

Defining affordable housing and a
minimum supply of social housing

for knox

Document 3:1



NOTE: This paper is as reported to, and subsequently adopted by Council in September, 2011.

It reflects point-in-time, contemporary data available at the time including 2006 Census data, 2010 housing affordability data, and Council policy framework and initiatives in place at the time of its preparation.

The purpose of this paper is primarily to provide context and an outline of the process behind development of a methodology for defining a minimum supply of social housing.

This methodology has subsequently been strengthened (with the availability of a more robust source of data on the number of social housing dwellings at a local government area level) and the data updated in the companion papers (May 2015)

- **'Minimum supply of social housing, Knox (2014-2036)'**
- **'Minimum supply of social housing, Eastern Metropolitan Region (2014-2036)'**



Defining affordable housing and a minimum supply of social housing for knox

Document 3:1

Prepared by

Darlene Swan, Social Researcher; Sharon Barker, Social Planner; Claire Anderson, Project Manager – Strategic Planning; and Cael Leskovec, Student Planner, Knox City Council

September 2011
Using data from the 2006 Census





Table of Contents

1. Executive summary	06
2. Introduction	07
3. Context and background	08
Affordable housing needs in Knox	08
Council's affordable housing policy framework and key initiatives	10
Affordable housing regulators, associations and providers in Victoria	11
4. Affordable housing	12
Why define affordable housing for Knox?	12
Affordable housing terms and definitions	14
5. Social housing – justification and methods for defining a minimum supply for Knox	17
Why Council should define a minimum supply of social housing	17
Strategic justification for determining a method for defining a minimum supply of social housing: linking a 'number' with 'need'	17
The recommended method for defining a minimum supply of social housing in Knox	18
Addressing the shortfall over time – annual supply level	19
Other needs that could be considered when defining a minimum supply of social housing	20
Using the definitions of affordable housing and minimum supply of social housing for Knox	22
6. Appendices	24
Appendix 1 - Affordable Housing Action Plan 2007-12 – progress to date	24
Appendix 2 - How much would an 'affordable' house cost in Knox?	26
Appendix 3 – Methods for defining a minimum supply of social housing for Knox	28

executive summary

Housing affordability is a growing problem in Australia and a key issue for many Knox residents. While many factors that influence housing affordability are beyond the control of Council, there are actions that can be taken at the local government level.

This Paper discusses current housing affordability issues, defines key 'affordable housing' terms including 'affordable housing', 'social housing' and 'public housing' and proposes a method and justification for calculating a minimum supply of social housing required to accommodate people in Knox in significant need. For the purposes of calculating a minimum supply, a focus upon social housing is proposed (rather than the broader subject of affordable housing), as Council has a greater capacity to influence this market.

The Paper can be used as an instrument to: inform Council, State and Commonwealth Governments, social housing providers, private developers and other relevant stakeholders of local affordable and social housing needs and requirements to 2030; enhance collaboration and build partnerships to respond to the affordable and social housing shortage; and provide baseline data against which Council can monitor and measure progress in addressing housing affordability in Knox.

The Paper recommends that:

1. Clear and specific definitions of 'affordable', 'social' and 'public' housing be consistently used by Council;
2. A focus on **social housing**¹ be adopted for the purposes of defining a minimum supply of affordable housing, as Council has a greater capacity to influence this market;
3. A minimum supply of social housing be calculated using the method – **Minimum supply benchmarked to the 'need' of low-income, non-home-owning households and acknowledging the availability of affordable private lettings** – as this approach will accurately respond to the needs of the most vulnerable and disadvantaged households in Knox. This equates to an additional 700 social housing dwellings in Knox to 2030;
4. A five-year timeframe be utilised to calculate an annual minimum supply of social housing for Knox to ensure that the critical housing needs of the most disadvantaged residents are addressed by 2015. This equates to 95 dwellings per year from 2010 to 2015 to reach a point where supply matches need, then 15 dwellings per year thereafter to 2030 to maintain parity;
5. The definitions of affordable housing and minimum supply of social housing for Knox be acknowledged in a range of Council policies and documents (as they are updated), including –
 - The *Knox Affordable Housing Action Plan 2007-2012*,
 - The *Knox Housing Statement 2005 (updated 2007)*,
 - The Municipal Strategic Statement in the *Knox Planning Scheme*, and
 - Council's *Sale of Council Land and Buildings policy*.

¹ The term 'social housing' is defined as 'Non-profit housing owned and managed for the primary purpose of meeting social objectives, such as affordable rents, responsible management, security of tenure and good location in relation to employment services. The term encompasses public housing and includes housing owned or managed by the community. This housing generally provides for households on very low incomes' and is discussed in more detail on pg 13.



introduction

Housing affordability is a growing problem in Australia. The Housing Industry Association recently stated: *'Ensuring an adequate supply of quality affordable homes is perhaps the foremost challenge facing Australia today'*². The Age has also reported on the rapid decline in home ownership in Melbourne, even amongst middle-income households³.

Housing affordability is a key issue for a significant number of Knox residents. Lack of housing choices in Knox is a significant weakness identified in Council's Community Health and Wellbeing Strategy Profile⁴. Knox experienced a doubling of median house prices between 2000 and 2006 and there has been a sharp decline in outright home ownership. Rental and mortgage stress are a strong feature of the Profile data, with several northern suburbs of Knox unenviably holding top-10 status for the highest number of households in Melbourne experiencing housing stress and above average mortgage default rates. The current sizes and types of housing in Knox are inadequate to respond to the increasing trend towards smaller households, particularly sole and older-person households as the population ages, creating a dwelling-to-household mismatch.

Many factors that influence housing affordability are beyond Council's control, such as rapid population growth, a shortage of supply, federal tax legislation which favourably treats property speculation, foreign property ownership and, arguably, Commonwealth and State Government first home buyers' grants. However, Council does have roles to play as a planner, provider, partner and advocate in increasing housing affordability in Knox. These roles are outlined in the Knox Affordable Housing Action Plan 2007-2012⁵.

In September 2010, Council committed to a series of strategies and actions to strengthen its approach to affordable housing⁶. One of these strategies is to *identify the need for affordable housing, provide a definition and set targets* for Knox. Defining the

categories of affordable housing and calculating a minimum supply of social housing required to accommodate people in significant need would contribute to this goal.

The purpose of this paper is to explore housing affordability at a local and broader level, define affordable housing terminology such as 'affordable', 'social' and 'public' housing, and propose a method and justification for defining a minimum supply of social housing for the City of Knox. The Paper sets out the following issues.

- Context and background:
 - » Affordable housing needs in Knox;
 - » Council's affordable housing policy framework and key initiatives; and
 - » Affordable housing regulators, associations and providers in Victoria.
- Affordable housing:
 - » Why define affordable housing for Knox?; and
 - » Affordable housing terms and definitions.
- Social housing – justification and methods for defining a minimum supply for Knox:
 - » Why Council should define a minimum supply of social housing;
 - » Strategic justification for determining a method for defining a minimum supply of social housing: linking a 'number' with 'need';
 - » The recommended method for defining a minimum supply of social housing;
 - » Addressing the shortfall over time – annual supply level;
 - » Other needs that could be considered when defining a minimum supply of social housing; and
 - » Using the definitions of affordable housing and minimum supply of social housing for Knox.

² Housing Industry Association, *Media Release*, August 2010.

³ Colebatch, T. 2010, 'Ownership out of reach', *The Age*, 14 September 2010.

⁴ The Profile provides a comprehensive set of statistical data on the key health and wellbeing issues in Knox.

⁵ Discussed further in Appendix 1.

⁶ Council report endorsed at 28 September 2010 Council meeting. The definitions of 'affordable housing' are discussed further in the 'How can affordable housing be clearly defined?' section of this paper.



context and background

Affordable housing needs in Knox

Shelter is a basic human right that is enshrined in international covenants and legislation. When people have secure and affordable housing that is appropriate to their life circumstances, other needs can be met, such as employment, education and life opportunities. However, many people in Knox currently do not have access to, or are at risk of being denied, this basic human right.

Housing is a significant weakness identified in Council's Community Health and Wellbeing Profile. There has been a sharp decline in outright home ownership in Knox, with a doubling of median house prices between 2000 and 2006. Rental and mortgage stress are a strong feature of the data, with several northern suburbs of Knox holding top-10 status for the highest number of households in Melbourne experiencing housing stress. There is also evidence of a dwelling-to-household mismatch, as the sizes and types of housing fail to keep pace with the needs of smaller households, particularly sole and older-person households as the population ages.

While Knox, particularly areas in the north-east, has traditionally had relatively better housing affordability compared with the metropolitan average (based on median house price), this gap has been closing over recent years. Affordability is declining as growth in median household income has failed to match the growth in house prices. The median house price in Knox between Census periods (1996-2006) increased by 160%, compared with a 40% increase in median household income over the same period. Consequently, in Knox, as in Melbourne generally, the average household income is not high enough to comfortably service the mortgage on an average house.

The following table shows how much an 'affordable' house in Knox would cost in 2010 (*Appendix 2* sets out the methodology and data used in more detail). This was completed with a view to potentially investigating whether a housing developer would be able to provide appropriate housing within that budget.

The following table shows the result of this study.



'Affordable' dwelling price (house & unit) to the typical Knox household (2010)								
Estimated 2010 median ⁷ household income (annual)	Estimated median monthly household income	Maximum monthly mortgage repayment (principal & interest) to avoid housing stress (mortgage to income ratio @ 30%)	Maximum mortgage that can be serviced (90% of house value)	Affordable dwelling price (assuming 10% deposit)	Median house price (May 2010)	Affordability gap (house)	Median unit price (May 2010)	Affordability gap (unit)
\$69,000	\$5750	\$1725	\$250,000	\$278,000	\$440,000	-\$162,000	\$350,000	-\$72,000

The study found that to be affordable, a dwelling purchased in Knox in 2010 would need to be priced around \$280,000. This is 20% *lower* than the current median unit price and 37% *lower* than the current median house price in Knox.

Appendix 2 also sets out the methodology and data used to compare 'affordable' rents for different property types with the median rent for such properties in Knox in 2010. This was completed with a view to identifying any affordability gap for rental properties in Knox. The following table sets out the results of this exercise.

'Affordable' weekly rent, lower income households, Knox (2010)				
Indicative household type	Single on Newstart	Single parent, one child	Couple on Newstart, two children	Couple on Newstart, four children
Property type	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms
Weekly income	\$228	\$433	\$635	\$803
Rent assistance	\$57	\$67	\$67	\$75
Affordable rent (30% of weekly income plus rent assistance)	\$125	\$200	\$260	\$320
Median rent Knox (June 2010)	n/a	\$280	\$290	\$340
Affordability gap per week	n/a	-\$80	-\$30	-\$20

The study found that current median rents for different sized properties in Knox are between 6% (for a 4 bedroom property) and 40% (for a 2 bedroom property) *higher* than what is affordable to lower income households receiving a Centrelink income, representing a significant affordability gap.

Also evident is the absent (or negligible) profile of one bedroom rental accommodation in Knox. This is a particular concern in an ageing society, seriously compromising the ability of small households to 'age-in-place'.

⁷ The median is the mid-point of a data set that separates the lower half from the upper half when the data is ordered from highest to lowest. The median is a measure of central tendency and so modifies the influence of extreme values which can skew the result when identifying an average. Median household income, for example, is the level of income at the mid-point – where half the incomes in Knox are above this amount and half are below.



Council's affordable housing policy framework and key initiatives

The following table sets out Council's policies, plans and initiatives that inform and drive its affordable and social housing goals.

Council policy, plan or initiative	Description
Council resolution to strengthen the approach to affordable housing	On 5 December 2008 Council gave in-principle support to strengthen its approach to increasing the availability of affordable/social housing in Knox as proposed by the Knox Affordable Housing Reference Group. This decision followed an Issues Briefing on the subject on 6 October 2009. On 28 September 2010, Council resolved to consider and endorse a range of additional strategies and actions to strengthen Council's approach to affordable housing.
Knox Community Health and Wellbeing Strategy 2009-13	Identifies 'housing choice' as one of its top six priorities for action. The term 'housing choice' includes housing affordability, rental and housing stress ⁸ , and diversity of housing types.
Knox Housing Statement 2005 (updated 2007)	Sets direction for the preferred locations for all future housing and encourages a variety of housing types and sizes to help meet the changing needs of Knox households. Provides the policy framework for the Knox Affordable Housing Action Plan 2007-12 which drives activities to increase the supply of affordable housing in the City of Knox. The Statement confirms that: 'Council is committed in its role as planner, provider, advocate and partner to increase the supply of affordable, accessible housing and social housing'.
Knox Planning Scheme	State and local sections of the Scheme encourage provision of affordable housing, e.g. through a greater variety of housing types and sizes and a greater supply of social housing. There is no ability to specify mandatory requirements for affordable and/or social housing.
Knox Affordable Housing Action Plan 2007-12	Comprises action objectives, outputs, outcomes and timelines to increase housing affordability in Knox in accordance with Council's role as planner, provider, partner and advocate. See Appendix 1 for a summary of the progress of the implementation of the Action Plan to date.
Knox Affordable Housing Reference Group	Established by Council in 2007 to: provide overall strategic input into the development, implementation, monitoring and ongoing refinement of the Knox Affordable Housing Action Plan; and collaborate and partner with relevant organisations to develop and implement common strategies to increase the availability of affordable housing in Knox.
Establishment of the Eastern Affordable Housing Alliance (which comprises the seven eastern metropolitan Councils)	Established in April 2010 to: <ol style="list-style-type: none"> 1. Represent the affordable housing needs and priorities of the region and significant parts of it; 2. Advocate for improvements in housing affordability that generally have region-wide benefits; 3. Advocate to State and Federal governments and other appropriate parties for increases in affordable housing supply, finance and housing subsidies; 4. Work cooperatively with Councils, governments, statutory planning authorities, registered housing associations and other stakeholders as needed; and 5. Encourage and maintain a democratic and consultative decision-making process in determining affordable housing needs and Alliance activities, in conjunction with State and Federal governments and including community participation.
Review of Sale of Land and Buildings policy	The policy includes a social component, which seeks to weight decisions concerning the sale of Council's land and buildings in accordance with its social agenda and policies.
Your Knox – Managing future housing needs	Funded for the 2010-11 financial year, this project involves a review of current housing-related planning controls and the production of a new suite of clear, easily understood planning controls that will better implement the Knox Housing Statement. Part of the project brief is to explore opportunities for increasing affordable housing in Knox through the planning system.
Structure Plans for activity centres	Most Structure Plans for Knox's Principal and Major Activity Centres contain objectives to increase the supply of affordable housing within centres; some identify specific sites considered suitable for affordable and/or social housing.

⁸ As will be shown later in the 'How can affordable housing be clearly defined?' section, people are defined as being in housing stress if they are spending 30 per cent or more of their income on rental or mortgage repayments.



Affordable housing regulators, associations and providers in Victoria

Both the private and public sectors have a role to play in increasing the supply of affordable housing. In particular, the Commonwealth and State governments provide a range of financial incentives and initiatives to assist people to access affordable housing. The Commonwealth also utilises the taxation system to increase housing affordability by, for example, the National Rental Affordability Scheme which allow owners certain tax offsets on their dwellings.

Private rental properties contribute to the supply of affordable housing. According to the June 2010 Housing Rental Report⁹, 5% of private rental properties in Knox were affordable to lower income households (defined as those receiving Centrelink incomes).

The Knox Affordable Housing Action Plan focuses primarily on actions to increase the supply of **social** housing as a component of affordable housing. There are three key players involved in the provision, regulation and management of community owned and/or managed social housing in Victoria:

1. Director of Housing – provides policy development; funds and leases housing to registered agencies, funds housing support and homelessness services; provides service delivery by ‘owning’ and managing a portfolio of 65,000 houses;
2. Registrar of Housing Agencies – is supported by the housing registrar unit of DHS, registers community-based organisations that provide affordable housing; and
3. Registered housing agencies – are not-for-profit, non-government organisations that develop and/or manage social housing, comprising registered housing associations and registered housing providers.

There are nine *registered housing associations* in Victoria which both develop and manage social housing in Victoria. Their role is to grow social housing by leveraging upon government funding and existing property portfolios. Housing associations must be companies limited by shares or guarantee. The nine housing associations are:

1. Common Equity Housing Limited;
2. Community Housing (Vic) Limited;
3. Loddon Mallee Housing Services Limited;
4. Melbourne Affordable Housing¹⁰;
5. Supported Housing Limited¹¹;
6. Rural Housing Network Limited;
7. Yarra Community Housing Limited;
8. Port Phillip Housing Association Limited; and
9. Wintringham Housing Limited.

Community Housing (Vic) Limited, Loddon Mallee Housing Service Limited and Melbourne Affordable Housing are currently operating in Knox.

There are also 31 *registered housing providers* in Victoria which are responsible for managing Director of Housing properties, as well as managing and/or owning other properties. Registered housing providers can be companies limited by shares or guarantee, incorporated associations or co-operatives. Nine of these operate in Knox or the Eastern Metropolitan Region of Melbourne.

All registered housing agencies must comply with seven performance standards set-out in the *Housing Act* 1983 which relate to:

1. Governance of the agency;
2. Management of the agency;
3. Probity;
4. Financial viability;
5. Tenancy management;
6. Housing management and maintenance; and
7. Risk management.

⁹ Housing Rental Report, Department of Human Services, June 2010

¹⁰ Melbourne Affordable Housing and Supported Housing Ltd have merged operations and trade as Housing Choices Australia.

¹¹ See above.



affordable housing

Why define affordable housing for Knox?

There are plenty of quantitative and qualitative data which confirms that housing affordability is a significant issue in Knox. As demonstrated above, Council is committed to increasing housing affordability in Knox. However, Council does not have an agreed method for defining a minimum supply or an accurate understanding of the additional level of supply needed to meet minimum requirements.

This uncertainty does not help social housing providers to understand exactly what the local social housing needs are. It also makes negotiations with developers as potential providers of affordable private housing difficult, as there is not even a starting point for the appropriate supply that should be provided. Such negotiations are done on a voluntary site-by-site basis that lacks transparency and consistency, with Council in a weak negotiation position and largely reliant on the goodwill of the developer. To date, Council has had only moderate success in negotiating an affordable housing contribution, with the 3% social housing provision as part of the Austral Bricks site redevelopment the only known example. Furthermore, the lack of a clear affordable housing target means it is difficult to measure the progress in increasing housing affordability.

An agreed position on a minimum supply of affordable housing in Knox could:

- Give Council accurate details of the local affordable housing needs;
- Establish the number and proportion of future housing in Knox that should be affordable;
- Provide social housing providers (such as the State Government and registered housing associations) and private housing providers (i.e. developers) with information so they can target developments in Knox that meet local need;

- Help to highlight the housing affordability issue in Knox, form part of Council's existing marketing and communications strategy and be utilised as a lobbying tool;
- Inform negotiations for a voluntary contribution to affordable housing from private land developers when land of a particular size (and other parameters) is proposed to be developed;
- Assist Council to justify prioritising affordable housing on Council owned sites;
- Inform the development of partnerships with affordable housing stakeholders; and
- Provide baseline data against which Council can monitor changes in affordable housing supply in Knox.

While there has been some progress with affordable and social housing policies, strategies and programs in Victoria, our research has not found any examples of local governments in this State that have successfully set and achieved a minimum supply of affordable housing. However, there are several examples of this progression in the other States.

At the State level:

- The *Housing Plan for South Australia (2005)* sets a target for 15% of housing in all new significant developments to be affordable and was supported through changes to legislation, a practice known as 'inclusionary zoning'. The implementation of the 15% is focussed on government land, declared major developments and significant rezonings or changes in use to residential from non-residential uses. The affordable homes are then offered to eligible buyers through the Affordable Homes Program. Ongoing data for the program is limited, however, 160 affordable homes were supplied in the first five months and 400 homes across the State were expected to be supplied per annum¹².

¹² Department for Families and Communities, Affordable Housing Innovations Program Overview.



- In Queensland, the Urban Land Development Authority's (ULDA) *Housing Affordability Strategy (2009)* sets an affordable housing target for a minimum of 15% of all dwellings developed across the Urban Development Areas to be affordable to people on low to moderate incomes¹³. Unfortunately, no data exists for this target due to the relatively recent introduction of the Strategy.

At the local level, several local governments in New South Wales have set their own targets:

- Willoughby City Council in Sydney's north has developed a mandatory scheme to collect developer contributions for affordable housing. The scheme, which is enforced through the *Willoughby Local Environmental Plan*, currently requires that 4% of total floor space of new dwellings within identified Willoughby Local Housing Precincts is to be provided as affordable housing¹⁴. Council is currently seeking to have the scheme expanded to land being rezoned for residential purposes or to a higher residential density. Since 1999, a total of 10 units and monetary contributions have been provided.
- Waverley Council in Sydney's east developed the *Affordable Housing Program* in 2006, a voluntary scheme which offers developers a floor space ratio bonus or a larger building envelope if a proportion of the additional units provided are affordable. Waverley Council appointed Bridge Housing to manage the affordable housing resultant from the program, which by 2010 totalled 27 properties¹⁵.

- Defining a minimum supply of affordable housing must be based on strong evidence, regardless of its potential use. In July 2010, in the case of *Merri Merri Developments Pty. Ltd. vs. Darebin City Council*¹⁶, the Victorian Civil and Administrative Tribunal (VCAT) ruled upon the appropriateness of Council imposing a housing requirement as a condition for a planning permit. Council sought to apply a 15% 'social' housing requirement on a 93 dwelling application as a permit condition. The term 'social' housing was used interchangeably with 'affordable' and 'public' housing. As such, VCAT decided that the term 'social housing' was not clearly defined and was too vague to be accepted as a permit condition. It also decided that the 15% figure had no strategic justification. As such, VCAT resolved not to include the social housing requirement as a permit condition.

This case has two implications for Knox City Council in seeking to define a minimum supply of affordable housing for the municipality:

1. **Clear definitions of affordable, social and public housing are needed; and**
2. **Strategic justification for the method of defining a minimum supply of affordable housing is required in accordance with identified need in Knox.**

¹³ Urban Land Development Authority 2009, *Affordable Housing Strategy*.

¹⁴ Willoughby City Council 2010, 'Affordable Housing', [Online] <http://www.willoughby.nsw.gov.au/WLEP2009-Affordable-Housing.html> [Accessed 29 September 2010].

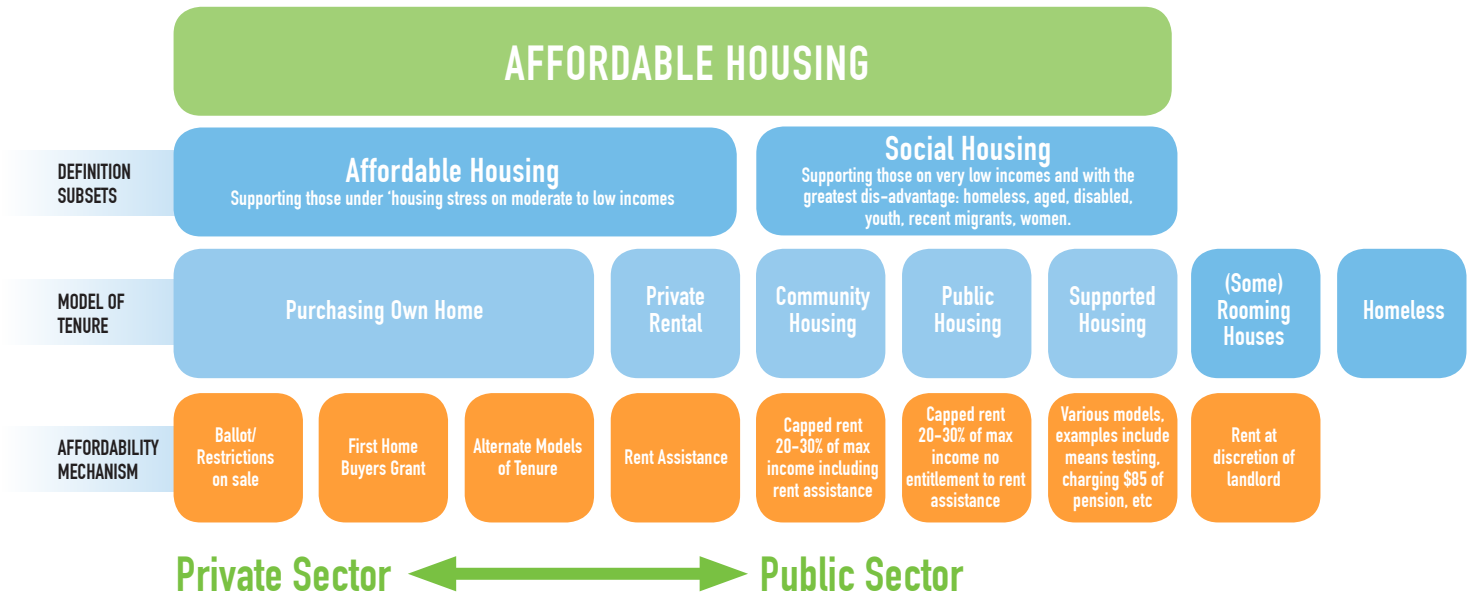
¹⁵ Bridge Housing 2010, *Annual Report*.

¹⁶ Victorian Civil and Administrative Tribunal 2010, *Merri Merri Developments Pty. Ltd. vs. Darebin CC (includes Summary) (Red Dot) [2010] VCAT 1045 (9 July 2010)*, [Online]



Affordable housing terms and definitions

'Affordable housing' is an umbrella term which refers to housing that is within the financial means of its occupants¹⁷. As the following diagram shows, affordable housing and social housing are both subsets of affordability, each with their own models of housing tenure and mechanisms to secure this housing.



(Whitehorse City Council 2009, Affordable Housing Discussion Paper, adapted from Moonee Valley City Council 2006, Social and Affordable Housing Discussion Paper).

Smaller houses and smaller blocks, such as dual occupancies, villa units, townhouses and apartments, can contribute to affordable housing. State Government and Council planning policies encourage these types of housing in locations close to infrastructure and services, where there is an opportunity to also reduce transport costs.

Housing affordability is not only the purchase or rental cost of a house, but also the ongoing running and maintenance costs. Large and/or poorly designed homes require more heating and cooling, further reducing ongoing affordability. Well-located housing that is affordable to maintain and use is therefore also important.

17 City of Whitehorse 2009, Affordable Housing Discussion Paper.



Housing affordability is often linked to 'housing stress', the result of unaffordable housing. A 2010 study into the definitions of housing stress in Australia¹⁸ found that three definitions are commonly used:

1. '30-only rule'. This is the most basic of the ratio measures of housing stress. According to this rule, a household is defined to be in housing stress if it spends more than 30% of its disposable or gross income on housing costs. This rule is commonly used by home lenders and real estate agents¹;
2. '30/40 rule'. This is a narrower variant of the '30-only rule'. In this rule, a household is said to be in housing stress if it spends more than 30% of its disposable or gross income on housing costs and the household also belongs to the bottom 40% of the equivalised disposable income distribution. This is the most common definition and was first used in the Australian National Housing Strategy;
3. '30/10-40 rule'. This approach goes one step further to exclude the bottom 10% of the income distribution. A household is defined as being in housing stress if it spends more than 30% of its disposable or gross income on housing and falls in the bottom 10-40% of the equivalised disposable income distribution. This has been used by the ABS in the past.

The study found that the '30-only rule' includes too many households in the housing stress definition, while the '30-10-40 rule' excludes too many. The study concluded that the '30-40 rule' is the most accurate definition of housing stress.

While similarities exist between States, there is no agreed definition of affordable housing in Australia. The Victoria Planning Provisions mention affordable housing and social housing in Clause 16.05 and Clause 52.41 respectively. However, the provisions do not provide clear definitions for these terms.

Melbourne 2030, the State Government's strategic plan for metropolitan Melbourne, provides definitions for both these terms. The *Knox Affordable Housing Action*

Plan adopts the *Melbourne 2030* definition of affordable housing:

Well-located housing, appropriate to the needs of a given household, where the cost (whether mortgage repayment or rent) is no more than 30 per cent of that household's net income. Exceeding the mark places one under 'housing stress', particularly in the lower 40 per cent of the income distribution scale (Melbourne 2030: Planning for Sustainable Growth).

Social housing is defined in *Melbourne 2030* as:

Non-profit housing owned and managed for the primary purpose meeting social objectives such as affordable rents, responsible management, security of tenure and good location in relation to employment services. The term encompasses public housing and includes housing owned or managed by the community (Melbourne 2030: Planning for Sustainable Growth).

Affordable housing is defined differently and arguably with greater clarity in the other States. In New South Wales, affordable housing is defined in the *Environmental Planning and Assessment Act 1979* act as follows:

Affordable housing means housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument (Environmental Planning and Assessment Act 1979).

This definition is translated into the State Environment Planning Policies. They consider that a household has a very low, low and moderate income if its gross median annual income is less than 50%, between 50 and 80%, and between 80 to 120% of the median income for the Sydney statistical division, respectively. Housing is thus deemed affordable if these households spend no more than 30% of their income as mortgage or rent. This definition allows for a clear income figure which can be updated when new data becomes available.

¹⁸ Nepal, B., Tanton, R. & Harding, A. 2010, 'Measuring Housing Stress: How Much do Definitions Matter?', *Urban Policy and Research*, Vol. 28, No. 2, p. 211-24.



In South Australia, the Affordable Homes Program uses a similar model in their definition of affordable housing. They define affordable housing as housing for people whose household incomes are described as low to moderate. The program defines a low income as up to 80% of the gross annual median household income of metropolitan Adelaide or regional areas and a moderate income as between 80 and 120%. An indicative affordable purchase or rental price is then provided based on the 30% income rule. These affordability indicators are updated annually in the Government Gazette.

However, as demonstrated above with the interstate examples, housing affordability definitions tend to focus more broadly on the affordable housing subset. It is important that a definition for affordable housing includes both the affordable housing and social housing subsets¹⁹.

Given that *Melbourne 2030* defines affordable housing and social housing, and the *Knox Affordable Housing Action Plan* has adopted these definitions, it is proposed to use them as the basis for Knox's definitions, with some minor variations.

Affordable housing

'Housing where the cost (whether mortgage repayment or rent) is no more than 30 per cent of that household's income. Exceeding the mark places one under 'housing stress', particularly in the lower 40 per cent of the income distribution scale.

This housing generally provides for households on low and moderate incomes. '

This definition is based upon the definition used in *Melbourne 2030* and the *Knox Affordable Housing Action Plan* and includes reference to the household type it usually provides for.

Social housing

'Non-profit housing owned and managed for the primary purpose of meeting social objectives, such as affordable rents, responsible management, security of tenure and good location in relation to employment services. The term encompasses public housing and includes housing owned or managed by the community.

This housing generally provides for households on very low incomes. '

This definition is based upon the definition used in *Melbourne 2030* and the *Knox Affordable Housing Action Plan* and includes reference to the household type it usually provides for.

Public housing

'Non-profit housing owned and managed by the state government for the primary purpose of meeting social objectives, such as affordable rents, responsible management, security of tenure and good location in relation to employment services.

This housing generally provides for households on very low incomes. '

As *Melbourne 2030* and the *Knox Affordable Housing Action Plan* do not provide definitions of public housing, our definition is modelled on the definition of social housing.

Applied to all definitions

'This housing should be well-located^{*20} and appropriate to the needs of a given household^{**21}

RECOMMENDATION # 1

It is recommended that clear and specific definitions of 'affordable', 'social' and 'public' housing be consistently used by Council.

19 Disney, J. 2007, *Affordable Housing in Australia: Some Key Problems and Priorities for Action*, National Forum on Affordable Housing, Australian Housing and Urban Research Institute.

20 * For more detail on 'well-located' housing, refer to Clause 21.05 of the Knox Planning Scheme. Examples include activity centres and properties with direct frontage to the Principal Public Transport Network.

21 **Housing 'appropriate to the needs of a given household' should be assessed on a case-by-case basis. Examples include housing appropriate for a lone person household, families, a person with a particular disability etc.



Social housing – justification and methods for defining a minimum supply for Knox

Why Council should define a minimum supply of social housing

In light of the Darebin VCAT decision and the need for a clear definition and strategic justification, it is recommended to narrow the focus to **social** housing, rather than **affordable** housing for the purposes of defining a minimum supply. The reasons for this include:

- Social housing provides for the most vulnerable and disadvantaged households with the greatest need, i.e. those on the lowest ('very low') incomes;
- Increasing the supply of social housing is the main focus of the Knox Affordable Housing Action Plan 2007-2012;
- Council is better positioned to influence the social housing market in partnership with social housing providers than the private housing market, which is largely responsible for the provision of affordable housing;
- The primary means for influencing private development, the Victorian planning system, does not allow Council to require developers to contribute to affordable and/or social housing, however, there are opportunities to strengthen Council's negotiation position by defining a minimum supply;
- Rigorous and current data is available that provides strategic justification for defining a minimum supply of social housing in Knox; and
- Social housing is clearly defined.

RECOMMENDATION #2

It is recommended that a focus on social housing be adopted for the purposes of defining a minimum supply of affordable housing, as Council has a greater capacity to influence this market.

Strategic justification for determining a method for defining a minimum supply of social housing: linking a 'number' with 'need'

Clear strategic justification is needed to support a method for defining a minimum supply of social housing in Knox that links the 'need' for this type of housing with the 'number' of households requiring it. Five methods which achieve this have been explored below.

1. **Minimum supply based on metropolitan Melbourne averages.** Social housing as a share of total housing stock (3.2% in 2006) or number of social housing dwellings per 1000 population (13.5/1000 in 2006).
2. **Minimum supply benchmarked to the 'need' of low-income, non-home-owning households.** Social housing linked to meeting the housing needs of households in greatest need – defined as those in the lowest 10% of equivalised household incomes²² that do not own their home outright.
3. **Minimum supply acknowledging the availability of affordable private lettings.** Social housing number adjusted to reflect the availability of private lettings that are 'affordable' for low income households (rents that are not more than 30% of the income of households on Centrelink benefits).
4. **Minimum supply benchmarked to the 'need' of low-income, non-home-owning households and acknowledging the availability of private lettings.** Social housing number linked to the needs of households in the lowest 10% of equivalised household income that do not own their home outright and adjusted to reflect the availability of affordable private lettings to meet some of these needs.

More detail on each of the five options is included in *Appendix 3*.

²² Equivalised household income data – adjusted using equivalence factors to remove the effect of household size and composition on income – enabling a direct comparison of economic wellbeing.



The recommended method for defining a minimum supply of social housing in Knox

Of the various methods listed above, it is proposed that the **fourth method**, which benchmarks to the 'needs' of non-home owning households and acknowledges the availability of affordable private lettings, is best suited to defining and calculating a minimum supply of social housing.

This option provides a link between the amount of social housing and 'need', in this case, defined as non-home-owning households in the lowest 10% of household incomes in Knox (equivalised data²³, nationally calculated). For the purposes of this Paper and in relation specifically to social (rather than the broader affordable) housing, the target market chosen is non-home-owning households in the lowest 10% of the equivalised household income distribution (nationally calculated)²⁴. While arbitrary, this targets households with the *least* economic resources and greatest need.²⁵

The link between the amount of social housing and 'need' based on 'lowest' income is appealing because it links social housing need to local conditions. A further benefit of this option is that the social housing supply calculation (or number) can be reviewed every five years in line with Census data on the share of very low income non-home-owning households in Knox. The fact that this data also yields information on the type of very low income households in Knox (i.e. lone person, family, couple only etc.) is useful in determining the type of social housing that is required to meet local needs. For example, in 2006, the largest group (31%) of the very lowest income households in Knox were older, lone person households, followed by 'maturing' lone person households (18%) and young, one parent families (11%). Similarly, the social housing supply number can be reviewed in light of any change to the

amount of affordable private rentals resulting from changes in the private rental market.

This option acknowledges that the need for social housing would be partially addressed by existing social housing units (approximately 1,040 in 2006), as well as the availability of private lettings that are affordable for low incomes (only 5% for Knox as of June 2010).

Without intervention, data suggests that existing social housing supply and estimated affordable private rentals both currently (at 2010), and into the future (to 2030), will only meet the housing needs of three-quarters of our lowest income households at best, and decline over time. An additional 700 social housing dwellings are needed by 2030 to meet the minimum demand.

RECOMMENDATION #3

A minimum supply of social housing be calculated using the method – **Minimum supply benchmarked to the 'need' of low-income, non-home-owning households and acknowledging the availability of affordable private lettings** – as this approach will accurately respond to the needs of the most vulnerable and disadvantaged households in Knox. This equates to an additional 700 social housing dwellings in Knox to 2030.

The calculated shortfall of 700 social housing dwellings in Knox is based on the assumption that 3.3%²⁶ of the total households in Knox fall into the lowest 10% of incomes and are non-home-owners (1668 households, Census 2006), that private rental dwellings comprise 13% of total households in Knox (Census, 2006) and that 5% of these would be affordable for low income households (360 dwellings, as per June 2010 and the two year average for Knox).

²³ As above

²⁴ Mortgage-paying household are included in this cohort.

²⁵ It is acknowledged that use of the lowest 10% benchmark may include some households with access to relatively more economic resources than is indicated by their recorded income, e.g. households with unincorporated businesses or rental properties. The lowest 10% benchmark is thus an indicative rather than definitive target.

²⁶ 6.2% of the total households in Knox fall into the lowest 10% of incomes. There is a high incidence (46%) of full home ownership within this income group. This presumably reflects a high proportion of older people who are reliant on government pensions as their principle source of income.



Addressing the shortfall over time – annual supply level

The time period within which a minimum supply is calculated is another important consideration. Is a 20 year time span (i.e. to 2030) to meet Knox's social housing needs acceptable, given that this time span would mean that a generation of households would not have their housing needs met?

The following table shows how many new social housing dwellings are required per annum to meet needs over different time spans, if the 700 shortfall is to be addressed.

Comparing Aspiration with reality

To put this in the context of the Knox private housing market, in 2010 there were 149 planning permits approved for multi-dwelling developments and new subdivisions, resulting in a potential 600 new dwellings if these planning permits are enacted²⁷. This includes four planning permits for social housing approved by the Minister for Planning, resulting in a potential 38 new social housing dwellings (6 % of the total).

The following table shows the proportion of new dwellings in 2010 (if all permits were enacted) that would need to be social housing to reach a point where supply meets need within selected time frames (between 5 and 20 years).

Social housing need – annual supply required to fully meet need within 5, 10, 20 years				
Year	Shortfall (social housing + affordable private lettings – non-home-owning households in need = minimum supply of social housing)	Annual minimum supply (Calculated over 20 years to 2030)	Annual minimum supply (Calculated over 10 years to 2020)	Annual minimum supply (Calculated over 5 years to 2015)
Current (2010)	-430	35 per year	60 per year (+10 per annum to 2030)	95 per year +15 per annum to 2030)
By 2015	-480			
By 2020	-570			
By 2030	-700			

These figures are not cumulative, but specific totals by each year nominated. (See *Appendix 3, Option 5* for more detail about the calculations.)

Proportion of new dwellings (2010) that would need to be social housing to conform with annual supply requirements to fully meet needs within 5, 10, 20 years						
No. potential new dwellings in 2010 (if all permits enacted)	Annual minimum supply (Calculated over 20 years to 2030)	Annual minimum supply as a % of potential new dwellings	Annual minimum supply (Calculated over 10 years to 2020)	Annual minimum supply as a % of potential new dwellings	Annual minimum supply (Calculated over 5 years to 2015)	Annual minimum supply as a % of potential new dwellings
600	35 per year	6%	60 per year	10%	95 per year	16%

27 Knox City Council 2011, Report of the Housing Policy Monitoring and Review Program: 3rd Annual Report.



An additional 35 social housing dwellings per year or 6% of new dwelling permits in 2010 would meet the needs of Knox's lowest income, non-home-owning households, it would take twenty years to do so. This would effectively leave a generation of partially unmet housing needs. As only 16% of the new dwelling permits in 2010 would need to be social housing each year until 2015 to meet the social housing shortfall, it is recommended that a five-year timeframe (2010-2015) be utilised to calculate an annual minimum supply of social housing for Knox. This is 95 social housing dwellings per annum from 2010-2015, then 15 social housing dwellings per year thereafter to 2030. This level of supply (16% of new dwelling permits in 2010) is attainable and would respond to the critical housing needs of the most disadvantaged residents within a reasonable timeframe.

RECOMMENDATION #4

A five-year timeframe be utilised to calculate an annual minimum supply of social housing for Knox to ensure that the critical housing needs of the most disadvantaged residents are addressed by 2015. This equates to 95 dwellings per year from 2010 to 2015 to reach a point where supply matches need, then 15 dwellings per year thereafter to 2030 to maintain parity.

Other needs that could be considered when defining a minimum supply of social housing

Defining a minimum supply of social housing could potentially address more specific issues than simply determining an annual supply number. Options include:

- Location specific – calculation based on Council policy** to direct more new housing to activity centres and other locations with good access to public transport and other services and infrastructure. It is considered to be particularly important for social housing to be well-located, given that some residents may not have a car. While ideally all social housing would be “well-located” in activity centres and other strategic redevelopment sites with good access to public transport, there may be good opportunities elsewhere or cases where there are no sites in these locations to meet the required needs (e.g. high property prices may mean a 2 bedroom apartment is viable in an activity centre for a small household, but a 3-4 bedroom house suitable for a family cannot be provided). The *Knox Housing Statement* aims for 50% of all new housing in 2030 to be located in activity centres. A similar principle could be applied to defining a minimum supply of social housing, meaning that 50% of all social housing would be located in activity centres by 2030. However, given that location is particularly important for social housing, it is considered that this number should be higher, while still allowing for some flexibility.
- Location specific – calculation based on the needs of particular suburbs.** For example, we know that the highest concentration of housing stress is in Bayswater, Boronia and Upper Ferntree Gully. A minimum supply number could be modified to address this specific need. A disadvantage of this approach is the potential concentration of social housing in these locations.



- **Housing type – calculation based on the needs of specific household types.** For example, in 2006 the breakdown of very low income households was as follows:

Household type	Number (2006)	% (2006)
Lone person – older	970	31
Lone person – maturing	557	18
One parent family – young	329	11
Lone person – young	265	9
Couple family with children – young	246	8
Couple family without children – older	154	5
Couple family without children – maturing	121	4
One parent family – older	118	4
Couple family with children – older	94	3
One parent family – maturing	88	3
Couple family with children – maturing	77	2
Couple family without children – young	32	1
Group household	28	1
Other family	20	1
TOTAL	3099	100%

The majority of very low income households are older and maturing lone person households (49% of the total). This trend is expected to continue in Knox, with the 60+ age category expected to increase from 14.8% in 2006 to 26% in 2031²⁸. As such, the majority of new social housing would need to be 1-2 bedrooms. This could be tailored further to the needs of specific groups, e.g. people with disabilities. Similarly, families with young children (either couple or single parent families) comprise a further 19% of Knox's very low income households and this would generate need for some 3-4 bedroom social housing.

The risk of being overly specific is that opportunities could potentially be lost when there is such a short supply and great need for social housing. Too many requirements could potentially jeopardise the provision of such housing, particularly given that Knox has large deficits for all types of social housing.

It is not recommended that Council consider other needs when defining a minimum supply of social housing at this stage.

28 City of Knox Population and Household Forecasts, id.consulting, 2010



Using the definitions of affordable housing and minimum supply of social housing for Knox

The definitions of affordable housing and a minimum supply of social housing for Knox could provide clear and transparent information within a range of Council policies including:

- The Knox Affordable Housing Action Plan 2007-2012;
- The Knox Housing Statement;
- The Municipal Strategic Statement in the Knox Planning Scheme (**as guidance, not a mandatory requirement**); and
- The Sale of Council Land and Buildings policy.

Inclusion in the Knox Affordable Housing Action Plan 2007-2012

Council's leading Plan to increase housing affordability in Knox, primarily focusing on social housing, was updated in October 2010 to reflect Council's strengthened approach to housing affordability. It could be further updated to define a minimum supply of social housing and include the revised definitions. Alternatively, this information could be included in the new plan due in 2013.

Inclusion in the Knox Housing Statement

The Knox Housing Statement (2007) is Council's long term plan for meeting the current and future housing needs of the Knox community to 2030, while protecting the landscape and environmental qualities of the

Dandenong Foothills, and the character of residential neighbourhoods. The Statement is designed to guide decision making on the location, distribution, design and, where possible, management of housing in the City of Knox.

The Statement is partly implemented through a local housing policy in the Knox Planning Scheme. It is also a Reference Document to the Scheme.

The Statement already contains housing distribution targets for the preferred locations of all new housing. It could be updated to define affordable housing and a minimum supply of social housing for Knox.

Inclusion in the Municipal Strategic Statement of the Knox Planning Scheme

The definitions of affordable housing and minimum supply of social housing could potentially be included in the Municipal Strategic Statement (MSS) of the Knox Planning Scheme. The MSS currently addresses housing in *Clause 21.05 – Housing*. One of the strategies of *Clause 21.05-2 – Housing Objectives and Strategies* is to 'seek to increase the supply of social housing'. This strategy could potentially be updated to make reference to a defined minimum supply of social housing. This would establish a guide and starting point for negotiation with social housing providers and private developers, but would not be able to be mandated or required.

It should be noted that this option requires the preparation of a planning scheme amendment, an 18 month to two-year process that requires authorisation and approval by the Minister for Planning. If this option were to be pursued, it is recommended that it occur as part of the next review of the Municipal Strategic Statement or implementation of the 'Your Knox – Managing future housing needs' project.



Inclusion in the Sale of Council Land and Buildings Policy

This policy seeks to:

- Optimise the value of property assets to the community, including the evaluation of unused or redundant assets and releasing the funds tied up in these assets in order to acquire, develop or improve other assets;
- Maximise the return to Council from any sale of property assets; and
- Define the process for identifying and proceeding with the sale of any Council owned land (with or without improvements) and to also identify how the proceeds from any land sales are to be allocated.

The policy includes a social component, which seeks to weight decisions concerning the sale of Council's land and buildings in accordance with its social agenda and policies. This policy could be enhanced through the inclusion of a defined minimum supply of social housing in Knox to inform decision making when land and/or buildings are proposed to be sold for the purposes of residential development. For example, this information could help to inform the development of Stamford Park.

This policy is due to be reviewed in 2012.

RECOMMENDATION #5

It is recommended that the definitions of affordable housing and minimum supply of social housing for Knox be acknowledged in a range of Council policies and documents (as they are updated), including –

- The *Knox Affordable Housing Action Plan 2007-2012*
- The *Knox Housing Statement 2005 (updated 2007)*
- The *Municipal Strategic Statement in the Knox Planning Scheme*
- Council's *Sale of Council Land and Buildings policy*.

This work will require input from Strategic Planning (City Development) and Social Policy and Planning (Community Services) and could be incorporated within business plans.



appendix #1

Affordable Housing Action Plan 2007-12 – progress to date

Progress is denoted in *italics*.

Planner	Provider	Partner	Advocate
<p>Keep the Knox affordable housing profile current and up to date. Data reviewed and updated in August 2009.</p>	<p>Support older people and those with disabilities to remain in their own home or to find affordable alternatives. HACC services, including housing support continues. Healthy Ageing Strategic Plan. Access and Inclusion Plan under development.</p>	<p>Identify sites suitable for the development of affordable housing. <i>Austral Bricks site in Scoresby – affordable housing contribution agreed; location, form etc. currently in planning stage.</i> <i>Former Ferntree Gully Primary School – in early stages of development.</i> <i>Villa Maria lodged planning application for redevelopment. Potential for affordable/social housing.</i> <i>Discussions with Registered Housing Associations (Scope/Melbourne Affordable Housing) and Vic Urban re possible sites in Bayswater (Council-owned and VicTrack)</i> <i>Ongoing discussions with the Victorian Office of Housing (OoH).</i></p>	<p>Advocate to State and Federal government for the provision of affordable housing and support services that meet the needs of current and future residents. <i>KCC representative attends Housing and Local Government Network.</i> <i>KCC representative attended EMR Affordable Housing Partnership Event.</i> <i>Media releases via the social marketing plan.</i> <i>Submissions to:</i> • <i>Residential Zones Review (April 2008) advocated targets/percentages for affordable housing</i> • <i>National Rental Affordability Scheme consultation (May 08)</i> • <i>C'wth Green Paper on Homelessness (June 08).</i> <i>Correspondence:</i> • <i>State and Fed Government on universal accessible design (2009)</i> • <i>Stimulus funds for affordable housing (2009).</i></p>
<p>Measure the effectiveness of the Knox Affordable Housing Plan in improving the profile of affordable housing in Knox. <i>Ongoing – Council's Annual Housing Monitoring & Review Program notes the amount, location and type of social housing added to housing stock each year, if known (i.e. it is only captured if a planning permit is required).</i></p>	<p>Assist people experiencing housing stress. <i>Eastern Access Community Health provides financial counselling funded by Knox City Council and Dept of Justice (CAV).</i> <i>Budgeting/housing support info provided through KCC services.</i> <i>Property and Revenue Service Dept offer alternative payment options and plans.</i></p>	<p>Support the work of local housing support agencies. <i>As opportunities arise.</i> <i>Ongoing liaison with local housing support agencies through HACC, reference group, attendance at housing related meetings.</i></p>	<p>Engage the community and other stakeholder about issues associated with affordable housing. <i>Affordable Housing Plan available on KCC website.</i> <i>Social marketing strategy progressing on track. Good media coverage has been achieved to date.</i></p>
<p>Provide input into supply, upgrade, redevelopment and re-profiling of social housing. <i>Meetings with stock planners from Office of Housing and Community Housing agencies are held on a needs-basis, primarily by Strategic and Economic Development.</i> <i>KCC reps also meet with community housing agencies at housing network meetings.</i></p>	<p>Provide access to funding for community groups and local agencies to address housing related issues. <i>Community Development Fund available. No specific applications have been received for housing related activity. Discussions have commenced with CDF officer about how to achieve this output.</i></p>	<p>Work in partnership to improve outcomes for low-income individuals and families seeking housing and housing-support. <i>EMR Affordable Housing Partnership Event</i> <i>KCC representative attends the DHS Housing and Homelessness Network.</i></p>	

Planner	Provider	Partner	Advocate
<p>Undertake further research into the housing and housing-support needs of specific groups: people with disabilities; older people and youth.</p> <p><i>Research entitled 'Housing and Housing support needs of Identified Groups' completed in May 2009.</i></p>	<p>Consider providing surplus land, buildings, capital or other in-kind resources to assist the development of affordable housing.</p> <p><i>Audit of surplus land completed.</i></p>		
<p>Identify sites suitable for affordable housing, including during the development of Structure Plans</p> <p><i>All residential-zoned sites have theoretical potential for affordable housing. Sites close to services and infrastructure (e.g. activity centres) are encouraged. Some Structure Plans for activity centres identify specific sites suitable for affordable and/or social housing.</i></p>			
<p>Develop tools for planners to use when assessing applications for affordable housing.</p> <p><i>Guidance is contained in the Knox Planning Scheme via the Municipal Strategic Statement and Housing policy, which encourage a greater variety of housing types and sizes, and social housing. These also contain parameters for example, should be close to public transport etc.</i></p> <p><i>There is currently no ability to specific mandatory requirements for affordable and/or social housing. Another opportunity is providing 'incentives' to developers within the current framework. For example, providing car-parking dispensations.</i></p>			
<p>Develop educational materials for developers, landlords, architects, draftsmen and builders to consider including accessibility standards in their designs.</p> <p><i>Ongoing. Some good educational material already exists, for example Build for Life resources. Links with Access and Inclusion work/plan, as well as Media and Communications.</i></p>			



appendix #2

How much would an 'affordable' house cost in Knox?

What property price would be 'affordable' given the median household income in Knox?

Affordable is defined as the price that would allow a typical Knox household to service a new mortgage without falling into 'housing stress' (benchmarked at not more than 30% of household income).

The following calculations assume that new buyers have a 10% deposit and a fixed home loan rate (principle and interest) at the prevailing variable interest rate (June 2010 @ 7.4) over a 30 year period.

Unfortunately the most recent official data on median household income at small level geography is that from the 2006 Census. The following methodology was used to develop a very rough estimate of current household income in Knox in 2010.

Median household income in Knox increased by 23% between the 1996 and 2001 Census; and by 16% between 2001 and 2006. It has been assumed that household income might be expected to increase by 20% (@ 4% per year) between 2006 and 2011 given that median household income increased by an average of 20% over the course of the previous two census periods.

On this basis, it is estimated that the current median household income in Knox (2010) is approximately \$69,000 (16% increase over the 2006 median household income of \$59,436)

'Affordable' dwelling price (house and unit) for the typical Knox household (2010)				
Estimated 2010 median household income (annual)	Estimated median monthly household income	Maximum monthly mortgage repayment to avoid housing stress (mortgage to income ratio @ 30%)	Maximum mortgage that can be serviced (90% of house value)	Affordable dwelling price (+10% deposit)
\$69,000	\$5750	\$1725	\$250,000	\$278,000

To be affordable to the typical household²⁹ purchasing in Knox in 2010, a new dwelling would need to be around \$280,000.

The median house price in Knox for the 12 months to May 2010 was \$440,000 and the median unit price, \$350,000³⁰.

In fact, 53% and 42% of median household income respectively would be required to cover the mortgage repayments on a median priced house or unit in Knox in 2010. The data suggests that a median income household in Knox with a new mortgage on a median priced house or unit, would immediately be in mortgage stress.

An affordable dwelling in Knox in 2010 @ \$280,000, would be 20-35% below the current median unit and house prices respectively. The following are examples of 'affordable' dwellings in Knox³¹:

- 2 BR Unit for sale, Railway Pde, BAYSWATER, \$280,000+
- 2 BR Unit for sale, Normleith Grove, BORONIA, \$280,000 - \$330,000
- 3 BR house, Henry Street, BORONIA, \$290,000- \$320,000
- 2 BR house, Falconer Road, BORONIA, \$295,000
- 2 BR Unit, Coromandel Cres. KNOXFIELD, \$280,000+
- 3 BR home, Russel Cres. BORONIA, \$290,000 - \$340,000
- 2BR Unit, Alma Ave. FERNTREE GULLY, \$290,000-\$330,000

No affordable properties could be located in Lysterfield, Rowville, Scoresby, The Basin, Upper Ferntree Gully, Wantirna or Wantirna South.

²⁹ Based on estimated median household income of \$69,000

³⁰ Breakdown by LGA: (Source: Australian Property Monitors, <http://domainmastheads.homepriceguide.com.au/Research/>) quoted in Housing Affordability Data: Victoria, Melbourne, Eastern Metro Region – prepared for the Eastern Affordable Housing Alliance – Compiled by Mel Roffey, Secretariat – Eastern Affordable Housing Alliance (July 2010)

³¹ RealEstate.com.au, August 2010

How much is an affordable rent in Knox?

Affordable rent calculations are based on what is affordable for lower income households in Victoria - defined as those receiving Centrelink incomes. Affordability benchmarks for different sized properties are based on a maximum 30% of the income of indicative household types on a Centrelink income (plus rent assistance).

The following table summarises the current (2010) affordable rental amount for properties of different sizes. This is compared with the median rent for each property type in Knox (as at June, 2010) to identify the 'affordability gap'.

'Affordable' weekly rent, lower income households, Knox (2010)				
Household type	Single on Newstart	Single parent, one child	Couple on Newstart, two children	Couple on Newstart, four children
Property type	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms
Weekly income	\$228	\$433	\$635	\$803
Rent assistance	\$57	\$67	\$67	\$75
Affordable rent (30% of weekly income plus rent assistance)	\$125	\$200	\$260	\$320
Median rent Knox (June 2010)	n/a	\$280	\$290	\$340
Affordability gap per week	n/a	-\$80	-\$30	-\$20

The study found that current median rents for different sized properties in Knox are between 6% (for a 4 bedroom property) and 40% (for a 2 bedroom property) *higher* than what is affordable to lower income households receiving a Centrelink income, and representing a significant affordability gap.

Also evident is the absent (or negligible) profile of one bedroom rental accommodation in Knox. This is a particular concern in an ageing society, seriously compromising the ability of small households to 'age-in-place'.

The following are examples of 'affordable' rental dwellings in Knox³²:

One bedroom

16 Roma Street, SCORESBY – Share Rooms from \$85 per week and advertised as 'rooms for all' (a 'rooming house?')

"ATTENTION TO THOSE LOOKING FOR CHEAP RENTING ROOMS, 5 SPACIOUS BEDROOM FOR RENT IN OUR HOUSE. MINUTES TO EVERYTHING INCLUDING SCHOOLS, UNIVERSITIES, SHOPS AND TRANSPORT. FURNITURES ELECTRICITY, GAS, WATER PROVIDED! CAN MOVE IN RIGHT AWAY..."

Two bedroom

No affordable (max \$200/week) two bedroom rental properties could be located in Knox.

Three bedrooms

9 Woodvale Road BORONIA - \$220 per week

The only affordable 3 bedroom property found – interestingly advertised as 'not quite right'

Four bedrooms

44 Lewis Road WANTIRNA SOUTH - \$310 per week

The only affordable 4 bedroom property found in Knox.

32 Real Estate.com.au, November 2010



appendix #3

Methods for defining a minimum supply of social housing of social housing for Knox

Background

According to VCOSS (and confirmed in The Regional Homelessness Plan, Eastern Metropolitan Region, July 2002), the amount of social housing in Victoria when the Labor government came to power in October 1999, was **4.1%** (DoI, 2000). The EMR, with the lowest social housing stock of any region in the State, had 1.8% at that time, while review of the 2001 Census indicates that the figure for Knox was approximately 2.1%. (This proportion remained steady in Knox as at the 2006 Census).

VCOSS estimate that the current level of social housing stock in Victoria currently stands at **3.7%** and that even with Federal government stimulus spending, the level will reach only **3.9%**. In 2010 VCOSS called on parties contesting the federal and state elections to commit to an additional 29,000 'affordable' housing properties in Victoria by 2014³³. This, in addition to properties approved in Victoria under the National Rental Affordability Scheme, will bring the level of social housing in Victoria to the national average of **5%** (the target highlighted by VCOSS in its state election platform and state budget submission).

VCOSS advise, however, that this is really an interim target only – a recent senate select committee has recommended a target of **10% by 2020** – and has highlighted the much higher proportion of social housing internationally.

Note that the VCOSS targets include both public and social housing stock, as well as private rental housing that is affordable to low-income households (particularly properties to be approved under the National Rental Affordability Scheme).

Some options for determining a minimum supply of social housing for Knox.

1. Minimum supply based on metropolitan Melbourne averages @ 3.2% of housing stock; or 13.5 social housing dwellings/1000 population (2006)

Given that Knox is a metropolitan municipality, it may be appropriate to use a metropolitan benchmark as an aspirational target. Options include minimum supply based on the metropolitan average share of social housing stock (at 2006, approximately **3.2%** of all housing). Alternatively, the metropolitan average level of social housing provision per 1000 population (**13.5 dwellings per 1000 population** in 2006) could be used as a basis for setting a minimum supply number for Knox. While no means perfect measures – it is questionable that the metropolitan averages themselves are even adequate given that there are many thousands on the public housing list, it at least defines a minimum supply figure to aspire to.

This type of approach, however, assumes the 'need' for social housing across Melbourne is uniform. In reality, the Melbourne average is based on concentrations of social housing in some areas and none in others.

What impact – if any - should Knox's relatively lesser disadvantage (ranked at 10th *least disadvantaged* municipalities out of 31 in Melbourne) have upon applying a metropolitan-based approach to Knox?³⁴

33 As quoted in 'A roof over our heads' Sunday Herald Sun, August 8, 2010

34 Knox ranked 10th after Nillumbik, Boroondara, Bayside, Stonnington, Manningham, Glen Eira, Port Phillip, Whitehorse and Monash

2. Minimum supply benchmarked to 'need' of low-income, non-home-owning households

Alternatively, we could look at 'need' for social housing in Knox rather than benchmarking to what is happening at other geographic levels.

Review of equivalised household income data (ie adjusted using equivalence factors to remove the effect of household size on income), reveals that in 2006, 3099 (6.2%) of Knox households fell into the *lowest 10% of household incomes* (nationally calculated³⁵). This compares with a figure for metropolitan Melbourne of 8.8%, which supports the view that the need for social housing is not uniform across Melbourne and that applying a standardised metropolitan benchmark fails to take this variation into account.

By way of further context, a smaller share (28.8%) of Knox households fell into the 'low' and 'lowest' equivalised household income categories combined³⁶ compared with metropolitan Melbourne (31.9% of households).

Further analysis of the income data reveals that nearly one third of households in the lowest income category in Knox comprise of older, lone person households. More importantly, the data also reveals a *high incidence of full home ownership (46%)* amongst the lowest income group. This presumably reflects a high proportion of older people reliant on government pensions as their principle source of income – a population group, though 'income-poor,' is often self-sufficient in terms of housing.

Households in the lowest household income category that own- their -own home outright would not have any need for social housing and are excluded from the following assessment.

In 2006, 1668 (**3.3%**) Knox households in the *lowest 10% of household incomes*³⁷ **did not own- their- own home outright** and were either renting or purchasing their home. **The need for social housing could be linked to the needs of this specific 'target market'.**

The benefit and appeal of this approach lies in establishing a link between local conditions ('need') and the number of social housing units that should be provided. In addition, the minimum supply figure could be reviewed every five years in line with Census data on the share of very low income, non-home owner households living in Knox. The format of this data also yields information on the *type* of very low income households in Knox that are renting or purchasing (ie lone person, family, couple only etc). This would be useful in informing the type of social housing needed to meet local needs.

The following table provides estimates of the shortfall in social housing using the various social housing benchmarks discussed in Sections 1 & 2 and projecting them to future population and household numbers in Knox. **The shortfall takes into account the number of social housing dwellings already located in Knox as at 2006 (@1040) and assumes no further intervention.**

Note that the shortfall figures in the following tables are *not cumulative* but specific totals by each year nominated.

35 Less than \$201 a week in 2006.

36 The 'low' and 'lowest' categories, together represent the lowest 40% of household incomes – the group often subject to calculations to define the level of 'housing stress' in a community.

37 Lowest equivalised income decile as nationally calculated.



appendix #3 continued

Table 1: Application of selected social housing methodologies, Knox, 2010-2030

Year	Number of existing social housing units	Based on metro. average social housing as % total households		Based on metro. average number of social housing dwellings per 1000 popn.		Linked to number of Knox households in lowest 10% of household incomes (equivalised data, nationally calculated) that do not own- their-own home	
		Number required	Shortfall	Number required	Shortfall	Number required	Shortfall
	(as at 2006)	(3.2%, 2006)		(13.5/1000, 2006)		(3.3%, 2006)	
2010	1040	1780	-740	2100	-1060	1830	-790
2020	1040	1940	-900	2190	-1150	2000	-960
2030	1040	2100	-1060	2270	-1230	2170	-1130

Note: Future population and household numbers (2010, 2020, 2030), based on averaging id (2010) and VIF (2008) projected figures
Refer Appendix 1 for base data used in determining numbers

Based on the level of social housing determined at the 2006 Census in Knox, and assuming no additional social housing was added to Knox's housing stock, the various benchmarks result in a shortfall range in future years, as follows:

By 2010 700-1100
By 2020 900-1150
By 2030 1100-1250

Clearly on any of these potential measures of social housing provision, Knox has, and will continue to carry, a considerable shortfall in number of social housing dwellings in future years.

3. Minimum supply acknowledging availability of affordable private lettings

As per the approach taken by VCOSS in setting its interim (5%) and 2020 *State* social housing targets (10%), the need for social housing may be partially addressed by the availability of private lettings that are affordable for low income households.

The most recent data³⁸ (June, 2010) indicates that 5% of private rental properties in Knox were affordable to lower income households. Across metropolitan Melbourne the figure stood at 9.7% - an increase over the June quarter 2009, when it stood at 9.1%, but well below the 20%+ figures experienced in the first half of this decade.

The following table provides estimates of the shortfall in social housing using the alternative VCOSS benchmarks which incorporate both 'social housing' and 'affordable private lettings'.

For the purposes of estimating the numbers and shortfall in social and affordable housing in Knox in accordance with the VCOSS targets, the number of affordable private lettings is **deemed at 5%** of private rental dwellings. This is based on the June 2010 percentage for Knox, which is also the two year average for the municipality (July 2008-June 2010). While it is acknowledged that this is an arbitrary figure, it at least offers a starting point for further discussion³⁹.

The estimated number of private rental dwellings in future years is based on the Census 2006 level of 13% of total households in Knox.

The shortfall in social and affordable housing takes into account the number of social housing dwellings already located in Knox as at 2006 (@1040), and assumes no further intervention.

³⁸ Housing Rental Report (DHS)

³⁹ Note: the Knox average is based on two years back to 2008 rather than over a longer time span for consistency purposes. Changes were introduced in 2008 to the methodology and improvements made to the way in which affordability for low income households was calculated for the Housing Rental Report at that time.

Table 2: Application of VCOSS social housing benchmarks (adjusted for affordable private lettings*), Knox, 2010-2030

Year	Estimated private rental dwellings	Estimated affordable private lettings	Number of existing social housing units	Based on VCOSS interim target (social & affordable private lettings)		Based on VCOSS target (social & affordable private lettings)	
	(13% total households)	(@ 5% of private rentals)	(as at 2006)	(5% by 2014)		(10% by 2020)	
				Number required	Shortfall	Number required	Shortfall
2010	7220	360	1040	2780	-1380	5550	-4150
2020	7870	390	1040	3030	-1600	6050	-4620
2030	8550	430	1040	3290	-1820	6580	-5110

*Affordable private lettings based on assumption that 13% of housing stock in Knox would be private rental housing as per 2006 Census and that 5% of this private rental stock would be affordable to low-income households (based on June 2010 and two year average % for Knox)

Note: Future household numbers (2010, 2020, 2030), based on averaging id (2010) and VIF (2008) projected figures

Refer Appendix 1 for base data used in determining numbers

Methods that take into account the availability of affordable, private lettings, as a means of taking the pressure off the number of social housing units needed (and assuming no further increase in the amount of social housing dwellings in Knox), yield the following shortfalls in social housing in Knox in the future:

By 2010 1400-4200

By 2020 1600-4600

By 2030 1800-5100

The shortfall using the VCOSS targets (5 and 10% of total dwellings) is obviously higher than using the 'existing situation' benchmarks in Table 1 (ie metropolitan average and social dwelling units per 1000 population) precisely because VCOSS argues that existing provision levels are inadequate.

4. Minimum supply benchmarked to 'need' of low-income, non-home-owning households and acknowledging availability of private lettings

Affordable, private dwellings would go some way towards addressing the shortfalls in social housing needs of the very lowest income, non-home owner group, though there is no way of knowing that this is the group that actually accesses affordable private rentals. (As indicated earlier, nearly 30% of Knox households fall into the 'low' and 'lowest' equalised household income categories combined).

Table 3 summarises the supply situation if minimum supply was based on meeting the housing needs of the 'target market' (lowest 10% household incomes; non-home owner households) with either social housing or affordable private lettings, on the assumption that all affordable private lettings are accessed by those most in need.



appendix #3 continued

Table 3: Social housing, needs-based approach (adjusted for affordable, private lettings), Knox 2010-2030

Year	'Need' Est. number of very low income households* that do not own their own home (3.3% of total households)	Number of social housing units (as at 2006)	Estimated number of affordable private lettings (@ 5% of private rentals)*	% of need met by existing social housing & anticipated affordable private lettings	Shortfall of social housing
2010	1830	1040	360	77%	-430
2015	1900	1040	380	75%	-480
2020	2000	1040	390	72%	-570
2030	2170	1040	430	68%	-700

Note: Future household numbers (2010, 2020, 2030), based on averaging id (2010) and VIF (2008) projected figures

* Based on equivalised household income – adjusted using equivalence factors to remove the effect of household size on income. Defined as very low

Income households in the lowest 10% of equivalised household income (nationally calculated) that do not own their own home.

** Current provision level (number of social housing dwellings – State Housing Authority & church/co-ops etc. as a percentage of very low income h'holds)

Refer Appendix 1 for base data used in determining numbers

*Affordable private lettings based on assumption that 13% of housing stock in Knox would be private rental housing as per 2006 Census and that 5% of this private rental stock would be affordable to low-income households (based on June 2010 and two year average % for Knox)

◇ 'Surplus' to needs of the very lowest income/non-home owner group were a social housing supply level set at this aspirational level.

The supply of social and affordable private lettings together, is unable to fully meet the needs of the target market.

Without intervention, the current level of social housing and anticipated affordable, private rental housing will meet the low-cost housing needs of three quarters of our lowest income households at best, and decline over time.

A minimum supply of social housing that would meet the needs of the 'target market' would see the need for additional social housing units to supplement the existing supply of social housing plus anticipated affordable private rentals in Knox in future years as follows:

By 2010	430 more
By 2015	480 more
By 2020	570 more
By 2030	700 more

Note that the shortfall figures are not cumulative but specific totals by each year nominated, therefore equating to 35 additional social housing dwellings per year from now (2010) until 2030.

While an additional 35 social housing dwellings per year would meet the needs of 100% of Knox's lowest income, non-home owner households, it would take twenty years to do so, effectively leaving a generation of partially unmet housing needs.

Is a twenty-year time span for reaching a minimum supply of social housing acceptable?

The following table shows both the minimum supply by number of social housing units at selected milestone years, as well as the annual rate of provision required if the date for meeting 100% of social housing needs is shortened to 10 years or even 5 years.

Year	Minimum supply of social housing	Annual minimum supply (Calculated over 20 years to 2030)	Annual minimum supply (Calculated over 10 years to 2020)	Annual minimum supply (Calculated over 5 years to 2015)
Current (2010)	430	35 per year	60 per year	95 per year
By 2015	480		(+10 per annum to 2030)	+15 per annum to 2030)
By 2020	570			
By 2030	700			

Appendix A – Base data used in tables

1. Projected household numbers, Knox

2010	55,510
2015	57,870
2020	60,520
2030	65,800

Based on averaging id and VIF projected figures for Knox

2. Existing social housing stock, Knox

1040 (State housing authority, church, co-ops etc)

Based on Knox 2006 Census

3. Projected private rental stock, Knox

2010	7220
2015	7520
2020	7870
2030	8550

Based on 13% of total households (as per 2006 Census)

4. Projected affordable, private lettings, Knox

2010	360
2015	380
2020	390
2030	430

Based on 5% of total private lettings





 (03) 9298 8000  (03) 9800 3096  knoxcc@knox.vic.gov.au

 knox.vic.gov.au  facebook.com/knoxCouncil  [@KnoxCC](https://twitter.com/KnoxCC)

 511 Burwood Highway, Wantirna South, VIC 3152

 National Relay Service: **133 677** (ask for 03 9298 8000) or relayservice.gov.au

 Interpreter/口译员/Thông dịch viên/Interprete/Διερμηνέας: **131 450** (ask for 03 9298 8000)

On request, the information in this document is available in alternate formats.

