Understanding the social outcomes of housing

City of Melbourne
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Housing and quality of life in Melbourne

It is apparent from the literature that pursuing a policy that encourages both housing and demographic diversity in the city can affect housing affordability and create socially inclusive environments. Policies that facilitate diversity can assist in producing less polarised and disadvantaged sections of the city as well as ensuring low income households are not displaced. Fainstein (1991) suggests that letting the market create diversity is unrealistic and that it is impossible to predict or fully anticipate market tendencies, particularly as we are now operating within a global context.

There is a gap in the evidence base making a significant link between diversity and positive social outcomes. However, this may be a reflection of the direction of current and historical public policy which has focused on problems within the city (that is, locational disadvantage, social and spatial polarization, gentrification, displacement). These problems provide substantial evidence regarding the impact of government policy and planning on both households and the composition of cities. These impacts include:

— Lack of planning for diversity can lead to income segregation within urban neighbourhoods (Barnes 2012).
— Lack of affordable housing can result in locational disadvantage and social polarisation within the city.
— Lack of affordable and diverse housing can create displacement of low income households.
— A segmented housing market can create a city which excludes some groups.
— A mix of housing and household types is critical to achieving demographic diversity within the city.

The proposition that diversity is a key element in the production of improved community health and wellbeing was also examined. Again, the evidence is not well developed in this area. However, what is known is that poor physical health is related to poor living conditions and that housing stress increases the risk of depression and mental illness.

Population, housing and community diversity projections

The City of Melbourne is set to become significantly less diverse in terms of income levels, employment profile and housing type, both in respect of the current composition of the City's population and, certainly, that of the wider metropolitan population.

The age profile within the City is also expected to change, with a projected decrease in the proportion of 15 to 24 year olds and an increase in the proportion of 35 to 49 year olds to 2031. Similarly, lone person and couples without dependents household types are projected to increase as a proportion of total households while all other household types are projected to decrease.

Increased rental prices mean that low income households are experiencing serious housing affordability issues. Low income earners include hospitality workers, sales assistants and artists. Residents in these occupations are rapidly being squeezed out of the City. It is not only people in public housing or in low income private rental housing that are experiencing housing affordability issues. These issues are also being felt by medium income households and even in households with gross incomes of up to $100,000.

The opportunities for lower income households to occupy low rent dwellings within the City of Melbourne declined over the period 2001 to 2011, from 39 per cent to 13 per cent. At the same time, the proportion of low income households in high rent dwellings increased from just three per cent to over 18 per cent. In 2011, 42 per cent of low income households were in medium rent dwellings.

Projections also indicate implications for the mobility of residents within the City of Melbourne. Residents of the City are likely to live in the City for a shorter period than residents in other municipalities across Melbourne and the City's population is relatively transient compared to other local government areas in Victoria. There are likely to be many underlying reasons for this including increasing housing affordability issues. As housing is becoming less affordable within the City, lower income groups are forced to either live in medium or high rent dwellings or to

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relocate to more affordable locations outside of the City. A consequence of this trend is that the City of Melbourne is increasingly becoming the preserve of high income households.

The market in the City of Melbourne is overwhelmingly focussed on small one and two bedroom units. This trend is broadly in line with projected housing demand as inferred from demographic forecasts. There is, however, the issue that projected demand in terms of household types is, itself, a reflection of the housing supply trends of the recent past. The intense development projected for some locations within the City such as Docklands, Melbourne CBD, North Melbourne and Southbank, teamed with the very narrow range of new dwelling types being supplied in these locations (that is, mainly one and two bedroom apartments) suggests that diversity will continue to be under pressure within these communities. There is no resilience in the City's housing stock to meet any increased demand for larger household types.

Furthermore, while projections show that the growth of couple households with dependents will be smaller than growth of lone person and couple households without dependents, couple families with dependents are still expected to make up around 8,000 households in the City of Melbourne by 2031. As new dwellings within the City are not catering to larger households and families, these households will likely look outside of the City of Melbourne for appropriate dwellings.

The student population (both domestic and international students) within the City of Melbourne accounts for a high proportion of the City's total population. A large proportion of the student population consists of international students who make a great contribution to the cultural diversity within the City. As students are typically low income earners, the cost of housing can heavily impact their lives. Increased housing costs within the City have the potential to drive a significant proportion of the student population to live elsewhere which in turn is likely to impact cultural diversity within the City.

Many of these trends do not align with the City of Melbourne's policy aspirations for affordable housing and a diverse and inclusive community. These policy objectives envisage:
− Melbourne as a city for people of all ages, abilities and social status;
− 20 per cent of new housing in the City of Melbourne as affordable housing; and
− an increase in the number and variety of affordable housing opportunities across the City.

Policy options

To fully explore the scope of the City of Melbourne's role in housing provision and how it can achieve a better alignment between housing outcomes in the City and Council's aspirations for social diversity and community wellbeing, the wider housing framework at the national, state and City of Melbourne level was explored in recognition of the sharply varied roles that the various levels of government have in housing and homelessness policy.

To date, emphasis has been on the City of Melbourne's role in the direct provision of affordable housing, with the City having a history of successful partnerships with the State Government and Housing Associations. The City's first affordable housing strategy, *A Liveable City,* was developed in 1997. Today, there are around 300 affordable housing units within the City of Melbourne which were catalysed in some way by Council, and this number is expected to expand to around 500 units in the near future.

In addition to its role in the supply of affordable housing, the City of Melbourne can facilitate efficient housing markets through planning system measures and provision of better information on supply and demand conditions for developers and builders about the state of the market. The City's role could also include sharing information on best practice, innovative tenures and leading designs. A more efficient market would boost housing supply, other things equal, and provide a more favourable platform for interventions to encourage the incorporation of affordable and diverse housing in private projects. Planning measures available to the City include ensuring that housing policy is generally supportive of new development that contributes to improved dwelling mix in accessible locations. Clear market signals, including reasonable and clear height limits and other building requirements, can help to remove uncertainty and induce greater development levels. Additionally, the City can boost market efficiency by ensuring that areas nominated for residential purposes are adequately equipped with supporting infrastructure. Should the City commit to funding needed infrastructure, locations may become more attractive for development.

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This paper has identified that recent demographic and development trends and future projections for the City of Melbourne are not meeting the aspirations set out in current City documents including *Future Melbourne* and the City's Municipal Strategic Statement.

The City's capacity to bridge this gap is quite limited with its primary role being through development control. It is through development control that the City of Melbourne has the best chance to lock in an adaptable and flexible dwelling stock. However, it is arguable how accessible this dwelling stock will be to low income groups.

The City of Melbourne is in danger of becoming an 'exclusive' place. This has profound social justice implications, given that the wider metropolitan and Victorian communities pay for much of the high level cultural, sporting, transport and public domain infrastructure of the central city.

Very powerful economic forces are driving specialisation in the community structure of the City, yet the City's policy base on housing is anchored to an idea of the economy dating back some 30 years. It's time to debate what we mean by community and housing 'diversity' in the current context.

INTRODUCTION

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1   INTRODUCTION

1.1   Background

Melbourne today is an attractive and liveable place to live and work. It is an international hub for business, retail, education, medicine, arts and industry. As the City of Melbourne attracts more residents, the provision of affordable and high quality housing is essential to ensure the City maintains its high standards of liveability and continues to be welcoming and accessible for people of all walks of life. This is confirmed by Future Melbourne (2009), the community plan for the City of Melbourne, which has a vision for a bold, inspirational and sustainable city for people.

Since the early 1990s, the residential population in the City of Melbourne has significantly increased. The Central City's revival as a place to live as well as work began with the redevelopment of Southbank and innovative programs such as Postcode 3000 which promoted apartment living in the Hoddle Grid. In the 2000s, the Central City expanded again with the urban renewal of Docklands, providing high density residential development. The residential population in the City of Melbourne has approximately doubled since 2001 to over 100,000 people today.

Population growth is forecast to continue to over 180,000 residents by 2031, requiring in the order of 45,000 new homes in the municipality. Council's Municipal Strategic Statement recognises that housing growth in the Hoddle Grid, Southbank and Docklands will continue and identifies opportunities for future growth in the new urban renewal areas of City North, Arden-Macaulay and Fishermans Bend. In this context, housing in the City of Melbourne can be considered both in terms of providing places for residents to live and as playing an important economic role.

This growth offers a significant opportunity to deliver affordable, diverse and high quality housing. This paper is one of three supporting papers which will inform the development of a Housing Discussion Paper. Two other supporting papers have been produced on *Understanding the Quality of Housing Design* and *Understanding the Property and Economic Drivers of Housing*. Each supporting paper will investigate the role that the City of Melbourne can have in influencing positive housing outcomes in the municipality.

There are a number of current and projected trends identified in the City that are likely to affect these outcomes. Compared to many other locations within metropolitan Melbourne, the City of Melbourne is not as diverse in terms of age, education and household type. This report looks at demographic projections for the City and considers the possible implications for the future diversity of the City.

Projections indicate that in the future couples without dependents and lone person households will continue to be the predominant household types within the City of Melbourne. As the housing stock that is currently being developed within the City largely consists of one and two bedroom apartments, this trend will be reinforced. With only a very small proportion of new three or more bedroom dwellings being built, there is no resilience in the City's housing stock to meet any future changes in demand including increased demand from larger household types.

1.2   Research objectives

Council's brief for the investigation of the social outcomes of housing called for a careful analysis of the links between housing development and the social profile of the City. The purpose was to identify resultant challenges for social policy. There was to be a special focus on warranted housing needs that are unlikely to be met through current housing markets operating on their own devices. Within this discussion, there was to be an examination of the role of the City of Melbourne in facilitating a robust, engaged and sustainable community through housing policies.

More specifically, the brief identified nine objectives as follows:

1. *To understand the role of housing in strengthening the community.*
2. *To understand the role of housing as a determinant of individual and community health.*
3. *To understand the effect of current housing provision and future trends within the City of Melbourne on the current and anticipated demographic profile of the community with respect to socio-economic and cultural diversity and inclusiveness.*
4. *To explore housing outcomes within the City of Melbourne compared to other cities with respect to housing choices (diversity of types, tenure, size, density, accessibility, affordability and number of bedrooms) and housing preferences.*
5. *To understand and explore the social implications of a 'salt and pepper' (or 'pepper potting') approach to delivering affordable, social housing and private dwellings within the same developments and buildings.*
6. *To identify issues affecting the delivery of broader housing choices with respect to types of housing, tenure, size, density, accessibility, affordability and number of bedrooms.*
7. *To identify housing choices and preferences which are not being met by private or social housing sectors.*
8. *To explore the social implications of particular housing choices not being delivered within the City of Melbourne by both the private and social housing sectors.*
9. *To explore a range of options or models to facilitate the provision of housing in the City of Melbourne.*

1.3 Council's aspirations for social diversity and community wellbeing

Before addressing the substantive research issues set out above, it is important to recap on Council's current aspirations for social mix and community wellbeing in the City, as documented in Future Melbourne, the Melbourne Planning Scheme and other policy documents.

In August 2012, the City of Melbourne adopted its updated Municipal Strategic Statement (MSS). Once approved by the Minister for Planning, it will play an integral role in defining the city's role and subsequent local planning policies. Clause 21.03 (Vision) adopts the core principals generated by the 2008 Future Melbourne community plan. Future Melbourne outlines the major aspirations for the City as follows:

People City

−   Develop Melbourne as a healthy place, both physically and socially
−   Ensure that Melbourne is a city for people of all ages, abilities and social status
−   Provide accessible and affordable housing.

Creative City

−   Embrace indigenous history and culture
−   Nurture emerging artists, businesses and communities
−   Encourage strong links and synergies between the creative arts and the commercial world
−   Marketing Melbourne's creative artists to international audiences'
−   Recognise the need for risk taking to accommodate activities which may turn out to be unsuccessful or unpopular
−   Explore new markets and trends such as sporting events to enhance the city's reputation.

Prosperous City

−   Aim for a high standard of living, affordable housing and access to education
−   Attract and retain the best workers
−   A leader in research and technology
−   Business and industry adopting a triple bottom line approach
−   A financial services hub with access to many elements such as providers, clients and venture capital
−   Make collaborative connections between workers, businesses and institutions
−   Provide diversity and flexibility in land supply to accommodate future trends
−   Attract global investments and compete in world markets

- Capitalise on exposure gained by hosting major national/international events
- Provide high quality markets, retail and entertainment services
- A 24 hour city which balances the needs of all city users.

Eco-city

- Develop and use technology to preserve resources
- Achieve zero net emissions, manage climate change risks and be a leader in water management
- Compact city, with high densities of housing, businesses and cultural uses
- Good air quality, open space and landscapes
- Generate and use renewable energy for feeding into the electricity grid
- Locally grown and used food, using vertical and horizontal spaces
- Develop the city as an ecosystem.

Connected City

- Enable people to access commerce and services
- An integrated network of public transport, cycling and walking
- Safer and more accessible roads for pedestrians and cyclists
- Improve proportion of people using sustainable modes of transport (non-car) from 72 per cent in 2006 to 90 per cent by 2020
- Community and business engagement in transport management.

Knowledge City

- Support the development of a well-resourced education and research system which is among the best in the world
- Allow people of all demographics and skills to access knowledge and education opportunities
- Transform research and ideas into more innovative goods and services
- Encourage informal learning through person interaction
- Encourage Informal meetings at venues such as museum exhibitions and pubs
- Provide state of the art telecommunications and information technologies to be a leader in online knowledge.

A key goal of Future Melbourne is to increase the number and variety of affordable housing opportunities and ensure that housing development responds to demand through varied accommodation options. Future Melbourne establishes the following indicators of this goal:
- Proportion of City of Melbourne residents who spend more than 30 per cent of their income on a rent or mortgage; and
- 20 per cent of new City of Melbourne housing completed is affordable.

Another goal of Future Melbourne is that housing construction and conversion keeps pace with demand. The indicators for this goal are:
- Number of dwellings in the City of Melbourne; and
- Rental vacancy rate.

The growth area framework for the City of Melbourne as set out in the MSS is shown in Figure 1 below.

FIGURE 1. GROWTH AREA FRAMEWORK, CITY OF MELBOURNE
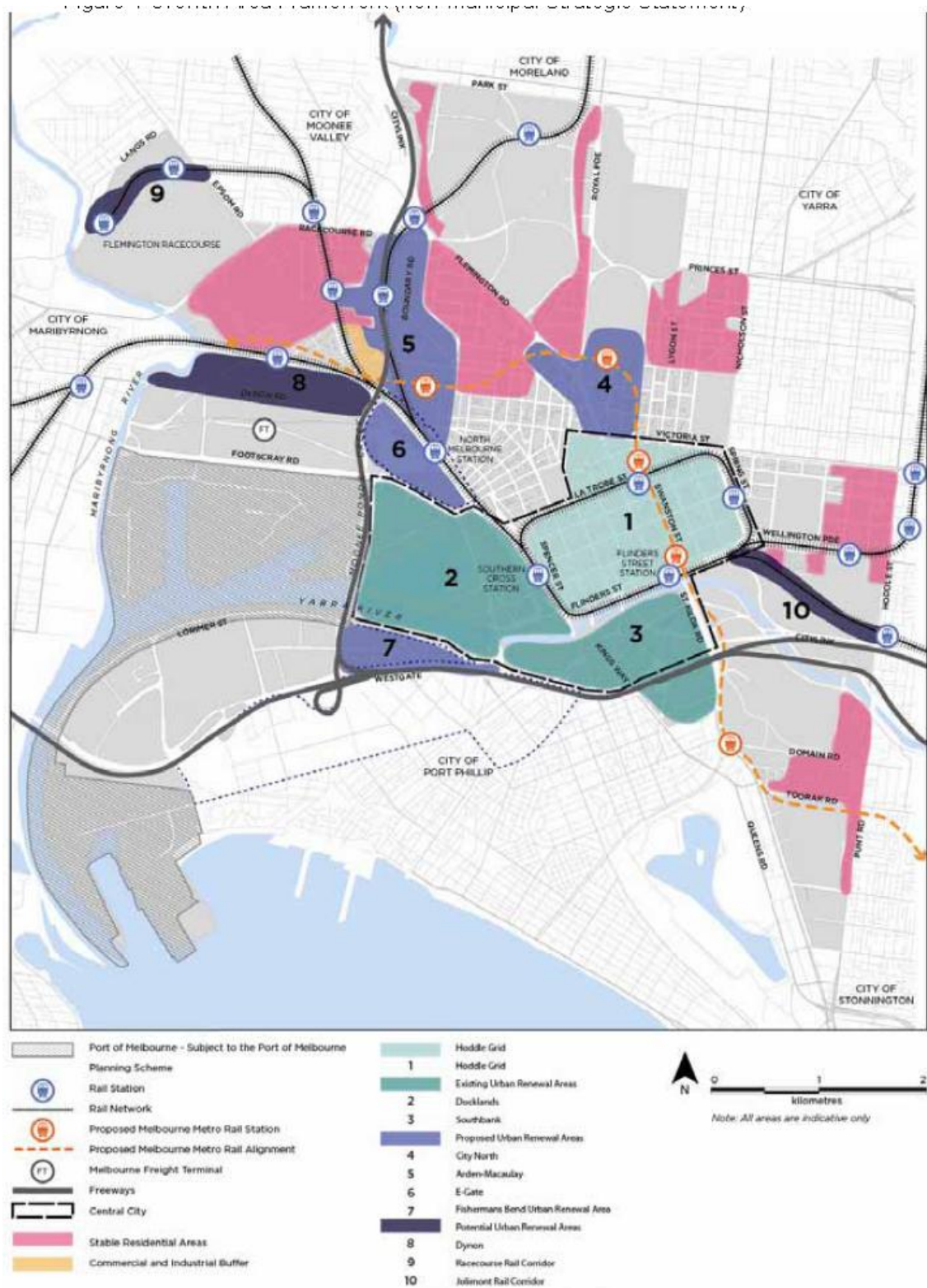
Source: City of Melbourne, Municipal Strategic Statement, 2012

HOUSING AND QUALITY OF LIFE IN MELBOURNE

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2 HOUSING AND QUALITY OF LIFE IN MELBOURNE

Overview

This Section reviews the Australian and international evidence regarding the links between housing, social mix and community well being. There is a specific focus on finding operational indicators of social mix and social wellbeing for application in the City of Melbourne. The local relevance of research which claims that social mix improves quality of life across a range of dimensions is appraised. The section concludes with a proposed method for quantifying the links between social mix and wellbeing in Melbourne.

2.1 What is social mix and how can it be measured?

Underpinning the desire for a creative and vibrant city is the assumption that social, cultural, demographic and housing diversity are the key to achieving this goal. This is because diversity is thought to produce:
- increased social inclusion;
- increased quality of life outcomes;
- improved health and well-being; and
- increased economic participation.

Indeed orthodoxy exists that diversity is considered to be a way to achieve:
- growth;
- social equity;
- innovation; and
- productivity.

This evidence has a long legacy within the urban studies and planning literatures. Much of this work stemmed from the influential writings of Jane Jacobs (1961) who argued that diversity leads to mutual support, interactions and mixed uses within urban spaces. This led to, in Jacobs' estimation, productivity gains. More contemporaneously, Richard Florida (2001) has expanded on the Jacobs approach and claims that diversity stimulates creativity.

Other researchers examining the links between economic productivity and diversity are divided. Much of the recent literature has focused on diversity as shorthand for ethnic concentrations. The thesis espoused is that concentrations of ethnic groups within cities creates diversity and encourages entrepreneurialism. Lee (2011) for example suggests that ethnically diverse cities create:
- innovation through interaction;
- tourism opportunities; and
- entrepreneurism amongst ethnic groups.

Within urban theory, diversity has always been assumed to be a catalyst for advancement. Glaeser and Mare (2001) have argued that diversity leads to increased consumption within cities, while Fincher and Iveson (2008) have suggested that ethnic diversity can create more meaningful social exchanges within cities.

In contrast to urban theory, planning theory and practice has historically aimed to bring order to urban spaces, thus creating homogenous places, where diversity has been eroded or planned away. However, more contemporary planning and urban literature has begun to explore the value of encouraging diversity within our cities.

This section of the report examines the evidence about whether diversity can have measurable and demonstrable positive outcomes.

Defining socially mixed or diverse communities

The term diversity will be used in this report to describe both the mix of demographic characteristics of a community and/or the mix of housing tenures and types.

Thus, a definition of diversity includes the following two components:
- Demographic diversity - the assembly of households who have a range or diversity of demographic characteristics. As such an area with low diversity is fairly homogenous (Arthurson 2010; Berube 2005, p.4).
- Housing diversity - the assembly of households who have a diverse range of tenures. Tenure mix includes the balance of private and public rental housing as well as homeownership (Arthurson 2010, p.50).

In more contemporary literature the term diversity has been used to refer to ethnic or racial diversity. This is a term more widely used in the U.S and the U.K literatures. The use of diversity as shorthand for ethnic concentrations is too narrow for the focus being taken by the City of Melbourne and has therefore been excluded from this literature review.

What are the outcomes of socially mixed or diverse communities?

To date the evidence regarding the social outcomes of socially mixed or diverse communities is minimal. There are, however, three related literatures that provide evidence about the risks of not pursuing diversity, either in terms of housing mix and/or demographic mix. These three literatures include:
- locational disadvantage and social mix policy response;
- gentrification; and
- social polarisation.

All these literatures point directly to the need for a sophisticated understanding of the impacts of urban and social policy on housing affordability and its impact on diversity. The contemporary shift to planning for, or with, diversity in mind has its heritage in the locational disadvantage, gentrification and social polarisation literatures. The interest amongst government around diversity has also been influenced by the impact of global migration which has seen a growth in ethnic communities within our cities.

Typically, governments, researchers, academics and policy officials consider homogenous (and impoverished) communities to be an indicator of social isolation and decay. As such, creating communities of diversity has been a primary policy response in dealing with the negative social and housing outcomes within disadvantaged communities. Creating socially mixed or diverse communities represents a counter hypothesis to problems within cities.

Locational disadvantage and social mix policy response

The first set of evidence that can contribute to a wider understanding of the social implications of housing is found within the locational disadvantage research. Locational disadvantage literature emerged from government concerns, both in Australia and internationally, with poverty and disadvantage within public housing estates in the 1980s and 1990s (Arthurson 1998, 2002, 2004; Darcy 2010; Randolph 2004; Randolph et al. 2010; Ruming et al. 2004).

Areas of locational disadvantage have been characterised as having high crime rates; high rates of poverty; low levels of employment; high ethnic or racial concentrations; and poor levels of health. The key policy response by governments was to undertake strategies of social mix. As such social mix has been considered one mechanism used to:
- Disperse people living within economically and social deprived environments.
- A mechanism to undertake urban regeneration in areas of 'decay'.

Social mix, as undertaken by governments to address locational disadvantage, has been based on two fundamental assumptions:
- People from disadvantaged communities will benefit from living in close proximity to people of relative advantage. However, the national and international evidence has found that people in diverse communities lead separate lives and little social mixing occurs (Fauth et al. 2008, p.121).

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- Choice of housing products through market led approaches provides increased housing choices for low income households. However, Cameron (2006) suggests that the provision of diverse housing products does not necessarily benefit low income households.

While the social mix policies have shown some positive impacts, this evidence is based on taking people living in conditions of disadvantage and relocating them to more affluent areas or transforming the tenure mix within areas. To date there is little evidence on the social outcomes of diversity within newly established areas. However, from the evidence base we can make some broad conclusions:
- Ethnic and tenure diversity can lead to tensions within communities, particularly when poorly managed (Levy et al. 2010).
- Tenure diversity can assist in the supply of affordable housing.
- Areas that are well resourced can create healthy, vibrant and connected communities. This is achieved through the creation of physically attractive environments with high levels of social inclusion and sense of belonging within the community.
- Tenure diversity can lead to demographic diversity.
- Tenure mix can be of benefit for some but can also increase social isolation and exclusion.
- Vibrant and regenerated areas can become attractive to high income groups and potentially place a location at risk of gentrification (Carpenter 2006). The solution posed by Carpenter (2006) is to ensure an appropriate supply and mix of affordable housing options exists.

Gentrification

The second set of literature that can contribute to an understanding of the social outcomes of housing and diversity is found in the debates about gentrification. The gentrification evidence base is well established and has been widely researched both in Australia and internationally (Smith 1996; Smith and Williams 1986; Rose 1984; Beauregard 1986; Atkinson and Bridge 2005; Ley 1994).

Gentrification is commonly described as the process of residential movement into inner cities and the subsequent urban redevelopment of economically depressed areas (Randolph and Holloway 2005; Hamnett 2003). Atkinson et al. (2011) describes gentrification as the movement of higher income households into lower income neighbourhoods. In Australia early examples of gentrification occurred in the 1970s and 1980s and was characterised as the process of transformation of inner city areas as a result of an influx of a new middle class.

The process of gentrification resulted in the forcing out of traditional working class residents. The housing transfer was from private renting to owner occupation and primarily involved:
- an upward filtering of housing; and
- upgrading of old housing stock, not new housing developments.

More recent forms of gentrification occurred from the 1990s onwards and are characterised by middle class, or upwardly mobile, groups relocating to inner city areas. This version of gentrification included renovations, but more importantly the construction of housing developments for new urban markets – renters and owner occupiers. These residents moving into the inner city were thought to be:
- rejecting suburban values;
- locating close to services and facilities;
- seeking city living;
- dominated by 'yuppies' gays and lesbians and bohemians; and
- single or at least childless couples.

The impact of this process has been an increase in house prices. Likewise households with higher incomes have increased competition for housing resources. As a consequence gentrification has resulted in:
- Decreased accessibility to affordable housing in areas of gentrification.
- A lack of affordable private rental housing, specifically for those on low incomes. The dislocation of lower income households or the 'most vulnerable households' (Atkinson et al. 2011, p2).
- Loss of demographic and housing diversity within gentrified areas.

Social polarisation

The final set of literature that can assist in understanding the implications of diversity and the social outcomes of housing in the city is that of social polarisation. This evidence base, like the two outlined above, is a well developed

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both in Australia and internationally (Sassen 1991; Hamnett 1994; Fainstein et al. 1992; Stillwell 1995; Gibson et al. 1996; Murphy and Watson 1994). The literature also extends to understanding the implication of social stratification in cities and the spatial consequences, often referred to as socio-spatial polarisation.

Social polarisation refers to the gap of the population into the 'have' and 'have nots'. This crude explanation seeks to broadly include the growing separation between the rich and the poor. This separation is also spatially manifest, meaning that within urban areas there exists locational segmentation according to incomes and wealth (Pahl 1984).

The impact of these social and spatial divisions has been a differentiation in access to:
−   affordable housing, resources and facilities;
−   labour markets; and
−   transport and infrastructure.

These differentiations in access can, in some areas, exacerbate poverty and inequality in existing generations, but also contribute to intergenerational disadvantage.

According to Wulff and Reynolds (2010) house prices and rent levels are a key determinant of the social and spatial configuration of urban areas. The authors argue that a lack of diversity in housing (price and tenure) can make a city more polarised. The disadvantage that accrues from polarisation comes from a diminished access to services, programs and other economic functions of the city. More importantly it also restricts access by low income households to affordable housing in areas that are well resourced. As a result social polarization can result in:
−   reduction in affordable housing; and
−   diminished diversity, both demographically and in housing.

Measuring social mix or diversity

There are a number of indicators of diversity cited within the evidence base. For policy development purposes, diversity is divided into two types, each with different policy impulses.

Housing Diversity (Tenure)	Demographic Diversity
Tenure	Age
Public housing	Birthplace
Private rental	Family type
Social or community housing	Income (type and quartile)
Home ownership	Employment
Shared equity	Education
	Household structure
Housing type	Rent/mortgage levels
Number of bedrooms	Gender
Apartment/Townhouse/House	

The indicators outlined above provide some assessment of the demographic, economic and housing profiles of an area. It is important to note that these indicators do not necessarily indicate diversity, but simply a way in which diversity can be captured. The evidence base suggests that housing diversity is more likely to produce demographic diversity. A note of caution is that these measures of diversity do not provide any indicators of the level or depth of social cohesion within communities.

Social outcomes of diversity

The evidence base does not, as yet, clearly establish a significant link between diversity and positive social outcomes. However, this may simply be a reflection of the direction of current and historical public policy which has focused on *problems* within the city (that is, locational disadvantage, social and spatial polarization, gentrification and displacement) rather than opportunities to optimize positive community functioning. These problems, which have been identified in the literature above, provide substantial evidence regarding the impact of government policy and planning on both households and the composition of cities. These impacts include:
−   Lack of planning for diversity can lead to income segregation within urban neighbourhoods (Barnes 2012).
−   Lack of affordable housing can result in locational disadvantage and social polarisation within the city.
−   Lack of affordable and diverse housing can create displacement of low income households.

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- A segmented housing market can create a city which excludes some groups.
- A mix of housing and household types is critical to achieving demographic diversity within the city.

The evidence base provides information about the consequences of not carefully managing housing within urban environments. Likewise, Fainstein (1991) suggests that letting the market create diversity is unrealistic. She claims that is impossible to predict or fully anticipate market tendencies, particularly as we are now operating within a global context.

2.2 Measuring community wellbeing / quality of life

Defining wellbeing

Wellbeing is generally understood as an individual's self-assessment or sense of their lives. This definition, of wellbeing is inconclusive as are the methodologies used to measure wellbeing at either the individual or community level. For example Rowley and Ong (2012) suggest that there are a number of ways to assess wellbeing – from a philosophical/normative to a macroeconomic framework. The authors suggest that a growing body of literature attempts to define and measure wellbeing through individual self-assessments of quality of life. This model of measuring wellbeing is therefore a subjective account and can include an assessment of happiness and life satisfaction.

The use of subjective accounts has been heavily critiqued in the literature, with suggestions that they are not valid measures and are unable to provide rigorous conclusions beyond the individual at a point in time. Much of the national and international evidence suggests that the use of subjective accounts can be best overcome using longitudinal data. The ABS (2001) regards longitudinal data as an important way of measuring a change in conditions over time. That is, are individuals or community measures of wellbeing getting better or worse over time?

The ABS (2001) and others (Burke and Hulse 2002; Rowley and Ong 2012; Dockery et al. 2010) have aimed to account for both the subjective and non-subjective measures of wellbeing. Burke and Hulse (2002) refer to wellbeing as non-shelter outcomes and include:
- levels of financial stress;
- public housing/rental assistance levels; and
- workforce participation.

Rowley and Ong (2012) suggest that it is difficult to correlate indicators of diversity with wellbeing. For example, what impact does education attainment and income levels have on wellbeing? The literature suggests that there are a range of other factors that are more influential on people's measures of wellbeing such as family circumstances and relationships (e.g. partnering and divorce). Other measures of wellbeing include:
- financial wellbeing;
- neighbourhood quality;
- strong sense of community;
- strong sense of identity;
- being mentally and physically healthy;
- being married and having good relationships;
- being towards the top of the social ladder;
- having satisfying or meaningful employment; and
- freedom, independence and the right to participate in political processes (Rowley and Ong 2012, p.22).

The Community Indicators Victoria (CIV) uses a variety of ABS, administrative and survey data to provide an assessment of health and wellbeing of municipalities across Victoria. The data measures wellbeing through a number of variables and includes:
- healthy, safe and inclusive communities;
- dynamic, resilient local economies;
- sustainable built and natural environments;
- culturally rich and vibrant communities; and
- democratic and engaging communities.

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The ABS frames measures of wellbeing around a system of indicators and areas of concern. This is illustrated in the following table.

TABLE 1.   ABS FRAMING OF WELLBEING

Aspects of life contributing to wellbeing	Areas of concern
Support and nurture through family and friends	Family and community
Freedom from disability and illness	Health
Realisation of personal potential through education	Education and training
Satisfying and rewarding work both economic and non-economic	Work
Command over economic resources, enabling consumption	Economic resources
Shelter, security, and privacy through housing	Housing
Personal safety and protection from crime	Crime and justice
Time for and access to cultural and leisure activities	Culture and leisure

Source: ABS 2001

On the basis of the information found in the literature there are a wide variety of indicators used to measure wellbeing. These measures aim to link economic and financial conditions with household demographics and health outcomes. The measures consistently used within the literature include:

− financial wellbeing;
− health;
− neighbourhood wellbeing**;**
− financial stress**;**
− housing tenure;
− workforce participation; and
− self assessment of wellbeing.

2.3 How do housing and social mix/ diversity affect community wellbeing?

The following section further discusses the relationship between housing, social mix/diversity and community wellbeing.

Relationship between health, wellbeing and housing

The connection between housing, health and wellbeing outcomes is not well established. As Mullins and Western (2001, p.5) suggest, while the correlation "seems plausible, there is little direct empirical evidence to demonstrate". The research by these authors used data from a South East Queensland Quality of Life survey which found that poor housing is directly related to:

− Poor health, economic circumstances and mental health.
− Living in areas of high crime and poverty.
− Low educational attainment rates and success for children.
− Low levels on employment.

What these findings tell us is that poor housing and a range of poor health and wellbeing outcomes are simultaneously present. What this study and many others are unable to do is make *causal links* between poor housing and poor health and wellbeing outcomes. Waters (2001) who examined the relationship between health and housing found that:

− Owner occupiers have better health outcomes. This is supported by more recent analyses by Foster (2011).
− Renters report poorer health status and higher rates of serious health conditions.
− Overcrowded conditions are related to poor health and mental health for non-Indigenous Australians.

As such there is a relationship between health and housing but causality has not been established.

Other findings that provide mixed findings about the health, housing and wellbeing connections include:

— Areas of low income have been found to have high levels of community connection (Mullins and Western 2001; Stone and Hulse 2007).
— Health outcomes may improve for people with poor health as they move into better housing. However, the magnitude of the change has been found to be small given the health status of disadvantaged households compared to the health of the general population (Mullins and Western 2001).

What are the relationships?

AHURI has undertaken a number of projects since 2000 that seek to establish the links between housing and wellbeing. This body of evidence is the most significant body of rigorous Australian literature to date. Phibbs and Thompson (2011) outline that physical aspects of housing can be detrimental to health, and as such housing is considered one of the key determinants of health. This is due to its specific nature – it provides shelter but also access to a vast array of goods and services. These findings are aligned with those found by Waters (2001) and Foster (2011) which demonstrate that tenure of housing (ownership, renting) is related to health. Stone and Hulse (2007) also found that social cohesion is improved through housing policy. For example, people with insecure tenancies are less likely to be connected to the local community or have a sense of belonging.

An AHURI project undertaken in conjunction with a range of partners (VicHealth, Melbourne City Mission, University of Adelaide, University of Melbourne, Hanover Welfare) found that:

— Poor or precarious housing leads to poor health outcomes. The physical aspects of housing are more directly related to poor physical health outcomes.
— Poor safety can lead to anxiety which impacts on mental health and wellbeing.
— Overcrowding can impact on mental health and wellbeing.
— Unstable housing (including insecure tenure and housing stress) affects mental health and wellbeing (Foster et al. 2011).

The report documented the specific links between precarious housing and health. The links between housing and wellbeing and housing and diversity are not well known and represent a gap in the evidence base. Other research, such as Dockery et al. (2010) has found links between children's development, wellbeing and housing. The authors found these links include:

— The physical structure of a house impacts on physical health.
— Homeownership and housing stability has positive impact on children's wellbeing, health, behaviour and academic performance.
— Poor neighbourhoods expose children and adolescents to health risks, poor education, poor access to services.

Dockery et al. (2010) reviewed the national and international evidence and also found that:

— Many of the child development effects were carried into adulthood.
— Poor housing has different levels of impact according to children's ages. For example respiratory illnesses related to poor physical conditions are more severe in young children. In contrast older children are more vulnerable to the effects of neighbourhood dynamics due to the influence of peer pressure.

Dockery et al. (2010) caution that any attempt to identify causal relationships between housing, health and wellbeing outcomes is a fraught process. They argue that the data sets do not currently exist in Australia.

Marsh et al. (2000) in research from the UK found that housing deprivation leads to a greater risk of disability or severe ill-health. Furthermore the authors found in their research that people who experienced poor housing as children were at greater risk of poor health outcomes as an adult. Those housing factors that indicated housing deprivation included:

— lack of open space;
— overcrowding; and
— restricted access bathrooms, cooking facilities and hot water.

Other research by Saegert et al. (2003) found that improvements to the physical amenity of housing can lead to improved health. Foster et al. (2011) mapped the relationships between the elements of housing and the health effects, as can be seen below.

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Housing and Health Relationships
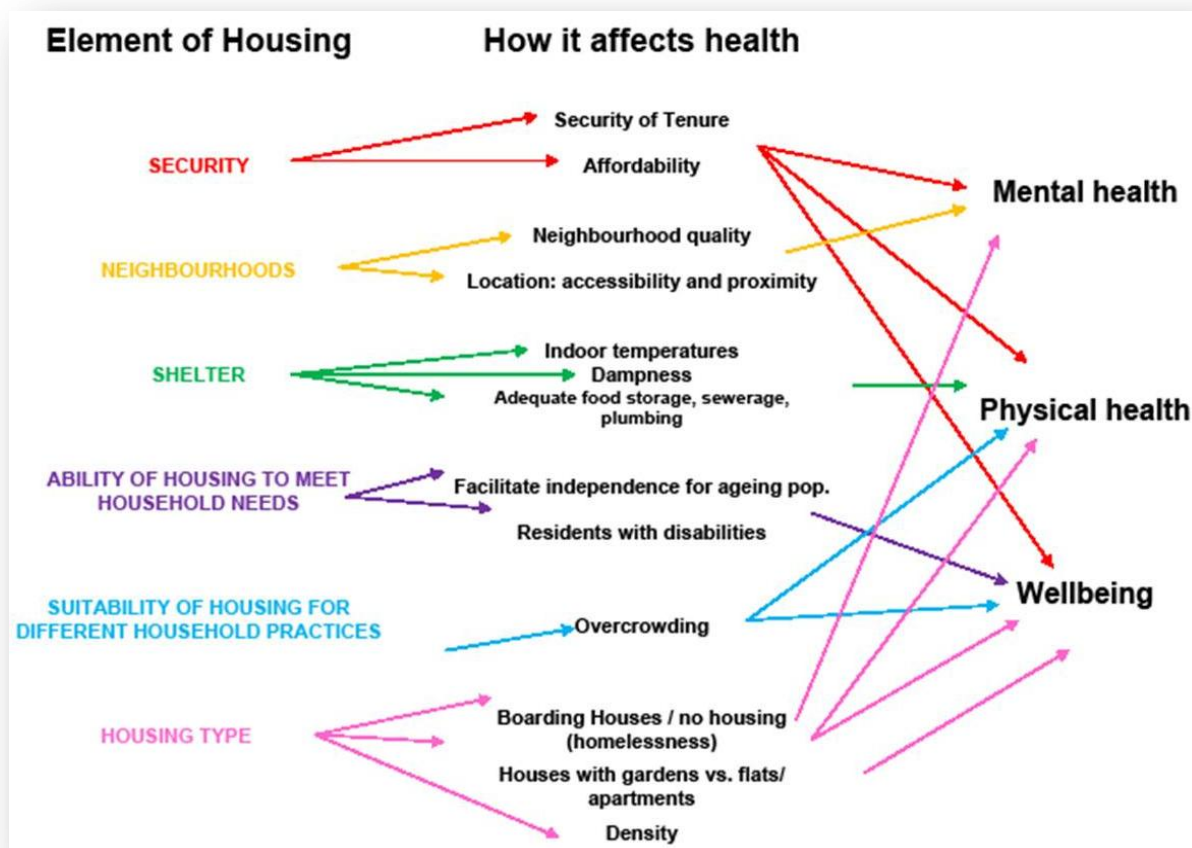
Source: Foster et al. 2011; p.11

2.4   Tracking community wellbeing and social mix/ diversity in Melbourne

As Sections 2.1 and 2.2 above demonstrate, there are a number different ways to measure and account for both community wellbeing and social mix/diversity. Measuring wellbeing includes the use of a diverse array of data sources, while in contrast measuring diversity (both housing and demographic) relies heavily on census data. The tables below outline the common indicators used within the literature that will enable the City of Melbourne to effectively track community wellbeing and social mix/diversity over time.

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TABLE 2.   SOURCES OF DATA USED TO MEASURE WELLBEING

Indicator	Sources of data	Measures
Financial wellbeing	Household, Income and Labour Dynamics in Australia survey (HILDA) Community Indicators Victoria (CIV) Australian Bureau of Statistics (ABS)	− Employment − Economic activity − Income − Housing affordability − Financial stress − Housing tenure − Disposable income − Workforce participation − Perceived prosperity − SEIFA index
Health	HILDA ABS	− Health self assessment − Disability − Use of carers − Life expectancy − Morbidity/Mortality − Personal health and wellbeing
Neighbourhood wellbeing	HILDA CIV Crime data	− Neighborhood livability − SEIFA index − Community connectedness − Community safety − Crime statistics
Financial stress	ABS HILDA	− Income − Employment − Housing affordability − Employment and participation − Journey to work
Housing tenure	ABS	− Household type − Households formation − Tenure − Household payments
Workforce Participation	ABS	− Employment − Economic activity − Income − Disposable income − Workforce participation
Self assessment of well-being	HILDA CIV	− Health self assessment − Well being self assessment

Source: various sources – see table

TABLE 3.   MEASURES OF DEMOGRAPHIC AND HOUSING DIVERSITY

Demographic Diversity	
	− Age
	− Income
	− Employment
	− Occupation
	− Family type
	− Household formation
	− Number of children
	− Mortality
	− Hours worked
	− Birthplace/ Indigeneity
	− Language spoken at home
	− Disability
	− Educational attainment
	− Poverty
	− Literacy
	− Marital status
	− Mobility (household)
Housing Diversity	− Tenure
	− Household payments
	− Housing type
	− Number of bedroom
	− Household composition
	− Rent
	− Mortgage repayments
	− Dwelling structure

Source: AHURI, 2012

2.5   Conclusions

While there is little direct evidence that diversity will produce positive social outcomes, the literature clearly points out that there are serious social risks in urban environments becoming polarised and that a diversity of housing options that are attractive to a diversity of households is critical. Accordingly, and appropriately, many of the policy impulses to deal with negative social outcomes within cities have been to pursue more diverse communities.

Another component of this section of the report was to examine the links between diversity and community health and wellbeing. The underlying proposition is that diversity is a key element in the production of improved health. The evidence again is not well developed in this area. What is known is that:

− Poor physical health is related to poor living conditions.
− Housing stress increases the risk of depression and mental illness.

The evidence does not offer any compelling links regarding diversity and health and wellbeing, however this is a function of a very underdeveloped evidence base. It is apparent from the evidence base that pursuing a policy that encourages both housing and demographic diversity in the city can affect housing affordability and create socially inclusive environments. Policies that facilitate diversity can assist in producing less polarised and disadvantaged sections of the city as well as ensuring low income households are not displaced.

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PROJECTED POPULATION AND SOCIAL MIX/ DIVERSITY

Independent insight.

3 PROJECTED POPULATION AND SOCIAL MIX/ DIVERSITY

Overview

This Section provides a projection of the population size and composition of the City of Melbourne over the next two decades assuming current policy settings – at national, State and local levels – remain unchanged. This projected social mix is contrasted with Council's policy aspirations as set out earlier. The emergent issues in terms of community infrastructure provision, social mix, community strengthening and community wellbeing are drawn out.

3.1 Housing, population and social mix/ diversity projections

Housing stock versus population projections

City of Melbourne forecasts indicate that total households could reach 90,727 by 2031 which represents a growth of 43,300 additional households from 2011 or an average annual growth rate (AAGR) increase of 3.3 per cent. Couples without dependents are expected to grow by 12,100 households and lone person households by 16,900.

TABLE 4. HOUSEHOLDS – CITY OF MELBOURNE

	2006	2011	2016	2021	2026	2031	AAGR 2006 to 2031
Couples without dependents	9,699	12,274	15,426	18,294	21,256	24,391	3.5%
Couple families with dependents	3,538	4,313	5,240	6,080	7,006	7,966	3.1%
One parent family	1,647	1,947	2,314	2,600	3,046	3,520	3.0%
Other families	2,602	2,984	3,786	4,288	4,959	5,666	3.3%
Lone person households	15,118	18,750	23,680	27,289	31,320	35,682	3.3%
Group households	6,088	7,196	9,088	10,323	11,883	13,502	3.2%
Total households	**38,692**	**47,464**	**59,534**	**68,874**	**79,470**	**90,727**	**3.3%**

Source: i.d. consulting, 2011

Couples without dependents are forecast to account for 26.9 per cent of all households in the City of Melbourne in 2031, up from 25.9 per cent in 2011. Couple families with dependents are expected to fall as a percentage of the population from 9.1 per cent of all households in 2011 to 8.8 per cent in 2031. The proportion of group households and one parent families as a proportion of the population are also forecast to fall from 15.2 per cent to 14.9 per cent and 4.1 per cent to 3.9 per cent respectively while lone person households and other families are expected to remain relatively constant. The two groups that these data indicate will show the largest increases in absolute size, couples without dependents and lone person household families, are the household types which can be accommodated in dwellings with one bedroom.

While the proportion of family and group household types is projected to fall in the period to 2031, these household types are projected to account for an additional 12,640 households within the City of Melbourne by that year. While the projections for a smaller proportion of larger households indicates that there will not be as great a demand for larger dwellings within the City, the majority of dwellings currently being built (namely, one and two bedroom apartments) will not be able to cater for any future increase in demand from larger household types. Limiting the

type of dwellings currently being built may affect household diversity within the City of Melbourne in the future, particularly in newer suburbs. There is opportunity for new release land areas within the City of Melbourne, such as in City North, Arden-Macaulay and Fishermans Bend, to accommodate larger household types to rectify this mismatch.

FIGURE 2. HOUSEHOLDS – CITY OF MELBOURNE
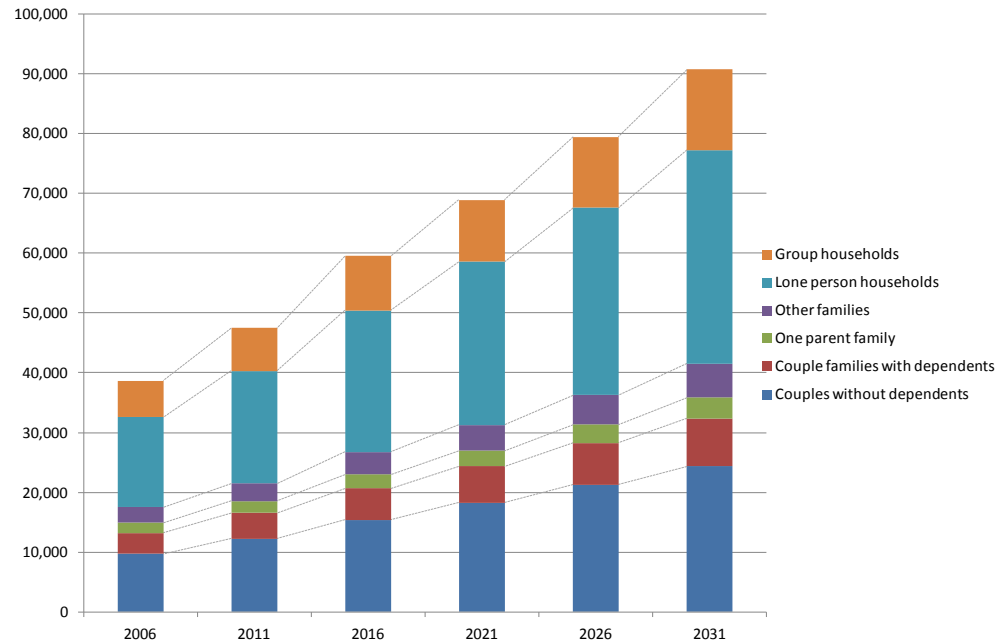
Source: Id Consulting 2012

The Melbourne CBD will accommodate 28 per cent of the additional households by 2031 while Southbank, North Melbourne, Carlton and Docklands will accommodate 15 per cent, 15 per cent, 13 per cent and 12 per cent respectively.

FIGURE 3. PROPORTION OF ADDITIONAL HOUSEHOLDS – 2006 TO 2031
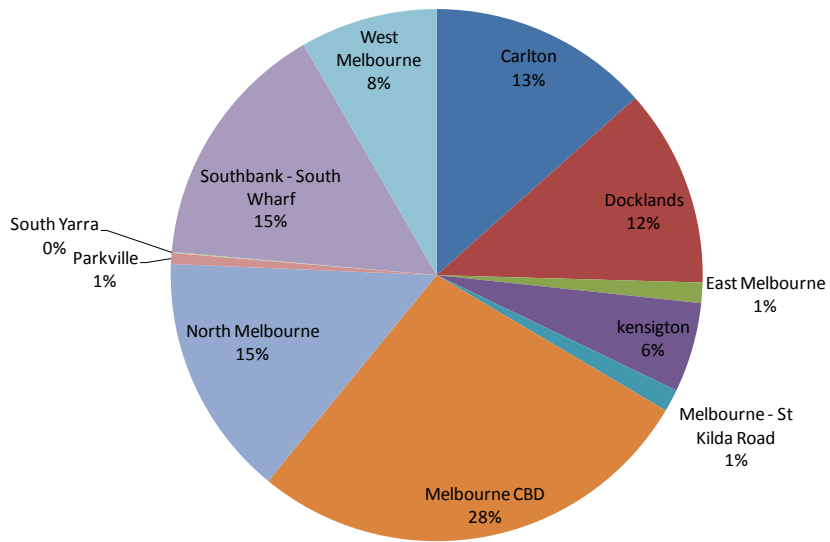
Source: Id Consulting 2012

Docklands will experience the highest rate in growth of households from 2011 to 2031 and, as such, its share of total households of the City of Melbourne will increase from two per cent to four per cent. The Melbourne CBD will increase its share of households by nine per cent to 12 per cent while North Melbourne, Southbank and West Melbourne will also increase their shares. Parkville, South Yarra, Kensington, Carlton and East Melbourne will see their share of households decline as a proportion of the City total.

FIGURE 4.   CHANGE IN PROPORTION OF HOUSEHOLDS – 2006 COMPARED TO 2031
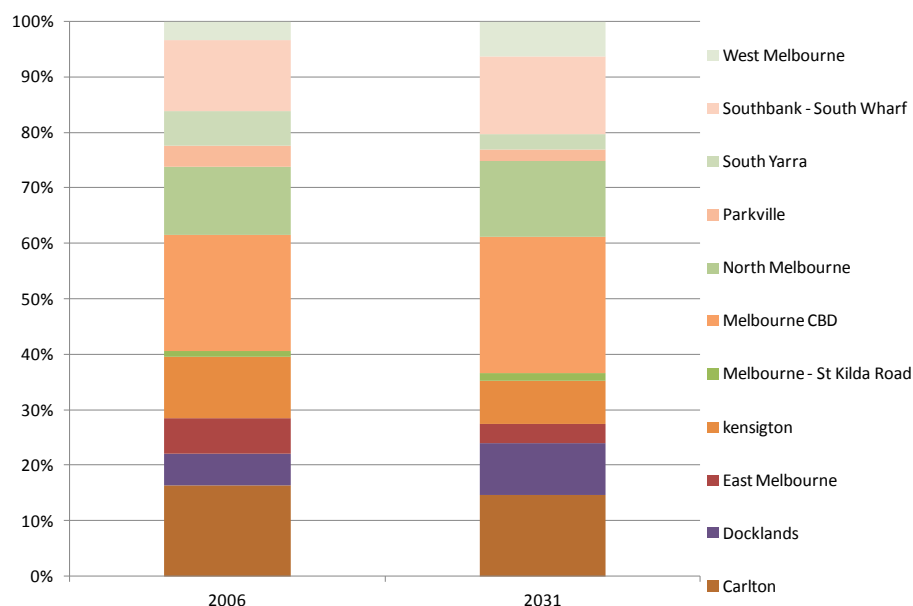
Source: Id Consulting 2012

Population

The City of Melbourne population is expected to grow by an average annual growth rate of 3.1 per cent from 98,000 to 181,000 people over the period from 2011 to 2031. The Melbourne CBD accounted for the highest proportion of the population in 2011 at 21.5 per cent and this is expected to increase to 22.5 per cent in 2031. Docklands is expected to increase its share of the population significantly from 4.8 per cent to 8.7 per cent. Southbank and West Melbourne are also expected to increase their respective shares of the population. East Melbourne, Kensington and Parkville are all expected to experience a significant decrease in their share of the total population.

TABLE 5.   POPULATION GROWTH 2006 TO 2031

	2006	2011	2016	2021	2026	2031	2011 to 2031 (AAGR)
Carlton	12,879	14,646	19,320	21,957	23,771	26,785	3.1%
Docklands	4,218	6,133	9,595	12,523	14,205	15,791	4.8%
East Melbourne	4,675	5,162	5,344	5,565	5,772	5,977	0.7%
Kensington	9,161	10,459	10,926	12,077	13,230	14,688	1.7%
Melbourne - St Kilda Road	950	1,631	1,954	2,004	2,064	2,134	1.4%
Melbourne CBD	15,406	21,079	26,737	29,856	35,265	40,717	3.3%
North Melbourne	10,562	11,648	13,812	17,890	22,346	26,437	4.2%
Parkville	5,205	5,773	5,876	5,831	5,825	5,827	0.0%
South Yarra	4,698	4,702	4,721	4,717	4,723	4,732	0.0%
Southbank - South Wharf	9,942	13,108	19,023	21,084	23,281	25,644	3.4%
West Melbourne	3,293	3,823	4,201	6,013	9,400	12,593	6.1%
City of Melbourne	**80,987**	**98,164**	**121,507**	**139,519**	**159,882**	**181,325**	**3.1%**

Source: Id Consulting 2012

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FIGURE 5. CITY OF MELBOURNE AGE PROFILE, 2006-2031
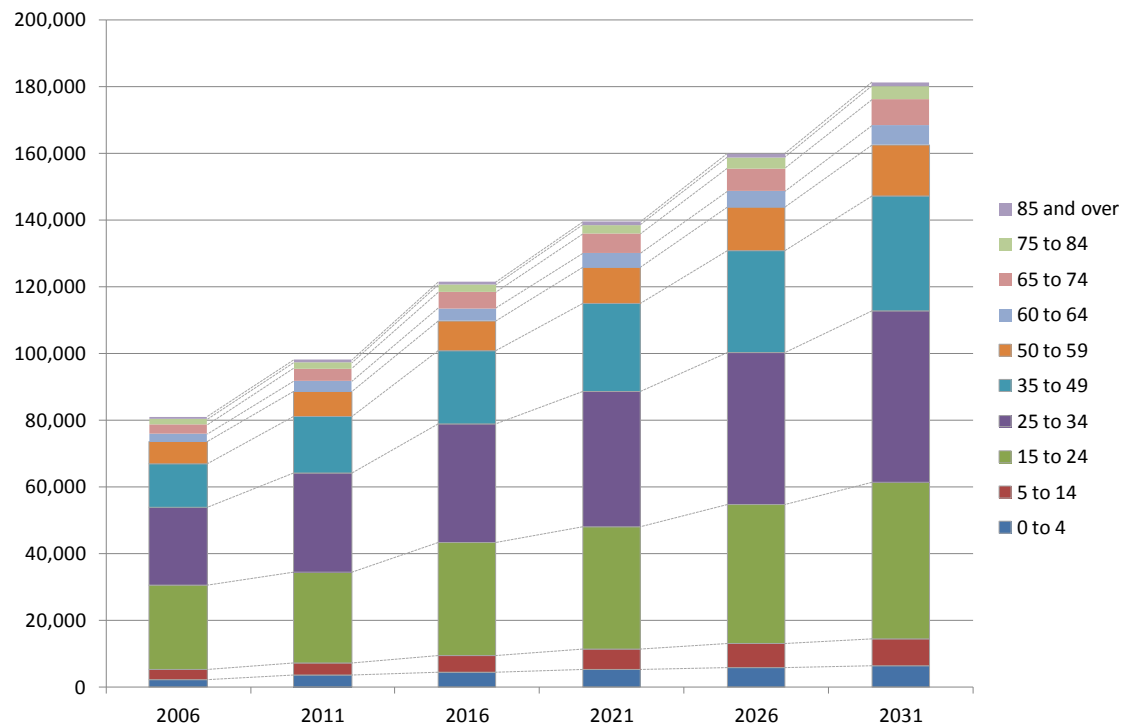
Source: Id Consulting 2012

The City of Melbourne is expected to experience a decrease in the proportion of individuals aged 15 to 24 over the 2011 to 2031 period. This age group will decrease as a proportion of the total population from 28 per cent to 26 per cent. The proportion of individuals aged 25 to 34 is also projected to decrease over the same period. The 35 to 49 year age group will increase from 17 per cent to 19 per cent to 2031. The proportional share of those aged 0 to nine years is projected to increase slightly (0.4 per cent) to 2031, as is the proportional share of individuals aged 65+ (0.6 per cent) to 2031.

3.2   Implications for social mix

Table 6 shows the weekly median income range and the weekly median rental ranges for each of the respective suburbs within the City of Melbourne. The table also shows how much the rental ranges are as a proportion of income. This measure is used as an indicator of affordability. While the table below shows the median ranges the distribution of ranges are shown in the appendices to this report. The distribution is important when identifying the range of income groups which are catered for within a suburb.

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TABLE 6. MEDIAN INCOME TO MEDIAN RENT

Suburb	Median gross income range ($ per week)	Median rental range ($ per week)	Rent payed as a % of income (average of ranges)
Carlton	$600 to $799	$325 to $349	48%
North Carlton	$1,500 to $1,999	$425 to $449	25%
Docklands	$1,500 to $1,999	$450 to $549	29%
East Melbourne	$1,500 to $1,999	$400 to $424	24%
Melbourne	$1,000 to $1,249	$400 to $424	37%
North Melbourne	$1,250 to $1,499	$325 to $349	25%
Parkville	$1,500 to $1,999	$350 to $374	21%
West Melbourne	$1,500 to $1,999	$450 to $549	29%
South Melbourne	$1,500 to $1,999	$425 to $449	25%
Southbank	$1,500 to $1,999	$450 to $549	29%
South Yarra	$1,500 to $1,999	$350 to $374	21%
South Wharf	$2,500 to $2,999	$650 and over	26%
Kensington	$1,500 to $1,999	$350 to $374	21%
Total	**$1,250 to $1,499**	**$400 to $424**	**30%**

Source: Australian Bureau of Statistics, Census of Population and Housing, 2011

Carlton has the lowest median income range at $600 to $799 and also the lowest median rental range at $325 to $349. Carlton has the highest percentage of income paid as rent at 48 per cent of income indicating that while rents are low the median income is relatively lower and therefore households are required to pay a higher proportion of their income towards rent. Carlton therefore can be seen as the least affordable suburb relative to the income of residents.

Carlton's income distribution (shown in Figure 6) indicates that the suburb has a high proportion of households that lie within the nil income range. Other households are distributed relatively evenly over the other income ranges. This may reflect the large number of students or the large number of affordable housing residents. Compared to this the majority of households are paying rent in the higher ranges.

Melbourne has the second highest proportion of median income paid as rent at 37 per cent followed by Docklands (29 per cent), West Melbourne (29 per cent), Southbank (29 per cent) and South Wharf (26 per cent).

South Wharf is the suburb with the highest median income range of $2,500 to $2,999 and a median rental range of $650 and over.

It is notable that while Parkville has the highest percentage of full time students as a proportion of its population this is not reflected in its income profile. Parkville has a very small proportion of its population earning nil or relatively low income. This result may arise due to the large number of college students and the manner in which the census results are collected within a college. For instance while the number of college students may have been identified the income which they earn may not have been if an administrator for the college had completed the census form.

Figure 6 shows the household income ranges for each suburb. The figures below, and those included in the appendices to this report, show that of the City of Melbourne suburbs, Carlton has the most even distribution of household incomes across the four income bands, followed by North Melbourne and Melbourne. Conversely, South Wharf, East Melbourne and Docklands have the most unequal distributions of incomes, with 71 per cent, 50 per cent and 49 per cent of households respectively in the high income bracket.

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FIGURE 6.   NUMBER OF HOUSEHOLDS BY INCOME RANGES – 2011
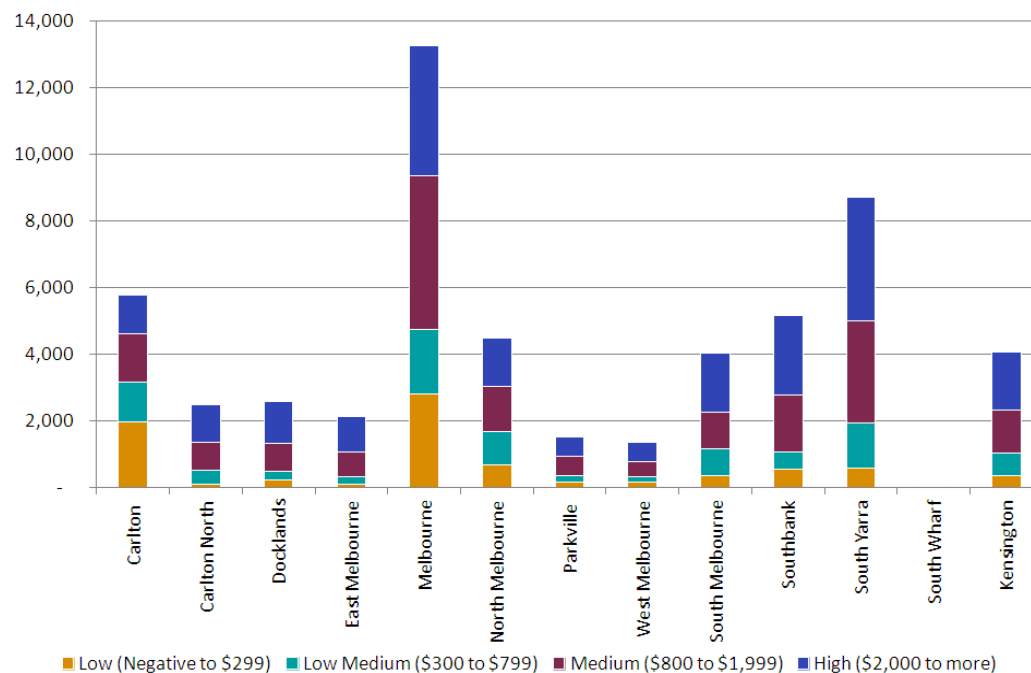
Source: ABS Census, 2011
Note – there were 17 households in South Wharf in 2011 (five households in the medium income range and 12 households in the high income range).
Data used in this figure is for gross income

Household affordability in the City of Melbourne

This section discusses the affordability of housing in the City of Melbourne. Affordability in this context is discussed in terms of rental affordability, recognising that rents are a better indicator of the cost of accommodation than sale prices of housing which may be distorted by factors unrelated to the physical provision of accommodation including, but not limited to, strategic investment decisions.

Rent and income

The affordability of housing cannot be identified by a standalone measure. It must be defined in the context of the incomes of those occupying or seeking to occupy the dwellings. A commonly used definition is that housing is affordable if it accounts for less than 30 per cent of a household's gross income (NSW Government 2012). Likewise, the City of Melbourne's long term plan for Melbourne, *Future Melbourne*, defines housing as affordable for residents if they pay less than 30 per cent of their income on rent or mortgage (City of Melbourne 2009). This is an approximate measure which is used to identify housing stress. However, a household spending more than 30 per cent of income on housing costs is not necessarily experiencing housing stress. For example, a household with a weekly income of $1000 spending $300 on accommodation costs will have $700 remaining for non-housing items. A household with a weekly income of $250 spending an equivalent proportion of income on housing costs will only have $175 to provide for non-housing items.

The distribution of weekly rents across the City of Melbourne is shown in Figure 7. The rental range in which the greatest number of private dwellings lies within is from $350 to $449 per week. 34 per cent of rents are below the $350 - $449 range.

FIGURE 7. CITY OF MELBOURNE WEEKLY RENTAL DISTRIBUTION 2011
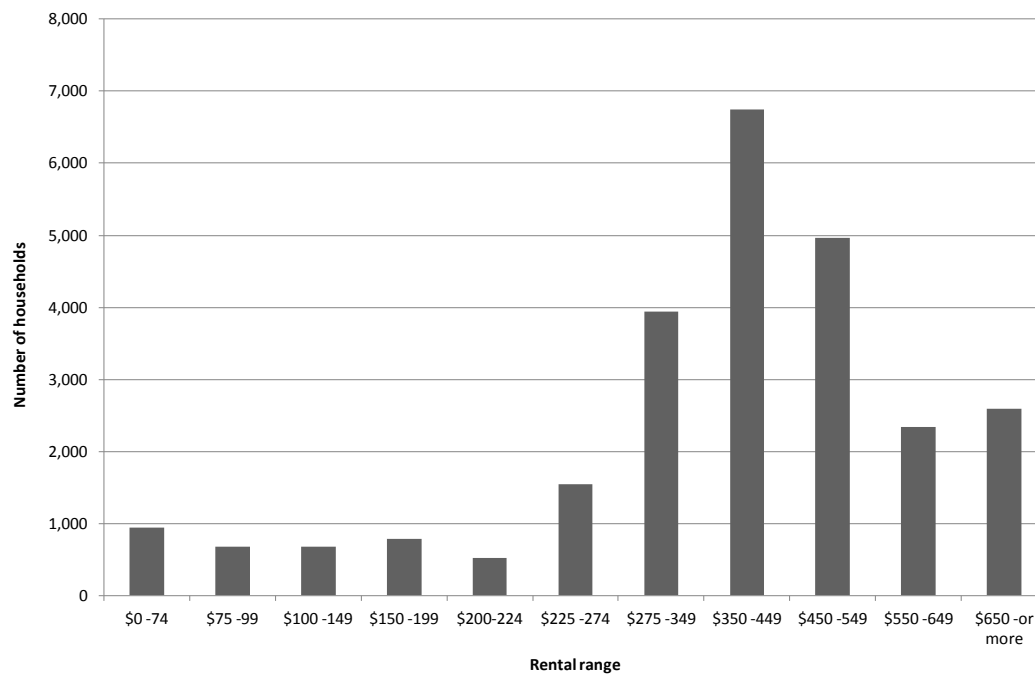
The weekly income distribution for households renting in the City of Melbourne is shown in Figure 8 below. Other than those households with declared negative or no income, the greatest number of households earn over $1,500 per week. Households in these categories account for 36 per cent of households in rented dwellings in the City of Melbourne.

FIGURE 8. WEEKLY INCOME DISTRIBUTION OF HOUSEHOLDS IN RENTED ACCOMMODATION

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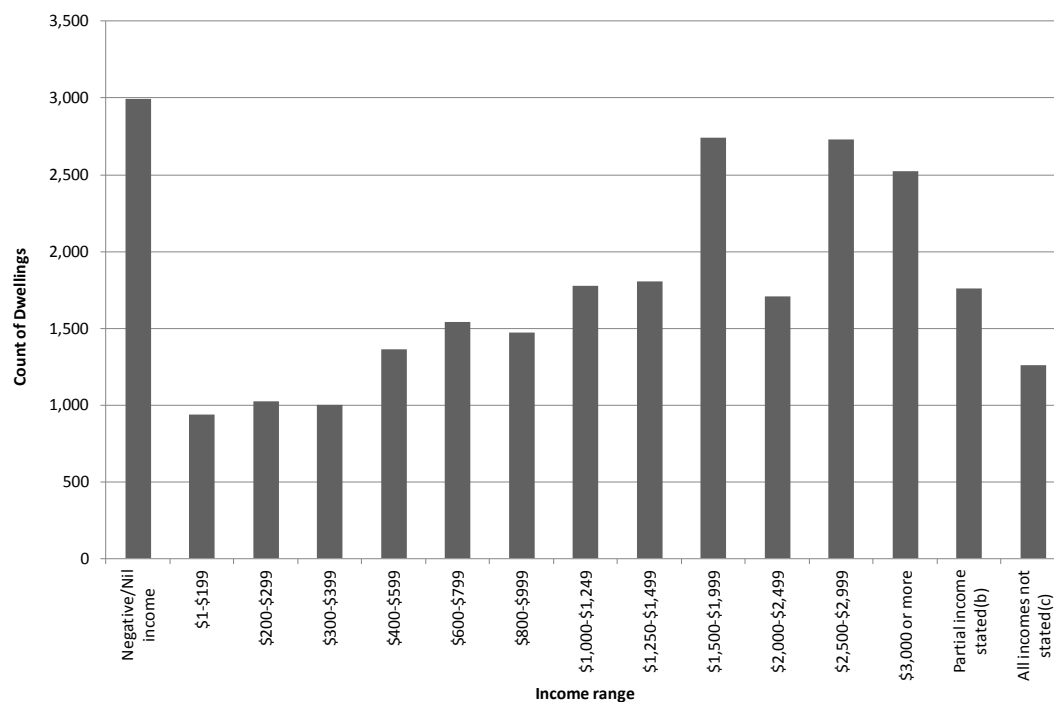
The high proportion of negative/ nil incomes stated, and the relatively high number of partial incomes or not stated incomes complicates the assessment of housing affordability in the City. In theory, all housing would be unaffordable to households with a negative/ nil income, yet these households are living somewhere, and paying rent. These households may not have an income but may be able to draw on capital resources for recurrent expenses. People in dwellings with a claimed nil income are unlikely to be the 'poor' who are suffering from housing affordability related stress.

A clearer picture of rental housing affordability in the City of Melbourne is provided by an analysis of rental housing stock and the incomes of renters in the municipality. Using the 30 per cent of income measure we are able to see the proportion of rental housing stock that is affordable to the renting population (negative/ nil income, income not stated, and partial income stated responses are excluded from the analysis). Mid points of rental and income ranges have been used.

The data are shown in Figure 9 below. Dwellings in the lower rental range of $0-74 are affordable to around 95 per cent of households renting in Melbourne, using a 30 per cent of income/ affordability threshold. However, these dwellings account for only four per cent of the rental dwelling stock in the municipality. At the other end of the scale are the dwellings that are rented for $650 per week or more. Although these dwellings account for around 10 per cent of the rented dwelling stock, they are theoretically affordable to only 34 per cent of renters in the municipality.

FIGURE 9.   RENTAL AFFORDABILITY IN THE CITY OF MELBOURNE, 2011
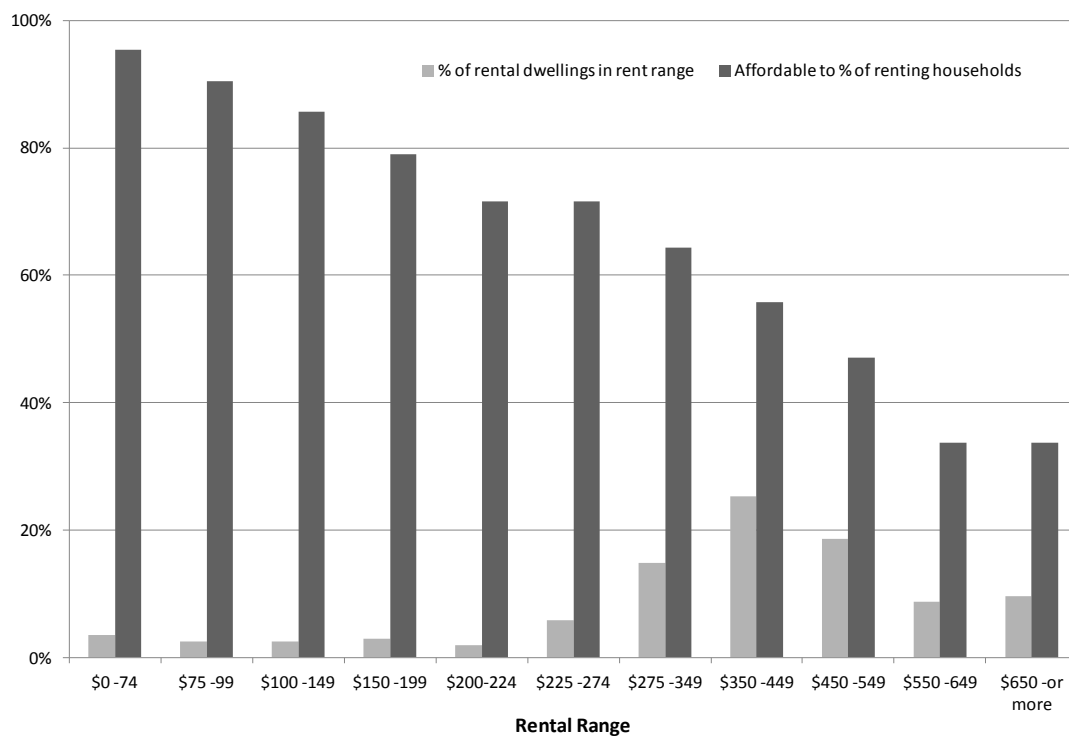
Source: ABS 2011

This data highlights a number of issues for the City of Melbourne including that there are significantly lower numbers of rental dwellings in the City in the low rental range (from $0 to $199 per week) than the number of medium ($200 to $449 per week) and high rent ($450+ per week) dwellings. This trend also extends into medium rental ranges with only a small number of rental dwellings available for between $200 and $274.

Furthermore, the weekly distribution of households in rented accommodation (Figure 8) illustrates that there is a greater proportion of high income households within the City of Melbourne than low and medium income households. Other than households with a declared negative or nil income, the greatest number of households that rent within the City of Melbourne earn over $1500 per week.

These observations indicate that it is difficult for low income households to rent a dwelling within the City as there is only a small proportion of low rent dwellings on offer (see Table 7 below for low, medium and high rent classifications).

The following section explores the extent of housing affordability issues within the City of Melbourne.

Low income households

Lower income households are the first cohort to experience housing related financial stress as a result of housing costs. This is shown in the charts from Figure 10 through to Figure 12. In 2001, there were relatively small numbers of low income households in high rent dwellings in the City of Melbourne. Most low income households (64 per cent) were in low rent dwellings. Medium income households occupied medium rent dwellings, while high income households tended to occupy dwellings with medium to high rents.

By 2006, the greater proportion of low income households (49 per cent) were still residing in low rent dwellings. However, by 2011, the proportion of lower income households renting low rent dwellings had fallen further to 40 per cent. In summary, the opportunities for lower income households to occupy low rent dwellings declined over the period 2001 to 2011.

42 per cent of low income households were in medium rent dwellings, while the proportion of low income households in high rent dwellings had increased from just three per cent in 2001 to over 18 per cent by 2011.

FIGURE 10. 2001 RENTS AND INCOME IN THE CITY OF MELBOURNE
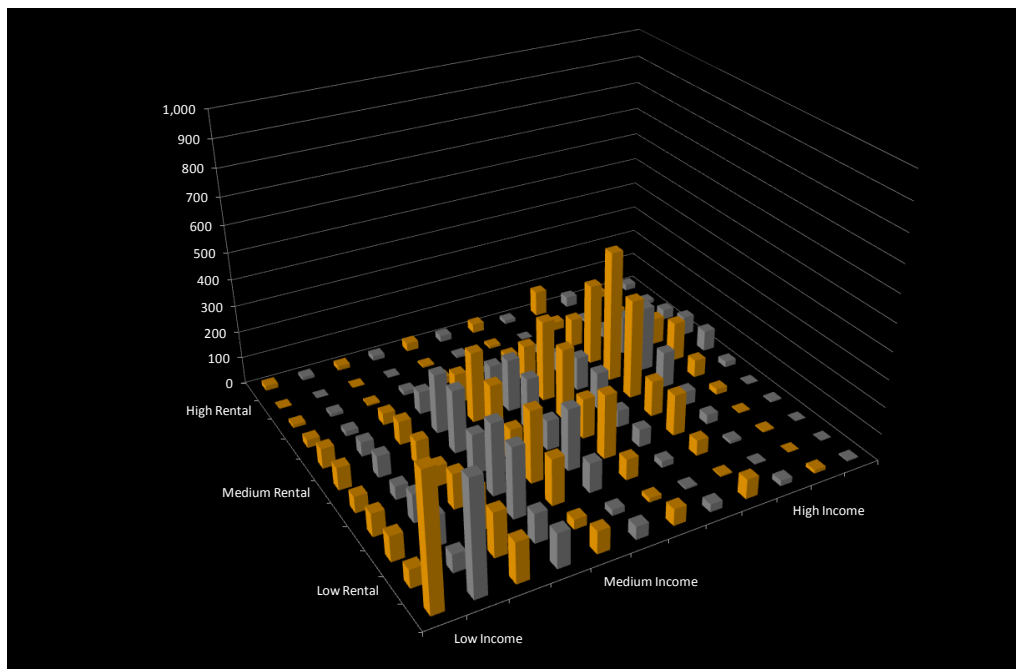
Source: SGS, derived From ABS Census of Population and Housing, 2011
Data used in this figure is for gross income

FIGURE 11. 2006 RENTS AND INCOME IN THE CITY OF MELBOURNE
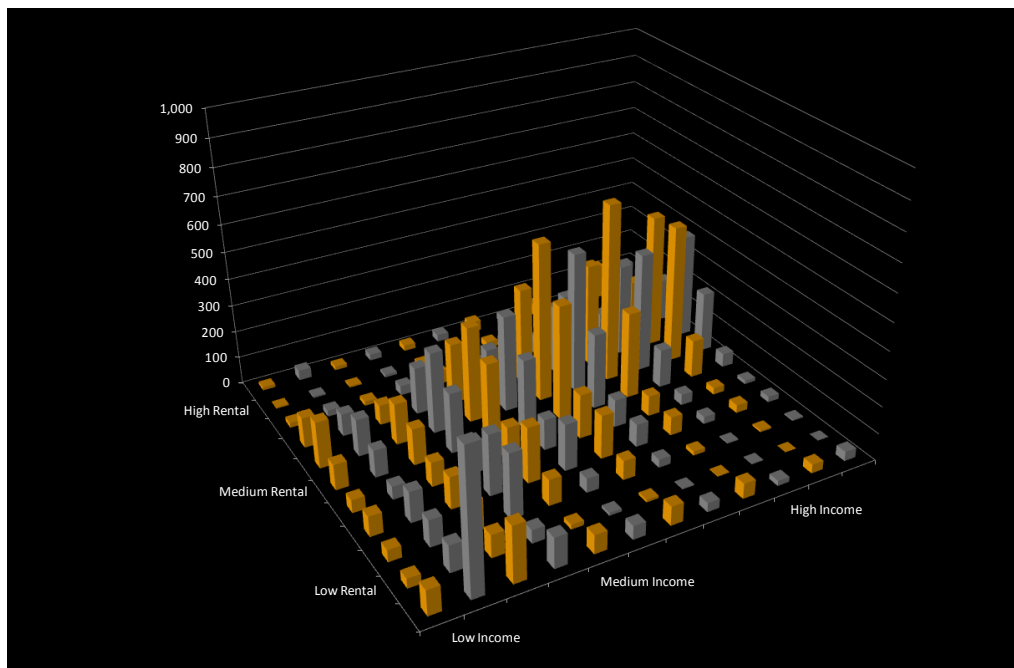
Source: SGS, derived From ABS Census of Population and Housing, 2011
Data used in this figure is for gross income

FIGURE 12. 2011 RENTS AND INCOME IN THE CITY OF MELBOURNE

Source: SGS, derived From ABS Census of Population and Housing, 2011
Data used in this figure is for gross income

Not all accommodation with the lowest rents is occupied by those with the lowest incomes, and similarly not all of the dwellings in the highest rent ranges are occupied by the highest income earning households. For example, in 2011, 13 per cent of low rent dwellings were rented by high income households. However, the proportion of low rent dwellings occupied by lower income households increased, albeit marginally, from 60 per cent to 62 per cent of stock between 2001 and 2011 as shown in Figure 13.

However, the caveat to this is the overall decline in the number of low rent dwellings rented in the City of Melbourne: in 2001 low rent dwellings accounted for 39 per cent of total rental dwellings; by 2011 this proportion had fallen to just 13 per cent as shown in Figure 13. The rental costs that are classed as low, medium and high do not change over the time period shown in the chart and therefore do not take into account inflation of residential rents over the time period. The rent range and income range classifications are provided in Table 7.

TABLE 7.   INCOME AND RENT RANGE CLASSIFICATION

Rent Range	Classification	Income Range (gross)	Classification
$0 -74	Low	$1-$199	Low Income
$75 -99	Low	$200-$299	Low Income
$100 -149	Low	$300-$399	Low Income
$150 -199	Low	$400-$599	Low Income
$200-224	Medium	$600-$799	Medium Income
$225 -274	Medium	$800-$999	Medium Income
$275 -349	Medium	$1,000-$1,249	Medium Income
$350 -449	Medium	$1,250-$1,499	Medium Income
$450 -549	High	$1,500-$1,999	High Income
$550 -649	High	$2,000-$2,499	High Income
$650 or more	High	$2,500-$2,999	High Income
		$3,000 or more	High Income

Source: SGS, 2012

FIGURE 13. RENTAL DWELLINGS BY COST AND OCCUPIER INCOME
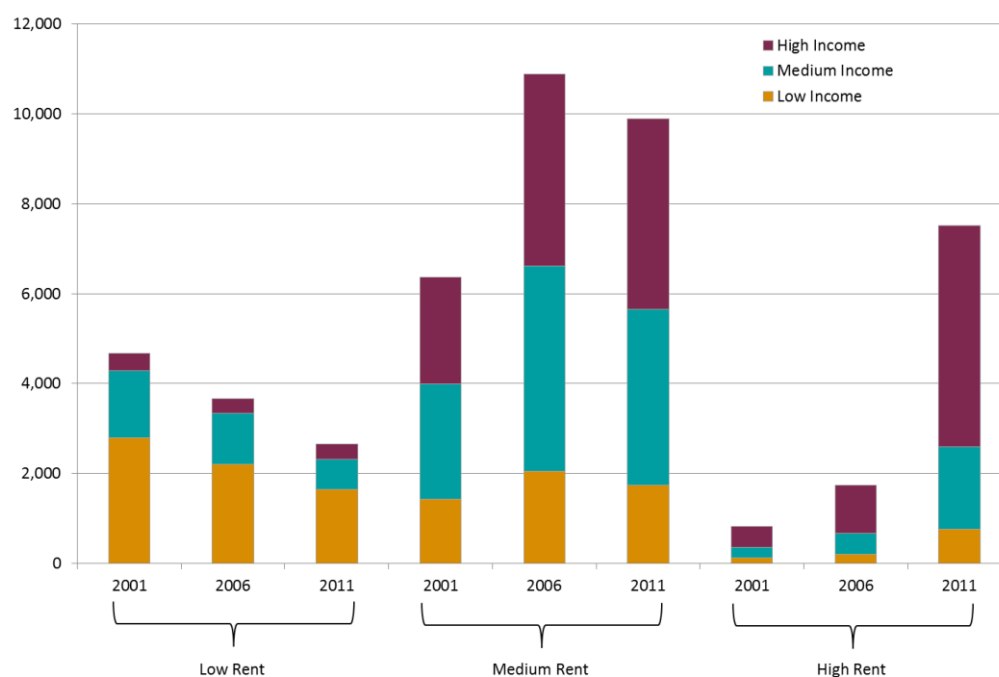
Source: SGS, derived from ABS Census of Population and Housing, 2011
Data used in this figure is for gross income

Housing stress

Analysis of rents and incomes can give a guide to the extent of the housing affordability issue in the City of Melbourne. Using data from the 2011 census, and the 30 per cent of household income available for housing costs measure, Figure 14 shows the number of households in each income and rent range that would be experiencing housing affordability issues.

FIGURE 14. HOUSEHOLDS BY INCOME RANGE EXPERIENCING HOUSING STRESS, 2011

Source: SGS, derived from ABS Census of Population and Housing, 2011
Data used in this figure is for gross income

Households with the lowest weekly incomes are experiencing housing affordability issues across all rent ranges. For the purpose of this exercise, the income and rent figures have been assumed to be at the mid-point of the range (a weekly rent of $100-149 would be assumed to be $125). A household with a weekly income of $1-$199 would have a housing budget of $30 before housing was deemed unaffordable. Therefore, private rented dwelling options are particularly limited for low income households.

Households with higher incomes (those above $2,000 per week) do not experience housing affordability issues for the rental ranges recorded in the census. The weekly dwelling budget for these households is over $600.

The income and rental profile of residents in the City of Melbourne will also vary for different occupations. Figure 15 presents the share of people in each income classification by the main occupation types in the City of Melbourne. The higher skilled and knowledge based occupations such as business professionals and public sector managers have a greater proportion of high income earners. On the other end of the spectrum the lower skilled, service based occupations such as sales assistants and hospitality workers have a larger share of low income earners. Therefore these occupation types, as well as artists and some education professionals, are likely to experience the greatest levels of housing stress. This is likely to have implications for diversity within the City of Melbourne if people in these occupations cannot afford to live within the City (this is further discussed in Section 3.4).

FIGURE 15. INCOME PROFILE BY OCCUPATIONS OF CITY OF MELBOURNE RESIDENTS, 2011

Source: SGS, derived From ABS Census of Population and Housing, 2011
Data used in this figure is for gross income

The following three figures examine the housing stress in 2011 in more detail for three main occupations relevant to City of Melbourne residents. These are hospitality workers (Figure 16), health professionals (Figure 17) and specialist managers (Figure 18). These figures show the number of residents for each occupation category that have low, medium and high incomes, and are paying low, medium and high rents. For example, in Figure 15, of the low income hospitality workers living in the City of Melbourne just over 600 are paying high rental costs, whilst 460 are paying medium rental amounts and very few (82) are paying low rental amounts. There are no hospitality workers living in the City of Melbourne that fall within the high income category. With respect to Figure 14 above, which shows that low income households paying high rents are the most likely to be in housing stress, it is likely these residents contain hospitality workers.

 Just under half of City of Melbourne residents employed as health professionals (Figure 17) fall within the medium income group and paying medium and high rental amounts. Just over half of the high income earners are paying high rents, with the remainder paying medium rents. Of the very few low income health professionals most are paying medium to high rental costs. As there are some low income health professionals in the City, some residents employed in this occupation may be experiencing housing stress. Likewise, housing affordability issues may be felt by some health professionals on a medium income in the current market.

The majority of specialist managers resident in the City of Melbourne in 2011 are high income earners and very few are low income earners. Of the high income group, over half are paying high rental costs with the remainder paying medium rents and very few paying low rents. This suggests that specialist managers and similar occupation types, such as business professionals, are not currently experiencing housing stress in the City of Melbourne.

FIGURE 16. 2011 RENTS AND INCOME FOR HOSPITALITY WORKERS RESIDENT IN THE CITY OF MELBOURNE
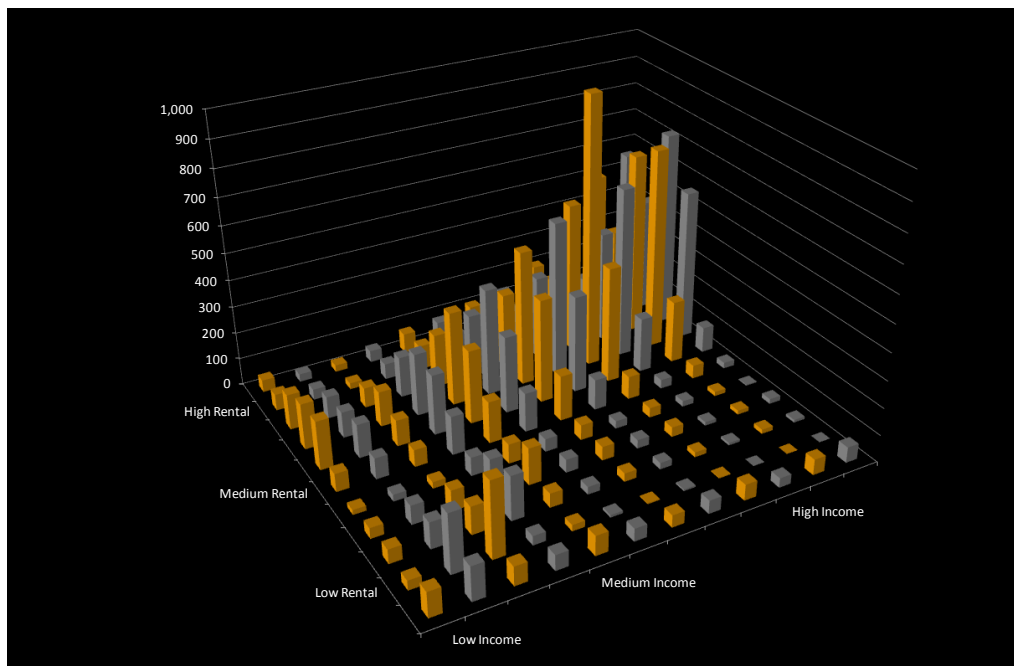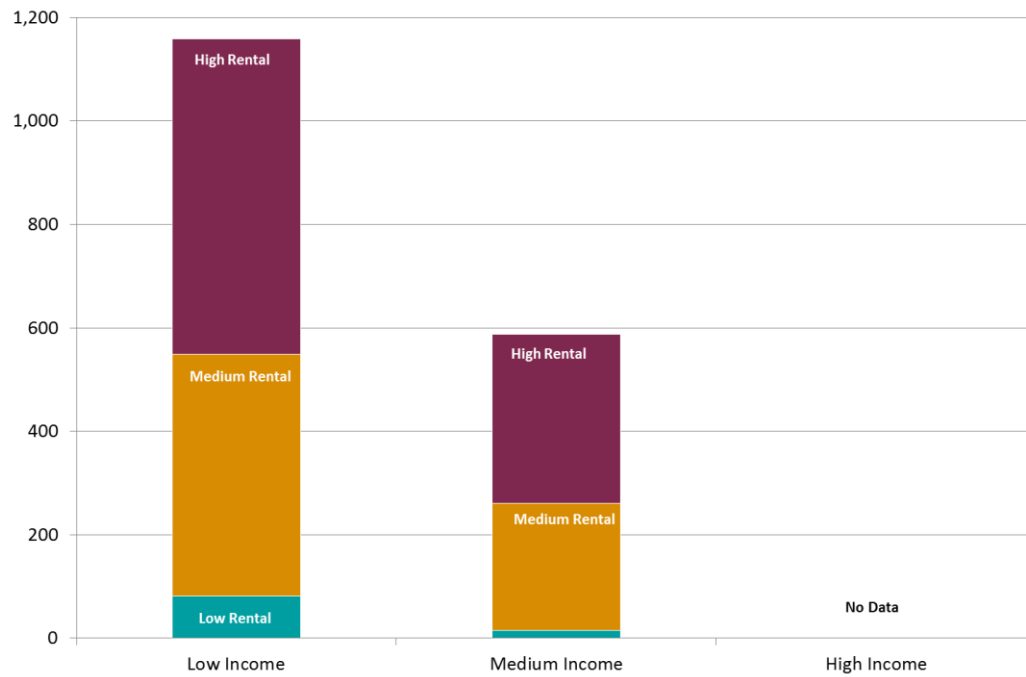

Source: SGS, derived From ABS Census of Population and Housing, 2011
Data used in this figure is for gross income

FIGURE 17. 2011 RENTS AND INCOME FOR HEALTH PROFESSIONALS RESIDENT IN THE CITY OF MELBOURNE

Source: SGS, derived From ABS Census of Population and Housing, 2011
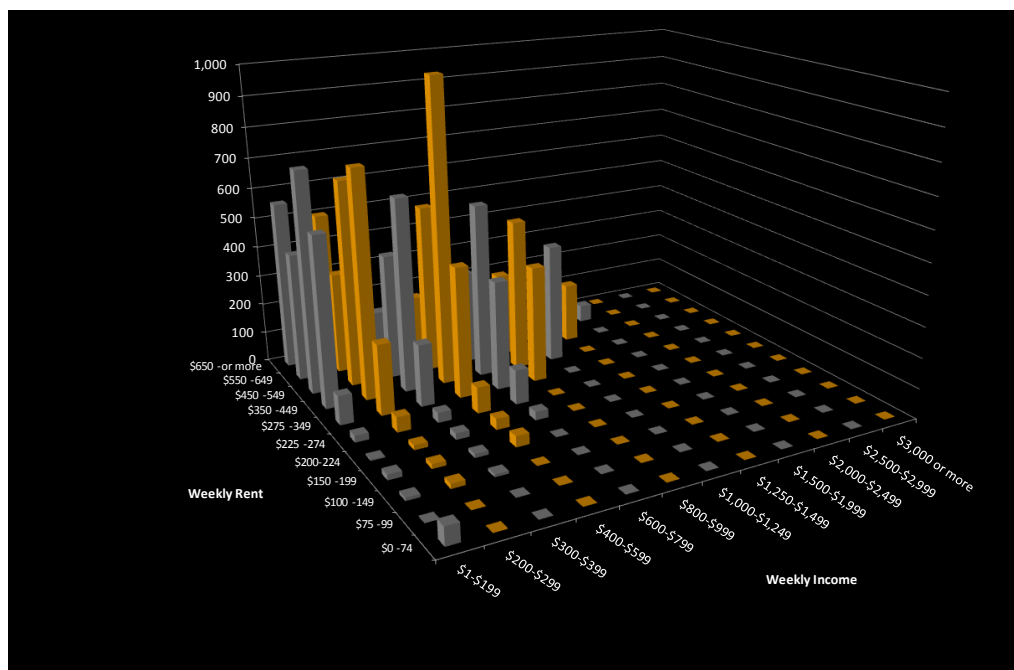Data used in this figure is for gross income
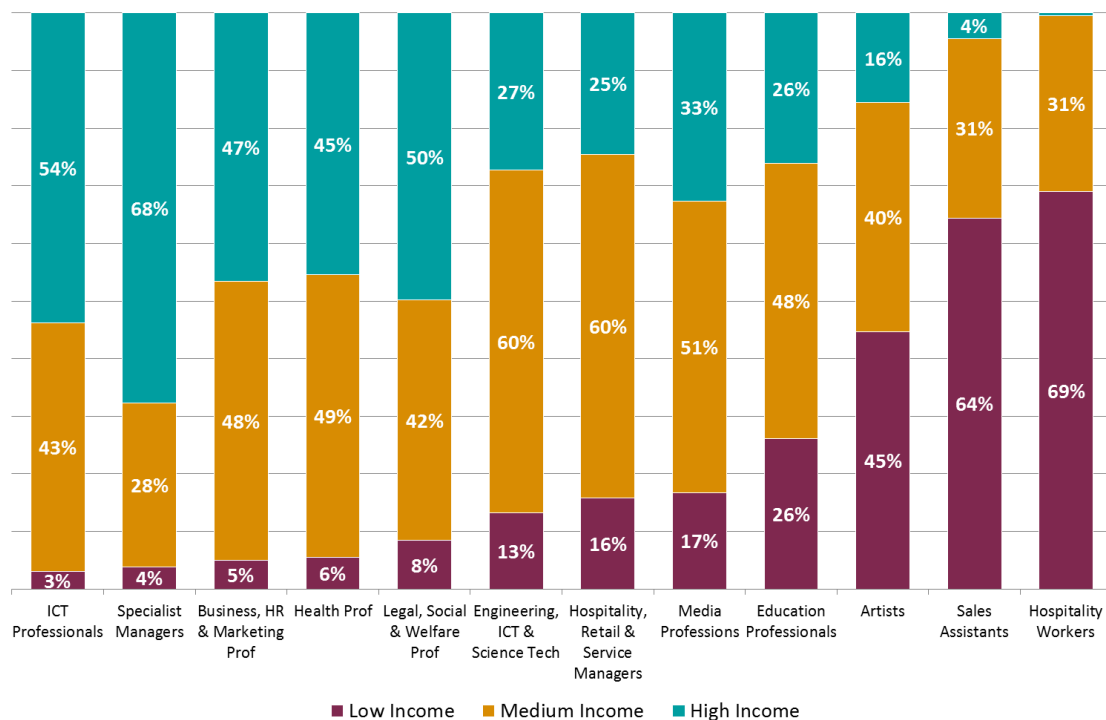
Source: SGS, derived From ABS Census of Population and Housing, 2011
Data used in this figure is for gross income

These trends in affordability are consistent with previous research (AMP 2011) that has measured housing affordability by housing stress and price to income ratio. The research found that the inner ring of Melbourne (within 10 kilometres of the Melbourne CBD) is the least affordable nationally.

These trends occurring within the City of Melbourne suggest that it is not only people in public housing or in low income private rental housing that are experiencing housing stress, but housing stress also extends to those on moderate incomes.

Student enrolments and population within the City of Melbourne

The student population makes up a significant proportion of the total City of Melbourne population. In 2010, there were approximately 64,700 domestic students and 30,500 international students enrolled in the City of Melbourne. Between 2002 and 2010, the average annual growth for international students was 6.8 percent per annum, much higher than the growth rate of domestic students (2.7 percent).

The number of students living and/or studying in the City of Melbourne represents those who either live and study in the City, or only study in the City or only live in the City and study elsewhere. This number is greater than the aggregate number of international student enrolments in the City. This suggests that a greater number of international students are choosing to live in the City of Melbourne even if they do not attend an institution in the City. It is likely that demand for international student housing in the future will be greater than the number of enrolments.

FIGURE 19. INTERNATIONAL STUDENT NUMBERS, CITY OF MELBOURNE
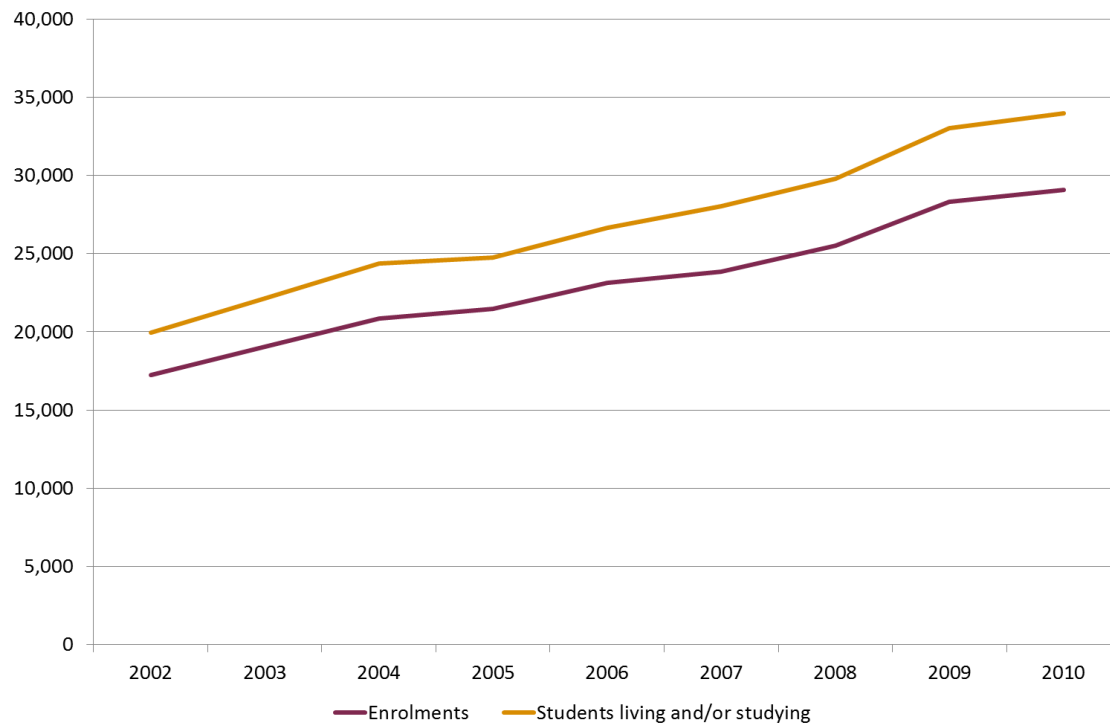
Source: City of Melbourne, Knowledge Melbourne International Student Strategy, September 2012

Table 8 shows that approximately 13,950 international students both live and study in the City of Melbourne, equivalent to 41 per cent of all international students living or studying in the Melbourne LGA. This was much larger than the proportion of domestic students who both live and study in Melbourne.

TABLE 8. DOMESTIC AND INTERNATIONAL STUDENT NUMBERS

	Domestic Students		International Students		Total Students	
	Number	Share	Number	Share	Number	Share
Live and study in Melbourne LGA	8,880	13%	13,947	41%	22,827	23%
Live in Melbourne LGA, study elsewhere	4,786	7%	4,857	14%	9,643	10%
Study in Melbourne LGA, live elsewhere (in Victoria)	52,908	79%	15,147	45%	68,055	68%
Total	66,574	100%	33,951	100%	100,525	100%

Source: City of Melbourne, Knowledge Melbourne International Student Strategy, September 2012

The number of student apartments in the City of Melbourne has more than doubled since 2002 in response to this strong demand. In 2010 there were approximately 4,800 dwellings designated as student accommodation. Figure 20 presents the number of student apartment dwellings in the city from 2002 to 2010. There is also another 1,580 dwellings under construction or planned for construction over the next five years (see Table 9). These are spread across the suburbs of Carlton, Parkville, North Melbourne and the CBD, with the majority occurring in the CBD.

FIGURE 20. STUDENT APARTMENTS IN CITY OF MELBOURNE (DWELLINGS)
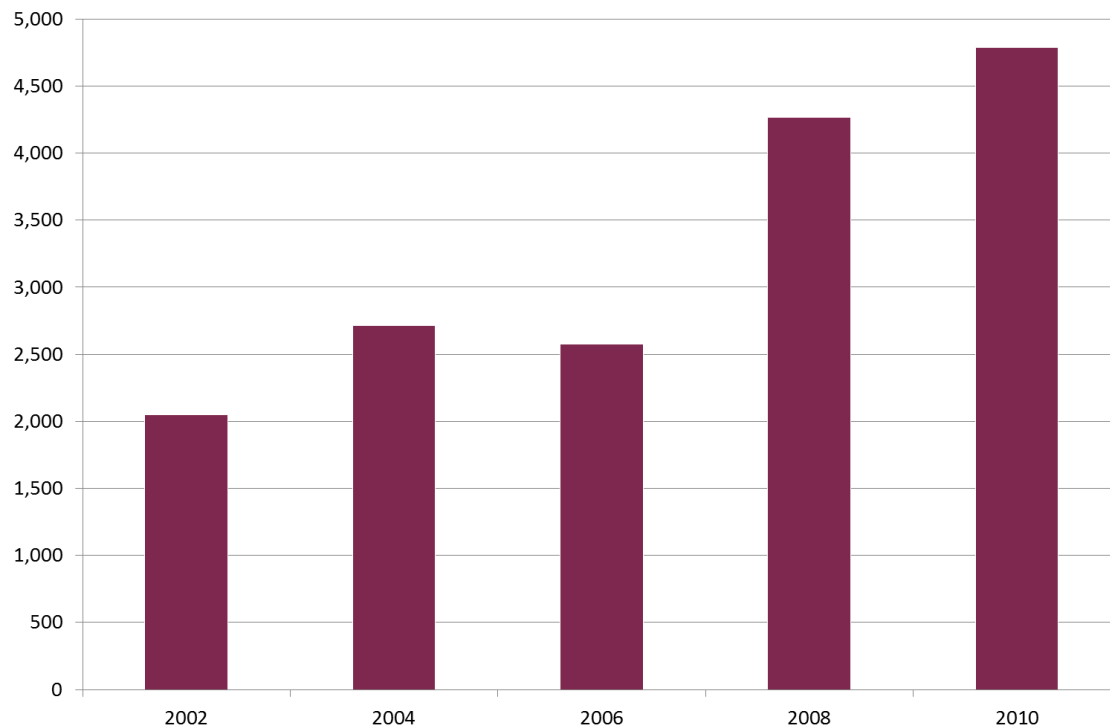
Source: City of Melbourne, Census of Land Use and Employment, 2010

TABLE 9. FUTURE STUDENT APARTMENTS IN CITY OF MELBOURNE (DWELLINGS)

	Under Construction	Construction in 0-2 Years	Construction in 3-5 Years	Total
Carlton	0	0	428	428
CBD	279	56	502	837
North Melbourne	246	26	0	272
Parkville	43	0	0	43
Total City of Melbourne	568	82	930	1,580

Source: City of Melbourne, Census of Land Use and Employment, 2010

What is driving the mix of housing supply

A recent study into major residential urban renewal in Melbourne acknowledged the distinction between purchaser and occupier demand (Property Council of Australia 2012). The report identifies that the needs of ultimate occupiers, of whom the majority are renters, are not the primary consideration of developers, purchasers or financiers. Rather, primary considerations/ supply side drivers include development site availability, planning framework and certainty, development finance availability and risk return balance.

Demand factors that are affecting the type of housing being delivered within the City of Melbourne include that there is high investor demand for apartments within a certain price bracket which has resulted in the prevalence of one and two bedroom apartments within the City. Employment growth, particularly within the Melbourne CBD, is strong and this will continue to drive housing demand within the City of Melbourne. Significant growth is occurring in, and is projected to continue to occur in, knowledge sector jobs, typically associated with higher incomes. This will see a continued increase in demand for inner city housing by higher income employees.

For developers, the creation of one and two bedroom apartments in multi-storey buildings with a greater number of apartments is typically more financially attractive than developing buildings with a smaller number of storeys. Consequently, larger scale developers are prominent in supplying housing in the City of Melbourne. This was

illustrated over the 10 years to 2012, with developments of over 200 dwellings accounting for 63 per cent of new dwellings in the City of Melbourne.

A report by the Grattan Institute identifies a variety of barriers that have constrained the capacity of the market to deliver the houses that people want, including:
− difficulty of land assembly and preparation risk and uncertainty of planning systems;
− cost of materials and labour for buildings over three storeys; and
− incentives pushing developers away from infill development towards detached housing on the edge of cities (Grattan Institute 2011b).

Figure 21 illustrates the main barriers to infill development in Melbourne as identified by the Grattan Institute. It shows that there are many disincentives to development which influence the mismatch between the houses people prefer and the houses they actually live in. Many "critical" and "important" disincentives relate to the planning system, including complex and uncertain planning processes. Other notable disincentives to development are identified in construction, land and finance.

FIGURE 21. BARRIERS TO INFILL DEVELOPMENT IN MELBOURNE
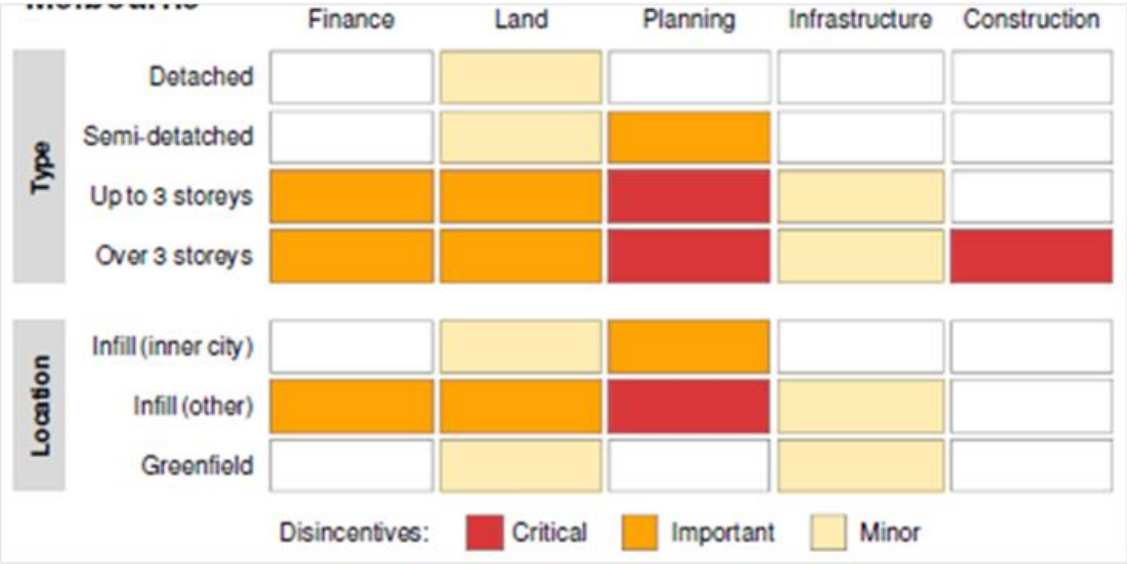
Source: Grattan Institute 2011

3.3   Implications for community infrastructure

This section considers the implications that the projected population growth within the City of Melbourne to 2031 will have on demand for community infrastructure.

Role and function of community infrastructure

As outlined in Section 2.1, the literature suggests that the long term provision of infrastructure into a socially diverse community can create healthy, vibrant and connected communities. As well as being used for the provision of services, community infrastructure plays an important role in social connection and community cohesion through providing places for formal and informal social interactions.

Public open space and community facilities (together referred to as community infrastructure) are integral to community wellbeing and identity and can improve quality of life through providing social, environmental and economic benefits to residents and communities.

The provision of public open space enables the community to undertake both passive and active recreation via a range of leisure activities. Open spaces support community life by allowing residents, students, workers and visitors

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to participate in and experience recreational and leisure opportunities. Public open space facilitates host activities such as individual and team sports, cycling and walking. Parks also provide space for contemplation and for social gatherings. They can also serve to conserve the local environment and protect biodiversity.

Community facilities provide spaces for residents to meet, participate in activities and programs, and for community services provision. Community services include schools, libraries, emergency services, police and health care, while also catering for a range of other services which may be government or privately provided. These may include drug and alcohol support services and youth programs. Community facilities also provide for a range of cultural activities and displays, including religious services, theatre, arts and museum exhibits.

Public open space and community facilities offer residents and communities many benefits including enjoyment, improved health, social interaction, friendship, commitment and fair play. Additionally, economic benefits can include investment attraction, an increase in property prices due to improved amenity and the provision of space for meetings and events which attract tourists and visitors.

In essence, they help to enhance the wellbeing of residents, strengthen communities and encourage business investment.

Community infrastructure requirements

Using standard benchmarks and population projections, Table 10 shows the projected future community infrastructure requirements for the City of Melbourne to 2031. While the infrastructure requirements of each neighbourhood/ suburb across the municipality will differ due to the number and age of residents, it is nevertheless valuable to consider the requirements at the City of Melbourne level. In summary, community infrastructure requirements include an additional:

− six branch libraries and two central libraries;
− a variety of arts and cultural facilities, including art galleries and studios and performing arts centres;
− a range of health services, including medical centres, community health centres and residential aged care facilities;
− a variety of community meeting spaces to suit local and district catchments and different groups;
− early years services, including kindergartens, childcare centres and maternal and child health centres; and
− a number of primary and secondary schools.

These projected needs are indicative only. They rely on national provision standards and norms and do not take into account regional differences in the way infrastructure is delivered. For example, Table 10 applies public school provision standards to the entire forecast growth in population, without allowance for provision by private school operators. This provides a reasonable estimate of school 'needs', but probably understates the number of schools that could be viably operated in the City were the forecast population numbers and mix to be realised.

The provision of certain types of community infrastructure may have the ability to attract different types of residents and households to the City of Melbourne. New or upgraded infrastructure can boost the amenity of a location, can improve accessibility to services and may make a location more attractive to residents or for development. It should be noted here that the demographic projections included in this report do not take this into account. For example, it is possible that the infrastructure being delivered and planned for the City of Melbourne, including two new schools and new community clusters, may increase demand for family friendly dwellings within the City.

Implications for different age cohorts

The provision of community infrastructure depends on a number of factors including absolute population growth, the growth of different age cohorts and the location of population growth. For instance, the number of children under four years will impact the demand for early learning centres, kindergartens and maternal and child health centres and services, while the population over 70 years will impact demand for residential aged care facilities as well as health and aged care services. While the proportion of the population aged 70 years and above is projected to remain small as a proportion of the total projected population, this age group generally has greater requirements for health services and has the need for higher levels of accessibility, both within the public domain and within the home.

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Population projections, and the location and type of new development, suggest that the age profiles across the City of Melbourne will vary greatly in the future. For instance, new buildings being developed within the Melbourne CBD and the Docklands are typically large developments of 200+ dwellings and are dominated by apartments. This housing type is not typically favoured by older age groups. Older age groups might favour other, more established, locations within the City, such as some parts of Carlton and Kensington. Trends such as these will mean that the demand for community infrastructure varies between locations across the City.

Given the current limited availability of primary and secondary schools in the City of Melbourne, housing demand from families with children is not expected to be strong. Historical ABS census data shows that average household size is larger in the middle and outer suburbs of Melbourne. Additionally, families with children have historically opted to live in separate houses or a semi-detached dwelling, which does not align with the total dwelling stock mix in the City. However, as noted, the two new schools planned for the City may increase demand for housing in the City from households with children.

Implications for the student population

As a result of high student population numbers, the areas of Parkville and Carlton have a higher proportion of residents aged 15 to 24 years. This suggests that demand for student services is higher in these areas. As noted, the City of Melbourne as a whole has large domestic and international student populations. In 2010, there were around 19,000 international students and around 13,000 domestic students living within the municipality. The City of Melbourne's *International Student Strategy Discussion Paper* (2012) identifies the vulnerabilities that are commonly faced by international students. The paper highlights that the services available to international students do not meet their needs all of the time. Moreover:

> *"the services that are utilised by extremely vulnerable students demonstrate a shortfall which leave students more at risk of discontinuing their education and vulnerable to homelessness, exploitation and crime." (p31)*

The discussion paper cites a 2011 study that found that most welfare agencies involved in assisting students reported having direct experience, or were aware of, students experiencing extreme hardship, including primary homelessness, and sleeping rough or in temporary or emergency housing.

Location of community infrastructure

Location and accessibility of community infrastructure are factors that influence the location preferences of households. Households with children look to locate near kindergartens, primary and secondary schools. Other community infrastructure, such as libraries, public open space and sport and recreation facilities, may also influence where households choose to live and may be considered more important throughout different life stages or to different groups within the population. Consequently, the type and location of community infrastructure provision can impact social diversity in an area.

Public open space and recreation

The expected increase in the City of Melbourne population also has implications for the provision of public open space and recreational facilities. Locations within the City of Melbourne that are expected to experience the highest levels of population growth, namely the Docklands, Melbourne CBD and Southbank, are also high density locations that are dominated by apartments with limited private open space. The literature recognises the importance of quality open space and highlights the range of health benefits associated with access to green or natural environments (such as parks, open spaces and playgrounds), including mental health outcomes and factors that protect mental health (Frumkin et al 2004; Maller et al 2002; Ulrich et al 1991 in Giles-Corti et al 2012). It is therefore vital that the location and quality of public open space is carefully considered when planning for population growth.

TABLE 10. DEMAND FOR COMMUNITY INFRASTRUCTURE TO 2031, CITY OF MELBOURNE

Category	Indicative Catchment	Item	Indicative Benchmark	Benchmark	Population Growth 2011 to 2031	Requirements 2011 to 2031	Indicative Site Area
				# of ppl			
Public Open Space and Recreation and Sporting Facilities	Local	Community Garden	1 garden bed per 2,000 persons	2,000	83,161	42	23 sqm per garden bed
	District	Free Basketball Courts	1 per 30,000 persons	30,000	83,161	3	0.6 hectares (2 courts)
	District	Basketball Centre (6-10 Courts)	1 per 200,000 persons	200,000	83,161	0	2.5 to 3 hectares
	District	Small Aquatic Centre	1 per 50,000 persons	50,000	83,161	2	2 hectares
	District	Small Sports and Leisure Centre	1 per 25,000 persons	25,000	83,161	3	1 hectare
	District	Large Sports and Leisure Centre	1 per 60,000 persons	60,000	83,161	1	2 hectares
Art and Cultural Facilities	Local	Branch Library	1 per 15,000 persons	15,000	83,161	6	2,500 sqm
	District	Central Library	1 per 45,000 persons	45,000	83,161	2	6,000 sqm
	Local	Art Gallery	1 per 9,000 persons	9,000	83,161	9	2,500 sqm
	District	Arts Centre (Gallery + Studio)	1 per 30,000 persons	30,000	83,161	3	2,500 sqm
	District	District Performing Arts Centre	1 per 40,000 persons	40,000	83,161	2	3,000 sqm
Health Services	Local	Medical Centre (General Practitioner Clinic)	1 (6 doctor) clinic per 7,800 persons	7,800	83,161	11	1,000 sqm
	District	Community Health Centre	1 per 25,000 persons	25,000	83,161	3	1.5 hectares
	District	Residential Aged Care	88 beds per 1,000 persons aged 70+	1,000	4,255	4	4,000 sqm
Community Meeting Spaces	Local	Neighbourhood House	1 per 10,000 persons	10,000	83,161	8	2,500 sqm
	Local	Community Centre	1 per 7,000 persons	7,000	83,161	12	2,500 sqm
	District	Multipurpose Community Centre	1 per 35,000 persons	35,000	83,161	2	5,000 sqm
	Local	Youth Centre	1 per 14,000 persons	14,000	83,161	6	750 sqm
	Local	Senior Citizens Centre	1 per 10,000 persons	10,000	83,161	8	750 sqm
Early Years Services	Local	Kindergarten / Pre School	1 place for every 4 year old (40 per facility)	40	584	15	1,000 sqm
	Local	Childcare Centre	12.5% of 0-4 year olds (30 per facility)	240	2,919	2	1,000 sqm
	Local	Maternal and Child Health Centre	1 per 400 0-4 year olds	400	2,919	7	1,000 sqm
Education	Local	Primary School (P-6)	1 per 450 persons (100% of 5-11 year olds)	450	3,150	7	3.5 hectares
	District	Secondary School (7-12)	1 per 1,100 persons (100% of 12-17 year olds)	1,100	3,386	3	8.4 hectares

Sources: A. Camberwell Junction Structure Plan, SGS Economics and Planning Pty Ltd, 2004; B. Melton Social Infrastructure, Clark Phillips Pty Ltd, 2004; C. Social Infrastructure Planning Guidelines For South East Queensland, Queensland Office of Urban Management, 2006; D. Australian Social and Recreational Research: Planning for Community Infrastructure in Growth Areas, 2008; E. Social Infrastructure Needs Assessment Model - Gold Coast, SGS Economics and Planning Pty Ltd, 2008; F: Ballina Community Gardens; G: SGS Economics and Planning Pty Ltd, 2011; I: Moreland Open Space Strategy, 2004; J: DFAT, About Australia - Healthcare Australia.

3.4 Implications for community diversity and wellbeing

This section draws upon some of the measures of community diversity and wellbeing that were identified in Section 2 and uses these to assess the implications of the population and housing projections for the City of Melbourne.

Implications for diversity within the City of Melbourne

Section 2 of this report identified a variety of indicators that can be used to measure community diversity, specifically its two components, demographic diversity and housing diversity. There are a number of measures of each of these components and these include (but are not limited to):

− Demographic diversity: age, income, employment, family type, household formation, educational attainment.
− Housing diversity: household mobility, tenure, housing type, number of bedrooms, rent.

The matrix below compares some indicators of social diversity in the City of Melbourne and the MSD for 2001, 2011 and 2031 (where possible).

TABLE 11. PROJECTED DIVERSITY, CITY OF MELBOURNE

	2001		2011		2031	
	MSD	**CoM**	**MSD**	**CoM**	**MSD**	**CoM**
% of households in bottom two quintiles of Victorian income distribution	42%	37%	23%	21%	n.a.	n.a.
% of jobs in Advanced Business Services	19%	37%	20%	33%	25%	41%
% of jobs in in-person services	33%	24%	36%	29%	40%	30%
% lone person households	22%	32%	22%	40%	27%	39%
% couples without dependents	23%	19%	24%	26%	27%	27%
% couple families with dependents	36%	9%	34%	9%	29%	9%
% population aged 10 or younger	13%	6%	12%	5%	11%	6%
% population aged 20-40	32%	51%	32%	59%	29%	43%
% population 65+	12%	8%	13%	7%	18%	7%
% residents who were resident in CoM five years earlier	52%	22%	66%	28%	n.a.	n.a.
% of residents in social housing tenure	3%	10%	3%	6%	n.a.	n.a.
% domestic students (% of total no. of students)[1]	83%	74%	73%	68%	n.a.	n.a.
% international students (% of total no. of students)[1]	17%	26%	27%	32%	n.a.	n.a.
% number 1 bedroom dwellings	1%	11%	2%	19%	n.a.	n.a.
% number 2 bedroom dwellings	15%	47%	14%	49%	n.a.	n.a.
% number 3+ bedroom dwellings	84%	42%	84%	32%	n.a.	n.a.
SEIFA index[2]	1,021	1,038	1,022	1,049	n.a.	n.a.

Source: ABS Time Series Profile 2011; ABS Census; SGS projections; ABS ERP 3218.0; City of Melbourne, Knowledge Melbourne International Student Strategy, September 2012; ABS SEIFA 2033.0.55.001; Victoria In Future – Department of Planning and Community Development Population Projections
[1] Data shown in 2001 for students are 2002 estimates, while data shown in 2011 are 2010 estimates.
[2] The lower the SEIFA score, the higher the level of disadvantage.

The data shows that the proportion of City of Melbourne residents in the bottom two quintiles of the Victorian income distribution decreased between 2001 and 2011. For 2001 and 2011, the City of Melbourne had a higher proportion of jobs in advanced business services compared to the MSD, and these jobs are projected to comprise 41 per cent of all jobs in the City of Melbourne in 2031.

In terms of household types, the City of Melbourne had a higher proportion of lone person households than the MSD in 2001 and 2011 and this gap is projected to grow to 2031. There were a higher proportion of couples without dependents households in the MSD compared to the City of Melbourne in 2001 and 2011. This is trend is projected to 2031, where around one quarter of households in the City of Melbourne will include this household type. Conversely, the proportion of couple families with dependents was over three times higher in the MSD in 2001 and 2011 than in the City of Melbourne. This trend is projected to 2031 where couple families with dependents are expected to comprise around nine per cent of households, compared to 29 per cent in the MSD.

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Compared to the MSD, the City of Melbourne had a lower proportion of the population aged 10 years or younger or 65 years and above. These age cohorts are projected to remain relatively constant to 2031. The City of Melbourne had a higher proportion of population aged between 20 and 40 years than the MSD in 2001 and 2011. While this age cohort in the City of Melbourne is projected to remain above the proportion in the MSD to 2031, the proportion of the population in this age cohort is expected to decrease between 2011 and 2031 by 16 percentage points.

The data also indicates that residents of the City of Melbourne are less likely to remain living in the City of Melbourne compared to residents in other municipalities throughout the MSD. In 2011, 28 per cent of City of Melbourne residents had lived in the municipality for five years or more, compared to 66 per cent of residents in the MSD. The City of Melbourne had a higher proportion of residents in social housing in 2001 and 2011 compared to the MSD, reflecting the large social housing complexes throughout the municipality, including in Carlton and Kensington. However, the proportion of City of Melbourne residents in social housing decreased between 2001 and 2011.

The MSD had a higher proportion of domestic student enrolments compared to the City of Melbourne in 2001 and 2011. The proportion of domestic students in the City of Melbourne decreased between 2001 and 2011. Conversely, the City of Melbourne had a higher proportion of international students than the MSD in 2001 and 2011. The proportion of international students in the City of Melbourne grew by six percentage points between 2001 and 2011.

The data shows that between 2001 and 2011 the proportion of one bedroom dwellings in the City of Melbourne grew by eight percentage points, compared to only one percentage point in the MSD. In comparison, the number of two bedroom dwellings in the City of Melbourne grew by just two percentage points and the number of three bedroom (or more) dwellings decreased by 10 percentage points from 2001 to 32 per cent in 2011. Of all dwellings in the MSD in 2011, around 84 per cent were three bedroom (or more) dwellings.

Between 2001 and 2011 the level of disadvantage (as measured by the Socio-Economic Index for Areas (SEIFA) index) throughout the MSD remained relatively constant, whereas the level of disadvantage within the City of Melbourne decreased.

Implications for income diversity

The previous section has shown that in 2006 and 2011 household incomes varied greatly across the suburbs within the City of Melbourne. If the cost of housing continues to rise, then this variance is likely to become less pronounced as lower income households are driven out of the City to find more affordable housing.

The assessment of rent paid as a proportion of household income has identified that housing within the City of Melbourne is becoming unaffordable for lower income households. This is also true for medium income households and has a variety of implications for social diversity within the City of Melbourne.

In the previous section, Figure 15 on page 30 illustrates the particular professions of residents within the City of Melbourne that correspond to low (up to $600 per week), medium (between $600 and $1500 per week) and high income ($1500+ per week) levels.

The chart indicates that City of Melbourne residents employed as hospitality workers and sales assistants will be the first to experience housing affordability issues, with around two thirds of people employed in these professions falling within the low income category. Around 45 per cent of artists who live in the City of Melbourne fall within the low income category, while around one quarter of education professionals have low incomes.

As discussed in Section 1, a major aspiration for the City of Melbourne includes a creative city, one which nurtures emerging artists and is internationally recognised for arts and culture.

The City's Arts Strategy establishes a vision for nurturing and enhancing Melbourne's vibrant arts community. The strategy contains some objectives and actions relevant to housing. Relevant objectives include to:
−   encourage arts organisations and creative industries to base themselves in the City of Melbourne; and
−   increase access to affordable work spaces for artists and creative enterprises.

The chart indicates that just under half of artists (defined as actors, dancers and other entertainers, music professionals, photographers and visual arts and crafts professionals) that live within the City of Melbourne are on

low incomes. People in this profession are likely to experience housing affordability issues before those in many other professions.

If low income artists are forced to leave the City due to unaffordable housing, there is a risk that they will also choose to work outside of the municipality. This has direct implications for the City's aspirations for a creative city as well as for social and cultural diversity within the City of Melbourne.

Implications for mobility

As evidenced above, residents of the City of Melbourne are likely to live in the City for a shorter period than residents in other municipalities across Melbourne. The City's population is relatively transient compared to other local government areas in Victoria.

For some of the population renting allows the flexibility and choice to be mobile. For others, however, rising rental costs mean that they are forced to be mobile in search of cheaper accommodation.

As the data above has shown, as housing is becoming less affordable within the City of Melbourne, lower income groups are forced to either live in medium or high rent dwellings or to relocate to more affordable locations outside of the City. Atkinson et al (2011) explored the impact of the loss of affordable housing on household displacement as a result of gentrification, which was defined as the migration of higher income households to lower income neighbourhoods. This study found that the key effects of gentrification were:

− Greater pressure on lower income renters to pay higher rents or move to lower rent locations, either into private rental dwellings, approaching social housing providers or becoming homeless.
− Lower income renters being forced to move to other areas, including to unfamiliar locations. This resulted in a loss of social diversity and a decrease in access to employment and education opportunities.
− Lower income residents were no longer adequately catered for as a result of changing communities and service infrastructures.

This illustrates that by driving some residents out of the City, housing affordability is influencing the diversity of City of Melbourne residents.

Wulff et al (2010) examined population mobility and its effect on socio-spatial polarisation in Melbourne. The study found that household mobility is a key factor in polarisation, largely due to the household income patterns of the households that are moving, with very high and very low income households showing the most visible differences in mobility. This trend has seen an increase in the socio-spatial gap in Melbourne. This is evidenced within the City of Melbourne which is increasingly becoming a location for high income households. Carpenter (2006) suggests that a solution to mobility issues is to ensure an appropriate supply and mix of affordable housing options.

Additionally, the types of dwellings being developed in new neighbourhoods within the City are also likely having an impact on mobility. Recent development of houses with three or more bedrooms within the City has been limited and projections suggest a continued trend toward one and two bedroom apartments. Current development of one and two bedroom apartments within newer districts in the City will make it difficult to accommodate any increase in demand from larger households in the future. This is likely to result in larger households, or households looking to start a family, looking outside of the City for appropriate housing.

Figure 22 illustrates a typical household lifecycle. As a person moves through different phases throughout their life, they generally have different housing requirements. Research by the Grattan Institute (2011) found that people of different ages and household types prioritise housing and location attributes in different ways. Lone person households, for example, were much more likely to prioritise location features over dwelling attributes. Importantly, the study found that people value both the location and type of housing. While this illustration is indicative only and cannot really capture the array of complexities that impact households and their housing choices, it is nonetheless valuable to consider when exploring diversity.

FIGURE 22. HOUSEHOLD LIFE CYCLE
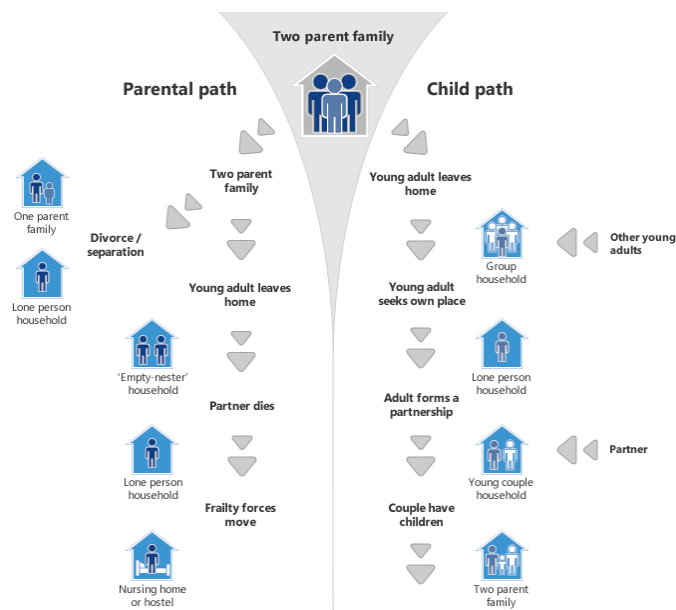
Source: Forecast.id, 2012

Implications for students

The student population comprises a large proportion of the resident population in the City of Melbourne. The City of Melbourne's *International Student Strategy Discussion Paper* acknowledges the significant contribution that international students make to Melbourne's diverse social and cultural fabric. The international students studying in Melbourne come from a variety of countries, including China, Malaysia, India, Indonesia and Singapore, highlighting the cultural diversity that international students bring to Melbourne.

International student enrolments and resident numbers within the City of Melbourne are expected to increase in the future. This will be accompanied by an increase in demand for housing, both in purpose built student accommodation and for housing in the private rental market.

The discussion paper identifies the troubles that students in Melbourne are currently facing, with many issues attributable to housing and living costs.

As students are typically low income earners, the cost of housing can heavily impact their lives. As housing costs increase, the financial implications for students will be exacerbated and they may be forced to look for housing outside of the City of Melbourne. This in turn will impact the cultural diversity of City of Melbourne residents.

Additionally, as most students are aged between 20 and 29 years, movement of students from the City of Melbourne will also impact the age diversity within the City.

Implications for household types

The type of dwellings that have been recently developed in the City of Melbourne, and dwelling type projections, suggest that by 2031, the dominant housing types within the City of Melbourne will be one and two bedroom apartments. The *Dwelling Stock and Diversity in the City of Melbourne* report indicates that from 2006 to 2012:
− there were very few three or four bedroom dwellings developed;
− 50 per cent of new dwellings have one bedroom;
− the size of dwellings is decreasing over time; and
− 68 per cent of dwellings are not held by owner occupiers.

These factors have implications for social diversity as they limit household types (such as larger households and families) that can reside in the City of Melbourne.

The predominance of one bedroom dwellings within the City restricts household diversity. One bedroom apartments are suited to lone person households or couples without dependents households. These types of dwellings are not suited to families, or couples with dependents household types. While projections show that the growth of couple households with dependents will be smaller than growth of lone person and couple households without dependents, couple families with dependents are still expected to make up around 8,000 households in the City of Melbourne by 2031. This equates to around nine per cent of total households and suggests that while there is significant demand for family friendly dwellings within the City of Melbourne, the new one and two bedroom dwellings that are currently being developed will make it difficult to accommodate any increase in demand from larger households in the future. This limits current and future household diversity in newer neighbourhoods within the City.

Some of the more established suburbs within the City of Melbourne, such as parts of Carlton, Parkville and Kensington, are characterised by larger detached and semi-detached dwellings and are more suitable to bigger households. However, the current supply in these locations will not be sufficient to meet the growing, albeit relatively small, demand for family and group households within the City.

Implications for tenure diversity

Notwithstanding that much of the construction activity in the City of Melbourne has been aimed at investors, Table 12 shows that households which either own their homes outright or are in the process of purchasing them accounted for some 31 per cent of all households in the municipality in 2011, compared to 30 per cent in 1996. This robust home ownership rate (which is nonetheless much lower than for the State as a whole) could reflect the transition of older rental stock into owner occupancy in neighbourhoods like Carlton, North Melbourne and Kensington.

It is unclear whether home ownership rates will hold up into the future and whether, if they do, only high income households will be able to purchase in the City. Table 13 indicates that the median price for separate houses in the City of Melbourne is much higher than the median for the metropolitan area, when expressed as a multiple of income. Moreover, it has grown much more rapidly over the past 15 years. However, home purchase opportunities in the apartment sector within the City compare somewhat more favourably to the metropolitan median.

It is possible that current investor targeted stock in the City will provide a pool of relatively affordable purchase opportunities for owner occupiers in the future, in the same way that rent focussed '6 pack' unit developments of the 60s and 70s are doing today.

Thus, tenure diversity is not yet indicated as a strategic issue for community diversity.

TABLE 12.   HOUSEHOLDS IN THE CITY OF MELBOURNE BY HOUSING TENURE

Tenure	1996		2001		2006		2011	
	#	%	#	%	#	%	#	%
Outright owner	3,120	**19%**	4,404	**18%**	4,593	**13%**	6,564	**14%**
Purchasing	1,729	**11%**	2,730	**11%**	5,109	**14%**	7,798	**17%**
Private rental	4,963	**31%**	6,977	**29%**	14,513	**40%**	18,696	**40%**
Government or community rental	1,902	**12%**	1,915	**8%**	1,913	**5%**	2,924	**6%**
Other Rental Tenure	2,829	**18%**	4,661	**19%**	4,145	**12%**	5,032	**11%**
Other Tenure Type	1,523	**9%**	3,261	**14%**	5,573	**16%**	5,745	**12%**
Total households	**16,066**	**100%**	**23,948**	**100%**	**35,846**	**100%**	**46,759**	**100%**

Source: ABS Census

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TABLE 13. HOUSING PRICES VERSUS INCOMES – CITY OF MELBOURNE AND METROPOLITAN MELBOURNE

	Median house price as a multiple of individual median annual income for Victoria (employed persons)		Median unit price as a multiple of individual annual income for Victoria (employed persons)	
	City of Melbourne	Melbourne Metro	City of Melbourne	Melbourne Metro
1996	10.8	8.7	13.6	7.6
2001	17.3	11.4	16.3	11.6
2006	22.2	14.6	14.8	12.8
2011	25.3	16.8	15.5	14.5

Source: ABS Census

Implications for community wellbeing

Section 2 identified an extensive list of measures that can be used to assess community wellbeing. These measures fall under the following broad indicators:

- financial wellbeing;
- health;
- neighbourhood wellbeing;
- financial stress;
- housing tenure;
- workforce participation; and
- self assessment of well-being.

The Senate Committee Report on Housing Affordability in Australia (2008) notes that affordable and accessible housing plays a crucial role in an individual's wellbeing as well as the economic performance of a region. As outlined by the Productivity Commission (2004) as reported in Senate Committee Report on Housing Affordability in Australia (2008):

> *"Access to affordable and quality housing is central to community wellbeing. Apart from meeting the basic need for shelter, it provides a foundation for family and social stability, and contributes to improved health and educational outcomes and a productive workforce. Thus it enhances both economic performance and 'social capital'."*

Declining housing affordability may lead to a number of implications for individuals and households, as well as society as a whole.

The data also shows strong links between housing and wellbeing indicators within the City of Melbourne. For example, when examined against the indicators for wellbeing identified in Section 2.1 (financial wellbeing, health, neighbourhood wellbeing, financial stress, housing tenure, workforce participation and self assessment of wellbeing) the projections for the City indicate that there are a large proportion of households that are experiencing housing affordability issues. This is likely to affect the financial wellbeing and financial stress of residents, which in turn can affect their wellbeing. The accompanying *Understanding the Property and Economic Drivers of Housing* paper highlights that opportunities for employment are directly related to where someone lives. The wellbeing of residents may therefore be impacted if increased housing prices are affecting their ability to participate in the workforce by being unable to afford accommodation within the City.

In addition to having to physically relocate, residents that had become displaced as a result of gentrification indicated that they experienced many emotions, including a sense of loss, increased anxiety about the increasingly competitive rental market, as well as fear and anxiety that they would again be made to leave their home. Displaced residents also highlighted that gentrification had led to broken social support systems and friendship networks.

An additional study (Stone et al 2007) found that the more secure people feel in their neighbourhoods, the better the level of social cohesion and neighbourhood interaction. This is evidenced by increased levels of neighbourhood interaction after people become home owners and suggests an emotional as well as a financial investment in the local area. The study also reveals a strong association between some elements of social connectedness and housing stability, and a negative relationship between mobility and social connectedness.

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Wulff et al (2010) indicate that the location of a household within Melbourne has become a determinant of welfare, such as health, education, employment, real income, social wellbeing, social capital and personal security outcomes. To address this, the study recommends that policies that reduce the extreme ends of the polarisation process will '*build more socially inclusive cities and contribute to a better quality of life for all households.*'

Data suggests that these effects are being felt by some City of Melbourne residents. The high proportion of rent paid as a percent of total income suggests that housing is not affordable in many neighbourhoods throughout the City of Melbourne, including Carlton and Melbourne and, to a lesser extent, West Melbourne and Southbank. In these locations, rent paid as a proportion of total income is close to, or well above, 30 per cent.

Unless specific measures are taken to increase the supply of affordable housing within the City of Melbourne, it is likely that this trend will continue.

Other factors affecting the City of Melbourne population

The discussion so far has focussed on housing affordability and the impact that affordability issues are having on who can afford to live within the City of Melbourne. It is also valuable to consider if living in the City of Melbourne results in other increased or decreased costs of living.

As our cities continue to grow, more and more residents are experiencing issues including increased congestion, high petrol bills, distance from family and friends and access to employment (Grattan Institute 2011b).

> *Housing, in particular its location, is the primary mechanism for accessing opportunity in our society. Where you live is more important than what you live in. Housing location determines the quality of local public services, such as schools, the degree of access to employment and transportation, and the degree of public safety. Currently, most affordable housing in our metropolitan regions is disconnected from opportunity (Kirwan Institute 2011).*

Considering these factors, the City of Melbourne is a desirable location to live, having access to a vast array of services and employment. Aside from housing costs, transportation is another significant cost to households.

The below table shows the proportion of City of Melbourne residents compared to the MSD who walk, take public transport or drive to work.

TABLE 14.   MODE OF TRAVEL TO WORK

Mode of travel	City of Melbourne	MSD
Walk	7%	4%
Public transport	45%	13%
Car	48%	83%

Source: ABS 2011 Census

Compared to the MSD, well over three times the number of residents takes public transport in the City of Melbourne to reach work. Given the cost of purchasing and maintaining a car, as well as the rising cost of fuel, those located closer to a wider range of employment and services gain a significant financial benefit.

3.5   Conclusions

This section has identified a number of projected trends occurring within the City of Melbourne. While different trends will have different impacts on the future community profile of the City, overall very real implications for social diversity are implicated. The list below highlights the most significant projected trends (in terms of diversity outcomes) for the City of Melbourne:
− Couples without dependents households are expected to be the strongest growing household type in the City of Melbourne to 2031.
− By 2031, the household type in the greatest proportion will be lone person households.

- Couples without dependents and lone person households are the household types that are most suited to occupying smaller dwellings, including one bedroom apartments.
- Between 2011 and 2031, the proportion of City of Melbourne residents aged below 10 years and 65+ years is expected to increase only marginally.
- The proportion of the City of Melbourne population aged between 15 and 34 years is expected to decrease from 2011 to 2031.
- The proportion of the population aged 35 to 49 years is expected to increase. This age cohort corresponds to young workers.
- The biggest population growth is expected to occur in the Melbourne CBD, Southbank, North Melbourne, Carlton and the Docklands.
- Established locations, such as East Melbourne, Kensington and Parkville, are expected to decrease their share of population to 2031.
- Change is expected to occur very differently between suburbs within the City of Melbourne.
- There are big variances between rent paid as a proportion of total income across City of Melbourne suburbs.
- All suburbs across the City of Melbourne have a higher proportion of residents in the high income range than residents in low or medium income ranges.
- Low income households are experiencing significant housing affordability issues. This is due to a decrease in the number of low rent houses and that medium and high income households are also living in low cost dwellings. Housing affordability issues also extend to medium income households and even to some households earning a gross income of between $1500 and $1999 per week.

The identified trends are likely to shape the community profile of the City of Melbourne in the following ways:
- Around half of the City of Melbourne population will be aged between 25 and 49 years, those of working age.
- There will be a predominance of lone person households and not many family households.
- The majority of new dwellings are one bedroom apartments, limiting any increase in demand for accommodation options for group households and families.
- Increased rental prices mean that low income households are experiencing housing affordability issues. Low income earners include hospitality workers, sales and artists. Residents of the City of Melbourne who are employed in these professions are at greater risk of having to leave the City. Medium income households are also experiencing housing affordability issues and are at risk of being driven out of the City to find cheaper accommodation. These trends suggest that only high income households will be able to afford to live in the City of Melbourne in the future.

Projections suggest that the community profile of the City of Melbourne will become less diverse in terms of age profile, income levels, employment profile, household type and housing type. Furthermore, the intense development projected for some locations within the City, such as Docklands, Melbourne CBD, North Melbourne and Southbank, teamed with the development of limited types of dwellings in these locations (that is, developers mainly building one and two bedroom apartments) suggests that diversity will be limited within these newer communities. There is an opportunity for development of more adaptable and diverse housing types within the new release areas of City North, Arden-Macaulay and Fishermans Bend to ensure that household diversity can be accommodated in the future.

These trends are at odds with the City of Melbourne's policy aspirations for affordable housing as identified in Future Melbourne, that:
- 20 per cent of new housing in the City of Melbourne be affordable housing;
- there is an increase in the number and variety of affordable housing opportunities; and
- housing development responds to demand to ensure a ready supply of accommodation options.

Data indicates that housing affordability issues within the City are placing residents under financial stress and this is likely to affect the wellbeing of residents. Furthermore, the wellbeing of City of Melbourne residents is likely to be impacted if increased housing prices impact their opportunities for employment by driving them to find cheaper accommodation outside of the City.

While there appears to be a steady supply of new dwellings within some locations in the City of Melbourne, these are broadly limited to smaller one and two bedroom apartments. Given divergence between trends and aspirations, it appears that the City needs to undertake work to align policy objectives in support of a more diverse future community. The City's role in housing and potential policy initiatives, including addressing housing affordability issues, is detailed in Section 4.

POLICY OPTIONS

Independent insight.

4   POLICY OPTIONS

Overview

This Section explores the opportunities for deploying Council's powers and influence to achieve a better alignment between projected housing outcomes in the City and Council's aspirations for social mix and community wellbeing. In discussing ways in which Council might make a difference, the wider framework for housing policy in Australia is mapped out, including the legislated role of Council in these matters. The experience of other cities is appraised, as a potential source of additional policy ideas of relevance to Melbourne.

4.1   Housing policies affecting the demography of Melbourne

There are a variety of factors that contribute to the state of housing in the City of Melbourne. These range from Commonwealth subsidies and funding to Victorian Government and Council initiatives. Broadly, housing policies aim to address barriers to households entering the private rental market and home ownership, to incentivise development of affordable housing, support the provision of social housing and to address homelessness, including the underlying causes of homelessness.

In direct outlay terms, the Federal Government's main contribution to housing affordability is through the Commonwealth Rental Assistance Scheme (CRAS). This provides funding for low income households in private rental accommodation, and, arguably, has supplanted some of the Commonwealth's funding support for public rental housing. In addition to the Commonwealth Rental Assistance Scheme, the Federal Government has released a homelessness strategy.

Each housing market group has different levels of demand for housing, with different requirements and varied susceptibility to housing stress. Each housing market group is placed on the affordable housing continuum (see Figure 23 below). Broadly, it can be said that whilst demand increases to the right of the spectrum (usually culminating in home ownership), unaffordable housing and living costs can increase the propensity of a household to move back through the continuum. Homelessness is excluded from the continuum, as it is not a viable housing option, however, it can occur when all other housing markets become inaccessible.

FIGURE 23. AFFORDABLE HOUSING CONTINUUM
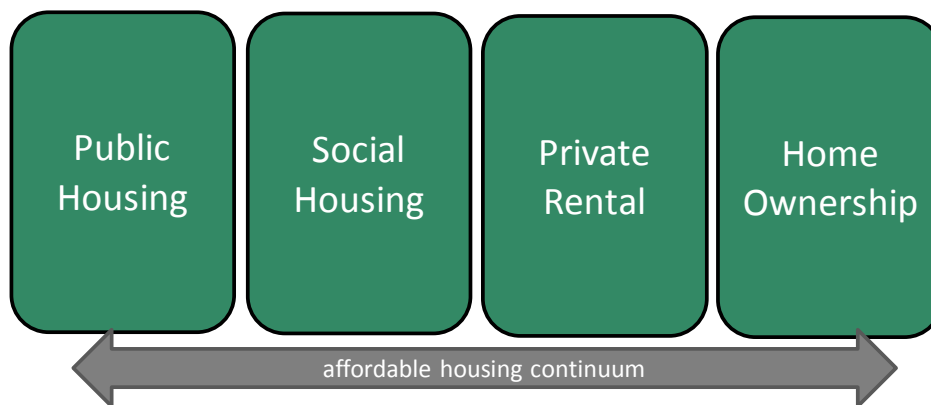
The Commonwealth Government's approach to home ownership is also reflected in various tax concessions and grants. Tax concessions, such as negative gearing and capital gains tax, may support investment in private rental housing. First Home Owner Grants, funded by the Commonwealth Government, have been a long term feature of national housing policy and were recently (temporarily) expanded to help combat the effects of the GFC. Each state and territory also provides various forms of support for first home buyers.

A number of trends have emerged that aim to address issues related to housing affordability, including the current model for the social housing system. Models under investigation for the provision of social housing include public private partnerships, community housing provider development agreements, shared equity/ ownership schemes and outsourcing of maintenance/ management and various financing models. Many of these options provide opportunities for Council to become more involved in the provision of social housing, including via partnerships with housing associations.

All levels of government in Australia have a role in housing and homelessness policy. The National Affordable Housing Agreement (NAHA) summarises the roles and responsibilities of each level of government as follows:

The Commonwealth is responsible for:
− leadership for national housing and homelessness policy including Indigenous housing policy;
− income support and rental subsidies;
− immigration and settlement policy and programs;
− financial sector regulations and Commonwealth taxation settings that influence housing affordability;
− competition policy relating to housing and buildings;
− provision of national infrastructure;
− housing-related data collected by the Australian Bureau of Statistics and Centrelink; and
− co-ordination of homelessness data collection from states and territories.

The states and territories are responsible for:
− leadership for housing and homelessness policy, including Indigenous housing policy;
− housing and homelessness services, administration and delivery;
− housing for Indigenous people, including in remote areas;
− land use, supply and urban planning and development policy;
− housing-related financial support and services for renters and home buyers;
− housing-related State and Territory taxes and charges that influence housing affordability;
− infrastructure policy and services associated with residential development;
− tenancy and not-for-profit housing sector legislation and regulation; and
− collection and publication of data from housing providers and agencies that provide services to people who are homeless.

Local governments are responsible for:

− building approval processes;
− local urban planning and development approval processes; and
− rates and charges that influence housing affordability.

Commonwealth

Commonwealth Rental Assistance

The Commonwealth Rental Assistance program provides supplement payments to Australians renting on the private market who are recipients of a Centrelink pension, allowance or income support. Pensioners, allowees and those receiving more than the base rate of Family Tax Benefit Part A may be eligible for Rent Assistance.

Rent Assistance is paid at the rate of 75 cents for every dollar of rent paid above the specified threshold until the maximum rate is reached. The maximum rates and thresholds vary according to a customer's family situation and the number of children they have. For singles without children, the maximum rate also varies according to whether or not accommodation is shared with others. Rent Assistance is generally not payable to a person who pays rent to a government housing authority. The varying maximum payments and thresholds for each household type are detailed in the table below.

TABLE 15. COMMONWEALTH RENT ASSISTANCE AMOUNTS

Household Type	Maximum payment per fortnight	No payment if your fortnightly rent is less than	Maximum payment if your fortnightly rent is more than
Single, with no children	$121.00	$107.40	$268.73
Single, with no children, sharer	$80.67	$107.40	$214.96
Couple, with no children	$113.80	$174.80	$326.53
One of a couple who are separated due to illness, with no children	$121.00	$107.40	$268.73
One of a couple who are temporarily separated, with no children	$113.80	$107.40	$259.13
Single, one or two children	$141.82	$141.40	$330.49
Single, three or more children	$160.44	$141.40	$355.32
Couple, one or two children	$141.82	$209.30	$398.39
Couple, three or more children	$160.44	$209.30	$423.22

Source: Department of Human Services

For example, using the above table, an eligible single person with no children and not sharing a dwelling would receive Rental Assistance if their fortnightly rent exceeded $107.40. In this case they would receive assistance of 75 cents for every dollar of rent paid above $107.40 until the maximum rate of $121 is reached (in this case reached when fortnightly rent is $268.73). Therefore, for an eligible single person with no children who is not sharing a dwelling, the maximum rent assistance receivable under the CRA is $60.50 per week.

As noted in the State of Supply Report (2011) average rents paid by CRA residents increased by $73 per fortnight from 2003 to 2010, but CRA payments only increased by $7 per fortnight.

National Rental Affordability Scheme

The National Rental Affordability Scheme (NRAS) is an Australian Government initiative to stimulate the supply of affordable rental dwellings, and involves a government commitment to investors prepared to build affordable rental housing. It is not a public housing program, instead aiming to address affordable rental shortages through the provision of a tax-free financial incentive to developers and not-for-profit housing organisations.

Developers and not-for-profits receive an 'incentive' for each approved dwelling which is to be rented to eligible low and moderate income households at a rate that is at least 20 percent below the prevailing market rate. The annual tax-free incentive is currently $9981 per dwelling, and comes from:

- A Federal incentive currently of $7486 per dwelling per year as a refundable tax offset or payment; and
- A State/Territory incentive currently of $2495 per dwelling per year in direct or in kind financial support.

The incentive is provided annually for 10 years and is indexed based upon the rental component of the CPI index, which for the year 1 May 2012 – 30 April 2013 was valued at four percent per year in Victoria.

Managed by the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), in consultation with the Australian Taxation Office, the scheme commenced in 2008 with a 10 year funding commitment. At the end of the NRAS 10 year period, properties revert to full control of the investor. The scheme has the ultimate aim of stimulating the construction of 50,000 affordable rental dwellings. 35,000 of these dwellings are anticipated to be delivered in the years up to 2014-15, with the remaining dwellings supplied thereafter.

For investors, the scheme offers annual incentives, rental yields and capital gain. Modelling of the NRAS incentive shows it can provide market rates of return at levels competitive with other assets, and in certain markets, provide a greater return than full market rent. In addition, investors are able to apply property expenses and non-cash deductions and allowances against a lower assessable rental income, increasing any negative gearing benefit, if relevant.

The NRAS aims to encourage large-scale investment in affordable housing, and targets scale investors. NRAS incentives are unlikely to be suitable for small scale individual investors, but consortiums and joint ventures are common models for NRAS projects. NRAS homes can be bundled with non-NRAS properties, but can only be a minority of units in new multi-storey developments.

Across Australia it is estimated that 1.5 million households are eligible to rent NRAS properties. Tenant eligibility is based on income thresholds for various household types, although eligibility allows for salary increase over time of 25 percent above the entry income threshold. The income limits for NRAS tenants are intended to include key and essential service workers, such as childcare workers, nurses, police officers and fire-fighters.

In Victoria, as of 31 July 2012 there have been 1542 homes tenanted or made available for rent, with a further 5280 in the pipeline. Most NRAS properties are apartments in major centres. In the City of Melbourne, approximately 150 homes have been provided for tenants, with approximately 1000 homes reserved but not yet delivered. Most of these homes have been or are reserved for provision in the suburbs of Melbourne and Docklands (Australian Government, 2012).

National Affordable Housing Agreement

The National Affordable Housing Agreement (NAHA) is a Commonwealth Heads of Government (COAG) agreement that identifies the roles and responsibilities of each level of government. The aim is to ensure that all Australians have access to affordable, safe and sustainable housing. Commencing in 2009, NAHA provides $6.2 billion worth of housing assistance to low and middle income Australians in the first five years. The Victorian Government was allocated around $1.1 billion over four years to facilitate the State's commitments under the NAHA, which include:
- people who are homeless or at risk of homelessness achieve sustainable housing and social inclusion;
- people are able to rent housing that meets their needs;
- people can purchase affordable housing;
- people have access to housing through an efficient and responsive housing market;
- Indigenous people have the same housing opportunities (in relation to homelessness services, housing rental, housing purchase and access to housing through an efficient and responsive housing market) as other Australians; and
- Indigenous people have improved housing amenity and reduced overcrowding, particularly in remote areas and discrete communities.

In urban areas the agreement is supported by National Partnership Agreements on homelessness and social housing.

National Partnership Agreement on Homelessness

In 2008, The Commonwealth Government also released a homelessness paper. The policy has two headline goals, halving homelessness by 2020 and offer supported accommodation to all rough sleepers by 2020. To achieve these goals the Commonwealth Government committed $6.1 billion over a five year period from the 2008-09 financial year, with a further $1.2 billion committed by the NAHA through National Partnership Agreements on Homelessness.

The National Partnership Agreement on Homelessness aims to facilitate significant reforms to reduce homelessness. The National Partnership Agreement on Homelessness recognises that addressing homelessness requires a national approach focused around three key strategies:
− effective prevention and early intervention to stop people becoming homeless and to lessen the impact of homelessness;
− breaking the cycle of homelessness with investment in services that help people get back on their feet, find stable accommodation and, wherever possible, obtain employment; and
− a better connected, more integrated and responsive service system to achieve long-term sustainable reductions in the number of people who are homeless.

The Victorian Government has allocated over $100 million over four years to reduce the incidence and impact of homelessness. The NPAH is due to expire in June 2013 and Victoria will be working with the Commonwealth and other states and territories to identify future funding arrangements. From the Victorian NPAH, four core outputs have been established to affect the above strategies. They are:
− the implementation of the A Place to Call Home initiative;
− Street to Home initiatives for chronically homeless people;
− support for private and public tenants to help sustain their tenancies; and
− assistance for people leaving child protection services, correctional and health facilities, to access and maintain stable, affordable housing.

Homeless Bill

The Australian Government has released an exposure draft on the Homeless Bill (2012) aimed at increasing recognition and awareness of people who are experiencing, or at risk of, homelessness.

The Act recognises that a person is experiencing homelessness if:
     (a) the person is sleeping rough or living in an improvised dwelling; or
     (b) either:
      (i) the person is temporarily living with friends or relatives and has no other usual address; or
      (ii) the person is living in accommodation provided by a specialist homelessness service; or
     (c) the person is living in a boarding house, caravan park, hostel, refuge, shelter or similar accommodation, whether on a short-term or long-term basis, in respect of which the person has no secure lease and the person is not living in that accommodation by choice.

The new legislation will replace the *Supported Accommodation Assistance Act 1994* but will retain in law the important statements about homelessness in the 1994 Act. These recognise that the homeless population is one of the most marginalised groups in society and that support should be provided in a way that respects people's dignity as individuals, enhances their self esteem, is sensitive to their social and economic circumstances and respects their cultural backgrounds and their beliefs.

The Bill states that the Commonwealth recognises the importance of having strategies to reduce the number of persons who are, or are at risk of, experiencing homelessness, including the following:
     (a) prevention;
     (b) early intervention;
     (c) increasing the supply of affordable housing;
     (d) increasing the range of appropriate accommodation options; and
     (e) ongoing support, including individual case management where appropriate.

The Road Home – The Australian Government White Paper on Homelessness

The White Paper establishes a significant agenda to halve homelessness by 2020 and offer supported accommodation to all rough sleepers who need it.

To achieve these goals, the paper identifies three strategies that involve:

1. *Turning Off the Tap: Services will intervene early to prevent homelessness.*
2. *Improving and expanding services which aim to end homelessness: Services will be more connected, integrated and responsive to achieve sustainable housing, improve social and economic participation and end homelessness for their clients.*
3. *Breaking the Cycle: People who become homeless will move quickly through crisis system into stable housing with the support they need so that homelessness does not recur.*

National Partnership Agreement on Social Housing

The National Partnership Agreement on Social Housing is an accord between the Commonwealth and states and territories to provide between 1600 and 2100 additional social housing dwellings by 2009-10, and provide opportunities for the not-for-profit housing sector. In the 2008-09 and 2009-10 years, the Commonwealth Government provided $200 million to the states and territories to fulfil their agreed commitments. Proposals for funding must meet the following key requirements:

− involve the construction of new social housing dwellings;
− add to the supply of social housing dwellings within a jurisdiction;
− all projects funded through this Agreement must be completed and ready for occupation within two years of funding being allocated; and
− provide an appropriate response to an area of unmet need for social housing within the jurisdiction.

Over the years 2008-09 and 2009-10, the National Partnership Agreement on Social Housing approved the development of 554 dwellings in Victoria. However, none of these were located within the City of Melbourne.

Housing Affordability Fund

The Housing Affordability Fund (HAF) has also been established by the Commonwealth Government, looking to minimise two key barriers to affordable housing supply: holding costs (incurred via planning and approval times) and infrastructure costs. The fund is for new homes, and HAF plans to invest $450 million over a five year period via grants to state, territory and local governments to work with the private sector.

Nation Building Social Housing Initiative

The Nation Building Social Housing Initiative was a $5.6 billion program under the economic stimulus plan which provided funding for repairs and maintenance to social housing dwellings and construction of new dwellings for both social and defence houses. These programs had the dual aims of improving the condition and number of social housing dwellings and supporting the construction industry through the GFC. As such, works were required to be carried out in a short time period.

State

The Department of Human Services (DHS) provides public and social housing and support for low income Victorians. This includes public housing, short term crisis and transitional housing, bond loan assistance, homelessness assistance and community building initiatives. The department also works directly in partnership with not-for-profits, in particular community housing agencies, registered housing associations and housing providers, to provide a range of programs and services to support people in the move towards independence and self-reliance in the housing market. In 2010-11, DHS and its partners provided the following services:

− over 41,000 people who were homeless or at risk of homelessness were assisted though a range of support services and support accommodation;
− over 75,000 households were in public and social housing;
− over 10,000 households were provided assistance thorough the Bond Loan Scheme; and
− around 36,000 households were provided Housing Establishment Fund assistance.

Commonwealth agreements on affordable housing, homelessness and social housing and the Victorian Housing Act 1983 (amended 2005) are the key inputs into the Departmental plan, as illustrated below.

FIGURE 24. DEPARTMENT OF HUMAN SERVICES PROGRAM SUPPORTING DOCUMENTS MATRIX

Victorian *Housing Act 1983 (amended 2005)*	*National Affordable Housing Agreement*	*Homelessness National Partnership Agreement*	*Social Housing National Partnership Agreement*

Department of Human Services - Departmental Plan 2009-10

Housing and Community Building's Strategic Framework 2009-14	Housing and Community Building Policy and Funding Plan 2009-12
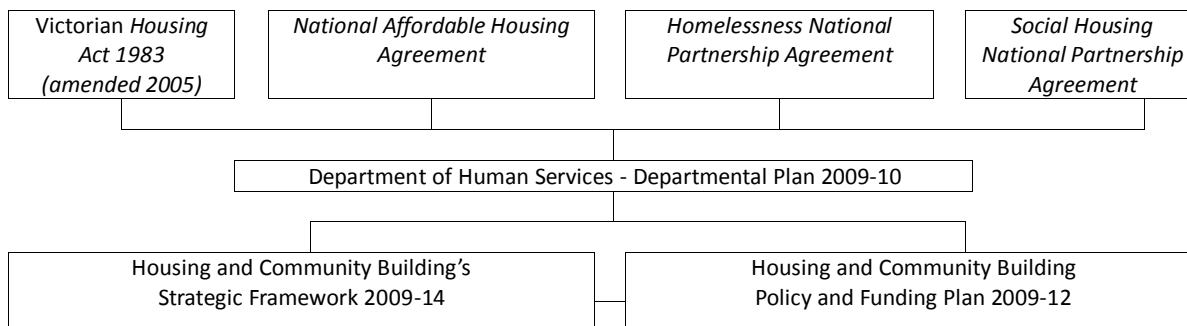
Source: Department of Human Services, 2010

Through the Department's Policy and Funding Plan 2012-15, DHS prioritises the following actions:

Victorian Homelessness Action Plan 2011-15

Stepping away from an approach that primarily addresses homelessness once it has occurred, the 2011-15 Action Plan attempts to break the cycle of homelessness by tackling the underlying causes of homelessness. The goal of the approach is to assist people experiencing or at risk of homelessness to access and maintain stable housing, to find work and to participate in the life of the community.

The plan commits $76.7 million over four years, focusing on:
− supporting innovative approaches to homelessness;
− investigating models for early intervention and prevention; and
− better targeting resources to when and where they are most needed and where they will make the biggest difference.

Importantly, DHS aims to more clearly define the interaction and role of Victoria's homelessness system with respect to the public and community housing system. Part of such a review will be in assessing the effectiveness and efficiency of the social housing system.

Works specific initiatives of the Action Plan include:
− development of three 40-bed Youth Foyers targeted at youth who are homeless or at risk of becoming homeless; and
− five Work and Learning Centres to be established on public housing estates to assist tenants to access education and training, and transition into the workforce

Social Housing

Increased housing costs within the private housing market are also increasing pressure on the social housing system which comprises public, community, transitional and social housing.

Social housing, prior to the 1980s, was synonymous with public housing (Jones et al, 2007). Since this time social housing has been diversified and provision mixed. Social housing now comprises three sub-sectors: public housing, community housing and Indigenous housing (Jones et al, 2007). Public housing is owned and managed by the Victorian Government, while community housing is owned and/ or managed by not-for-profit or community groups. Combined, and as of June 2011, social housing accommodated around 143,000 people across Victoria, of which around 127,000 live in public housing dwellings – illustrated in the table below.

SGS
Economics
& Planning

TABLE 16.   TYPES OF SOCIAL HOUSING IN VICTORIA

Housing type	Description	Dwellings	Residents
Public housing	Housing owned and managed by the State through the Director of Housing. The Director of Housing acts as the landlord to public housing tenants.	65,000[1]	127,000[2]
Community housing	Housing managed by not-for-profit registered housing agencies and housing providers for affordable housing purposes.	14,000[3]	16,000[4]
Transitional housing	Transitional housing owned by the State but managed by the community housing sector (i.e. not-for-profit groups).	4,000[5]	n/a
Social housing	The term used to describe public, community and transitional housing.	83,000[6]	143,000 (Approximately)

Source: KPMG, 2012

[1] As at June 2011, source: Victorian-Auditor General (2012) Access to Public Housing, Victorian Auditor-General's Report, March 2012
[2] Internal Department of Human Services data
[3] As at 30 June 2011, source: Victorian Housing Registrar (2011) *Housing Registrar Report, 2010-11*
[4] As at 30 June 2011, source: Victorian Housing Registrar (2011) *Housing Registrar Report, 2010-11*
[5] Internal Department of Human Services data
[6] Department of Human Services (2011) Annual Report 2010-11

Public Housing

The Department of Human Services provides public housing and support for low income Victorians, targeted to those most in need. Demand for public housing is high, and at present there is a significant waiting list of around 38,000 people. This list is predominately made up of people on the 'general list' as demonstrated in Table 17.

Public housing demand does not match public housing stock. As at 2011, there were 20,000 people on the waiting list for one-bedroom dwellings, while the total amount of this kind of stock in the whole public housing system was 17,500 (Internal DHS data, in KPMG, 2012). Conversely, there were 6,000 people requesting three-bedroom dwellings versus 25,000 dwellings of this type in the system (KPMG, 2012). Additionally, the present public housing system, both in terms of expansion and maintenance, is considered to be financially unsustainable, with the growing waiting list and ageing stock compounding the issue (KPMG, 2012).

TABLE 17.   PUBLIC HOUSING WAITING LIST BY SEGMENT

No	Segment	Description	No. waiting for segments 1, 2 and 3
1	Homeless with support	People with a history or high risk of homelessness.	
2	Supported housing	Coordinated housing for those with a disability or long-term health problems who need modifications made to their houses and/or personal support to live independently.	10,544
3	Special housing needs	Provide access to people whose current housing is unsuitable and who are unable to obtain more appropriate housing in the private rental market.	
4	The 'General List'	Housing for low income households who might benefit from assistance but who do not have an urgent need for housing	

Source: KPMG (2012)

Community Housing

In addition to housing provided through the public housing system, DHS works in partnership with the not-for-profit community housing sector to provide affordable housing for low incomes earners. Some of these agencies specialise in providing accommodation to specific target groups such as people with a disability, singles or older people. Partnership with housing agencies is a key way the Victorian Government provides affordable housing to those unable to afford or access the private market. Agencies receiving government funding are expected to take up to 50 percent of new tenants from the public housing waiting list. The primary housing agencies in this sector are:
−   registered Housing Associations, which develop, own and manage rental housing properties; and

– registered Housing Providers, which primarily manage rental housing that is owned by other organisations.

Housing Associations generally develop, own and manage rental housing for lower income earners. As they own property, they are able to borrow against these assets which allows for investment in new developments and partnerships. They provide accommodation for households who are unable to afford or access the private rental market. In Victoria almost 9000 properties are owned or leased by Housing Associations. Associations also provide transitional and crisis accommodation and properties can include stand-alone dwellings, rooming houses, medium and high density developments or special accommodation with on-site support.

Housing Providers do not own their properties and they primarily manage rental stock, while often also providing a range of other support services, such as:
– short-term crisis support housing;
– housing information and referral services for people who are homeless or at risk of homelessness;
– outreach programs and support for people with complex needs and long histories of homelessness;
– support and advocacy for people living in public and community housing to help them successfully establish and sustain their tenancies; and
– housing cooperatives.

Bond Loan Scheme

The Bond Loan Scheme aims to assist low income people in securing accommodation in the private rental market where meeting the upfront bond costs would otherwise be difficult.

The amount of bond loan provided by DHS is dependent on the size of the property being leased, and applicants are restricted in which properties they may lease. Applicants are ineligible for the scheme if the weekly rent charged exceeds 55 percent of an applicant's total gross weekly income, including Commonwealth Rent Assistance and any other Centrelink payments.

Housing Establishment Fund Assistance

Jointly funded by the Victorian and Commonwealth Governments under the NAHA, the Housing Establishment Fund is a grant to assist eligible persons to access or maintain private rental housing, or to access short term emergency accommodation. The grant program is administered by homelessness, housing and support agencies.

City of Melbourne

At a local level, the City of Melbourne has sought to address housing affordability issues through policies and strategies on homelessness and student and international student housing and through partnerships with housing associations. The following section outlines some of these approaches.

Melbourne Planning Scheme – Municipal Strategic Statement – Amendment

The new Municipal Strategic Statement, which, as noted, was adopted in August 2012, establishes the vision, objectives and strategies for managing land use and development in the City. It provides the basis for the application of local policies, zones, overlays and other provisions in the Melbourne Planning Scheme.

The MSS responds to the key issues underpinning the goals and vision of *Future Melbourne* which direct land use planning. These are:
– Settlement;
– Environment and Landscape Values;
– Built Environment and Heritage;
– Housing;
– Economic Development;
– Transport; and
– Infrastructure.

Specific clauses which address the City of Melbourne's position with respect to housing include:

Clause 21.02-2 Melbourne's Growth
The MSS envisages continued intensive growth in the municipality. From 2001 to 2011, the residential population grew by 85 per cent from 53,200 to 98,200. By 2031, the residential population could reach 180,000 people.

Clause 21.03 – Vision
Settlement
The MSS establishes the framework to accommodate the municipality's growth over the coming 20 to 30 years by expanding the footprint of intensive growth areas beyond Central City (Hoddle Grid, Docklands and Southbank) into designated new urban renewal areas. Development in established areas will be limited to respect the existing neighbourhood character and heritage values of these areas.

Housing
The MSS identifies that an important role for the city is in providing housing to accommodate the expected significant population growth. In a densely developed city, it is a challenge to achieve a diversity of housing choices, housing affordability, a good standard of building design and amenity.

Clause 21.04 – Settlement
The MSS establishes a growth area framework to manage anticipated population growth by directing development to particular areas, enabling ongoing and incremental growth in other parts of the city, and maintaining existing character in valued established areas.

Clause 21.07 – Housing
The City of Melbourne supports the growth of the municipality's residential population. Most of the increased population is planned to be accommodated in the City's areas of urban renewal, planned urban renewal and the Hoddle Grid. Modest growth is planned for established areas. Residential growth must be managed to ensure a high quality of life and amenity. This includes high standards of on-site amenity in all residential developments including good access to sunlight and daylight and privacy. Residential development needs to consider and minimise the amenity impacts of established and potential uses, including noise and light spill. **Social diversity is also considered an important factor in the social health of the city. A diverse population needs a diversity of housing sizes and types. There is a need to increase the proportion of lower cost accommodation, social housing and housing for people of all abilities.**

Clause 21.11 – Local Areas
Clause 21.11 provides more detail of the strategies for local areas in the municipality. It provides direction for the preferred outcomes with respect to housing, economic development, built environment and heritage, transport and infrastructure for all areas except those identified as proposed urban renewal areas, which will be integrated into the MSS at a later stage.

Homelessness Policy

In addition to those who have difficulty meeting housing costs, there is also a significant proportion of the population which struggles to access housing in the first place. Homelessness affects a range of household types and significantly, the rate of homelessness with families with children has increased as a proportion of all homeless households in the last decade (Australian Institute of Health and Welfare 2009). Accordingly, policies to address homelessness are in place across Australia.

The City of Melbourne's Homelessness Strategy provides a snapshot of homelessness in the City of Melbourne, identifying that there are around 1000 people experiencing homelessness within the City.

It is difficult to paint an accurate picture of homelessness as it is an issue with many complexities and the nature of an individual's accommodation arrangements can change quickly. Table 18 provides a snapshot of people experiencing homelessness in the City of Melbourne.

TABLE 18.   SNAPSHOT OF HOMELESSNESS IN THE CITY OF MELBOURNE

Housing arrangement	Persons
Rough sleepers/improvised accommodation	101
People staying with family or friends	118
People living in rooming or boarding houses	872
People in Supported Accommodation Assistance Program accommodation	211
TOTAL people experiencing homelessness in the City of Melbourne	1,002

Source: various data sets articulated in City of Melbourne Homeless Strategy 2011-13

Council is committed to addressing homelessness and its strategy is laid out in *Pathways: City of Melbourne Homelessness Strategy 2011-13*.

Pathways acknowledges that affordable housing has a role in contributing to socially and economically sustainable cities, noting that without the stability provided by affordable housing, local households cannot access employment, education, health, transport and other services. It does, however, also acknowledge the complicated nature of homelessness, in which the provision of accommodation is but one, albeit a significant, aspect.

The City of Melbourne approach, articulated in *Pathways*, is a five-fold one comprising of research and planning, assistance and funding support, advocacy, education and information provision, and initiating, developing and maintaining strong partnerships. Council has introduced key initiatives, including contributing funding for the development of nearly 200 low-cost housing units.

The key commitments in the strategy include:
– working with the crisis accommodation sector to ensure supply meets demand;
– establishing an advisory committee for homelessness;
– continuing partnerships and identifying new opportunities with other organisations and levels of government for additional accommodation and services;
– providing support for additional housing options at the rear of 69 Bourke Street for supported housing;
– ensuring 20 percent of residential development at Boyd High School is affordable housing;
– providing a range of services and subsidies which keep people out of homelessness;
– exploring the role of the City of Melbourne as a planning authority and mechanisms available; and
– exploring the concept of a day shelter for people experiencing homelessness in the central city.

International Student Strategy Discussion Paper

The student population makes up about 48 percent of the total City of Melbourne population and international students make up a considerable proportion of this (see Section 3.2). As international students are a diverse and growing population, the City of Melbourne has identified the need to develop specific programs for this group to ensure that they have a welcoming, engaging, inclusive and connected experience while undertaking their education in Melbourne.

The International Student Strategy Discussion Paper forms the basis for discussion and consultation in the preparation of the draft International Student Strategy. The paper identifies the main purpose of Melbourne City Council's International Student Strategy as being:
– To provide a framework and action plan from which the City of Melbourne will continue to develop the programs and initiatives that enhance the wellbeing of international students in this municipality; and
– Acknowledge the substantial contribution that international students make to Melbourne's diverse social and cultural fabric and broad knowledge sector in Melbourne.

The paper addresses issues which are of particular relevance to international students and identifies the City of Melbourne's role in providing programs and services for this sector in the community. Issues specific to international students identified include:
– loss of family/friends/community;
– unfamiliar culture and environment;
– language barriers;
– high risk-taking behaviour;
– lack of knowledge of rights and responsibilities; and
– low income or access to sufficient funds to meet living expenses.

The paper discusses student accommodation, highlighting the growth in the number of student apartments in the private rental market compared to in student accommodation facilities. Issues highlighted include cost of living and access to accommodation, social engagement and interaction, connecting to the resident population, and the impact of student housing on the quality of student's life in the city. Recent research into international student well being and support needs is also considered.

Student Housing Policy

Melbourne City Council's Student Housing Policy is incorporated into local planning policy framework. The policy applies to accommodation that is purpose built or modified for students while studying at tertiary institutions. It does not apply to other types of student accommodation, such as private rental houses or self-contained units that meet the definition of a dwelling.

The policy acknowledges the importance of the location and design of student housing and that student accommodation needs to be affordable, meet the practical needs of students, be within walking distance to public transport and shops, and have good access to education and community facilities.

Policy objectives are:
− To ensure that the internal layout of rooms and communal facilities provide sufficient space and amenity for the reasonable requirements of an active social, work, and private life of the student while promoting social interaction.
− To provide a safe, healthy, secure and well managed living environment.

The policy recognises the importance of design, providing spaces for social interaction and privacy, and environmental considerations by setting requirements under the following themes:
− bicycle, motorcycle, scooter and car parking, and loading and unloading;
− layout, students' rooms and shared spaces;
− students' rooms;
− shared facilities;
− communal outdoor space and internal common areas; and
− conversion of existing buildings.

Lifelong Melbourne Plan

Strategies within Council's *Lifelong Melbourne Plan* address Melbourne City Council's role in the direct provision of housing and innovation. Actions to achieve these strategies include to:
− Enhance the City of Melbourne's current role in the direct provision of Home-Packaged Aged Care (Community Aged Care Packages and Extended Aged Care at Home) through active bidding for funding in the Commonwealth Government's Aged Care Approval Rounds.
− Explore the need for and the feasibility of piloting the innovative accommodation and support service model, Homeshare, to meet the complementary needs of tertiary students and isolated, older, sole-person householders.

Rebates

Additionally, Council operates a Pensioner Rebate scheme by which those eligible to receive the State Government rebate receive an additional City of Melbourne rebate equivalent to 50 percent of the State Government rebate.

In 2010-11 year Council approved an affordable housing rebate which provides a rate rebate for new affordable housing of 35 percent of the full rate.

Partnerships with Housing Agencies

Beyond policy and programs currently endorsed by Council, the City of Melbourne has begun operating in partnership with housing agencies in the development of social housing. The increasingly flexible model for the provision of social housing presents Council with increased opportunities for direct engagement with social housing providers. This has been the case in the development of the Drill Hall project in Therry Street, Melbourne. This

project, to supply 59 social housing units above an historic building, saw the City of Melbourne work in partnership with Housing Choices Australia to create new affordable housing in the heart of the City.

Typology of policy and programs

The below table shows the Commonwealth, Victorian and Melbourne City Council policies that address specific housing objectives.

TABLE 19. HOUSING POLICY TYPOLOGY

Objective / Aim	Government	Policy / Program / Scheme
Subsidies for renters	Commonwealth	*Commonwealth Rent Assistance Scheme* Provides supplement rental payments to those renting on the private market who are already recipients of the pension, allowance or income support. For payment amounts see Section 4.1.
	State	*Bond Loan Scheme* Aims to assist low income households overcome the upfront barrier of bond payments when entering the private rental market. *Housing Establishment Fund Assistance* Grant to assist eligible persons to access or maintain private rental housing or short term emergency accommodation.
	Local	*Pensioner Rebate Scheme* Eligible persons to receive an additional City of Melbourne rebate equivalent to 50 percent of the State Government rebate. *Affordable Housing Rebate* A rate rebate of 35 percent of the full rate for new affordable housing.
Incentives for affordable dwelling development	Commonwealth	*National Rental Affordability Scheme* Government commitment to provide incentives for investors to build affordable rental housing – supplied at rants at least 20 percent below market rate. The incentive is $9,981 per year for ten years. *Housing Affordability Fund* To minimise the barriers to affordable housing developing in holding costs (incurred via planning and approval times) and infrastructure costs.
	State	*Community Housing* Affordable housing provided by the not-for-profit community housing sector in partnership and partially relying on government funding. Community housing agencies are able borrow against their assets, allowing for investment in new developments and partnerships.
	Local	*Partnerships with Housing Agencies* As City of Melbourne has already demonstrated, partnerships can be forged with housing agencies to develop affordable housing.
Homelessness Policy	Commonwealth	*National Partnership Agreement on Homelessness* Coordinated national approach focused on breaking the cycle of homelessness with early intervention.
	State	*Victorian Homelessness Action Plan 2011-15* Approach draws from Commonwealth NPAH. Initiates the investigation of the interaction and role of the homelessness system in the broader public and community housing sectors.
	Local	*Pathways: City of Melbourne Homelessness Strategy 2011-13* A five-fold approach comprising of research and planning, assistance and funding support, advocacy, education and information provision, and initiating, developing and maintaining strong partnerships.
Social Housing Provision	Commonwealth	*National Partnership Agreement on Social Housing* Agreement between the Commonwealth and states and territories to provide between 1600 and 2100 additional social housing dwellings by 2009-10 *National Building Social Housing Initiative* $5.6 billion initiative under the economic stimulus plan, providing funding for repairs and maintenance to social housing dwellings. The program also funded the construction of new dwellings both social and defence houses. Program had the dual aim of improving the condition

Objective / Aim	Government	Policy / Program / Scheme
		and number of social housing dwellings and supporting the construction industry through the Global Financial Crisis.
	State	*Pathways to a new Victorian social housing framework* Investigates the future operation and funding of the public housing sector in Victoria, suggesting substantial changes to come.
		Public Housing Provision The State Government houses around 127,000 people in the public housing system, with a waiting list of around 30,000.
	Local	*Partnerships with Housing Agencies* As City of Melbourne has already demonstrated, partnerships can be forged with housing agencies to develop affordable housing.
Student housing provision	Local	*Student Housing Policy*

Financial system impacts on housing

In addition to the aforementioned policies, there are a variety of direct and indirect market levers that impact housing. These are discussed below.

Tax Concessions - Negative Gearing and Capital Gains

Negative gearing is the practice of borrowing money to buy an asset, where the income generated by that asset does not cover the interest on the loan (or other costs associated with managing the asset). In Australia the national government allows investors in housing to deduct net losses from their otherwise taxable income. For investors the attractions are obvious, particularly when coupled with concessions on capital gains tax available when the property is sold.

Saunders (2005) explains that housing investors deducted $700 million more in losses than they declared in rental incomes in 2000-2001, with 58 percent of taxpayers declaring a rental income making a loss. This left a $1.2 billion residual cost to taxpayers. Saunders argues that this form of negative gearing is unique to Australia in that it is actively used to offset income tax, to a point where it becomes desirable to make a loss from an investment property.

The weight of the literature attests that between a third and a half of private, non owner-occupied homes are financed through negative gearing, benefitting small time investors (Wood, 2011).

Arguably, the drain on the Commonwealth budget from providing these concessions reduces the prospect of investments in potentially more valuable housing outcomes, for example support for institutional investors in affordable housing for low to moderate income earners, or for expanding the social housing stock which would ease pressures in the private rental market.

The Henry Tax Review joins the chorus of criticism by noting that:

> *The tax advantages from borrowing to invest in a rental property, also relevant for shares, leads to investors taking on too much debt and distorts the rental property market.*

Along with concessions for negative gearing, private investors in second properties also enjoy capital gains tax concessions (discounted by 50 percent with tax then applying at the individual investor's marginal rate). The half marginal rate paid on capital gains in Australia refers to assets held for at least a year; assets held for less than this period attract capital gains tax at the full marginal rate. However, in France and Germany the required holding periods to obtain concessional taxation of capital gains are considerably longer, having been extended from two years to 10 years in Germany in 1998 (Ellis, 2012; Scanlon and Whitebread, 2004).

Much of the literature also argues that capital gains tax concessions have a detrimental impact on housing demand and property values by privileging the small investor class (Wood, 2011; Wyatt, 2005).

In arguing for an alternative approach (a move to a broad 40 percent discount for income from bank deposits, bonds, rental properties, and capital gains and for certain interest expenses) the Henry Review argues that:

Savings would be allocated more productively, distortions to rental property and other markets would be reduced, and household investment and financing choices would better suit their circumstances and risk-preferences.

........Phasing in the discount over time would allow investors to adjust to the new tax settings and reduce the potential for market disruption. In particular, a smooth transition for highly geared investors in rental properties would limit any short-term disruptions in the supply of rental properties. However, this should only be adopted following reforms to the supply of housing and to housing assistance. (Part 1: Overview, Chapter 4: Personal taxation)

This approach recognizes that negative gearing concessions do play a role in sustaining the private rental market and that in their absence other support for housing supply would be necessary.

Notwithstanding the critiques, negative gearing and capital gains tax concessions are so entrenched as a tax minimization and investment vehicle that both sides of politics show little enthusiasm for any changes to the policy.

Interest Rates

Housing interest rates are not a direct determinant of either owner-occupier or investor housing demand (Zhau and Whelan, 2005), particularly in the short to medium term. Housing activity in Sydney and other Australian cities has been slowing for some years, despite a general downward trend in the interest rate level set by the Reserve Bank of Australia (RBA).

Figure 25 shows interest rates as set by the RBA at each quarter since March 2006 (with a general drop after a peak in 2008 followed by a sharp drop concurrently to the global economic downturn in 2008-9), and quarterly lending for owner-occupied and investor housing (which has gradually increased). There is no clear pattern in the relationship shown here.

FIGURE 25. QUARTERLY LENDING TOTAL AND INTEREST RATE CHANGE
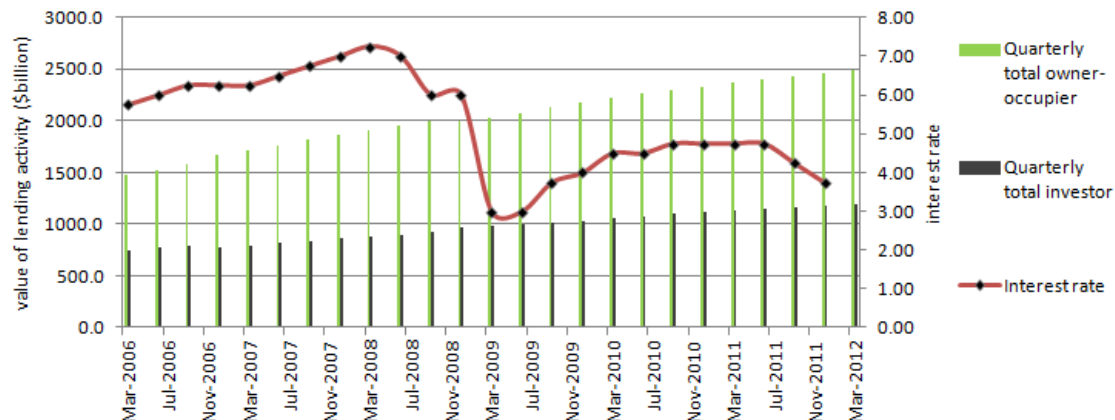
Source: RBA, 2012

Figure 26 shows a slightly more relevant story with interest rates against the quarterly change in lending. While there appears to be some short term fluctuations in lending that could move against the trend in interest rates (as could be expected) there is no sustained increase in lending related to interest rates which are trending down.
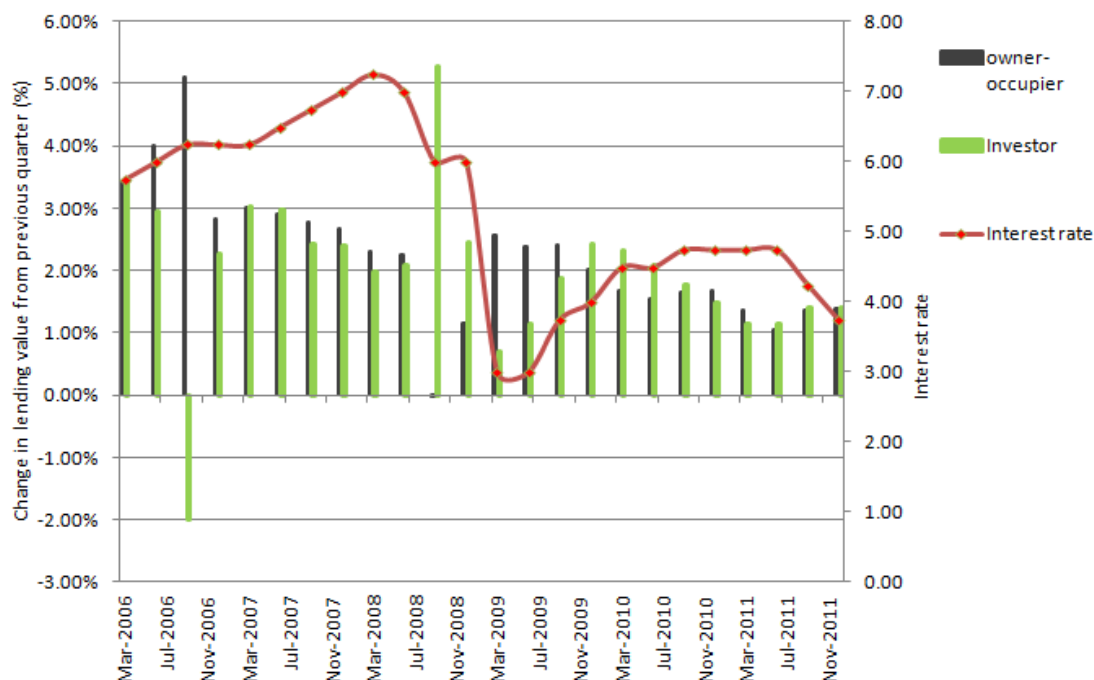
Source: RBA, 2012

Berkelmans (2005), and to a certain extent Gittins (2012), both argue that there are other factors at play in housing demand which will are more profound than short run changes to interest rates.

First Homeowner Grants

First homeowner grants are a popular policy option for governments, particularly when economic activity has stalled. Schemes at the Commonwealth level have included:

− The First Home Owners Grant introduced by the Hawke Labor Government in 1983 following the early 1980s recession.
− Revised scheme introduced by the Hawke Government after the stock market crash of 1987.
− Further scheme introduced by the Howard Liberal Government post the introduction of the GST in 2000.
− Further expansion of the grant (doubling for existing and tripling for new homes) as a counter-measure to the Global Financial Crisis in late 2008.

From time to time, the Victorian Government has supplemented the Commonwealth First Home Owners grant scheme with subsidies of its own. Occasionally, these have had a spatial bias, including providing incentives for first home buyers to invest in regional areas.

The majority of economic opinion suggests that the first home owners grants have impacted on housing demand although not always to the extent and direction intended. There is mixed opinion regarding whether or not such grants make housing more affordable for first homeowners.

Saunders (2005) has argued that ' the First Home Owner Grant has almost certainly pushed up the price of housing, for relatively inelastic supply means most of the money paid out in grants has probably been capitalised into higher house prices'. He further argues that 'Scrapping it [first home owners grant] would save taxpayers around $1 billion per year, and would remove one of the most blatant examples of 'middle class welfare' in the Australian tax and benefits system (Saunders, 2005).

Steve Keen, professor of economics and finance at the University of Western Sydney, and self styled post Keynesian debt watcher, goes further in arguing that the grants actually leverage an above grant level spike in housing prices (see Figure 27), with a major and deleterious impact on affordability.

FIGURE 27. REAL HOUSE PRICE CHANGE AND THE FIRST HOME OWNERS SCHEME
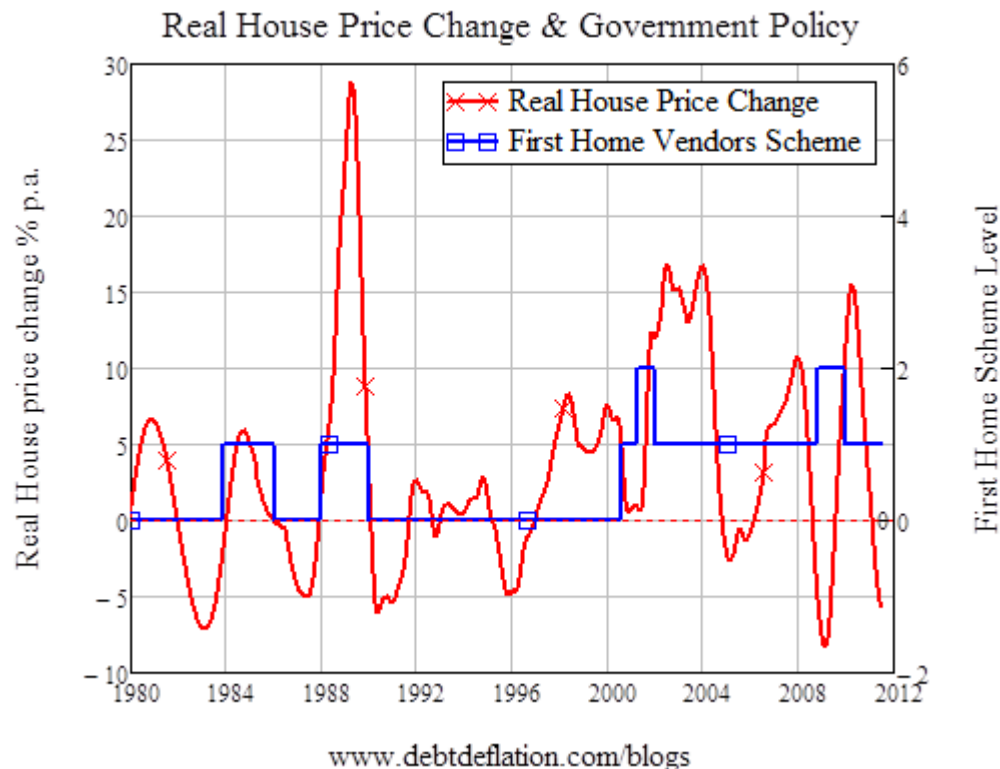
Another perspective (Abelson et al, 2003) suggests that the Commonwealth July 2000 scheme cost a little over $1 billion a year, and doubtless increased demand. However, relative to the value of housing stock of $1500 billion, it can have had very little impact on price.

Not surprisingly property observers and real estate industry commentators argue that the first home owners grants have a positive impact on housing supply and enable a greater share of prospective first homeowners to enter the market. The Housing Industry Association (HIA) asserts that when the Howard Government's first homeowner grant came into effect in 2000 there was a 65 percent increase in loans for new housing and a 66 percent increase in local government permits to build new houses (HIA, 2012), though this performance was not repeated in 2009 when the first home owners grant was tripled. The HIA argues that the supply constraints affected the market response to the latter scheme.

This aspect is perhaps the most relevant. A home owner's grant scheme which merely bids up the price of housing because of a constrained and restricted supply environment is not an effective housing policy. As a minimum supply side policies need also to be in place for the policy to have its desired aim of stimulating house building and construction.

Stamp Duty

Stamp duties paid on property transactions are a state based tax. There is general consensus that stamp duty has a major impact on housing mobility and movement within the market. Moreover, because it is based on a state-based system of levies the impacts are disjointed on a national scale. The Henry Tax Review sums up the critique:

> Conveyance stamp duty is highly inefficient and inequitable. It discourages transactions of commercial and residential property and, through this, its allocation to its most valuable use. Conveyance stamp duty can also discourage people from changing their place of residence as their personal circumstances change or discourage people from making lifestyle changes that involve a change in residence. It is also inequitable, as people who need to move more frequently bear more tax, irrespective of their income or wealth.

The major noted shortcomings with stamp duty are, firstly, the way it taxes proportionally, secondly, its uneven distributional impact and, thirdly, the fact it pushes up purchase costs. The major issues associated with stamp duty include the following:

− They apply proportionally on the value of a property, meaning they fluctuate with changes to the market (and are therefore not a reliable revenue source – the McKell Institute's Homes for All (2012) report noted that there was a 19 percent drop in property stamp duty revenue in Sydney between 2007 and 2008.
− They have a particularly strong effect at times of rapid inflation, for they rise proportionately as the price of housing rises, thereby exacerbating affordability problems.
− They act to dampen movement in the property market and thus a source of economic activity.
− They increase the purchase price of property but do little to actually create any value uplift.
− They impact on mobility (and therefore on labour market responses and on the efficient consumption of housing) as it becomes cost prohibitive to potential homebuyers to move between properties.
− It is not a reliable source of taxation for governments as it fluctuates with the property market.

The McKell Institute's report; 'Homes for All (2012)' echoes the Henry Review and calls for the replacement of stamp duties with a more balanced system of land tax. This is echoed in a plethora of submissions to the Productivity Commission's Inquiry on First Home Ownership.

Other Housing Related Tax Concessions

Yates (2009) and AHURI (2003) have canvassed many of the other tax related impacts on housing demand. These reports note that in Australia the family home is exempt from a tax on 'imputed rent' and capital gains at sale.

The Henry Tax review argues that:

> Australia's personal income tax system should continue to represent a hybrid personal income tax, with the main forms of lifetime savings for most Australians — superannuation and owner-occupied housing — taxed at a lower rate or exempt from income tax, but with other savings taxed more consistently to achieve a more productive and better allocation of savings.
>
> Savings invested in owner-occupied housing or superannuation would either be tax-exempt or close to exempt in practice, both being important determinants of people's living standards in retirement.

In the past it was sometimes argued that this generally favourable tax treatment of the family home 'tied up' capital in owner occupied housing to the detriment of other housing types and tenures and indeed to other parts of the economy. This position is heard less often these days though AHURI (2003) does call for a clearer accounting of the tax concessions to owner occupiers (by Treasury) to enable regular assessments of their value and impact.

Emerging trends in affordable housing

There have been a variety of responses aimed at addressing issues related to affordable housing. The following section highlights some of the identified emerging trends in policy, methods for identifying those most in need, funding models and housing providers.

In terms of policy, there has been an increased focus on homelessness, and particularly in breaking the cycle of homelessness by tackling the underlying causes of homelessness. The Commonwealth Government has given significant commitments to halve homelessness by 2020 and provide supported accommodation to all rough sleepers by 2020.

There is a chronic shortage of public and community housing in the Victorian social housing sector, resulting in a waiting list of almost 30,000 people. Two thirds of the waiting list are from the 'general list'; those who might benefit from assistance but who do not have an urgent need for housing. The current State Government believes there may be many living in social housing that are no longer eligible and therefore scarce housing resources may not be reaching those most in need. The government is investigating ongoing reviews of eligibility and the potential

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use of fixed term leases. Additionally, current stock does not match current demand, with a particular shortage in one-bedroom dwellings and limited demand for three-bedroom dwellings.

The funding of social housing maintenance and growth of the system are being reviewed as the current model has been deemed financially unsustainable[1]. Models under investigation include:

– Development Models – such as a public private partnerships (PPP) and community housing provider (CHP) development agreements.
– Transfer Models – such as community housing stock transfer models, shared equity / ownership schemes and outsourcing of maintenance / management.
– Financing Models – such as a securitisation models, loan guarantees, bond issues, sale and leaseback models.

The investigations into alternative funding models parallel an evolving redefining of social housing more generally, with the Victorian Government moving away from a role as primary provider and operator of social housing, with this potentially being taken on by not-for-profit and community housing agencies. Government involvement in providing affordable housing is shifting to providing subsidies for low income households to bridge the gap in rent in the private housing market, and providing incentives for other organisations to develop and manage social housing for those who are still unable to engage in the private housing market.

The re-definition of the State Government's role, and the subsequent emergence of housing agencies, presents an opportunity to local government to become more involved through partnerships in the provision of social housing.

4.2   Potential policy initiatives – the experience of comparator cities

There is an opportunity for the City of Melbourne to draw upon best practice examples and innovative housing policies adopted in other Australian and international cities.

The following section documents the results of a rapid comparison of housing policy initiatives in Adelaide, Sydney, Singapore, London and New York.

Adelaide

The City of Adelaide has adopted a 'Residential Growth Strategy' (June 2012)[2] targeting 3 outcomes:
• an adequate supply of affordable housing in the City;
• establishment of the central city as a residential location of choice; and
• genuinely diverse residential development accommodating a range of households.

Unlike Melbourne, the City of Adelaide faces the challenge of building up underlying demand for central city living. As the Council states in its policy *"apartments are only attractive to a small part of the market, whereas townhouses and detached dwellings have a broader appeal. There is a need for a 'cultural shift' to generate demand for an urban lifestyle of which apartment living is part. Market research shows that those considering city living need some convincing".* In a move reminiscent of Melbourne's Postcode 3000 policies, the City of Adelaide has established a website '*alreadyhome.com.au*' to promote the virtues of downtown living. This sits alongside a range of other promotional measures to galvanise developer and buyer interest in central city housing.

There is a strong focus on social diversity as an underpinning element in the Residential Growth Strategy. Council believes that "*diverse communities are more sustainable because they are able to maintain a range of services and*

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[1] The need for a new framework of social housing provision in Victoria was deemed necessary due to Parliamentary Inquiries and Auditor-General reports declaring the system was not working as well as it could due to issues of: increasing costs and an unsustainable financial model, old stock in need of expensive repairs, an unfair distribution of housing with some of the most needy overlooked, and a mismatch between the type of housing in demand and the type available. Generally speaking, the review, while not complete, suggests a tightening of the eligibility for public housing, with a renewed emphasis on providing a basic safety net for vulnerable Victorians, reviewing household eligibility in the years after housing is awarded, and, potentially, the introduction of fixed-term leases (State Government of Victoria, 2012).
[2] http://www.adelaidecitycouncil.com/assets/acc/Council/policies/docs/Residential_Growth_Strategy_FINAL.pdf

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facilities appropriate to all age groups. A residential population that is diverse in its composition and lifestyle helps to generate the vitality and creativity to create and sustain enviable city lifestyles. Implicitly, Council sees city lifestyles and therefore diversity as important to the economic success of Adelaide.

The Council has long been involved in the direct creation of affordable housing opportunities in the City. As well as advocacy for action in affordable housing from State and Commonwealth Government agencies, the Council has used its land portfolio in partnership with the private sector to generate housing opportunities for low and moderate income earners. More recently, Council has taken these innovations into the provision of shared equity housing. A current project which demonstrates each of these elements is situated in Sturt Street a couple of blocks south of the Adelaide Central Market. With a private developer (Hindmarsh Property) about 180 apartments will appear on the site over the next few years. Stage 1 is being developed by Council with 72 designated affordable dwellings (one and two bedrooms), 20 supported by NRAS[3] and 52 as affordable sale (shared equity).

Sydney

The City of Sydney is the local government which covers Central Sydney. In 2008, the Sustainable Sydney 2030 plan was adopted by Council to guide housing (and other) policy over the next few decades. It is heavily focused on providing affordable and social housing for the local community.

Sustainable Sydney establishes an aspiration that by 2030, 15 per cent of housing will be social or affordable housing (7.5 per cent each) provided by not for profit non-government organisations (NGOs), government and community providers. This is likely to comprise approximately 8,000 new homes for key workers and social housing tenants.

Achievement of the objective will entail, amongst other things, the City of Sydney selling prime real estate to allow for affordable housing units to be developed on inner city land. Where appropriate, site specific planning controls have been established to facilitate development.

London

The City of Westminster is located in Central London and covers an area similar to the Melbourne CBD and surrounds. The Westminster Housing Strategy 2007-2012 (City of Westminster 2006) lays out a number of strategic priorities and an action plan.

Increasing the supply of homes

There was a stated need to increase housing supply by heavily focusing on the redevelopment of infill sites. Council noted that to achieve this, it would be heavily reliant on the private sector to deliver a target of 680 new dwellings per year for the next 10 years (2007 to 2017), with some guidance from a set of robust planning regulations. Council is actively seeking new opportunities to develop more housing on existing residential estates.

Tackling high demand and improving housing advice

Council identified a need to manage expectations for housing demand in the inner city. This measure is in response to the many people who would like to live in the City of Westminster, but who do not actually *need* to. Hence Council believes it has a role to help those people explore and become aware of other housing opportunities and options such as London's Growth Areas. Council feels this will help to tackle homelessness and overcrowding by managing overall housing demand.

Developing role as a strategic housing authority

Council has stated that developing relationships with key private landlords is an important strategy which will enable the City of Westminster to play a role which transcends the narrow confines of being a provider of social housing.

This includes holding annual meetings with over 100 landlords in the area to discuss policies and standards, consult on changes and be updated on emerging issues in housing in the local area. This partnership approach is seen as a means for ongoing research as well as a way to lobby for change.

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[3] NRAS is the National Rental Affordability Scheme. It provides mainly Commonwealth funded (annual) subsidies to developers willing to provide rental housing at affordable prices to low and moderate income groups for a period of 10 years.

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Other Government bodies in London have specific policies targeted towards increasing inner city housing supply.

- The Borough of Richmond has a scheme whereby empty (non-utilised) properties are brought into use. The Borough encourages local residents to help identify underutilised land (City of Richmond 2012). Action is then taken by the Borough to bring the property into use for housing.
- Transport for London, which run the London Underground rail network and buses in the city, also let vacant properties where they become available (Transport for London 2012).
- Key Worker Living is a government funded rent scheme to provide affordable housing to key workers who work in the city (Affinity Sutton 2012).

Singapore

The city-state of Singapore has gone through a number of phases of well publicised housing policies in the post-war era, as its central government has played an active role in shaping housing markets whilst also providing a substantial contribution of publicly funded housing projects. Each set of housing policies implemented in the post-war era have been characterised by a dominant issue which triggered a response that was firmly rooted in the philosophy of housing welfare. These sets of responses are summarised below (Phang 2001, 2007).

Housing Shortage

Rent control was introduced in the late 1940s as response to chronic housing shortages. By pegging back rents to pre-1939 levels, tenants were protected from skyrocketing rents which had the potential to drive them into homelessness. This short to medium term measure was followed by the extensive construction of public housing to fix the underlying shortage problem.

A publicly funded Housing Development Board (HDB) was established in the 1960s to construct housing and sell to residents (on a 99 year lease basis) as a means providing a constant flow of housing supply into the market, with units and flats being priced at below market rates. The purchases of these homes were governed by strict eligibility policies and tests. This pricing was possible as the dwellings were constructed on state-owned land, much of which had been acquired through compulsory acquisition. The major impact of this development board is evidenced by the fact that from 1970 to 2000, home ownership rates in Singapore rose from 29 to 92 percent.

Easing of Housing Shortage

As housing shortages eased throughout the 1980s and early 1990s, regulations surrounding the secondary market (resale) of Housing Development Board homes were also relaxed. A five per cent levy was applied to secondary housing transactions in order to mitigate windfall profits to original purchasers. Households need to have occupied a home for five years before resale is possible.

House Price Inflation

The Housing Development Board also provides loans and financing schemes for households seeking to buy the secondary homes so that housing ownership rates continue to improve. This may have partly contributed to soaring house prices (in conjunction with market speculation and other forms of financial liberalisation in the late 1980s). This forced the Central Government to introduce a range of anti-speculation measures in 1996 including capital gains taxes, stamp duty and limitations to home loans.

New York

New York City has an extremely tight housing market, which not only affects lower income earners, but also middle-income households. The City is currently experimenting with a wide range of housing policies in order to prevent middle class workers from leaving the city as residents.

The City's Department of City Planning and Department of Housing Preservation and Development is currently investigating the merits of introducing planning legislation which would allow for the development of micro dwellings. Apartments as small as 30 square metres are considered as a possible means of housing an increasing number of single and two person households in the city centre.

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The Department of Housing Preservation and Development is also working with other government agencies to identify under-utilised or disused publicly owned sites which may be redeveloped for housing purposes.

Lessons for Melbourne

Of the policy initiatives outlined above, the City of Melbourne could play a significant role in the following:
−   setting social and affordable housing targets, including for key workers and social housing tenants;
−   the redevelopment of infill sites;
−   providing advice regarding the location of housing opportunities;
−   taking a partnership approach with local landlords;
−   working with the community to identify vacant properties to be used for housing;
−   undertaking demonstration housing projects using Council land, in partnership with the private sector; and
−   advocating government funded rental schemes to support key workers.

Importantly, in addition to the innovations highlighted above, an assessment of NSW, Victorian and Queensland housing policies found that successful policies can also be attributed to:
−   strong and consistent local leadership;
−   the ability to leverage internal or external funds; and
−   effective partnerships with state government or other housing providers (Gurran 2002).

Across most jurisdictions, whether domestically or internationally, it is now accepted as best practice that affordable housing should be provided on a 'pepper potting' basis as distinct from large scale, integrated social housing estates. The 'pepper potting' approach to affordable housing disperses affordable housing with privately owned housing with the aim of developing mixed communities.

Some recorded advantages of this approach include that it:
−   reduces social exclusion;
−   reduces large areas of disadvantage and high concentrations of affordable housing units;
−   promotes socially and economically integrated communities;
−   allows residents to live more independently;
−   helps to integrate people with mental health issues into the community;
−   results in tenants feeling more pride in their homes; and
−   allows residents to live in a wide range of neighbourhoods (Barnes 2012).

Additionally, the approach has been acknowledged for its relative ease of development. There is less 'lumpiness' in capital funding requirements (compared to major affordable housing sites) and there is an increased likelihood of projects being delivered on time and budget. There are also likely to be fewer community objections to smaller, dispersed affordable housing resulting in a more prompt delivery of projects.

Furthermore, under this approach, affordable housing is more likely to be architecturally consistent with surrounding private housing, allowing affordable housing to 'blend' in to the neighbourhood. Some service providers have also indicated that the 'pepper potting' of affordable housing has resulted in increased service co-ordination as it has required them to establish in many different neighbourhoods in order to extend their reach.

The main identified disadvantages of the 'pepper potting' approach to affordable housing are those associated with logistics and management of housing and service provision. Specifically, disadvantages include:
−   management of affordable housing is more time consuming and costly due to the dispersed nature of housing and ad hoc acquisition of housing;
−   it is harder to manage tenant issues remotely;
−   it is more difficult to respond to emergencies; and
−   it is difficult to locate social services near all scattered sites and this increases cost and time for services providers.

The following section outlines the scope of the City of Melbourne's role in housing.

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4.3   Scope of the City of Melbourne's role in housing

There is a general perception that housing is the responsibility of state and federal governments which is a barrier to local government taking a proactive approach to affordable housing. In fact, there are a variety of ways that local government can influence housing outcomes. The following section considers Council's historical role in housing, its current role, and options for its future role.

Council's past and current role in housing

As noted, the City of Melbourne has been involved in social and affordable housing since the mid-nineties through a range of initiatives specifically around policy and projects.

Through partnerships with State Government, the Inner City Social Housing Trust was established with a $1 million contribution from the City of Melbourne. This trust became part of Melbourne Affordable Housing which has most recently, in 2009, become part of Housing Choices Australia. Housing Choices Australia creates safe, quality affordable housing for people who are disadvantaged and struggling to find a home in Australia's challenging private rental market.

Social and affordable housing provided in the City of Melbourne is shown in Table 20.

TABLE 20.   SOCIAL AND AFFORDABLE HOUSING IN THE CITY OF MELBOURNE

Project	Detail	No. Of units
Ebsworth House, 54 Little Collins Street	Existing building modified as part of Postcode 3000 affordable housing project in the late 1990s.	24
Guildford Lane	Constructed as part of Postcode 3000 affordable housing project in the late 1990s.	16
Lion Garden, Little Bourke Street	For young people. Opened in 2007.	9
La Trobe Close, North Melbourne	Operating for over 10 years and was previously accommodation for nurses.	58
Docklands project	Completed 2010.	48
CommonGround 660 Elizabeth Street	Completed 2010.	130
Drill Hall, Therry Street	Completed 2011.	61
Total		**346**

Source: City of Melbourne, 2012

The City of Melbourne is planning around 80 units in South Melbourne, at the Boyd High School site. An additional 40 to 90 units are also planned for the rear of 69 Bourke Street, a partnership between the City and The Salvation Army.

These projects will mean that the number of affordable housing units within the City of Melbourne will expand to between 466 and 516 units in the near future.

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Options available to Council

Local government can play a role in supporting the supply of affordable housing through a number of measures. This section discusses the suite of options available to local governments from a three-tiered perspective (Figure 28).

Council's largest and most significant role in boosting the availability of affordable housing is in facilitating efficient housing markets, which supply 90 percent of housing (ABS, 2011). Thereafter, local government can also have a role in facilitating affordable housing supply. Finally, local government can also have a role in physical provision and/or management of social housing.

From an economic perspective, the three-tiered approach can be seen to be addressing areas of market failure. Where the market is imperfect, the first step would be to address the inefficiencies, and following this, subsidies may be used to address inequalities.

Tier one: facilitating efficient housing markets

The City of Melbourne can play a major role in facilitating efficient housing markets. The desire to deliver affordable housing must reflect the community's and the City's aspirations for the municipality.

The City has a significant say in matters of redevelopment of brownfield sites for housing, the standards which will apply to urban infill, the charges which will apply for infrastructure and the quality and quantity of information which goes out to developers and builders about the state of the market.

In aggregate, decisions made by the City of Melbourne will have a significant impact on the efficiency of the local housing market and perceptions of risks and return. If perceived or actual barriers in residential development are dismantled, it is likely that a higher rate of supply, and therefore affordability, could occur.

Achieving efficient housing markets means that supply is able to readily meet demand. This section examines some of the measures that the City of Melbourne can take to help achieve this.

Planning system measures

The planning system is one of the most effective tools at local government's disposal in facilitating housing market efficiency. At a broad level, housing market efficiency is bolstered when the planning system does not constrain the quantum, type or location of potential development beyond considering reasonable planning and environmental constraints. A constrained supply of housing may lead to inflated housing prices, contributing further to affordability problems.

Planning Policies and Strategies

Strategic policy and statutory tools should respond to local planning and environmental concerns, long-term strategic planning goals and also in facilitating market activity. At a broad level, it is important that housing policy is generally supportive of new development that contributes to improved dwelling mix in accessible locations and that clear signals are sent to the market about this. Clear market signals, including reasonable and clear height limits and other building requirements can help to remove uncertainty and induce greater development levels.

Within the City of Melbourne, the Capital City Zone covers the Melbourne CBD grid as well as parts of Southbank, part of Fishermans Bend urban renewal area and the Queen Victoria Markets. Schedule 1 uses within the Capital City Zone apply to locations outside of the retail core, while Schedule 2 uses apply to the retail core. While the City of Melbourne usually approves planning permits, the Victorian Minister for Planning is responsible for some types of major permit applications or for applications for particular sites within the City of Melbourne. For instance, the Minister is responsible for permit applications within the Capital City Zone that have a gross floor area, equal to, or in excess of 25,000 square metres. The role of the Minister in making decisions for large development sites is sometimes criticised as outcomes are not always viewed to be in line with planning policy.

Nevertheless, in broad terms, the City of Melbourne offers a more certain and stable policy environment for housing development than most municipalities. It is important to retain and build on this platform of efficiency.

Development Approvals Processes

The development approvals process can represent a barrier to increased housing supply and may act as a disincentive if approvals are too lengthy or burdensome. If the development approval process acts as a significant disincentive to increased development, due to lengthy waiting times and resultant high holding costs, it is likely that either a planning department is too under resourced to address a development application in a timely fashion, or that strategic policy and statutory tools do not readily support or expedite development assessments. It is important that assessment times do not unnecessarily increase commercial risk and add to administrative and holding costs of development.

Infrastructure provision

Local governments are responsible for providing some kinds of supportive infrastructure. This can include storm water drains, provision of local roads, open space, and community and social infrastructure. Further to this, local government is responsible for the ongoing maintenance and operation of this infrastructure.

Market efficiency can be boosted through ensuring areas nominated for residential purposes are adequately equipped with supporting infrastructure. New or upgraded infrastructure can boost the amenity of a location, and can also improve accessibility to services. Should Council commit to funding needed infrastructure, locations may become more attractive for development.

Development Contribution Plans (DCPs) offer the ability to commit to clear funding and delivery timelines for infrastructure. Where applicable, DCPs should be considered in development areas.

Advocacy and information sharing role

The City of Melbourne is also able to facilitate efficient housing markets indirectly by playing an advocacy and information sharing role, including information on best practice, innovative tenures and designs to prospective developers.

Developing and encouraging the development of innovative housing designs which address diverse needs, such as disabled accessibility, can improve dwelling mix.

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Council's role can include:

- Developing housing advisory committees/ reference groups involving community stakeholders.
- Distributing media releases informing the public of the need for social/ affordable housing.
- Maintaining local data about housing issues and needs.
- Monitoring housing outcomes.
- Outlining Council commitments to safe, secure, affordable and culturally appropriate housing through policy statements.
- Compiling and making available information on best practice in housing design.
- Educating developers about environmentally sustainable and more appropriate housing types. This could be done by creating a 'one stop shop' (potentially online) with all information builders and developers would require, including links to relevant websites.
- Advocating local housing needs to higher levels of government.
- Identifying and monitoring housing needs within the local government area and communicating this information to social housing providers.
- Providing financial assistance (for example, rate relief) to social housing providers/ low income households. (Gurran 2002 p9) (Gurran 2002, 2004).

This work may be done in conjunction with peak bodies and other interested parties.

Tier two: facilitating off-market affordable housing supply

Facilitating affordable housing supply is the next step in closing the gap between demand for, and supply of affordable housing. Primarily, the City's role here is centred on planning system measures which enable affordable housing to be a requirement of new housing developments.

Planning system measures

Planning policies and strategies

An affordable housing strategy should be a key step for the City of Melbourne in creating planning scheme amendments that facilitate affordable housing supply. It is important that such a strategy is built on clear evidence and responds to current and potential market changes. It is also vitally important that consultation and information dissemination about the strategy is undertaken with the community. This is important for two reasons. Firstly, Council approval and ultimate integration within the planning scheme requires due consideration of community consultation findings. Secondly, it is important that a community understands and appreciates the need for an affordable housing strategy, and this would reduce the risk of third party appeals (that could work as a disincentive to development) later down the track.

Specifically, there are a number of planning tools that the City of Melbourne can use to facilitate and encourage a greater supply of affordable housing. These include inclusionary zoning, bonus systems, negotiated agreements, impact mitigation conditions and land supply and parcelling. These are described in further details as follows.

Land supply and parcelling

Subdivision patterns resulting in numerous small lots in addition to segmented ownership can present a barrier to increasing housing supply. Acquiring and amalgamating adjacent lots to enable a higher dwelling yield can be a costly exercise for developers and may be a disincentive for higher density developments. The City of Melbourne can play a role in facilitating amalgamation of lots, through expedient planning processes and may also seek to amalgamate lots itself, particularly in locations where the City wishes to catalyse infill development.
Further to this, the identification and release of surplus government-owned land can help to facilitate more development in areas of high demand. This could potentially tie in with a catalyst 'showcase' project which delivers affordable housing through a joint venture between the City and a private entity.

Inclusionary zoning

Inclusionary zoning is a planning provision requiring incorporation of a certain use or facility in approved developments in the interests of maintaining environmentally responsible or 'sustainable' outcomes. Inclusionary zoning provisions have long been applied to several aspects of project design including provision of on-site parking, detention of storm water flows, adequate open space, maintenance of heritage features and incorporation of energy and/or water saving features.

Theoretically, inclusionary zoning can also be used to support the provision of affordable housing. It may be possible to apply inclusionary zoning under the provision of the Victoria Planning and Environment Act, as the Act and the Victorian Planning Provisions define 'environment' broadly, to include questions of social and cultural sustainability. As social and cultural factors are recognised as 'environmental values' it becomes possible to apply planning controls such as inclusionary zoning to ensure that successive developments preserve or contribute to these values by incorporating a degree of social mix, on site or through the neighbourhood provision of affordable housing.

Application of inclusionary zoning would typically occur through a new overlay in the Victorian Planning Provisions, and would need to rely on an incorporated Affordable Housing Strategy. Such a strategy would need to specify the targeted acquisition of permanent affordable housing under the inclusionary zoning provisions, and the developers' obligations in terms of incorporation of a given floorspace or percentage of dwelling for affordable housing, and/or the provision of cash-in-lieu so that the obligation may be met elsewhere. Such a strategy would also need to consider where funds generated by the inclusionary zoning requirement would be deployed and how these funds and the affordable housing stock will be managed in a transparent, fair and accountable way.

It is suggested that funds and stock generated through inclusionary zoning be directed to registered Housing Associations that would provide all required tenancy support services; developers would have no ongoing obligations in terms of tenancy support under the overlay provisions.

The Inner Region Affordable Housing Initiative Project, a key initiative of the *Inner Regional Housing Statement (2005)* and developed by the Cities of Melbourne, Port Phillip, Stonnington and Yarra, proposed an Inclusionary Zoning Overlay for the inner region to achieve affordable housing. The overlay has not yet attracted support from the State Government. The current position of the Inner Melbourne Action Plan Working Group is not to continue to pursue this initiative.

Presently, no inclusionary zoning mechanism as described above operates in Victoria in a formal capacity, however, past large projects on government land have featured affordable housing requirements, such as Kensington Banks in Melbourne. To pursue an expanded inclusionary zoning system, the City of Melbourne would need to take on an advocacy role, and seek State Government support.

Green Square, Sydney: Inclusionary Zoning

"Inclusionary zoning provisions were introduced by the former South Sydney Council for its 'Green Square' urban renewal project in inner Sydney. The provisions were initially signalled through a development control plan (which had the status of guiding policy) and later approved by the then Minister for Planning and included within the main statutory instrument for the area (the South Sydney Local Environmental Plan 1998). To enable compulsory affordable housing contributions, the Environmental Planning and Assessment Act 1979 was twice amended to make clear that affordable housing was a legitimate objective under the Act, and that contributions for affordable housing could be made under certain prescribed circumstances. SEPP 70: Affordable Housing (Revised Schemes) was then introduced to set out the parameters within which contributions for affordable housing may be compulsory in New South Wales. This SEPP validated existing affordable housing provisions contained in the City West, Green Square and Willoughby planning instruments.

In the case of Green Square, current provisions now require that three per cent of floor area intended exclusively for residential purposes, and one per cent of floor area intended for other than residential purposes (or a cash equivalent), be dedicated for affordable housing within the Green Square area. Affordable housing development in Green Square is mainly dependent on funding received through the inclusionary planning instrument, but a grant of one million dollars from the State Government enabled City West Housing Company to acquire sites before land values increased prohibitively" (Gurran 2008, p78).

Bonus systems

Bonus systems involve application of concessions in planning controls to encourage the provision of affordable housing in designated areas. In this approach, developers may be offered additional development capacity for a site through the relaxation of height and density restrictions, in return for providing affordable housing or some other benefit for the community.

Bonus systems offer the prospect of more intense or higher value development if the proponent is prepared to include affordable housing in the project or contribute to an affordable housing fund. Advocates of the bonus system believe that bonuses increase the overall value of a project and make the provision of affordable housing units more economical, creating a so called 'win – win' situation.

Critics argue that bonus systems often compromise neighbourhood amenity or produce costs for the land owner, depending how the bonuses are determined. If the pre bonus level of permissible development is set in line with local environmental limits, granting of the bonuses is likely to mean that the local community will bear certain costs, for example, overlooking or overshadowing, or overloading of local infrastructure networks. However, if the pre-bonus level of permissible development is set below environmental limits, persons selling land will bear most of the cost, assuming a competitive market applies.

Moreover, where restrictive 'as of right' conditions are set to make bonuses more attractive, but developers opt not to take up the bonuses, the result is under-utilisation of development capacity, leading in turn to higher costs in the housing system.

Another weakness of bonus systems is that they have not produced large numbers of affordable dwellings due to a reliance on opportunities 'as they arise'. Bonus systems have also been criticised as being imprecise and requiring intense negotiation upon each application.

In summary, it is very difficult for bonuses to be applied in a comprehensive manner, as they are entirely voluntary. Even where developers are keen to take up the offers of bonuses, studies have shown that in many cases considerable person-hours are required with little overall return in affordable housing provision. And perhaps, most importantly, although the take up of bonuses may lead to an increase in affordable housing and therefore benefit a portion of the community, relaxations of important planning standards can reduce environmental benefit for the community in an overall sense. For these reasons, bonus systems are likely to be an inferior option in the City of Melbourne compared to more universal, transparent and pre-notified affordable housing requirements, such as in Inclusionary Zoning schemes (see above).

Negotiated arrangements

Developers may enter into a negotiated agreement with the City of Melbourne with regard to the provision of affordable housing (or other benefits of a community or public character) in conjunction with a development, whether on site or off site, in cash or in kind.

Due to the inconsistent basis upon which they are utilised, bonuses/ relaxations can also be regarded as a negotiated arrangement albeit operated on a more formalised basis (that is, planning schemes can explicitly mention the bonuses 'on offer').

Negotiated agreements are arbitrary and would depend on the willingness of both the City of Melbourne and the developer to enter into discussions. As a result, this method of securing contributions offers no certainty or consistency. These arrangements often take many person-hours of negotiation. A system of case-by-case negotiations can be said to be open to abuse, if the processes are not transparent.

The uncertain and opportunistic nature of negotiated agreements suggests that given the increasing need for affordable housing, such a mechanism could not provide a reliable outcome. Rather, affordable housing provided through negotiated arrangements could be considered additional to the targets set by other means.

Impact mitigation conditions in development approvals

'Impact mitigation' measures are conditions attached to a development approval to compensate for an identified adverse environmental impact of development. For example, redevelopment of existing affordable housing may be permitted if the proponent replaces it with (say) an equivalent supply of affordable housing (whether as part of a

larger development on the site, or in another location). Alternatively, a cash contribution, or relocation costs for displaced residents, may be payable.

Such measures can only be applied where the impact on the supply of affordable housing (that is, through loss of or increased demand for stock) is directly attributable to a proposed development. Like inclusionary zoning, the application of impact mitigation conditions (IMC's) in the Victorian context relies on the scope of the planning legislation and, in particular, its treatment of the definition of 'environment'. As the definition of 'environment' encompasses social as well as ecological considerations, impact mitigation conditions could apply in specific areas where social diversity is identified as an important environmental value requiring protection.

'Demolition controls' are a similar measure, in that they are intended to protect certain types of existing affordable housing (such as boarding houses) and to address the impacts of development and redevelopment on marginal forms of housing provision for low-income households. By themselves, demolition controls do not produce contributions to affordable housing. However they may be applied as a trigger for other measures requiring compensation or contributions.

Impact mitigation measures can provide a comprehensive and consistent basis for the protection of affordable housing or to partially mitigate its loss. However, they are only useful for the maintenance or preservation of the existing level of affordable housing at best. In areas where further affordable housing is required, these mechanisms would need to be coupled with other strategies.

Furthermore, adopting impact mitigation measures could be construed as directly penalising owners who have been 'socially responsible' in the past and provided low rental housing.

City of Port Philip – Protection of Rooming Houses

"The City of Port Phillip in inner Melbourne has a comprehensive local planning policy to protect existing 'rooming houses' from redevelopment. This policy is supported by a package of local forms of assistance to assist operators to remain viable. The planning scheme actively encourages the development of new rooming houses in the area" *(Gurran 2008, p60).*

NSW SEPP No. 10: Retention of Low Cost Rental Housing

"SEPP 10 provides a mandatory planning framework to regulate and mitigate the loss of low-cost rental housing in the Sydney metropolitan region. As well as controls on demolition, the policy establishes a social impact assessment framework to determine the impact of accommodation loss on existing low income tenants, and provides for various mitigation measures in cases where applications are approved. These measures include maintaining a proportion of the new development at a fixed rent for a defined period, a financial payment, and or assistance to former tenants with rehousing" *(Gurran 2008, p60)*

Infrastructure charges (linkage fees)

Under this mechanism, affordable housing is treated as 'support infrastructure' for development in much the same way as water supply, sewerage, drainage and roads. The underpinning argument is that major retail, commercial and tourist developments generate a requirement for a range of low and middle income 'key' workers like cleaners, security officers, police officers, teachers and so on. If these workers cannot find dwellings for purchase or rent close by, they will have to commute, thereby generating a requirement for more roads and public transport infrastructure. To overcome the need for this additional infrastructure investment, development is required to be relatively 'self contained' in terms of affordable housing.

There are no precedents for this approach in Australia, other than in remote locations and some tourist resorts (for example, Far North Queensland) where provision of local worker housing is required in conjunction with tourism or

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mine projects. However, it has been used in a range of US cities and is being pursued in some inner city areas in Britain.

Supportive infrastructure

In creating more efficient housing markets, providing supportive infrastructure, both 'hard' (for example, roads and drainage) along with 'soft' (for example, social infrastructure such as childcare facilities and leisure centres) can help to promote development by lifting the amenity of a location. This same principle applies to facilitating the development of affordable housing.

Improving the accessibility of locations to social infrastructure, through providing a higher concentration of facilities and services and/or by improving public transport access can help to make living costs more affordable. The City of Melbourne therefore has an important role in providing supportive infrastructure in making areas more affordable. A secondary effect of this would be to make more locations attractive for development, thereby potentially inducing a higher dwelling, and specifically, affordable housing yield.

Table 21, adapted from the *Affordable Housing National Leading Practice Guide and Tool Kit,* provides a summary of market mechanisms and rates their potential effectiveness according to the following colour scheme:

high potential impact on affordability goals
may have positive impact on affordability goals
may be worth further investigation

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TABLE 21. POTENTIAL EFFECTIVENESS OF MARKET MECHANISMS FOR INNER CITY LOCATIONS

Market mechanism	Potential effectiveness
Potential effectiveness of protective mechanisms	
Impact mitigation conditions	where remaining low housing cost stock is at risk, housing need is high, and few alternative low cost housing sources exist
Social impact assessment requirement	to assess housing impacts of all major developments
Controls to protect low cost housing supply	when a specific type of housing is at risk
Potential effectiveness of land supply programs	
Systemic land development enhancements	if supply blocked due to process issues
Government land banking	but high cost to government, unless already public land
Development incentives and penalties - penalties	where high land values most likely holding costs will drive development penalties unlikely to be necessary
Development incentives and penalties - incentives	high land values mean incentives which deliver additional yield or reduce costs likely to be taken up
Betterment capture	planning approval very valuable in these contexts
Zoning for affordable housing	if applied to public land or as a proportion of large redevelopment sites in single ownership
Potential effectiveness of barrier reduction strategies	
Planning controls - enabling, encouraging or requiring a mix of housing types	where there is significant capacity for new housing development, intensification, or adaptation of existing housing to meet changing needs
Building controls - removing unnecessary requirements	to promote greater housing diversity but removing controls may be difficult in inner areas due to density
Covenants - eliminating exclusionary requirements on title	if covenants used in redevelopment projects within this market
Potential effectiveness of affordable housing planning incentives	
Graduated standards	supports affordable housing development in high cost market
Planning bonuses	bonuses, particularly density bonuses are attractive levers in high cost market
Planning process initiatives	fast-track planning gives certainty and saves money
Potential impact of negotiated agreements	
Negotiated agreement for affordable housing	where rezoning/ concession valuable
Potential impact of mandatory requirements	
Mandatory contribution (fixed amount, by threshold)	as contribution valuable in high value market
Mandatory contribution (negotiated amount)	as planning leverage and contribution valuable in high value market
Onsite contribution	as onsite contribution valuable in high value market
Offsite/ cash contribution in lieu	although cash in lieu may be insufficient to enable access to housing opportunity in similar location

Source: adapted from Gurran, 2008

Tier three: social housing provision

There are various social housing delivery models available to the City of Melbourne. Providers of social housing in Victoria have pursued a diverse range of social housing delivery models following legislative changes which have restricted the ability of local government to access state funds to grow their social housing stock. The key legislative change was a 2004 amendment to the Housing Act which mandated that the Victorian Government would overwhelmingly favour joint venture agreements with registered Housing Associations to fund the construction of new or fully refurbished stock.

Survey evidence collected by the Victorian Local Governance Association in 2010[4] gives an indication that the majority of Victorian local government authorities are not part of a housing alliance with other housing providers (including Housing Associations, Victorian housing organisations, non government organisations and other housing providers). Instead, Victorian Councils have pursued a diverse range of social housing delivery models. These are outlined below.

Options available to the City of Melbourne

The City of Melbourne owns and manages housing stock

This scenario represents the status quo for Shire of Macedon Ranges and the City of Glen Eira. These Councils have chosen to continue to manage some of the social housing stock that they held in 2004. As landlord, these Councils are responsible for resolving tenant complaints, collecting rent and undertaking works to properties. However, they may, in future, outsource all or some of these tenant services to other specialist providers. For example, rent collection and fielding tenant complaints to a real estate agent.

As noted, a local government authority is not eligible to access joint venture funding from the Office of Housing and is only eligible (as a housing developer) to access NRAS funding if it obtains status as an endorsed charitable institution[5].

The City of Melbourne partners with State Government and/or other agencies to fund and/or manage housing stock

This scenario involves a joint venture agreement between the City of Melbourne and other funding agencies and/or providers. The joint venture may involve one or more local government authorities. In this scenario, State Government agrees to provide additional funding resources to participating local government authorities. Here, the City of Melbourne would be responsible for owning and maintaining housing stock that is developed or improved with joint venture funds.

The City of Melbourne divests ownership and management to a Council Governed Housing Trust

This scenario involves the establishment of a third party organisation to own and manage housing stock at an 'arms reach' from the City of Melbourne, but still under substantial City influence. A Trust Deed establishes contractual obligations for the City of Melbourne and any other partners to a housing Trust. Where a Trust partnership is established between the City and one or more Housing Associations, the Housing Association (as trustee) can access joint venture funding from the Office of Housing and/or funds from NRAS. In broad terms, this is the model which Council applied with Melbourne Affordable Housing at the Drill Hall development.

The City of Melbourne owns stock and divests management only to a Housing Association

This scenario involves a contractual service agreement between the City of Melbourne and one or more Housing Associations to manage housing stock owned by the City. The agreement may be moderated by a Memorandum of Understanding. The Housing Association is responsible for maintaining the asset and providing tenancy services.

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[4] VLGA Local Government Housing Survey 2010 (preliminary results), Compiled by the VLGA Diverse & Affordable Housing Advisory Group

[5] National Rental Affordability Scheme Regulation 8.1 restricts participation to a person or entity to whom Division 380 of the *Income Tax Assessment Act 1997* applies or to an endorsed charitable institution Source: communication with FaCHSIA 24/09/10.

If the Housing Association additionally owns and manages social housing stock in the City, then the Housing Association may access joint venture funds from the Office of Housing for this additional stock. However, these funds could not be used to refurbish or construct additional housing stock owned by the City of Melbourne.

The City of Melbourne divests ownership and management to a Housing Association

This scenario involves the transfer of the social housing stock asset to a Housing Association. The City of Melbourne can place conditions on the transfer of ownership that give some residual protection to the tenure of existing residents. A straightforward transfer of ownership would be expected to reduce the City's control of social housing outcomes, compared with establishing a Housing Trust or a management contract with a Housing Association. The City of Melbourne may have the option to take a shareholding in a Housing Association to retain some control of its activities and local social housing outcomes.

As landlord and developer, a Housing Association can access joint venture funds from the Office of Housing and is eligible to apply for NRAS funding for new housing developments. The Housing Association may contract tenancy services to other specialist providers.

Other housing diversity mechanisms available to the City of Melbourne

In addition to these affordability focussed measures, Council may pursue diversity through a variety of other policy avenues. Dunkenfield (2009) examined the housing diversity mechanisms used by local governments throughout Sydney. The study considered the diversity mechanisms of housing type, affordability, tenure, bedroom mix, and accessibility or adaptability. Some of these mechanisms are outlined below.

Bedroom mix policies

The use of bedroom mix policies across local government areas in Sydney is varied. For example:
- Botany Bay Council (through the Botany Bay DCP No. 35) indicates that studio units and one bedroom apartments within multi unit housing developments and residential flat buildings should not surpass 20 per cent.
- The City of Sydney (through the Central Sydney DCP 1996) indicates that a residential development of over 20 dwellings will have a minimum of 15 per cent studio dwellings, 30 per cent one bedroom dwellings, 40 per cent two bedroom dwellings, and 15 per cent three bedroom dwellings. Likewise, Parramatta Council also states the ranges that should be allocated to one, two and three bedroom dwellings.
- Ryde Council (through the Ryde DCP 2006) states that no greater than 75 per cent of dwellings within a single new development will have the same number of bedrooms.

Accessibility or adaptability policies

Similarly, Sydney Councils have adopted accessibility or adaptability policies to varying degrees. Perhaps the most prescriptive is the City of Sydney. Through the Access DCP, policy indicates that:
- a development creating between zero and nine dwellings multiple unit dwellings without lifts may have no adaptable dwellings;
- a development creating between 10 and 15 dwellings will have one adaptable dwelling;
- a development creating between 16 and 24 dwellings will have two adaptable dwellings;
- a development creating between 25 and 39 dwellings and over 40 dwellings a rate of 10 per cent will be adaptable; and
- the flat rate increases to 15 per cent for multi unit dwellings with a lift that provide over 40 new dwellings.

Less prescriptive adaptability policies applied by other Sydney Councils include:
- that a certain per cent (usually ranging from 10 to 25) of multi dwelling housing and residential flat buildings will have adaptable dwellings (Wollongong and Campbelltown Councils); and
- Wollondiilly Council includes a provision for adaptable villas, townhouses or terraces of 25 per cent.

The Blue Mountains LEP 2005 and Blue Mountains Better Living DCP require that 20 per cent of every residential flat building over five dwellings should be accessible.

4.4   Conclusion

To fully explore the scope of the City of Melbourne's role in housing provision and how it can achieve a better alignment between the projected housing outcomes in the City and Council's aspirations for social diversity and community wellbeing, the wider housing framework at the national, state and City of Melbourne level was explored.

To date, the emphasis in the City of Melbourne has been on the direct provision of affordable housing, with the City having a history of fruitful partnerships with the State Government and housing associations. The City's first affordable housing strategy, *A Liveable City*, was developed in 1997. Today, there are around 300 affordable housing units within the City of Melbourne which were catalysed in some way by Council, and this number is expected to expand to around 500 units in the near future. The City has many options regarding its role in the provision of social housing and its role depends on the desired level of involvement in the management of these units.

In addition to its role in the supply of affordable housing, the City of Melbourne can also play a role in facilitating efficient housing markets through planning system measures. Through engaging in housing markets, the City has the ability to impact a greater number of households. In addition to its role in the supply of affordable housing, the City can adopt other options to achieve diversity, such as bedroom mix and accessibility and adaptability policies.

This paper has identified that recent demographic and development trends and future projections for the City of Melbourne are not meeting the aspirations set out in current City documents including *Future Melbourne* and the City's Municipal Strategic Statement.

The City's capacity to bridge this gap is quite limited with its primary role being through development control. It is through development control that the City of Melbourne has the best chance to lock in an adaptable and flexible dwelling stock. However, it is arguable how accessible this dwelling stock will be to low income groups.

The City of Melbourne is in danger of becoming an 'exclusive' place. This has profound social justice implications, given that the wider metropolitan and Victorian communities pay for much of the high level cultural, sporting, transport and public domain infrastructure of the central city.

Very powerful economic forces are driving specialisation in the community structure of the City, yet the City's housing policy base is anchored to an idea of the economy dating back some 30 years. It is time to debate what we mean by housing 'diversity' in the current context.

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APPENDICES

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APPENDICES

Weekly income and rent ranges by suburb

FIGURE 29. HOUSEHOLD WEEKLY INCOME RANGES- CARLTON
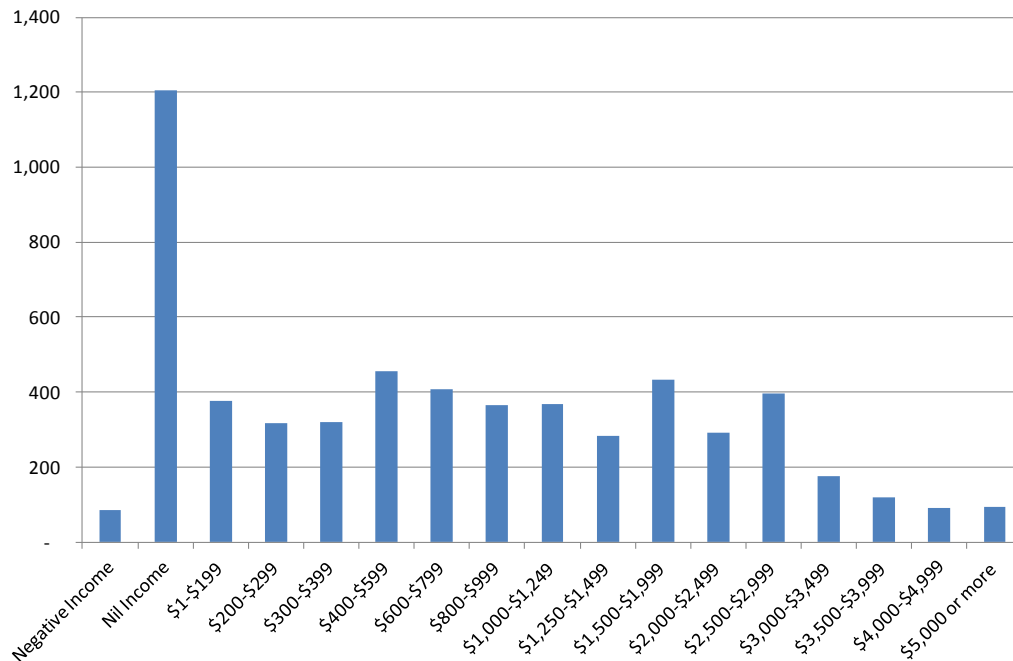
FIGURE 30. HOUSEHOLD WEEKLY RENTAL RANGES - CARLTON
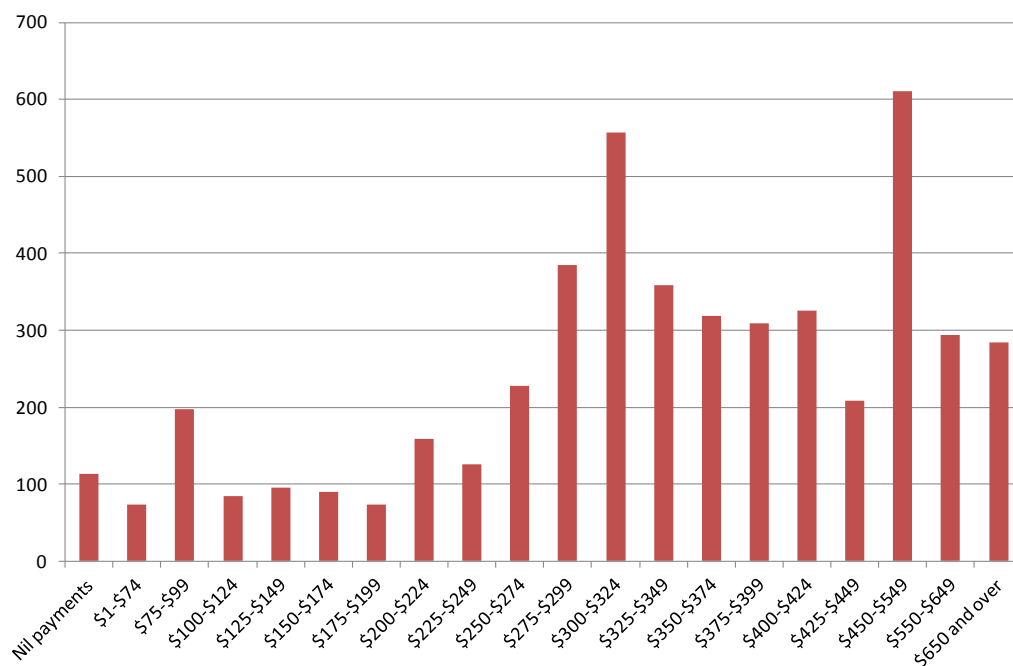
FIGURE 31. HOUSEHOLD WEEKLY INCOME – CARLTON NORTH
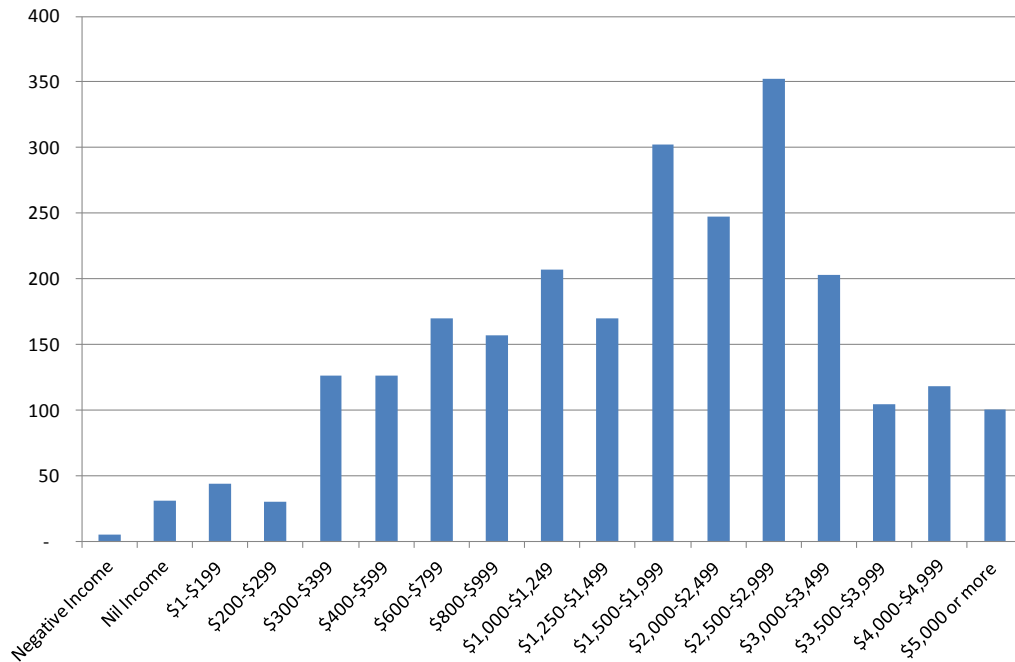
FIGURE 32. HOUSEHOLD WEEKLY RENTAL RANGES – CARLTON NORTH
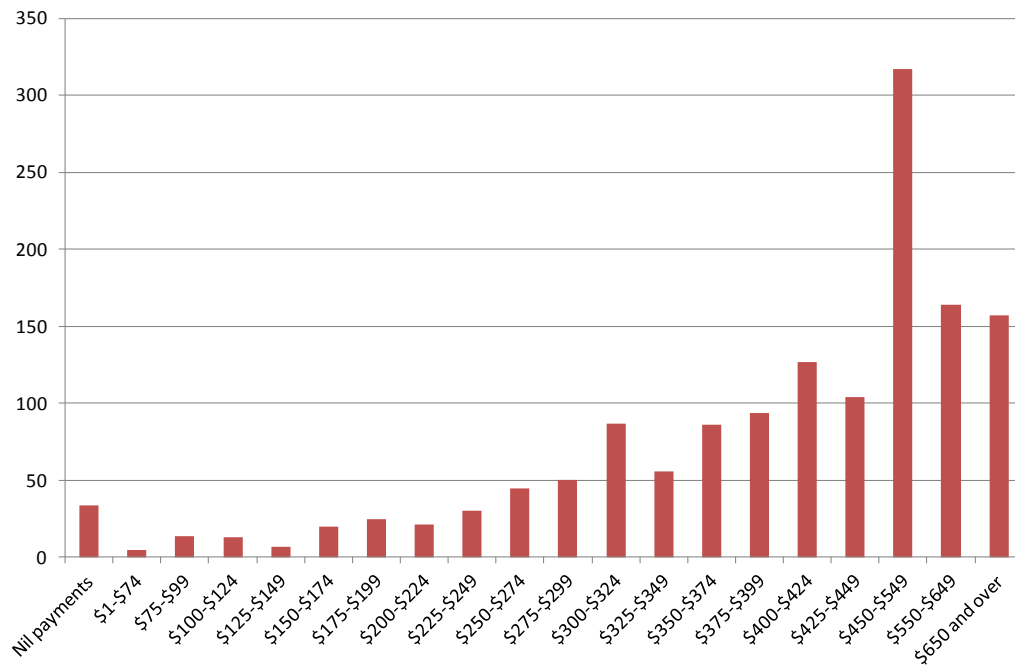
FIGURE 33. HOUSEHOLD WEEKLY INCOME - DOCKLANDS
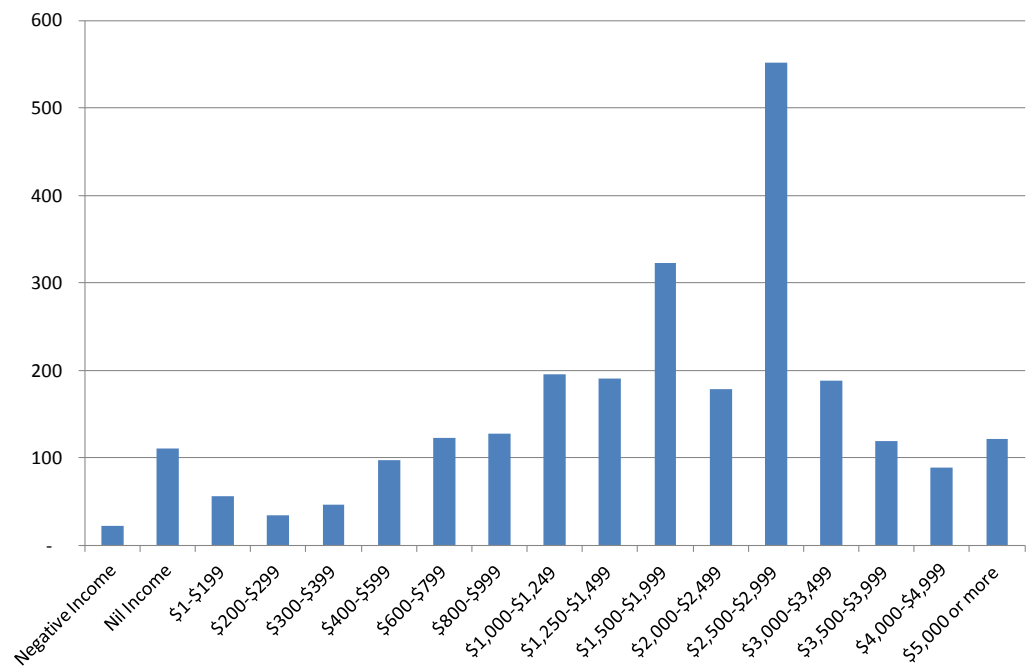
FIGURE 34. HOUSEHOLD WEEKLY RENTAL RANGES - DOCKLANDS

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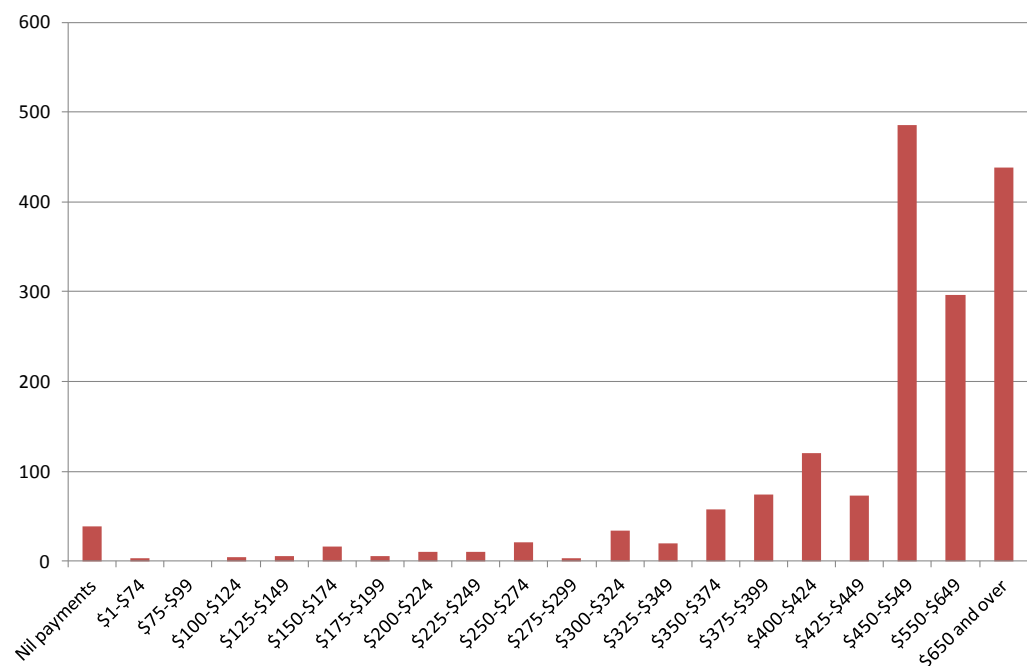
FIGURE 35. HOUSEHOLD WEEKLY INCOME – EAST MELBOURNE
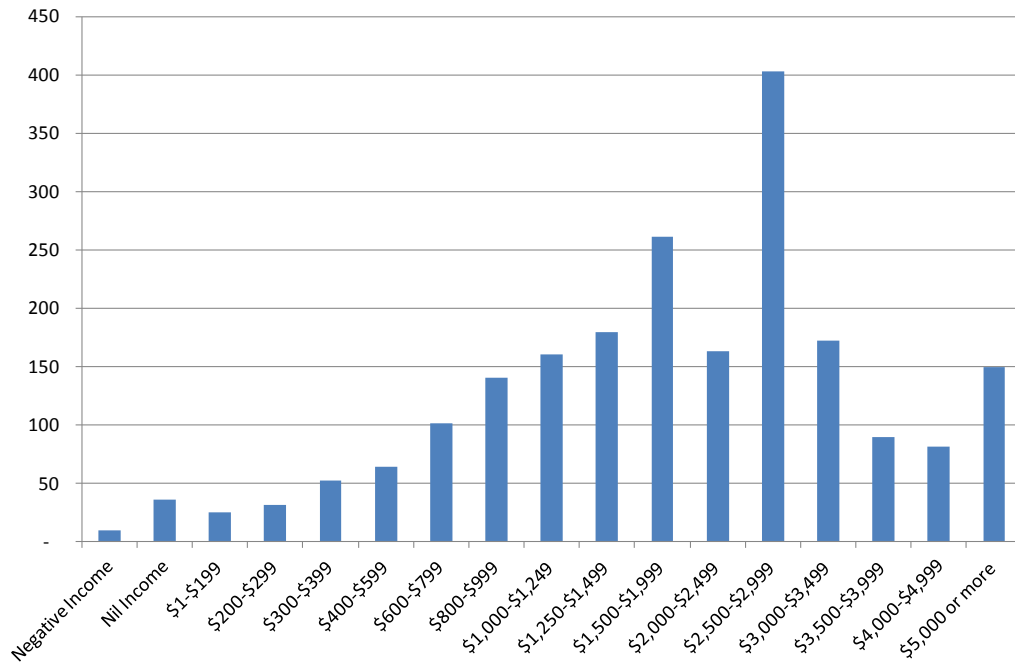
FIGURE 36. HOUSEHOLD WEEKLY RENTAL RANGES – EAST MELBOURNE
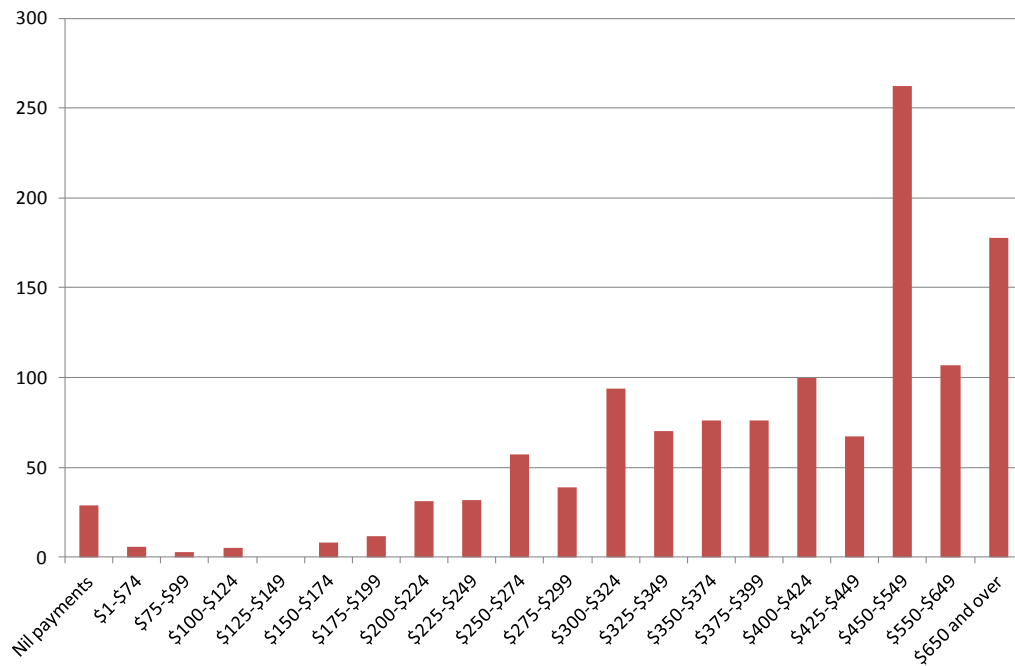
FIGURE 37. HOUSEHOLD WEEKLY INCOME – MELBOURNE
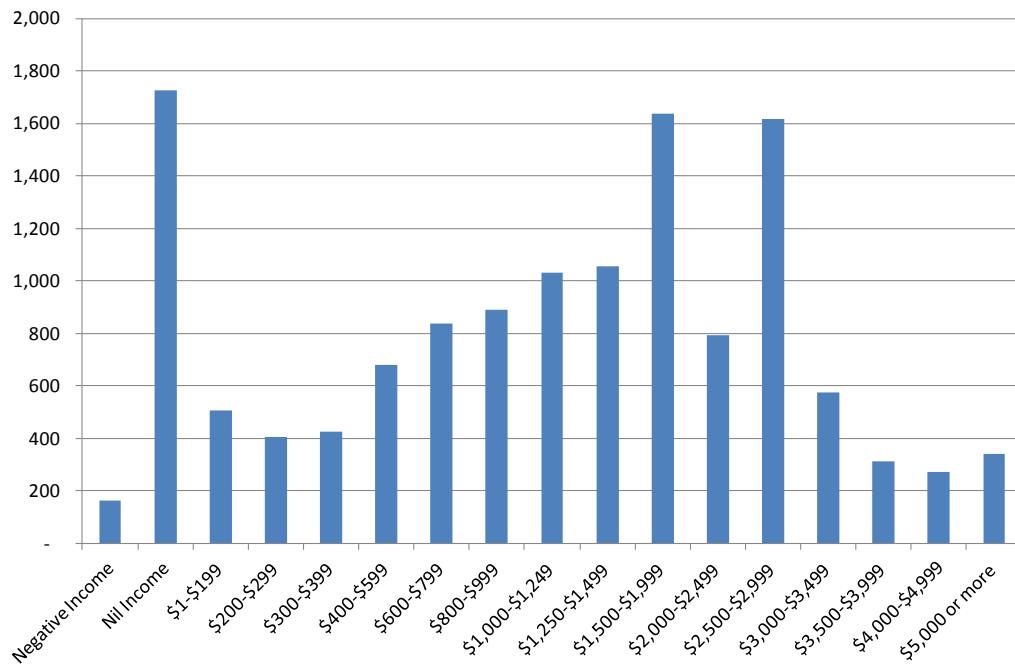
FIGURE 38. HOUSEHOLD WEEKLY RENTAL RANGES – MELBOURNE
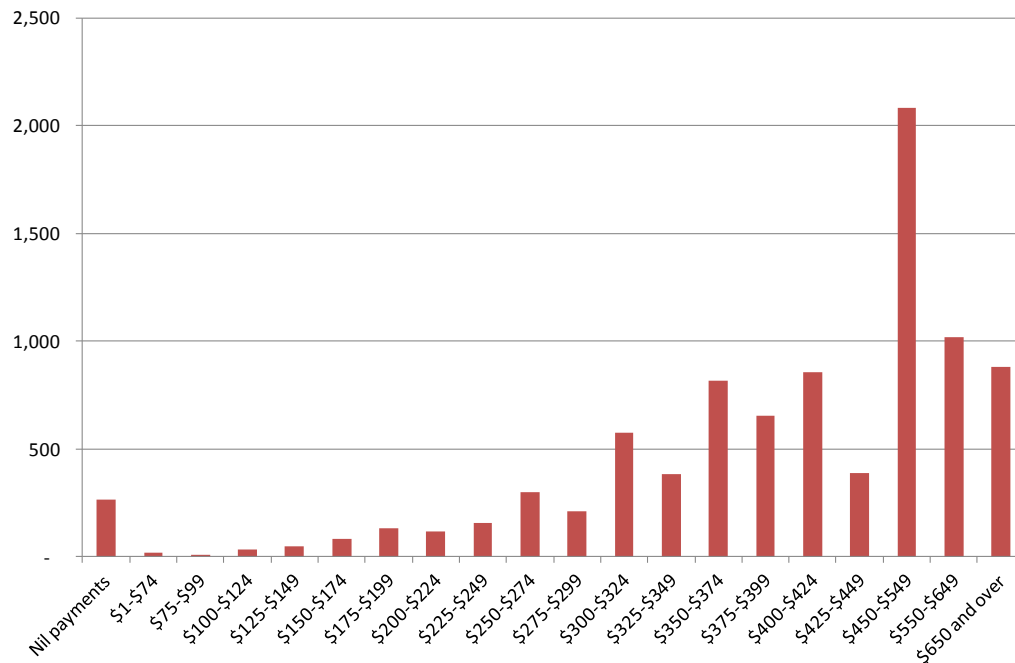
FIGURE 39. HOUSEHOLD WEEKLY INCOME – NORTH MELBOURNE
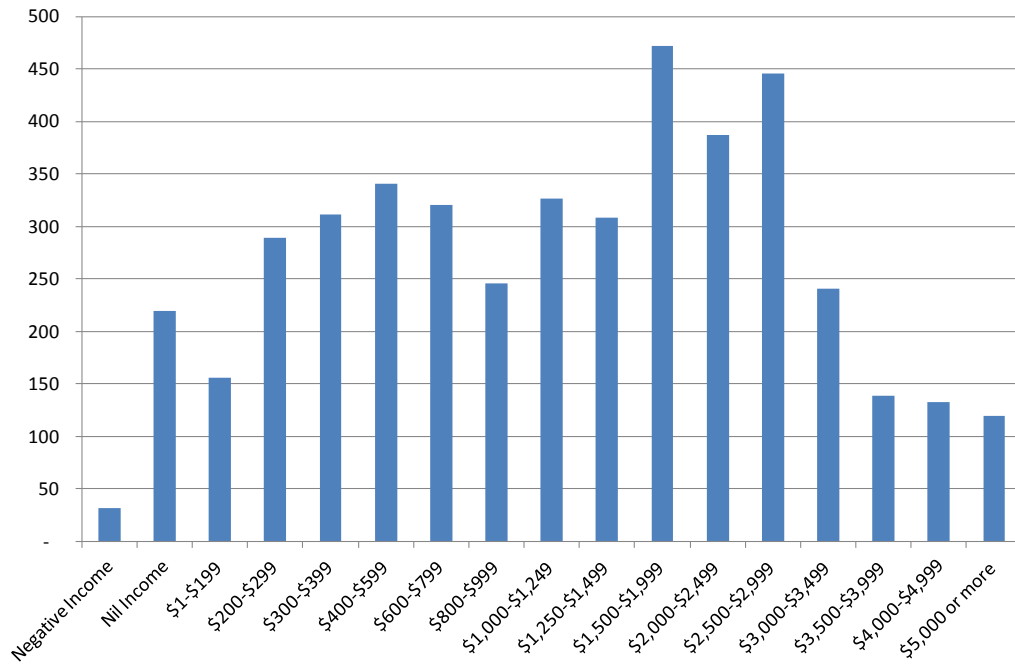
FIGURE 40. HOUSEHOLD WEEKLY RENTAL RANGES – NORTH MELBOURNE
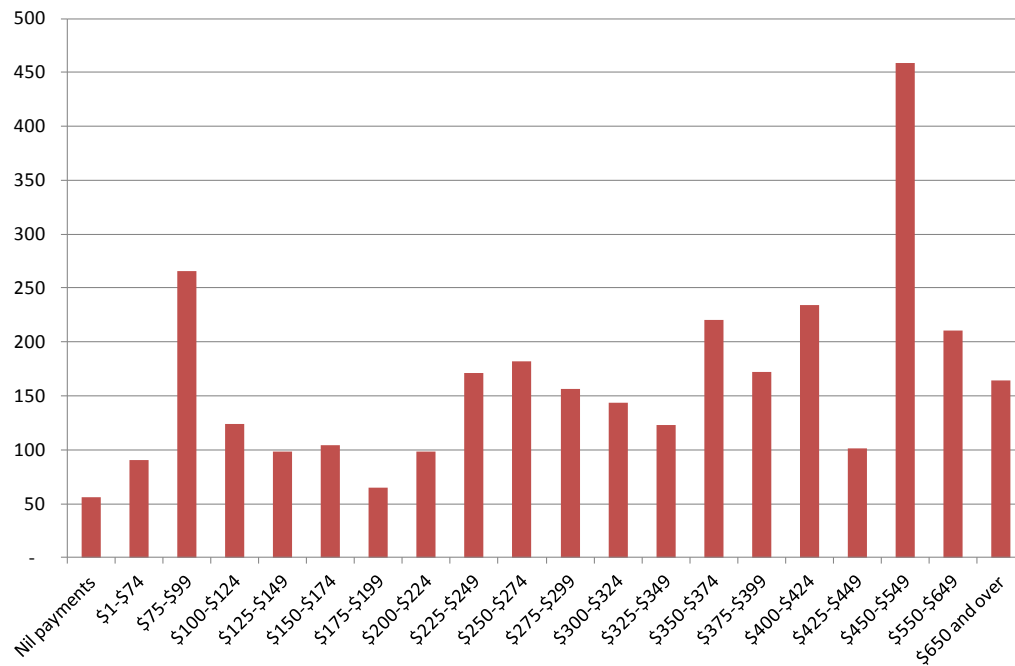
FIGURE 41. HOUSEHOLD WEEKLY INCOME - PARKVILLE
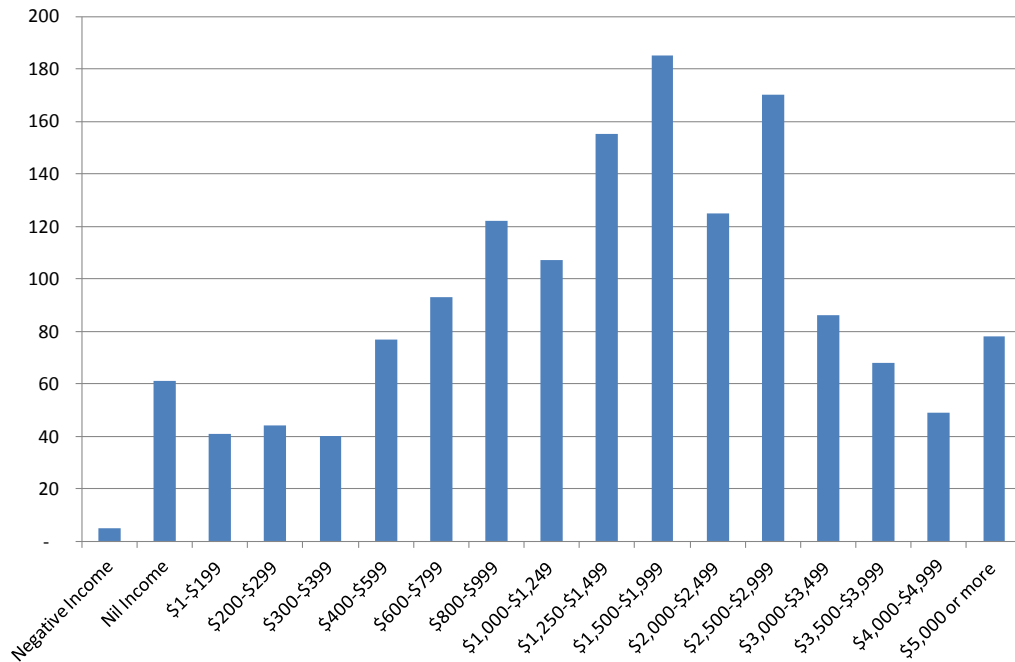
FIGURE 42. HOUSEHOLD WEEKLY RENTAL RANGES - PARKVILLE
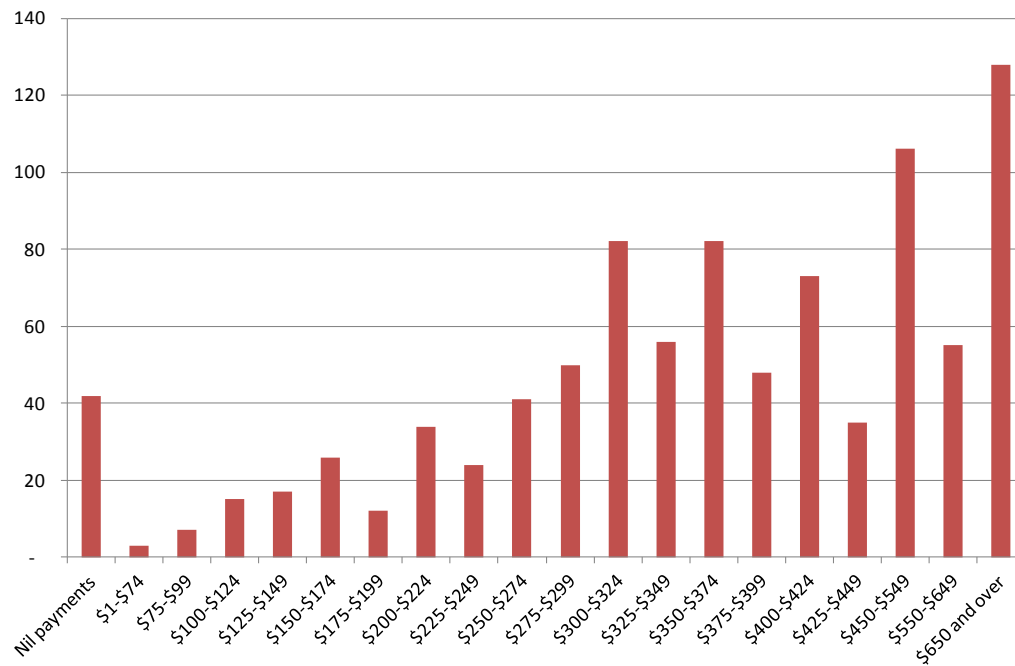
FIGURE 43. HOUSEHOLD WEEKLY INCOME - WEST MELBOURNE
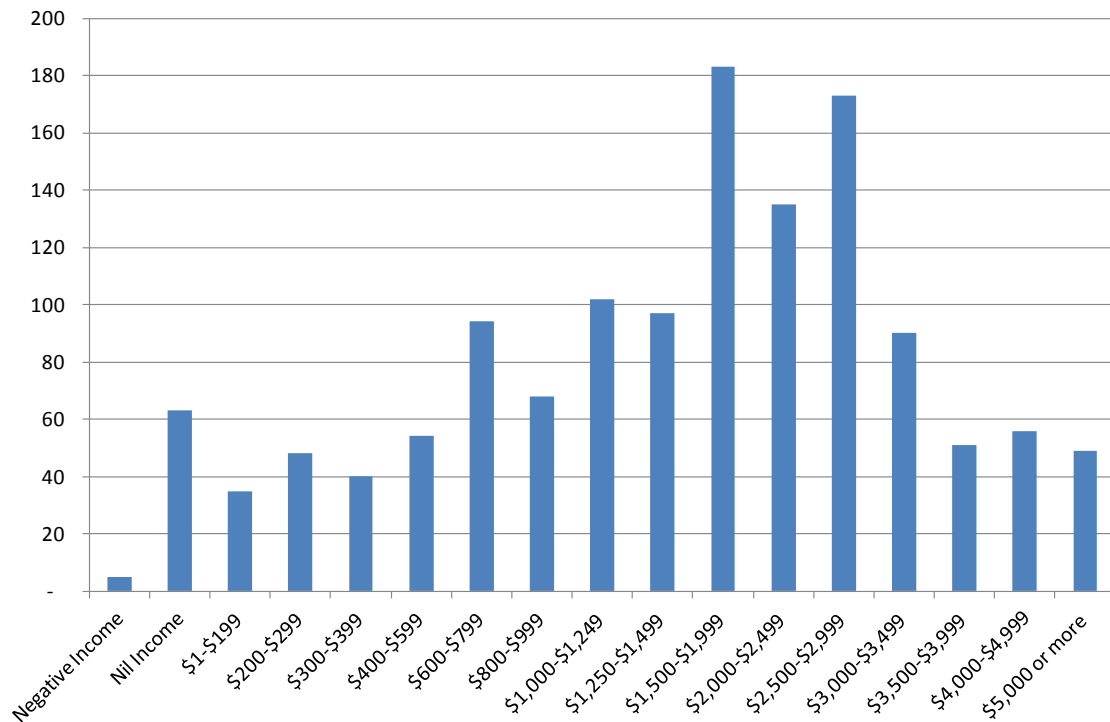
FIGURE 44. HOUSEHOLD WEEKLY RENTAL RANGES – WEST MELBOURNE
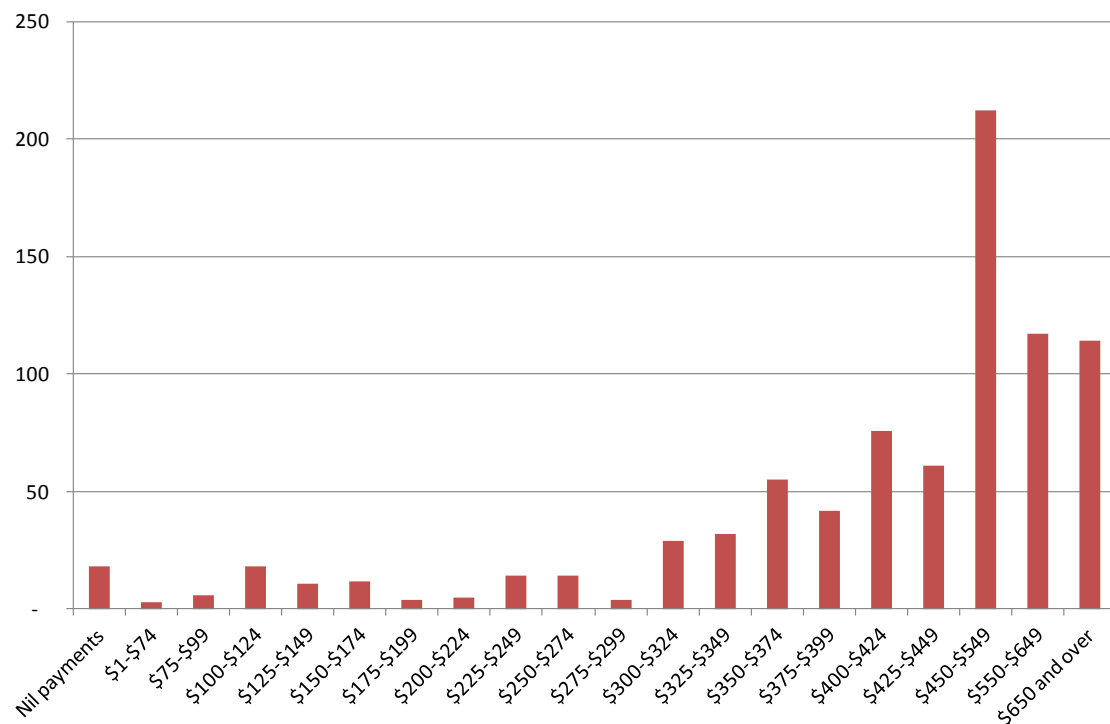
FIGURE 45. HOUSEHOLD WEEKLY INCOME – SOUTH MELBOURNE
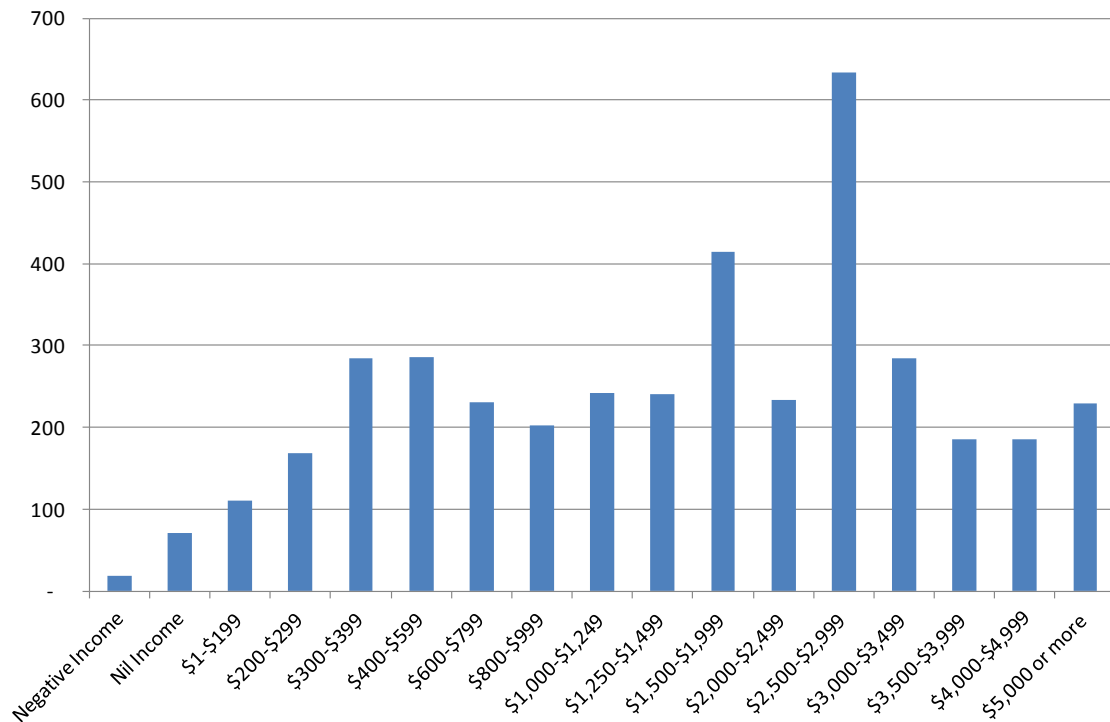
FIGURE 46. HOUSEHOLD WEEKLY RENTAL RANGES – SOUTH MELBOURNE

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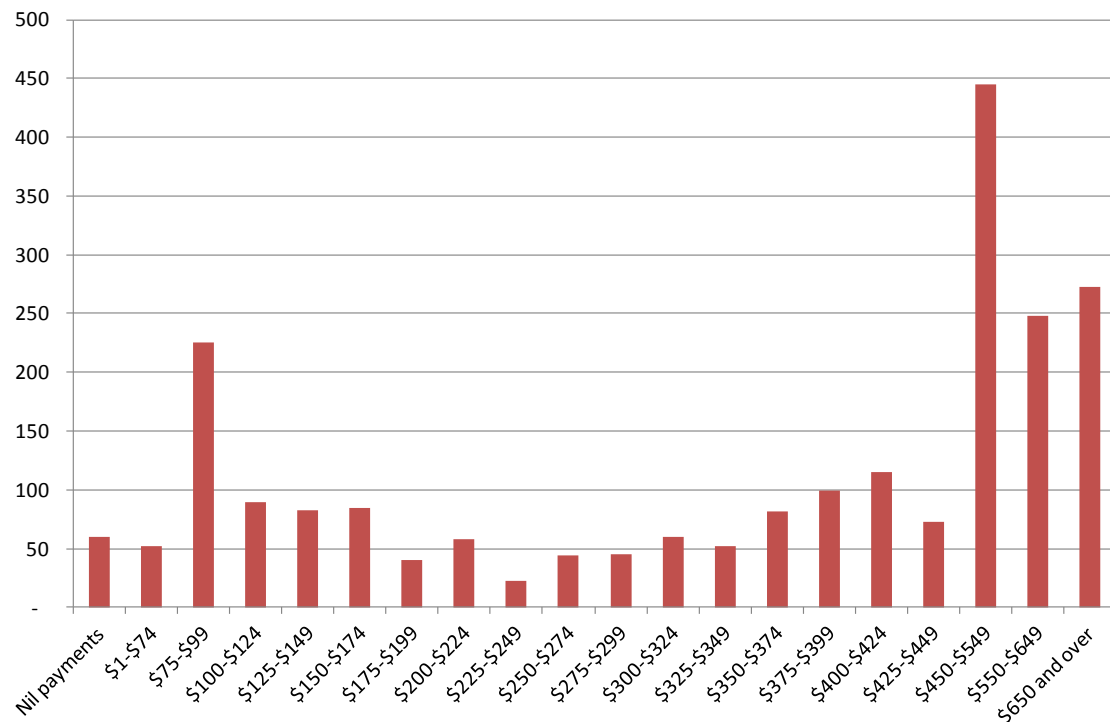
FIGURE 47. HOUSEHOLD WEEKLY INCOME – SOUTHBANK
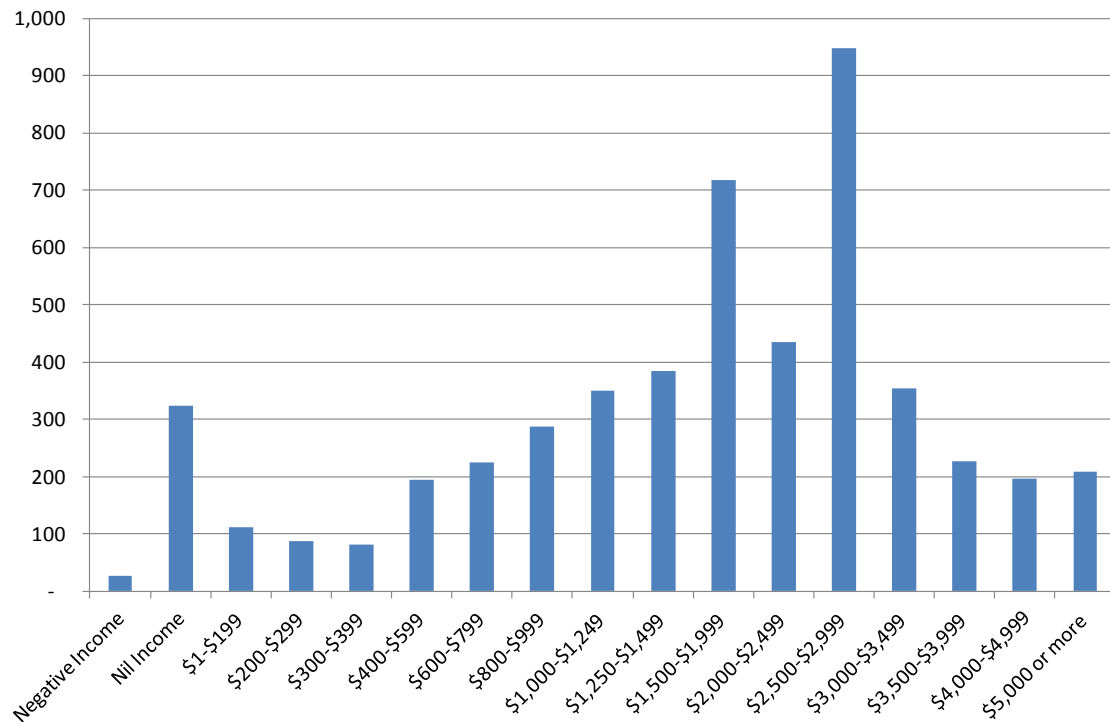
FIGURE 48. HOUSEHOLD WEEKLY RENTAL RANGES - SOUTHBANK
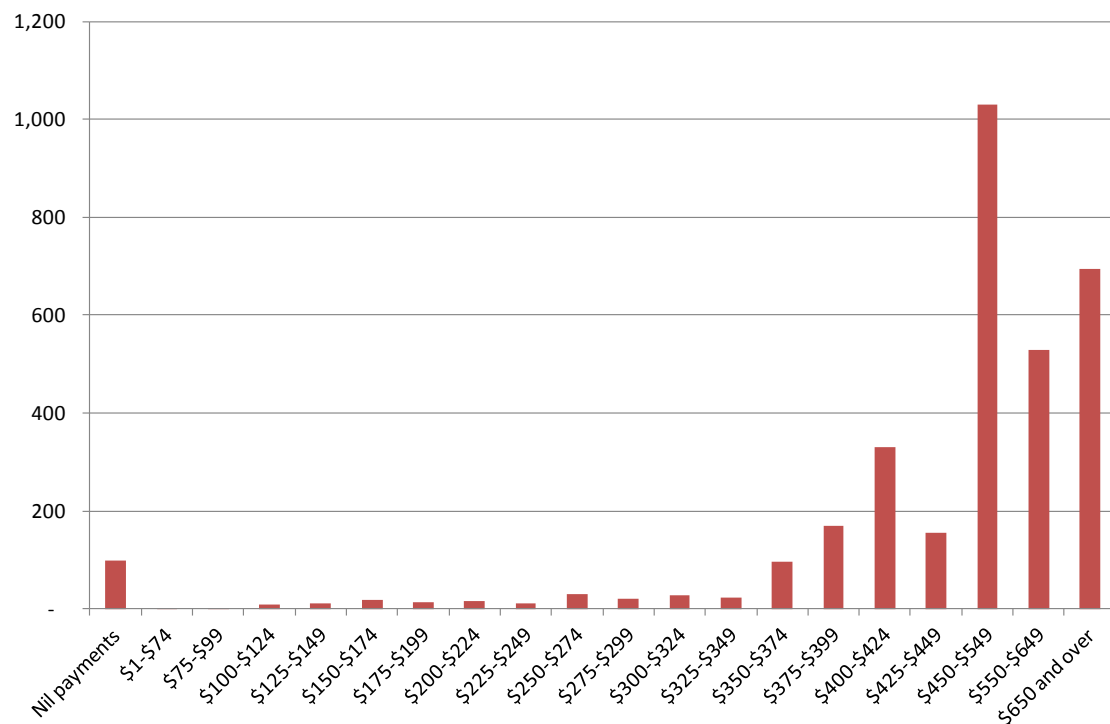
FIGURE 49. HOUSEHOLD WEEKLY INCOME – SOUTH YARRA
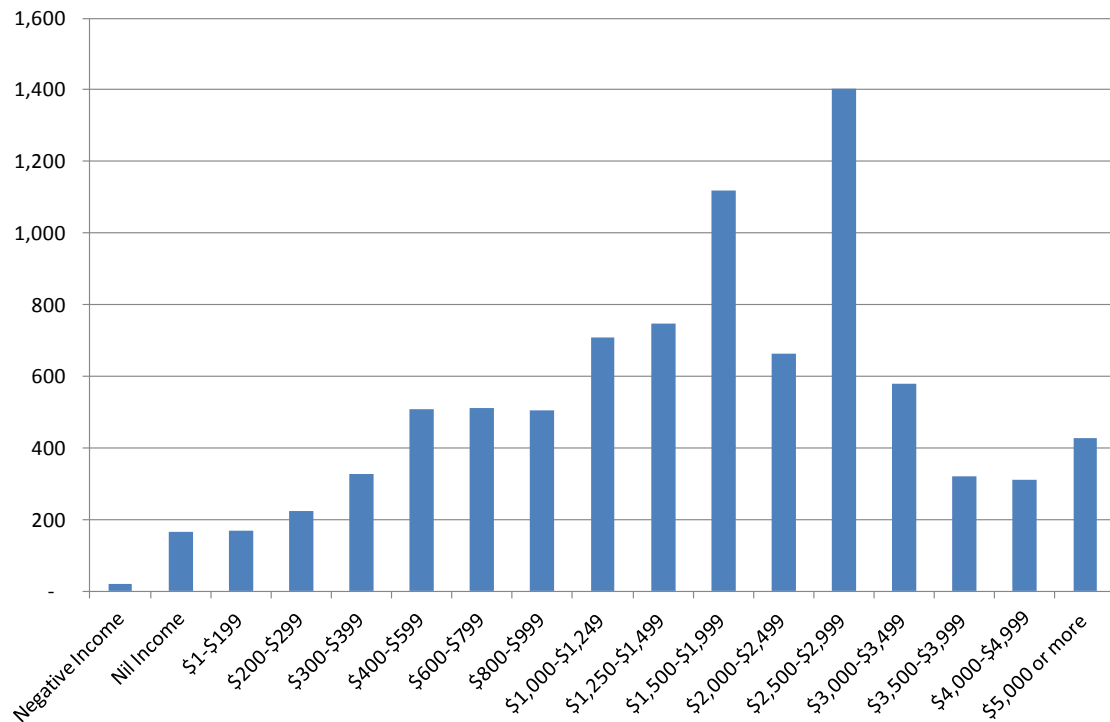
FIGURE 50. HOUSEHOLD WEEKLY RENTAL RANGES – SOUTH YARRA
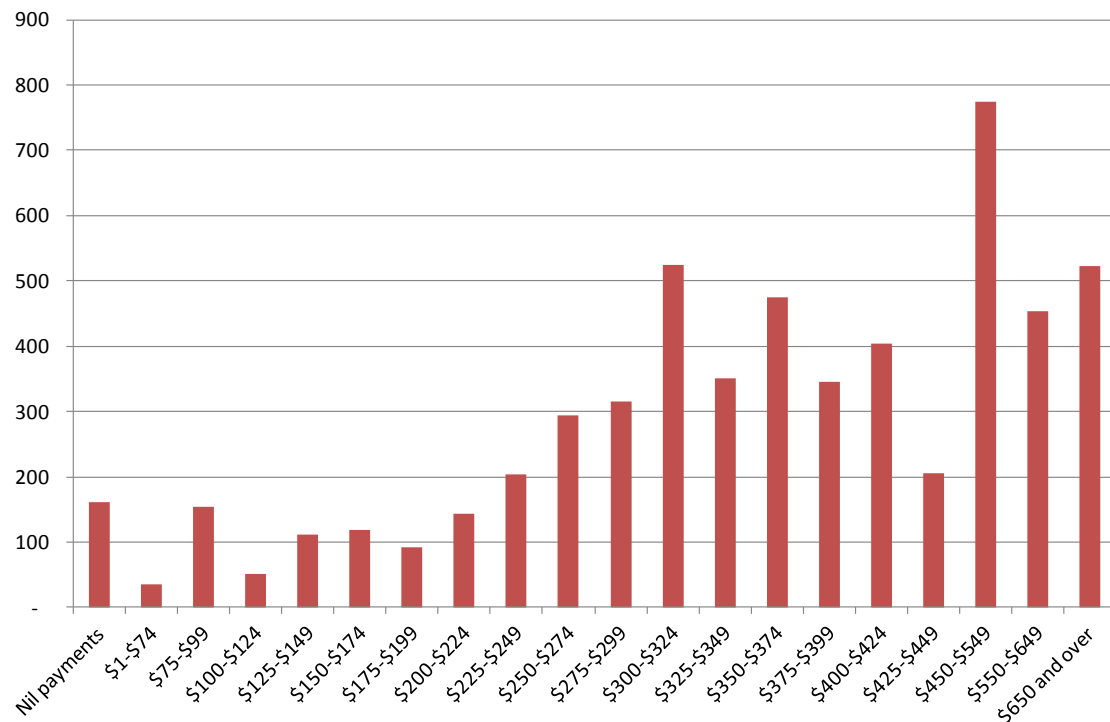
FIGURE 51. HOUSEHOLD WEEKLY INCOME – SOUTH WHARF
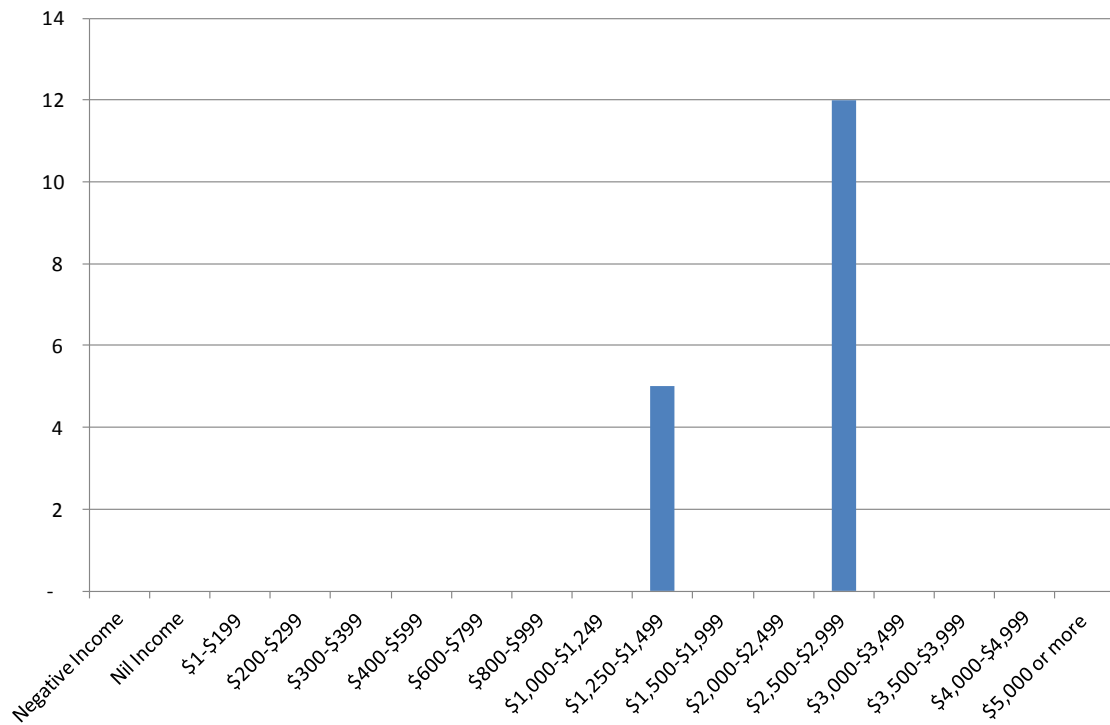
FIGURE 52. HOUSEHOLD WEEKLY RENTAL RANGES – SOUTH WHARF
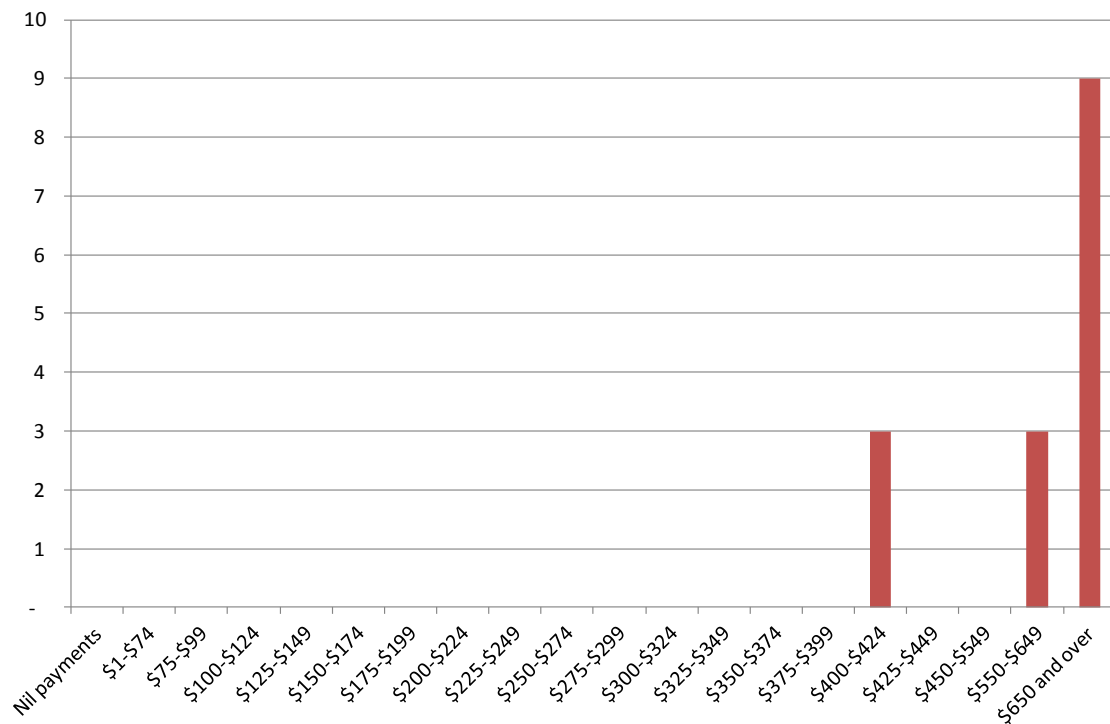
FIGURE 53. HOUSEHOLD WEEKLY INCOME - KENSINGTON
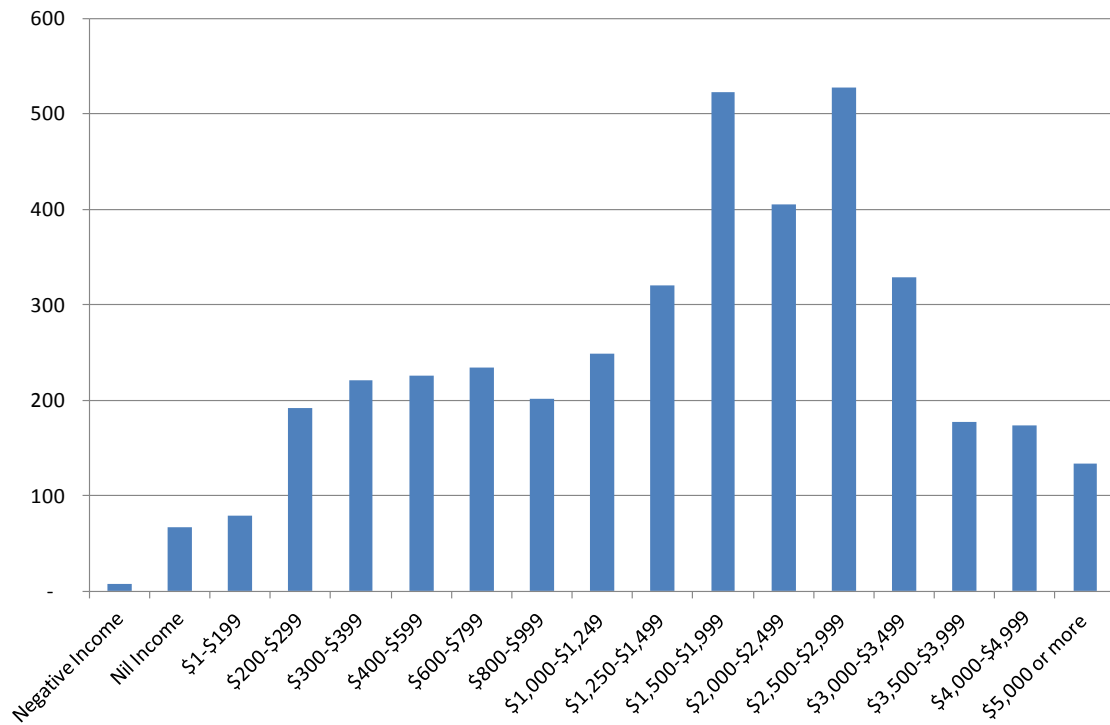
FIGURE 54. HOUSEHOLD WEEKLY RENTAL RANGES - KENSINGTON

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