industry will need to fortify its leadership and network more effectively with governments and other stakeholders. Presently, affordable housing providers have a low profile and peak bodies and peer networks are small and under-resourced. The recent absence of an effective national industry peak combined with diverse state-level approaches to industry development has contributed to fragmentation and duplication of effort and resources.

Industry development frameworks need to be explicitly linked to growth plans and targets. Past funding for capacity-building activities by governments and the industry has had mixed results. State and territory government efforts have been inhibited by the absence of a national framework for industry growth to which their capacity-building strategies could be aligned.

10 ATTACHMENT 2 – OVERVIEW OF AUSTRALIAN DEMOGRAPHICS

Australian dwelling prices have grown much faster than incomes, particularly since the mid-1990s. Long-term, prices have risen rapidly in all cities and most regions, although there are variations from year to year.¹¹ Average prices have increased from about two to three times' average disposable incomes in the 1980s and early 1990s, to about five times more recently¹². Median prices have increased from around four times' median incomes in the early 1990s to more than seven times today (and more than eight times in Sydney)¹³.

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

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

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

But the ageing of the Australian population has concealed a greater fall in home-ownership rates during the past 20 years for all but the oldest households. Younger Australians have always had lower incomes and less accumulated

savings, hence lower home-ownership rates. But between 1981 and 2016, home ownership rates among 25-34 year olds fell from more than 60 per cent to 45 per cent (see Figure 5). Only some of this is the result of people starting work, forming long-term partnerships, and having children later in life. Ownership of one's own home has also fallen for middle-age households, suggesting that most of the fall in home ownership is due to higher dwelling prices rather than changing preferences for home ownership among the young.

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

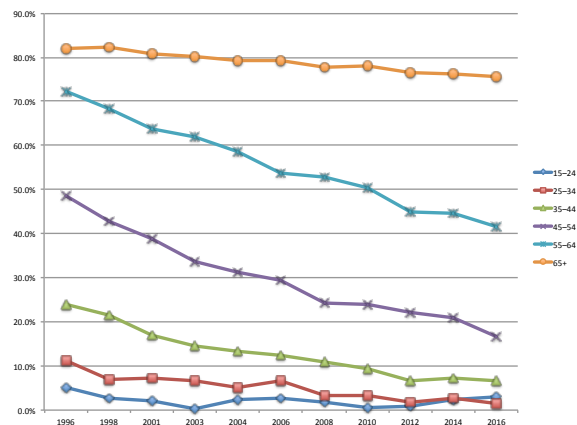
¹¹ Stapledon (2012).

¹² C. Kent (2013); Ellis (2017a); and Fox and Finlay (2012).

¹³ The median dwelling price compared with median household disposable income is the best price-to-income measure, but median measures are often not as readily available as

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

Figure 5 - Home ownership rates via age groups (%)



If this is Further extrapolated to home ownership rates by age and income in 1981 and 2016, and reviewed against the quintiles as was done by Burke¹⁴, the resultant information shows a dramatic fall in home ownership among the 25-34 age group, particularly for those at or below the median.

Table 19. Home ownership rates by age and income, 1981 and 2016 (%)

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

¹⁴ Burke et al. (2014). Burke, T., Stone, W. and Ralston, L. *Generational change in home purchase opportunity in Australia*. 232. Australian Housing and Urban Research Institute

¹⁵ Daley et al. (2014). Daley, J., Wood, D., Weidmann, B. and Harrison, C. *The wealth of generations*.

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

Existing trends suggest that a greater proportion of people reaching retirement age will be renting and that more of them will depend on the private rental market rather than social and public housing (Table 20).

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

Table 20. Percentages of households that own home outright, by age group

Year	15-24	25-34	35-44	45-54	55-64	65+
1996	5.1	11.1	23.9	48.5	72.2	81.9
1998	2.6	7.1	21.4	42.8	68.2	82.4
2001	2.0	7.2	17.1	38.8	63.9	80.7
2003	0.3	6.8	14.5	33.6	62.0	80.2
2004	2.4	5.0	13.4	31.4	58.6	79.2
2006	2.7	6.5	12.4	29.3	53.7	79.2
2008	1.8	3.4	10.8	24.2	52.8	77.8
2010	0.6	3.3	9.3	23.9	50.3	78.1
2012	0.8	1.8	6.8	22.1	45.0	76.4
2014	2.5	2.7	7.4	21.0	44.6	76.3
2016	3.0	1.5	6.5	16.6	41.6	75.5

The Grattan Institute report *The wealth of generations*¹⁵ showed that today's generation of young Australians are at increasing risk of being worse off than their parents. Older Australians are capturing a growing share of the nation's resources.

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

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

Table 21. Percentage of 20-34 year olds who are the head of their household

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

Table 22. Australian cities, housing tenure

Tenure	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart
Owned outright	472,635	479,374	208,811	151,060	193,636	28,213
Owned with a mortgage	539,917	567,574	281,867	179,648	289,273	30,136
Rented:						
Real estate agent	371,592	334,535	180,552	67,555	100,638	10,570
State or territory housing authority	67,845	35,767	25,863	26,038	19,710	4,467
Person not in same household	84,502	79,396	50,233	37,106	52,694	7,474
Housing co-operative/community/church group	10,275	6,636	4,016	5,472	2,861	797
Other landlord type	12,018	9,577	8,791	4,264	5,750	720
Landlord type not stated	7,020	6,545	3,300	2,022	2,770	418
Total	553,249	472,462	272,751	142,460	184,428	24,448
Other tenure type	14,183	12,777	6,656	7,806	7,319	744
Tenure type not stated	43,899	42,294	19,374	11,468	15,620	2,092
Overall total	1,623,872	1,574,474	789,464	492,448	690,280	85,630

Table 22 of housing tenure across Australia cities shows the fall in outright ownership and even ownership with a mortgage. The growth of rental housing in our two biggest cities is also evident.

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

Table 23 – Change in housing tenure in Australian Capital Cities from 2011 to 2016 census data

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

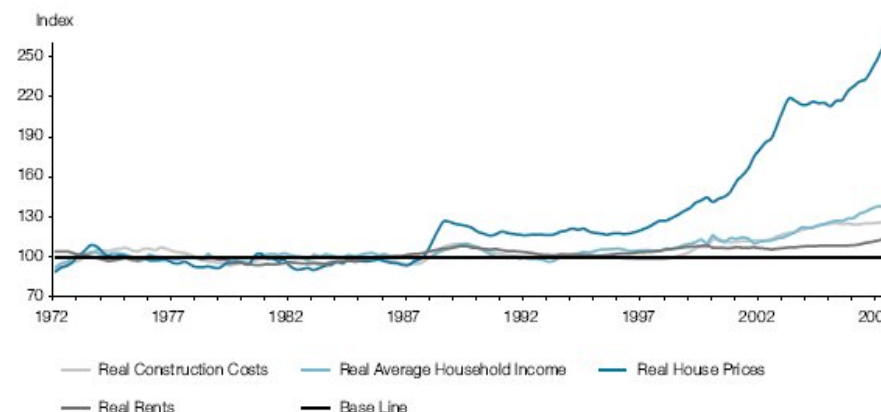
Those not stating the tenure type is significant, as is the growth on private rentals.

The income distribution across age groups is particularly relevant when considering those eligible for affordable housing on a state-by-state basis and purchasing capacity and other forms of entry to affordable housing as may be available

Historically, Australia has been comparatively well served by a housing system comprising home ownership for the majority, private rental housing as a transitional tenure on the path to home ownership, and long-term public housing leased to lower income households (“social housing”). However, long-term structural shifts in the economy, society and housing markets have challenged these traditional foundations.

Over time, a combination of economically and demographically induced increases in housing demand, as well as a land supply constrained by urban settlement patterns, has contributed to increases in real house prices in Australia (see Figure 6).

Household incomes have risen more slowly than house prices and, in simple terms, houses are less affordable on a variety of the commonly used measures.



Source: National Housing Supply Council State of Supply Report 2008

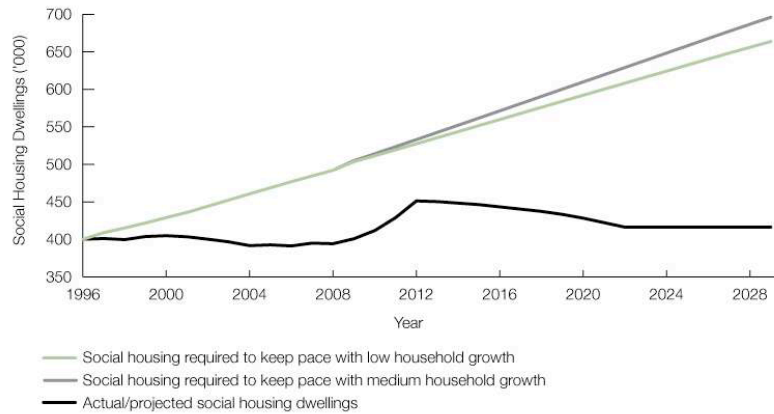
Figure 6 - Increase in housing prices in Australia

The social housing component of rental supply has not increased to satisfy the demand and is not a realistic supply alternative to the private rental market as it:

- Is only 3% of total housing stock, a much lower proportion than other O.E.C.D. countries; and
- Has been rationed to the most disadvantaged.

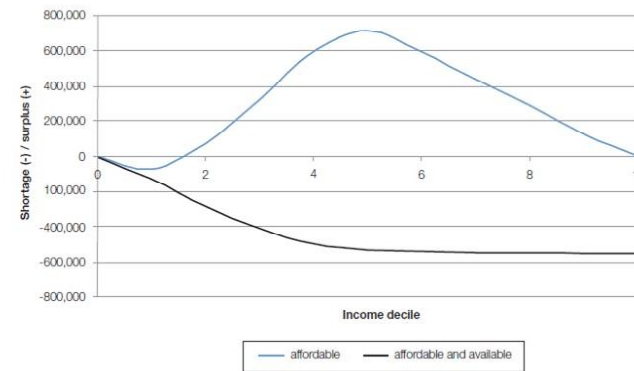
The profile of social housing tenants has changed from what might be termed the “working poor” to a high percentage of non-working tenants with complex needs. In many locations, this has resulted in communities where the life pathways are downward not upward, and there is little on offer to help a person with a disability.

The graph that follows demonstrates the large gap between demand and supply¹⁶. The gap is currently closing; however, it remains large and will get larger in the absence of future investment. Under both current and future scenarios, people who are disadvantaged – in terms of housing in Australia – are in critical need of an active, focused and effective mechanism to represent their interests.



Source: A Progress Report to the Council of Australian Governments from Commonwealth, State and Territory Housing Ministers

Figure 7 - Gap between demand and supply in housing in Australia



Source: National Housing Supply Council State of Supply Report 2008

Figure 8 - Gap between affordable housing supply and demand

The above graph, taken from the recent National Housing Supply Council 2nd State of Supply report (2010), indicates that not only is there a negative amount of affordable housing for all people in the first three deciles of income, but that what housing is available to them is likely to be occupied by people with higher incomes.

¹⁶ A Progress Report to the Council of Australian Governments from Commonwealth, State and Territory Housing Ministers – *Implementing the National Housing Reforms, November 2009*,

published by the Victorian Government Department of Human Services on behalf of the Housing Ministers Conference available at www.coag.gov.au p.16

The National Supply Council predicts that the required new dwellings to support Victorian growth by 2030 are:

Table 24 - Demand for dwellings by 2030 in Victoria

Area	Low growth rate	Medium growth rate	High growth rate
Melbourne	595,000	581,000	697,000
Victoria remainder	129,000	136,000	143,000
Victoria	722,000	717,000	830,000

It is further estimated that by 2029 lone person households will be 31.6% of households.

Australian dwelling prices have grown much faster than incomes, particularly since the mid-1990s. Over the long term, prices have risen rapidly in all cities and most regions, although there are variations from year to year¹⁷. Average prices have increased from about two to three times average disposable incomes in the 1980s and early 1990s to about five times more recently¹⁸. Median prices have increased from around four times median incomes in the early 1990s to more than seven times today (and more than eight times in Sydney and Melbourne)¹⁹.

Population growth is a basic, if often overlooked, factor in differences between housing systems. High population growth means that a housing system needs to continually add new stock, which may have implications for the replacement of old stock; the investment of resources in new supply needs also to be financed and

¹⁷ Stapledon (2012).

¹⁸ C. Kent (2013); Ellis (2017a); and Fox and Finlay (2012).

¹⁹ The median dwelling price compared with median household disposable income is the best price-to-income measure, but median measures are often not as readily available as

implemented. Volatility in rates of growth may pose challenges for the planning, financing and marketing of housing. All these factors may have implications for the distribution of housing between sectors and between people.

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

But the ageing of the Australian population has concealed a greater fall in home-ownership rates during the past 20 years for all but the oldest households. Younger Australians have always had lower incomes and less accumulated savings, hence lower home-ownership rates. But between 1981 and 2016, home ownership rates among 25-34 year olds fell from more than 60 per cent to 45 per cent (see figure 5).

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

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

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

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

Accurate predictions for the growth of household formation relative to income have not been available since the Abbott Government ceased the work of the National Housing Supply Council. However, the work of the National Supply Council has remained valid and indicates we should expect a rapid increase in lone person households, mostly at the expense of family households. It also indicates a need for a diversity of housing types to meet changing household structures in the future.

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

ABS	Australian Bureau of Statistics.
AHURI	Australian Housing and Urban Research Institute.
Bond Aggregator	To raise money at lower rates from the wholesale bond market for not-for-profit community housing providers. It also allows Registered Housing Associations to borrow at lower rates.
Community Housing Industry Association (CHIA)	Community Housing Industry Association (CHIA), the industry body representing Housing Associations and Housing Providers.
Community housing	Housing managed by not for profit organisations that are registered as either Housing Associations or as Housing Providers by the Australian or Victorian Registrar of Housing.
CRA	Commonwealth Rent Assistance is a non-taxable, income supplement payment added to the pension, allowance, or benefit of eligible income support customers who rent in the private rental market. RHAs are considered to be part of the private rental market, but state-owned public housing is not.
Deductible gift recipient	Deductible gift recipient status means that donations to recipients are tax-deductible by the donor.
ESD	Environmentally Sustainable Design.
Key worker	An employee who provides a vital service, especially in essential services such as health and education.
NBESP	Nation Building Economic Stimulus Packages comprising the Social Housing Initiative, which resulted in the construction of approximately \$1.5 billion in low-income housing in response to the 2007/2008 global financial crises. This programme has ended, and no more funding is available.
NHFIC	National Housing Finance and Investment Corporation. Established by the Federal Government to manage the Bond Aggregator and other federal grants related to affordable housing.
NFP	Not for profit.
NHSC	National Housing Supply Council.
NRAS	National Rental Affordability Scheme. A subsidy paid to private landlords for 10 years when dwellings are rented to eligible tenants at less than 80 per cent of market rent.
Private rental brokerage	A service to help people find and keep accommodation in the private rental market.

Public housing	Public or social housing that is owned or leased by the State Governments of Australia
Registered Housing Association (RHA)	Registered housing agencies are not for profit organisations that provide affordable rental housing for low-income households, registered as Housing Associations and maybe nominated as Tier 1, 2 or 3 by the Federal Registration process.
Risk matrix	A risk matrix is used during risk assessment to define the level of risk, by considering the probability or likelihood of a risk occurring against the category of consequence severity.
Risk mitigation strategy	Risk mitigation strategy is defined as taking steps to reduce adverse effects.
SEIFA	Socio-Economic Index for Areas, produced by the ABS.
Shared equity schemes	Financing arrangements where the equity required for home ownership is shared between the occupant (often a former tenant) and government or a NFP community housing provider.
Social housing	Social housing is an umbrella term that covers both public and community housing. Its provision usually involves some degree of subsidy.