Alpine Shire Affordable Housing Research and Analysis Paper

November 2022

This report has been prepared with the assistance of UrbanXchange who have provided bulk of the research and analysis on affordable housing issues in Alpine Shire. Atop of the research data, UrbanXchange have outlined options available to Council to consider and further explore to provide affordable housing in Alpine Shire.

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Contents

SECTION ONE

Summary of Affordable Housing Issues in Alpine Shire

1. Introduction

1.1 Purpose of this report

Alpine Shire, like many municipalities across Victoria, is experiencing significant issues with availability and affordability of housing.

With the information provided in this report, Council will gain a greater understanding about the issues associated with access to affordable housing in the Alpine Shire and can choose "Opportunities" to progress to improve the supply of and access to affordable housing.

The findings and agreed "Opportunities" to progress will form a key input for the preparation of the final Affordable Housing Analysis and Action Plan as well as a Housing Strategy for Alpine Shire that is soon to commence, following completion of the Land Development Strategy. The Strategic Planning Team are currently working on this document with an estimated delivery date of April 2023.

This report:

- Identifies the housing affordability issues in Alpine Shire focussing on seasonal and key workers, very low income, low income, and moderate-income households

- Identifies the drivers of housing availability and affordability issues, including the impact of short-term and holiday accommodation in Alpine Shire

- Documents mechanisms available to Council to improve the supply of affordable housing

- Documents the requirements of housing associations accepting vested land or discounted land to develop community housing

- Includes a prioritised plan of the actions Council will take to improve the supply of affordable housing in the Alpine Shire

1.2 Structure of the report

This report reflects the supporting research and analysis that informs the separate "Action Plan" for Affordable Housing.

This research report is broken down on the

- Section One documents the *Affordable Housing Issues in Alpine Shire* and sets out housing affordability issues, and options to address the issues

- Section Two is an *Investigation* which provides Council with "Ideas" on how to address and "Opportunities" for Council to consider, and "Recommendations" for preferred focus areas under five main themes:

    1. Direct delivery of housing

2. Statutory and strategic planning
3. Managing short term accommodation
4. Advocacy
5. Educating investors and the community

- Addendum prepared by UrbanXchange provides the background *Analysis and Research* that underpins Section One and Section Two

1.3 Methodology

This report brings together a range of work that is currently being undertaken or has been completed recently to help understand the issue of housing availability and affordability in Alpine Shire.

UrbanXchange was commissioned to prepare an analysis of the housing affordability issues facing the community and details the wide range of "Opportunities" that are available for Council to consider to address these issues. This work was based on the most recently available official information being the ABS 2016 Census data and forms the bulk of the data provided in this report. This body of work is in the Addendum. Note: 2021 ABS Census data is due to be released in stages from late June 2022.

The UrbanXchange information has been combined with additional research that Council and SGS Economics and Planning has also undertaken in preparation of the Land Development Strategy. Other data and information that has become available and gathered from real estate agents, business owners, community members and more recently published data has also been incorporated.

Considering all data that is currently available and actions being taken by other agencies to address housing availability and affordability issues, knowledge of levers available to Council, this report provides a shopping list of actions to address identified key issues.

2. What is affordable housing

The term "affordable housing" does not refer to one type of housing. It refers to all sorts of housing and a range of tenure types including renting and purchasing. The range of models for providing affordable housing is growing as the pressure on housing prices and availability is growing in Australia.

2.1 Definition of affordable housing

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

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

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

1. For the purposes of this Act, affordable housing is housing, including social housing, that is appropriate for the housing needs of any of the following—
   a. very low income households
   b. low income households
   c. moderate income households
2. For the purposes of determining what is appropriate for the housing needs of very low income households, low income households and moderate income households, regard must be had to the matters specified by the Minister by notice published in the Government Gazette.

**It is generally accepted that, to avoid housing stress,
housing costs should not exceed 30% of household income[1].**

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[1] AHURI (Yates and Gabriel, 2006)

2.2 Income brackets

Under Section 3AA (2) the Governor in Council (GIC) publishes the income brackets for very low-income household, low income households and moderate income households. The current income brackets are shown in Table 1.

	Very low-income range (annual)	Low-income range (annual)	Moderate-income range (annual)
Single adult	Up to $18,380	$18,381 - $29,400	$29,401 - $44,100
Couple, no dependents	Up to $27,560	$27,561 - $44,100	$44,101 - $66,160
Family (one or two parents and dependent children)	Up to $38,590	$38,591 - $61,750	$61,751 - $92,610

Table 1. Government in Council declared income brackets

2.3 Types of affordable housing

Within the broad definition of affordable housing, there are several subcategories. The interaction of these subcategories is shown in Figure 1 and indicates the wide range of ways in which affordable housing can be delivered.
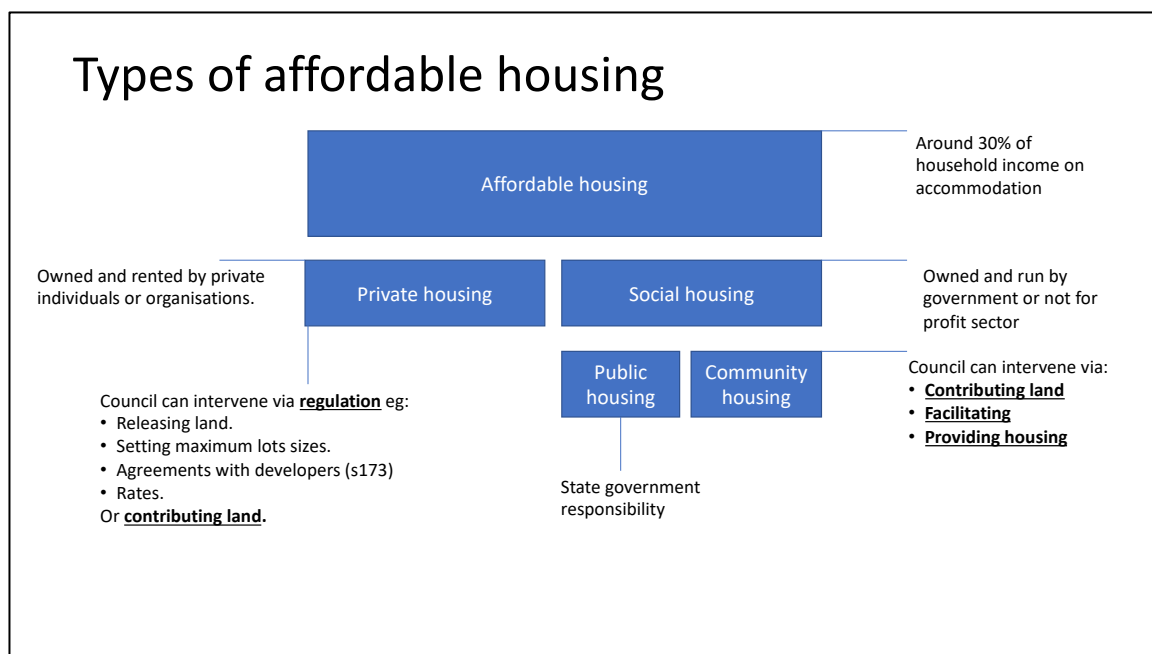
Figure 1. Types of affordable housing, how they are provided and how Council can intervene.

Under this model, **Public Housing** is defined as:

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

Community Housing is defined as:

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

Both public housing and community housing fall under the umbrella term of social housing and usually has some form of subsidy.

3. Alpine Shire and how it is changing

3.1 Overview of Alpine Shire

Alpine Shire is in North East Victoria and is made up of several small towns and settlements including the three largest townships of:

- Bright
- Myrtleford
- Mount Beauty – Tawonga South (these separate towns are adjacent to each other and function as one settlement)
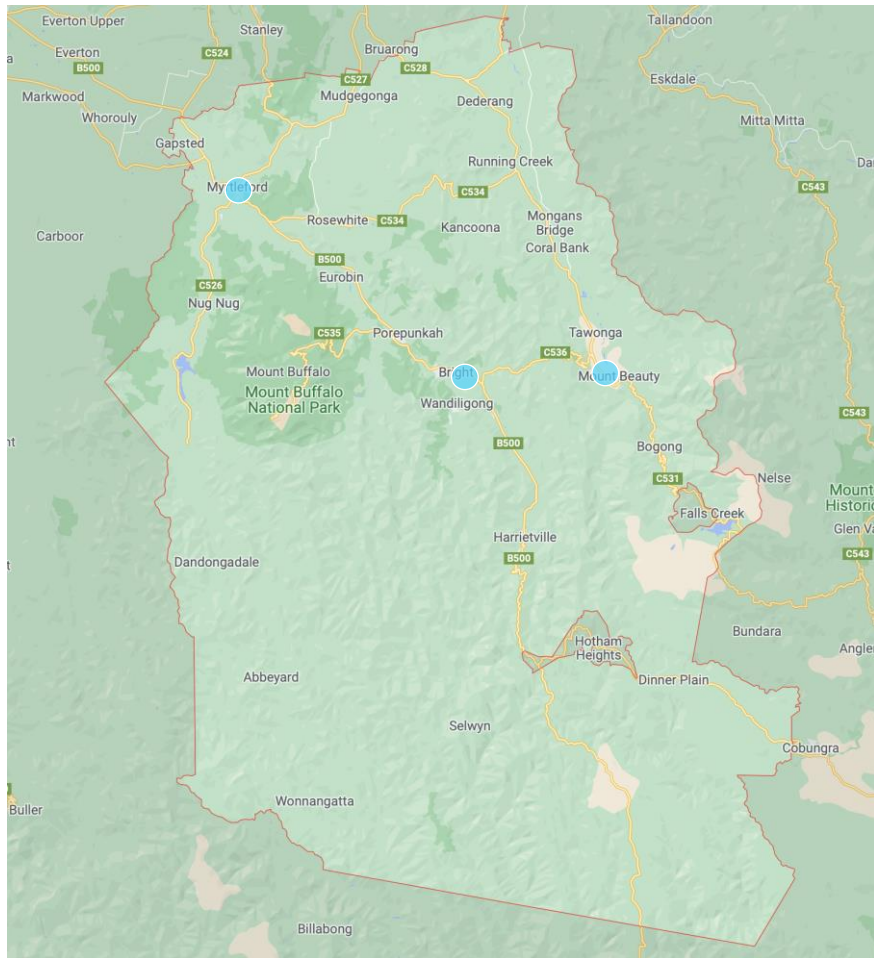
3.2 Population and household structure

The population of Alpine Shire was 12,337 at the 2016 census with an estimated growth of 732 residents by 2021 (2021 census data not available at the time of this document development).

Between 2012-19, the Alpine Shire experienced relatively low rates of population growth, increasing by +631 residents (or 0.7% p.a.). The growth was uneven, with some centres having higher growth and others declining.

The age profile is of an ageing community with the median age at 49 and almost a quarter of the population is over 65.

Compared to Regional Victoria, there was a higher proportion of people aged 40 years and above and a lower percentage in the younger age groups (under 15).

Household size per dwelling fell between the 2011 to 2016 Census data. This means that there was growth in the number of people, however, each dwelling had fewer people, increasing demand for new dwellings.

Compared to Regional Victoria, Alpine Shire has a higher proportion of couples with children households as shown in Table 2.

Households by type	%	Regional Victoria %
Couples with children	35.1	25.3
Couples without children	50.7	27.1
One parent families	13	10.1

Table 2. Household compositions in Alpine Shire compared with Regional Victoria (ABS 2016)

Bright has the most evenly distributed population across age groups but does have an ageing community.

Dinner Plain is a place of young families with larger number of those aged under 19 and between 40 and 50 years of age. It is to be noted that the time of the year census is collated is peak season for the Alpine Resorts. The winter migration to the mountains increases the resident population and skews Dinner Plain data including the age profile.

Mount Beauty presents a similar demographic profile to other Alpine key townships with 16.6% of the population under the age of 14, a median age of 50 and 27.7% over the age of 65.

Myrtleford has the largest resident base with a median age of 50 and also has an ageing community.

3.3 Housing profile

Across the Alpine Shire, almost all housing stock is low-density, detached dwellings

Demand for low-density housing is high, however, as there is little availability of medium or high-density housing this does not indicate that there is no demand for medium or high-density housing.

Occupancy rates across the municipality is 75% which is quite low, but this is not spread evenly throughout the municipality. The tourism focused towns such as Bright and Surrounds have much higher levels of dwellings that operate as holiday housing.

In 2016, 74.2% of the population owned or were purchasing a dwelling compared to 66.9% in Regional Victoria, and 21.7% of the population were renting.

3.4 Employment and income profile

In 2016, 68% of the workforce were employed across six industries in the Alpine Shire, reflecting the key industries of food and fibre production and processing, and tourism as well as social services (health and education). These were:

- Accommodation and food services (15%, 653 people)

- Retail (12%, 513 people)

- Health care and social services (11%, 499 people)

- Agriculture, forestry and fishing (11%, 470 people)

- Manufacturing (10%, 446 people)

- Education and training (9%, 381 people)

The three most popular occupations were:

- Managers (984 people or 17.9%)

- Technicians and Trades Workers (865 people or 15.8%)

- Professionals (801 people or 14.6%)

The unemployment rate is very low at 2.6%[2]

This unemployment rate compares to the average of 3.0% for Regional Victoria and 4.0% for Regional Australia.

Compared to Regional Victoria, at the 2016 ABS census, there was a lower proportion of people earning a high income (those earning $1,750 per week or more) and a higher proportion of low-income people (those earning less than $500 per week).

Overall, 5.8% of the population earned a high income, and 45.6% earned a low income, compared with 6.9% and 40.2% respectively for Regional Victoria.

Alpine Shire has 9.8% of households who earned a high income and 25.2% were low-income households, compared with 12.5% and 22.9% respectively for Regional Victoria.

Bright has a considerable amount of its households who are very low and low income earners.

Dinner Plain, while a very small population and workforce has a significant number of high-income households[3].

Mount Beauty – is dominated by households that are low to moderate income earners. Mount Beauty has enclaves of disadvantage. On the periphery of the townships centre a pocket of residential housing measures in the 11th percentile along the index of relative

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[2] ABS, March 2020

[3] Note that the Census was taken in August at which point Dinner Plain would have been experiencing full occupancy. The permanent population in Dinner Plain is estimated to be about one hundred people.

social-economic disadvantage (IRSD) in comparison to other Australian suburbs. This is the most disadvantaged residential settlement in the Alpine Shire.

Myrtleford – is a blend of households who are very low, low to moderate earners. Myrtleford also possesses pockets of relative social- economic disadvantage with the residential population ranking 12th and 13th percentile on the index.

The number of individuals and households that identified as very low, low or moderate income households in Alpine Shire in the 2016 Census data on the basis of the Governor in Council Orders (described in chapter 3.2) is shown in Table 3.

Income	Individuals		Households	
	$ per week	% of individuals	$ per week	% of households
Very Low	368	33.1	770	35.6
Low	590	23.7	1,235	18.2
Moderate	880	19.9	1,850	18.3
TOTAL %		76.7		72.1

Table 3. Individuals and Households who classify in Governor in Council Orders within Alpine Shire

> **76.7% of households in Alpine Shire meet the threshold that recognises they may require affordable housing.**

This is an incredibly high number of individuals and households that fall into the category of people that the State Government recognises may require support accessing affordable housing and highlights the seriousness of the housing affordability crisis in Alpine Shire.

3.5 Population projections and hidden figures

Based on Victoria in Future data (extrapolated from the 2016 ABS census), Alpine Shire projections are as follows:

- Future population growth is projected to be low, increasing to 13,521 by 2036, representing growth of +707 residents (0.3% p.a.)

- The population is expected to continue to age over time, with the number of residents aged 65 years and over forecast to increase by +753 residents (+25%) between 2016- 36

- Private dwellings are projected to increase by +815 (0.5% p.a.) between 2016-36

However, it is recognised that Regional Victoria has experienced considerable population growth in the past twenty-four months, which is at odds with the Victorian Futures data.

Data from other sources including SGS Planning and Economics, local real estate agents and local service providers such as Alpine Children's Services and Alpine Health indicates that population growth over the last five years has been much higher than the Victoria in Future projections and is potentially double that rate.

Based on demand for services such as childcare and health, it is likely that the demographic make-up for Alpine has changed significantly including:

- A higher than projected population increase
- A lower than projected median age
- Negligible outward migration
- Changes to family structure with more families with children

> **The likely growth scenario will exacerbate current housing access and affordability issues if nothing changes.**

4. Drivers of affordable housing demand

4.1 The population is growing

After ten years of population decline between 2001 and 2010, the permanent population in the Alpine Shire has been growing steadily between 2010 and 2020 as shown in Table 4.
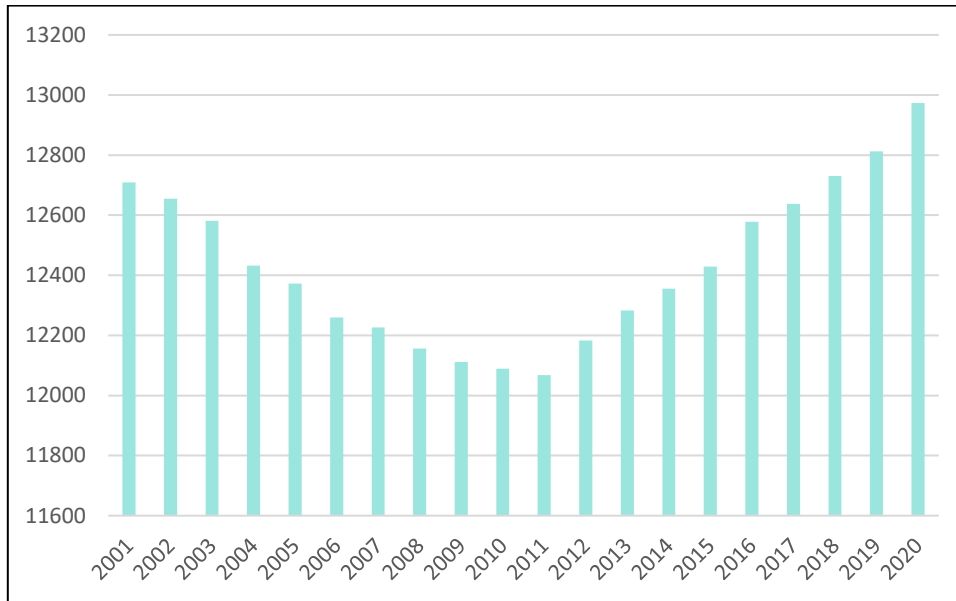
Table 4. Estimated resident population in Alpine LGA (ABS ERP Estimates 2020)

The Victoria in Future population projections estimate that Alpine Shire's population growth rate is 0.3%, or 44 people per annum.[4]

However, between June 2019 and June 2020, the actual population grew at a rate of 1.3% per annum[5]. This represents a growth of 191 people per annum. Ongoing lock downs as a result of the COVID19 pandemic continuing throughout the remainder of 2020 and 2021 are likely to have resulted in yet another increase to the permanent resident population of the Alpine Shire. Results from the 2021 Census is expected to reflect this.

This growth is being driven in part by a large increase in regional migration. In 2018 – 2019 9,900 people moved to Regional Victoria, and this increased to 15,200 in 2020 – 2021[6].

The mismatch in Victoria in Future data and actual growth has a significant impact on the housing affordability problem. These effects include implications on funding decisions made on the supply and delivery of future service infrastructure (such as sewerage).

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[4] Victoria in Future, State Government of Victoria (2019)

[5] Draft Land Development Strategy, Alpine Shire Council (2022)

[6] 'New data demonstrates how Australia's population growth is responding to the pandemic', SGS Economics and Planning, posted March 31, 2022,

4.2 House prices have increased dramatically

Median house prices in most towns in the Alpine Shire have more than doubled since 2017. Table 5 demonstrates how prices in the three main settlements, and Dinner Plain have changed since 2017.

Town	Current median	2017 median	% Growth
Bright	$920,000	$450,000	104.44
Dinner Plain	$810,000	$382,500	111.76
Mount Beauty – Tawonga South	$465,000	$275,000	60.09
Myrtleford	$560,750	$260,000	115.67

Table 5. Increase to current median sale price of a house

The purchasing capacity of households earning the average income by town have been calculated. Table 6 demonstrates that a household earning an average income cannot afford to purchase a house anywhere in the Alpine Shire.

Town	Average household incomes	Purchasing capacity
Bright	$65,000	$390,000
Dinner Plan	$120,000	$720,000
Mount Beauty- Tawonga South	$55,000	$360,000
Myrtleford	$62,000	$380,000

Table 6. Purchasing capacity for average income households in Alpine Shire

Data from the Victorian Valuer General indicates there was low turnover of dwellings between April 2020 and June 2021.

4.3 Dwelling approvals are not meeting demand

In 2021, 77 Occupancy Permits for new dwellings were issued in Alpine Shire[7]. As outlined in chapter 3.2 the number of people who moved to Alpine Shire during that time was 191. The average household size in Alpine Shire is 2.2 persons.[8]

Based on the average household size, this means that 88 houses were required to accommodate the additional population.

Once it is factored in that a high proportion of dwellings are being built for or existing dwellings are being turned into short term stay or holiday let accommodation as identified it is clear that the housing supply is significantly less than demand.

4.4 The impact of 'short term stay' dwellings and holiday houses

Between 2010 and 2019, visitation to the Alpine Shire grew by six percent per annum[9]. In 2010 there were 304,764 visitors who stayed overnight. In 2019 this figure increased to 511,237 visitors who stayed overnight[10].

This increase in visitors has led to many properties being used for short term stay accommodation. Many homeowners and investors have taken advantage of the opportunity to leverage the popularity of the Alpine Shire as a holiday destination and reap the rewards of income that is achievable through renting their properties to holiday makers.

In 2021, there were 293 AirBnB properties in Bright. This is one fifth of the housing stock in Bright which is taken out of the permanent housing market. The availability of short term accommodation available across all Alpine Shire townships has increased.

There has been a 12% or a 3,000 bed increase to short term accommodation availability from 2017 to 2021[11]

In the 2016 census, approximately 25% of housing across the municipality was vacant on census night.[12]

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[7] https://www.vba.vic.gov.au/about/data accessed 17 May 2022

[8] ABS, 2016

[9] Alpine Shire Council, *Economic Development Strategy* (2021), page 10.

[10] ibid

[11] Fusion Research

[12] ABS – vacant dwellings 2016 compared to 2011

This indicates many houses are vacant some or all the time. Some are likely to be holiday houses but anecdotal evidence suggests there are a high number of houses that are vacant all year.

There is a strong correlation between high house prices and the increase in holiday homes across the region.

4.5   Land availability for the development of housing is scarce

Alpine Shire comprises of 92% publicly owned land made up of National and State Parks. Vacant land not publicly owned is largely not zoned for residential purposes as well as extensive land areas of the municipality being affected by flooding and bushfire management overlays.

There is limited land in the housing pipeline for Alpine Shire with current availability as follows:

- Bright: one large land parcel, under single ownership with a potential yield of 250 – 350 dwellings. An approved development plan is required before subdivision or development of the land can commence

- Mount Beauty – Tawonga South: One large land parcel, under single ownership. An approved development plan is required before subdivision or development of the land can commence

- Myrtleford: Small portions of land available with two owners

All this means that there is very limited land available and suitable for housing development in the Alpine Shire.

Council is currently preparing a Land Development Strategy (LDS) to identify land that may be available for housing development in the Alpine Shire (this strategy is also looking at commercial and industrial land). The Strategic Planning Team are currently working on this document with an estimated delivery date of April 2023.

Along with the factors identified above, the scarcity of land available for housing means that land is expensive, when and if it becomes available.

A challenge for Council will be developing ways in which to keep new housing land affordable. Chapter 12 in the addendum outlines some of the ways in which the planning system can be used to influence the price of land assisting in affordability.

4.6   Rental housing availability and affordability has deteriorated

Rental housing availability and affordability has deteriorated over the past 5 years, particularly between 2020 and 2021.

Council undertook research on rental availability and affordability in the township of Bright during 2021, which showed a consistently low number of vacant properties

available for long-term rent over the last 5 years. On average during 2021 there were zero properties advertised for rent each week.

Based on data received from two real estate agents currently operating in Bright, the number of properties available for long-term rent has been consistent year-on-year, with a slight decrease in April 2021 (-6%) from the previous year.

There has been an upward trend in the cost of rent in Bright, with a 14% increase from April 2020 to April 2021, or 37% from April 2017 to April 2021 as demonstrated in Table 7.
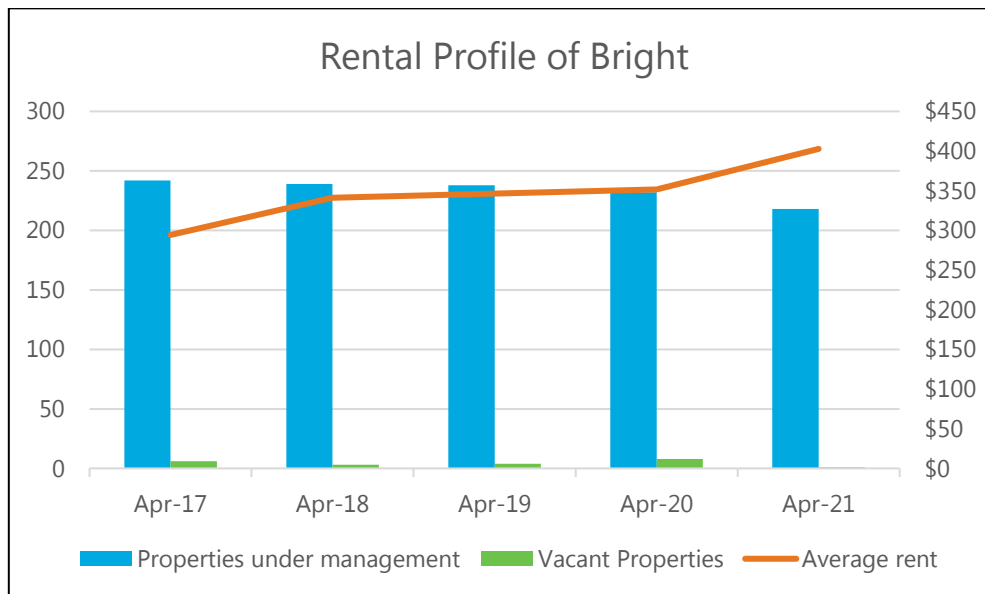
Table 7. Rental profile of Bright (Data provided by Dickens Real Estate and Alexander First National)

While not so acute, the trend is similar in the neighbouring townships of Mount Beauty – Tawonga South, and Myrtleford and is likely to worsen if not addressed.

4.7 It is expensive to develop in Alpine Shire

Like most regional areas, it is expensive to develop land for housing in Alpine Shire. There are numerous reasons for this including:

- Most land is a declared water supply catchment, so there are strict controls for onsite wastewater management, limiting development

- Managing risks associated with the environmental hazards of flooding and bushfire limits the land available and adds cost to land which is available for development through the building standards and mitigation measures required

- In some areas the costs of developing a dwelling are greater than the potential sale price the developer or builder would receive, rendering development unfeasible

- Some smaller lots zoned Rural Living Zone (RLZ) need onsite wastewater management but that is not feasible because lot sizes are too small to meet EPA guidelines and codes of practice, leaving them vacant

- Lack of strategic planning and land release forecasting at a regional level, combined with the legislated pricing structures for essential services means that service authorities such as North East Water do not have the budget to service new development adding cost to the developer if they wish to proceed

- Some land is difficult or impossible to service with trunk infrastructure; high-level shared infrastructure, so requires on site treatments such as septic tanks which are expensive to install and maintain

- The supply of appropriately skilled builders/ capacity within the development sector is limited. Those builders in the region tend not to have skill or interest in developing alternative dwelling types (i.e. they specialise in detached dwellings)

- Perceptions around what the local market wants may also come into play, while there is limited provision of alternate dwelling types it is harder for the development industry to see the need or successful uptake of alternate, potentially cheaper, dwelling types (e.g. single or two-bedroom apartments or townhouses)

4.8   Social housing

Of the 7,188 dwellings in Alpine Shire in 2016[13] only 73 are social housing dwellings. A small number of these are managed by the State Government and the bulk are managed by Community Housing Providers, including Beyond Housing[14].

Only 1.4% of housing stock in Alpine Shire is social housing.

Social Housing can only be accessed by people who are listed on the Victorian Housing Register and the eligibility test to be on this register includes meeting an income test (between $1083 per week for an individual and $2234 for a two-person family)[15].

In addition, the asset limit for Register of Interest is $35,488 for households that do not require disability modifications and $118, 295 for households who require disability modifications.

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[13] ABS, 2016

[14] Interview with Beyond Housing, March 2021.

[15] https://www.housing.vic.gov.au/social-housing-eligibility#eligibility-criteria accessed 17 May 2022.

People who wish to enter the Victorian Housing Register must nominate where they would like to live should a house become available. Alpine Shire is within the Ovens Murray (Benalla / Wangaratta) area, which includes several municipalities. There are currently 905 individuals or families on the Register of Interest for the area[16].

However, because there are minimal dwellings available in Alpine Shire, people tend to register for towns with more housing, to provide a better chance of getting accommodation.

This in turn leads to the assessment that there is not a demand for social housing in the Alpine Shire community, which means there is less likelihood that the State Government, or Community Housing Associations will invest in more social housing in Alpine Shire. The State Government's $5.3 billion Big Housing Build relies on the Victorian Housing Register to determine where investment in social housing should be made.

It could be determined that the need for social housing in Alpine Shire is skewed.

4.9 Summary

Housing affordability in Alpine Shire has dramatically deteriorated over the past five years for a wide variety of reasons.

With the current rate of ongoing growth, and lack of land available for housing, this problem is likely to exacerbate as the population is growing quicker than the market is supplying houses.

Many existing and new dwellings are not being used for permanent accommodation but rather short-term accommodation or holiday houses.

The market is tending to provide larger lot sizes in subdivisions, and detached houses rather than a diversity of lot sizes and housing types. Diversification of housing types towards smaller one and two bedroom dwellings in attached houses or apartments, along with smaller lot sizes would provide a supply of cheaper housing (though it still may not be affordable).

Council is limited in what it can do to deal with all of these complex matters. Most of them are outside Council's remit. Chapter 8 addresses the levers that Council can use to intervene.

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[16] Victorian Housing Register and transfer list by local area, March 2022

5. Spotlight on key worker housing

Key worker housing has been identified as a high priority issue for the Alpine Shire community and has been captured as a priority in the current Council Plan.[17] A subset of the key worker workforce requires affordable housing as shown in Figure 2.

At this point in Victoria, the provision of State subsidised social housing is limited to people on the Victorian Housing Register. There is no social housing available for key workers.

This is a difficult problem to solve and requires multiple stakeholders to work together to find solutions to the problem. For this reason, this chapter outlines the specific housing affordability issues that affect key workers, and why that is so important to Alpine Shire.

5.1 Defining a key worker

There is no Victorian definition of key worker. Consistent with the definition that Tourism North East is utilising through their work in identifying key worker housing solutions for the High Country, Council should adopt the following definition of a Key Worker:

> 'A key worker is anyone employed by an eligible business in a vital role that must be performed at a specific location. An eligible business is any business located in the region from one of the following industries:
>
> - Agriculture & viticulture
> - Forestry
> - Hospitality
> - Accommodation
> - Snow
> - Transport
> - Health & Allied Health
> - Education & early learning
> - Manufacturing
> - Construction
> - Community services
> - Essential services'

The Victoria Planning Authority has built on the United Kingdom definition of key worker and is using this definition for projects it is undertaking in the Barwon South Region.

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[17] Alpine Shire Council Plan, 2021-2025

'An employee who provides a vital service, especially in the essential services, health, or education sectors'.[18]

- Providers of services to residents – e.g., teachers, doctors, nurses, health care workers, pharmacists, Council staff
- Providers of services to visitors/tourists – e.g., hospitality, retail, workers at tourist attractions
- Workers in key local industries – e.g., agriculture and associated industries, and construction

Within the range of people that are key workers, some will require available and affordable housing, while others will require housing to be available. Figure shows the cross over between key workers and affordable housing. This focus of this report is on affordable housing, including key workers who need affordable housing.
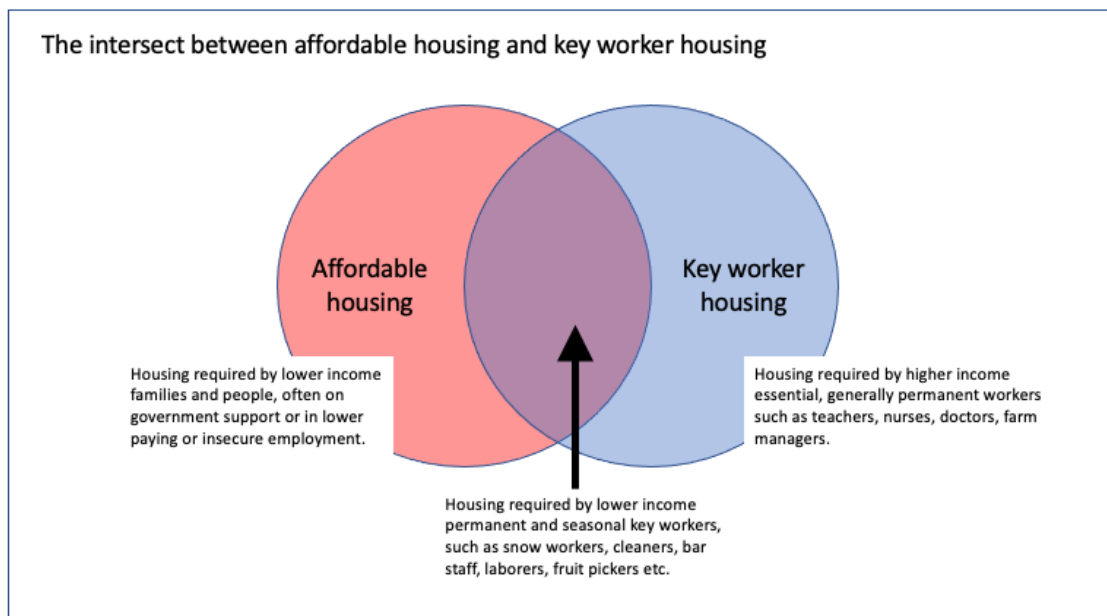
Figure 2. The intersect between affordable housing and key worker housing

5.2   Key worker profile

The ABS statistics show that 66% of the working population of Alpine Shire are considered 'Key Workers' under the Tourism North East definition as shown in Table 8. Industry of employment of employed persons in Alpine LGA, with key workers highlighted in teal (2016 ABS Census).

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[18] Town and Country Act 1990, Section 106

	Alpine (S)	Alpine (%)
Agriculture, Forestry and Fishing	470	11%
Mining	3	0%
Manufacturing	446	10%
Electricity, Gas, Water and Waste Services	93	2%
Construction	284	6%
Wholesale Trade	63	1%
Retail Trade	513	12%
Accommodation and Food Services	653	15%
Transport, Postal and Warehousing	132	3%
Information Media and Telecommunications	15	0%
Financial and Insurance Services	63	1%
Rental, Hiring and Real Estate Services	107	2%
Professional, Scientific and Technical Services	185	4%
Administrative and Support Services	158	4%
Public Administration and Safety	182	4%
Education and Training	381	9%
Health Care and Social Assistance	499	11%
Arts and Recreation Services	57	1%
Other Services	143	3%
Total	**4450**	**100%**

Table 8. Industry of employment of employed persons in Alpine LGA, with key workers highlighted in teal (2016 ABS Census)

Council data estimates that there were an additional 297 jobs in the Alpine Shire, with growth in jobs with much of that growth occurring in key worker industries:

- Accommodation and food services had an additional 38 jobs

- Agriculture, forestry and fishing had an additional 40 jobs

- Manufacturing had an additional 20 jobs[19]

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[19] Alpine, *Economic Development Strategy*, 2021 (page 10).

Alpine is highly reliant on key workers and the overall number of jobs is growing including growth in the key worker sectors.

In Alpine Shire there is a mixture of permanent key workers, part time key workers and seasonal key workers (for instance, fruit pickers, peak tourism period hospitality workers and snow workers).

5.3 An escalating key worker shortage

Alpine Shire has been particularly affected by a shortage of key workers. This has been a problem for many years, but has escalated recently as a result of:

- A significant increase in investment in housing stock for use as short-term accommodation or holiday homes which removes dwellings from the long-term housing market, therefore leaving no housing available for key workers to live in

- A trend towards regional and rural living due to COVID-19, and the increase in hybrid or work from home working options means there has been an increase in migration to Alpine Shire, and an increase in owning two dwellings for their exclusive use (e.g. one in Melbourne and one in Myrtleford)

- Increasing popularity of the Alpine Shire as a holiday and tourism destination that has resulted in a need for more key workers to service the tourism industry

- Worker shortages stemming from lockdowns of the pandemic, many workers changing occupations so as to continue to work

- Relatively slow take up of land zoned for residential development in Bright and the Kiewa Valley; encompassing Mount Beauty and Tawonga South (map chapter 4.1)

5.4 Social housing is generally not available for key workers

Any supply of social housing that is available in the Alpine Shire is unlikely to be allocated to key workers wanting to live and work in Alpine Shire. This is because if an individual is a key worker they are not considered eligible for the Victorian Housing Register, or the allocation of dwellings.

5.5 Key workers are priced out of the rental market

The increase in the cost of residential accommodation is a significant financial burden on key workers who have difficulty finding accommodation and are likely to be facing housing stress.

In 2021, Council compiled Table 9 during consultation with local real estate agents, local business feedback and key workers. This identifies that for key workers on a lower wage, most housing in the Alpine Shire is unaffordable to rent.

Job (hours per week)	Income	Affordable rent (weekly)	Share house Bright	2 bed unit Myrt	2 bed unit Bright	3 bed house Mt B	3 bed house Myrt	3 bed house Bright
Full time bar staff (40)	$45,000	$288.46	$180	$275	$320	$375	$400	$425
Part time bar staff (25) (40 weeks pa)	$21,600	$124.61	$180	$275	$320	$375	$400	$425
Part time cleaner (20) $25K wage/$15K pension	$40,000	$256.41	$180	$275	$320	$375	$400	$425
Full time restaurant manager (40)	$60,000	$384.61	$180	$275	$320	$375	$400	$425
Skilled barista (40)	$58,000	$334.51	$180	$275	$320	$375	$400	$425

Table 9. Availability of affordable rental accommodation in Alpine Shire for selected key workers
figures in green represent affordable housing and figures in orange are unaffordable by key workers

While this report focusses on affordable housing, it is important to acknowledge that lack of availability of any housing stock in Alpine, either for purchase or rental at any price, has created situations where even higher paid key workers cannot access accommodation (for example teachers, medical staff and allied health professionals).

6. How poor housing affordability impacts the community

The impact of poor housing affordability is felt across the whole community.

In Alpine Shire, as housing affordability has worsened, there has been significant outward migration of individuals and families who have lived here for many years who can no longer afford to rent or live in the area.

Some outward migration is within the Alpine Shire (for example, Bright residents moving to the more affordable Myrtleford) but many residents move further away (for example, Wodonga, Wangaratta, Melbourne and other parts of regional Australia).

For decades, Alpine Shire has had a fairly stable community, with newcomers tending to be retirees. This is changing with most of the inward migration now being families from urban centres looking for a lifestyle change. The increase of families moving to the area has resulted in other social impacts such as demand for childcare and kindergarten services, medical services and schooling. Demand is outstripping supply.

Children of families who have lived in townships located in the valleys for generations are priced out of the housing market, even though they would prefer to live in the area and remain close to other family members. This impacts on the stability and cohesiveness of the community.

It is extremely difficult to fill key worker roles at all levels. This impacts on higher paid jobs (e.g. teachers and nurses) as well as lower paid roles (e.g. hospitality staff and fruit pickers).

The shortage of key workers has many negative impacts including:

- Hospitality and tourism businesses that employ key workers have had to modify business practices and operations. Modifications like reducing hours of operation or capacity impacts to the visitor experience

- The health industry cannot find staff to fill essential service roles including kitchen and cleaning staff as current wages have not kept up with the inflationary cost of living

- Seasonal food and fibre workers are opting to live in substandard conditions choosing to live onsite 'camping' at their workplace or living in over-crowded houses to mitigate costs

- Building, construction, and maintenance delays

- Food and fibre producers paying well over normal rates for fruit pickers, tree planters etc which affects business viability and contribute to price increases to the end user. There has been a move from employing staff directly to utilising the services of labour hire companies

- Chronic shortages of essential professionals like doctors, nurses, allied health professionals, childcare workers and teachers impact on the overall health and development of the whole community

- Business owners doing tasks like cleaning and cooking which takes their focus away from running their businesses effectively and growing their businesses

The effect of a shortage in affordable housing on the economy and community morale is significant.

The character and diversity of Alpine Shire is changing very quickly as housing becomes less affordable or unavailable. Additionally, services to support the community cannot keep up.

7.   Council's role in affordable housing

Traditionally the role that councils have played in facilitating affordable housing has been through ensuring the private sector can deliver housing that is affordable through the provision of adequate land supply the zoning residential land to meet demand.

Social housing has generally been funded by the State government in the form of delivery of public housing and funding or part funding supply of community housing.

Community housing in the form of dwellings, crisis housing, rooming houses and so on has been delivered by various not for profit entities, including Registered Community Housing Providers such as Beyond Housing.

Over the past few decades, several factors have created an increase in demand for affordable housing including:

- The State Government has stepped back from its traditional role of being the primary provider of social housing through the provision of public housing over the past few decades so there has been a very low supply of social housing

- House prices in Australia have increased at a much higher rate than household earnings due to a range of macro-economic issues

Over the past five years, the State government has recognised the severity of the social housing gap and has invested $5.3 billion dollars in addressing this problem through the Big Housing Build which is aimed at delivering thousands of new community housing dwellings (in various forms) for Victorians.

The affordable housing crisis has meant councils, including Alpine Shire Council, are now considering other ways in which they can support the provision of affordable housing. This is evidenced by initiatives being driven by Councils that have been delivered or are being delivered currently, including:

- Establishing housing trusts (Port Phillip Council, Melbourne Council)

- Selling air rights for affordable housing (Moreland City Council)

- Supporting establishment of Community Land Trusts. (Mount Alexander)

- Purpose built housing (Ararat East Development Zone)

At least two regions are also working on developing solutions for key worker housing including:

- **North East Victoria (Hume Region):** Tourism North East has secured funding to develop solutions to attract and retain key workers including providing them with affordable housing. Each of the Councils and Resort Management Boards in the High Country are partners in this project.

- **Barwon South West Region:** The region has secured funding to investigate locations and mechanisms to deliver key worker housing where it is most needed across the region.

Council's role in facilitating affordable housing can be broadly grouped into three areas, as outlined in Figure 3. Areas of influence in affordable housing supply. These are:

1. Advocacy, research and information
2. Planning
3. Financial

Area of Influence	Action
Advocacy, research and information	Advocacy
	Research
	Collation of data
	Developer education
	Community engagement
Planning	Land supply and availability
	Planning policies and strategies
	Streamlined approval processes
	Planning concessions
	Limit the duration of time that dwellings can be used as short-term accommodation
	Voluntary key worker/affordable housing contributions (Section 173)
Financial	Reduced development contributions, planning charges and Council rates
	Increasing rates on unoccupied properties
	Use of Council land to facilitate development
	Creation of housing trusts
	Direct investment in housing supply

Figure 3. Areas of influence in affordable housing supply

These roles are detailed further in Chapter 7 of the addendum of this report. The roles are broad and diverse, and require quite different levels of investment, from funding development and management of housing, through to much lower cost activities of advocacy to government and developer education.

SECTION TWO

Affordable Housing Investigation

8. Investigation and Actions to date

Alpine Shire Council raised the issue affordable and key worker housing at the State Government Upper House sitting of Parliament that was held in April 2021 in Bright. Council advocated for assistance and was successful in securing funding from the Department of Environment, Land Water and Planning (Rural and Regional Partnerships) and the Department of Jobs, Precincts and Regions (Regional Development Victoria) to assist with researching and finding solutions to the problem, particularly as it relates to key workers.

This report summarises the work that has been done to date, and options for Council to pursue to improve the supply of affordable housing in the Alpine Shire.

Six potential roles for Alpine Shire Council have been defined and are explained in more detail along with the action and investment Council needs to consider if it is to pursue these roles further. These are listed here from the most interventionist to the least interventionist.

1. Direct facilitation of affordable housing.
2. Strategic and statutory planning.
3. Managing the quantum of short-term accommodation.
4. Advocacy.
5. Educating investors and the community.

The remainder of this chapter goes through the projects that have been identified for Council, the work that has been done to date (expressed as Findings), and further opportunities for Council to consider (expressed as Opportunities).

The type of resources that Council will need to progress the opportunities identified include:

- Human resourcing to deliver opportunities that have been identified and coordinate advocacy and policy development for Council. The resource or resources will need to work across the Economic Development and Strategic Planning areas of Council and potentially Asset Development. Depending on the opportunities Council wish to pursue, budget for expert advice may be required.

- Budget to undertake further strategic work on planning scheme policies. This would ideally be bundled into the Housing Strategy being prepared by the Strategic Planning Team but may potentially be separate work.

Over the last 18 months, Alpine Shire Council has undertaken significant work to research and address affordable housing issues in the Alpine Shire, particularly as they

related to affordable housing for key workers. Details of these initiatives are included in each section as appropriate.

This section outlines actions taken to date, and future options for Council to consider in delivering affordable housing for the community.

8.1 Direct facilitation of affordable housing or land for affordable housing

Idea 1: Direct delivery and management of affordable housing

It is not usual for Councils to take on the role of direct delivery and management of social housing.

The reasons for this are:

- It is not a core service for Council to provide housing.

- Shortage of skilled and experienced resources. Other providers are better placed to provide affordable housing including the State Government, Community Housing Providers and other housing delivery entities (like the Private Sector).

Findings

A. Council currently doesn't have ongoing committed resources or capacity to directly deliver development of affordable or key worker housing or to manage housing once developed.

Idea 2: Identify suitable land for affordable housing

To lower the cost of development and encourage developers to invest in the Alpine Shire requires the removal of some costs.

Council has identified government and community owned land that may be available for the development of social and key worker housing and have commenced work to progress development with a Community Housing Provider.

Council worked with a GIS specialist to identify land that may be suitable for affordable housing.

The investigation identified land with the following characteristics.

- Land owned by government (Federal, State or Local) of any size.

- Land owned by community organisations such as church, community centres and private schools of any size.

- Land zoned Public Park and Recreation Zone or Public Use Zone of any size.

- Land owned privately and zoned for residential use over one acre is size.

- Land not significantly impacted by a flooding control (the Special Building Overlay, the Land Subject to Inundation Overlay, the Flooding Overlay and the Urban Floodway Zone.

As a result of this process, multiple parcels of land have been found. At this stage, Council has investigated most of the Council owned parcels, however there is still work to be done liaising with the State Government and community groups to determine whether their identified parcels are suitable for and available for housing.

There are further opportunities that Council could explore on its own land such as:

- Mixed housing development over at ground car parks (for example, the Senior Citizens Centre Carpark in Bright) and other parcels already being utilised for other purposes.

- Consolidation of location of ageing community and sporting facilities to major open spaces (such as Myrtleford Show Ground and Pioneer Park in Bright) to free up land for affordable housing (eg Bright Community Centre).

Findings

B. **Council has identified government and community owned land with the potential for development of key worker housing or a village or affordable housing. Council has been working with Tourism North East throughout the development of the NEWMAH project. Council also engaged with a Community Housing Provider to explore opportunities.   These opportunities could be explored further.**

Opportunities

To ensure that identified solutions in this report are progressed, Council would need to commit to engaging resourcing to coordinate the various affordable and key worker housing actions. The tasks associated with this include:

1. **Continue working with Community Housing Providers such as Beyond Housing to identify where opportunities exist for the development of social housing on Council land and progress identified projects through the various stages.**

2. **Extend upon the land identification completed to date to identify locations (such as Council owned carparks and/or above existing buildings such as the Senior Citizens Centre in Bright) where air rights or surplus land around buildings may be able to be provided to enable development of affordable housing.**

3. **Liaise with the State Government and Community organisations where surplus land has been identified as potentially suitable for affordable housing. Identify state government land with existing public**

housing and work with state government to encourage redevelopment of those sites to medium density housing

4. **Investigate opportunities of consolidating ageing community assets at alternative locations to where they currently exist and where land is made available, explore the potential for development of affordable housing, particularly in locations close to activity centres.**

Idea 3: Develop a policy on leasing or disposal of land for affordable housing

As outlined in Idea 2, it is likely that Council will need to consider leasing, gifting or selling its own land to other agencies for the purposes of developing housing.

Council may come to a point where it must decide whether to sell, gift or lease available land to a housing provider or other developer. At this point, Council does not have a policy on sale, gifting or leasing land for this purpose. A policy is required to inform future decision making.

Opportunities

5. **Council should develop a policy around its approach to selling, gifting or vesting Council owned land to affordable housing providers. This policy should outline:**

   - **Approach to disposing of land vs leasing land (a 50-year lease is the maximum under the Local Government Act 2020).**

   - **Charges for sale or lease (for example, gifting, a percentage of market value, peppercorn lease etc).**

Idea 4: Consider the future use of the Bright and Myrtleford Caravan Parks

The Bright Caravan Park is currently leased to the NRMA. The lease expires on 30 June 2032. This is a substantial parcel of land is in a residential area that is in an ideal position for housing as it is close to Bright town centre and generally unencumbered by constraints. Council could also consider the future use of the Myrtleford Caravan Park.

It is good governance for Council to consider the best use of this land to meet the needs of the community at the time leases expire. If the use of the land is to change, given the longevity of the lease with current leaseholders, providing plenty of notice if the use of the land is to change is appropriate to enable leaseholders to develop an exit strategy.

There is good lead time before the lease expiry. The time should be used time to consider and plan for the best future use of the land which is of benefit to the whole community.

Opportunities

> **6. Council could commence planning the future use of the Bright and Myrtleford Caravan Parks once the leases expire. This may be retaining them as caravan parks. Council could also consider utilising some or all of the sites for the development of affordable and key worker housing.**

8.2 Strategic and statutory planning

Council has already committed to a pipeline of strategic planning work to enable the planning scheme to be updated and support the development of other strategic work such as a Community Infrastructure Plan and Development Infrastructure Plan.

This work will take several years to complete. The Land Development Strategy is currently underway. This will be followed by the Housing Strategy and other work.

Most of the ideas listed in this section will be able to be actioned in the planned strategic work, subject to budget allocation.

Idea 5: Planning scheme policies that support key worker and affordable housing

Council could ensure the planning scheme reflects the importance of providing key worker and affordable housing and addressing wider affordable housing issues. This will signal to developers and registered housing associations that these kinds of development proposals will be welcomed and will assist Council in prioritising these projects.

There are a range of planning concessions that some Councils provide for key worker and affordable housing proposals, including:

- Approval process advantages and cost reduction strategies
- Reduced development contributions
- Additional building height
- Reduced building setbacks
- Reduced car parking
- Reduced open space requirements

Most of these opportunities are better suited to higher density environments where there is a greater amount of development occurring and development contributions controls are in place, such as Melbourne and its suburbs.

Opportunities

7. **Include the development of planning scheme policies that support key worker and affordable housing in the scope of the Housing Strategy or Structure Planning briefs.**

Idea 6: Support medium density development in towns

Undertake a qualitative review to identify opportunities for more medium density housing in Bright and the other townships that will provide low-cost housing options for key workers. The provision of medium density housing options would assist with lower cost housing. Future structure plans of any town could identify opportunities for medium density housing, including the development controls needed to manage it.

Typically, medium density housing dwelling types include townhouses, terrace houses, semi-detached houses, duplexes and manor houses (this definition is in line with the ABS definition).

Opportunities

8. **Include the identification of medium density opportunities in residentially zoned areas in Alpine Shire in the scope of the Structure Planning or Housing Strategy briefs.**

Idea 7: Seek affordable housing contributions from developments and rezonings

Current State Government legislation provides for Local government to seek contributions for affordable housing on a voluntary basis. Council could develop an affordable housing policy document and planning scheme amendment to set out the basis for seeking such amendments for new developments.

Where a planning scheme amendment is prepared for new planning controls on a site and an agreement is reached that the rezoning is contingent on providing an affordable housing contribution, a Special Use Zone schedule or Development Plan Overlay schedule can refer to this as a requirement.

Any proposed policy needs to define the anticipated need for affordable housing and the types of considerations that Council will consider in determining what might be an acceptable contribution. As set out in Table 3, there is a range of tenure models that could be considered.

It is important to ensure there is a clear set of Design Guidelines as an outcome to each of the below incentives to ensure aesthetic impact to community and neighbours have all been considered in design. This may also include sustainable design outcomes to reduce operating/living costs.

Opportunities

9. **Identify potential rezoning sites that could make an affordable housing contribution through the Land Development Strategy and ensure that appropriate planning controls are developed to collect the contribution.**

Idea 8: Ensure an adequate ongoing land supply for residential development

Clause 11.02-1S of the Planning Policy Framework requires Councils to plan for at least a 15-year ongoing supply of residential land within their municipalities. Ensuring that structure planning and planning scheme amendments for rezonings occur in a timely manner is essential to provide an efficient housing market.

It is equally important that the land supply is in areas of demand and in sections that are sizeable development opportunities (either larger development sites or a pipeline of development projects) that warrants a developer making a sizable capital investment in development in the region – for example, an active pipeline of 80 dwellings per year for 3–5 years. Prioritise the rezoning of land identified for residential expansion.

Council is currently preparing the Land Development Strategy. This significant project will identify the quantum of residential, commercial and industrial land required in the Alpine Shire and where it is best located.

As outlined in chapter 4.1 the population in Alpine Shire is growing quicker than projected and expected. There are also significant environmental constraints on land related to bushfire, flooding and servicing constraints in some areas.

The Land Development Strategy is expected to identify land that can be rezoned to allow residential development, and how many people could be accommodated in each parcel.

Once the Land Development Strategy is finalised, Council may need to prepare a planning scheme amendment to implement the findings, including potential rezoning of land.

Findings

C. **Council is preparing a Land Development Strategy that will identify the quantum of residential land that should be released to meet the forecast population growth and where it should be located. Once this strategy is completed, a planning scheme amendment may be required to implement the findings.**

Idea 9: Support sustainable subdivisions

One of the ways to provide a supply of affordable housing to the private sector is to reduce the size of some lots in residential subdivisions.

This requires approving subdivisions with a mix of lot sizes and supporting a good supply of smaller lots closer to the town centres of Bright, Myrtleford and Mount Beauty.

In turn this allows people to be less reliant on cars for day-to-day trips which adds to housing affordability.

Development of a Housing Strategy provides an opportunity to address preferred residential lot sizes to apply to new subdivisions. Requiring a mix of lot sizes in new subdivisions, including small lots to support development of medium density housing (for Alpine that might be 400 square metres) may result in relatively lower priced parcels of land becoming available when land is released.

Opportunities

10. **Include identifying preferred lot sizes for subdivisions within walking distance of Bright, Myrtleford and Mount Beauty to encourage a greater diversity of lot sizes in the scope of the Housing Strategy brief.**

Idea 10:   Work with landowners to encourage development of residential precincts

In some locations, land is not being developed. There is no compelling reason to develop or sell. Other landowners are hesitant to sell their land knowing it will be developed for housing. Landowners are likely to have expectations of the price they will receive for the land – in some cases to fund retirement – and if this is not offered, they may choose to hold on to the land with the expectation that prices will rise into the future.

This is different to metropolitan areas where the rate of development and scale of demand is greater so land is less likely to be held back from the market.

There are several landholdings in Alpine Shire that are suitable for or zoned for residential development that haven't been released to the market or developed. Council planning officers already work with these landowners to encourage them to either develop or release the land.

Findings

D. **Council planning officers currently work with landowners with large holdings of residentially zoned land so as to encourage development of the land. This should continue.**

8.3   Managing the amount of short-term or vacant accommodation

Idea 11:   A "call to action"

Council received funding from Regional Development Victoria for the "Key Worker Housing Pilot Program". This program was to encourage property owners of holiday homes, under-utilised or vacant properties to release properties onto the rental market for key workers.

Council prepared communication and marketing collateral that was distributed to all ratepayers informing them of the key worker accommodation crisis currently being experienced and asking rate payers to consider placing their short term let, under utilised or vacant properties onto the long term let market for the purposes of housing key workers.

As well as seeking housing, this letter had the effect of improving community understanding of the issue, and how community could assist to resolve the problem.

To date conversations with real estate agents has indicated the conversion rate from short term rentals to permanent rentals has been low. The collateral has assisted with communicating the issue and implications of the housing crisis in the region.

Findings

E. **Council developed a 'call to action' to ratepayers in late 2021 to ask them to consider converting short term and vacant properties to permanent rentals. Whilst the conversion rate was low, the campaign had the positive effect of making the community more aware of the housing accessibility and affordability problems being experienced in the Shire and the impact it was having on businesses and the delivery of services.**

Idea 12: Limit the duration that dwellings can be used as short-term accommodation

Discussions with key stakeholders have identified the impact of short-term holiday rentals on housing availability for key workers. Many long-term rentals have been converted to short term holiday rentals.

It is feasible for owners to earn significantly more by renting their dwellings for just a few weeks at peak times than they may otherwise earn via a permanent rental arrangement.

Section 173 agreements may help in restricting the amount of new accommodation that can be used for short-term accommodation in new estates. An example of where a Section 173 agreement has been used is in the recent developments of Everlasting Place and Alexandra Court in Bright.

This works for new development, although it can be very problematic if future purchasers are not aware of the restriction and is also extremely difficult to enforce.

This approach cannot control existing housing that is utilised for short-term holiday accommodation.

The approach that has been taken in other jurisdictions (see the NSW and Tasmania case studies) demonstrate that this issue has been addressed at a state-wide level through requirements for some short-term accommodation to obtain planning permits. This is an opportunity where Council could undertake advocacy.

Findings

F. **Council engaged resources to prepare an "Issues and Options" paper to clarify options available to Council to regulate short stay accommodation via Section 173 Agreements.**

G. **The advice received will be considered by Council officers when applications are made for development.**

Opportunities

11. **Council officers should consider the advice received and application of a Section 173 agreement when development applications are received.**

Idea 13: Investigate a local law to manage short term accommodation

Council engaged resources to explore development of a local law to assist with managing the quantum of short-term accommodation. The development of a Local Law would seek to address the number of short-term houses by potentially limiting the number of nights per year the house can be rented out. This may result in some accommodation currently used as short-term holiday rentals moving over to permanent rentals.

Findings

H. **The report provided to Council has identified that the powers that Council have to manage short-term are limited, however, the powers of state government are much greater. Recommendation is that Council play an advocacy role with state government to effectively intervene.**

Opportunities

12. **Council should advocate to the State Government to explore and introduce controls to manage the use of dwellings for short-term accommodation through a permitting system (eg the News South Wales state government system).**

Idea 14: Use the Alpine Resorts for 'green' season accommodation for valley workers

Council has finalised a study to look at accommodating key workers from the Ovens and Kiewa valleys in available accommodation on the Hotham or Falls Creek resorts during the 'green' season (spring, summer and autumn) by offering a transportation link between the place of employment and accommodation.

The study assessed the appetite of valley employees to be housed on mountain, measured the level of commitment from accommodation operators to operate out of the traditional winter season, working with transport providers on what options are available, the costs and engaging with valley employers to understand their business needs.

Findings

    I. **The study demonstrated that this was not a viable option from a social and financial perspective.**

Idea 15:   Workforce management and affordable housing for key workers

While preparing the case studies for this report, several stakeholders identified that opportunities may exist to deliver alternative forms of housing. In particular, the type of housing product is expected to meet the housing needs of key workers who are residing in the area for an extended period (but not permanently), such as those involved in construction projects, industrial maintenance, tourism or agricultural activities. Individually, the industries are not able to support the provision of housing for their temporary workers.

Tourism North East has recently completed the NEWMAH project, including a business case for the development of a Key Worker Housing Village. Funding, engagement of a developer and provision of land is required for this project to progress further. Council needs to progress the development of a policy that articulates how it would deal with the provision of land, including engagement with the community before any development could progress.

The concept is to develop a range of accommodation suitable to a range of Key Workers. Development of such a village would require coordination across industry groups to assure occupancy of properties for most of the year. For example, those involved in industrial maintenance could have accommodation scheduled in around accommodation requirements of tourism and agriculture workers. The built form would need to be cost-effective to deliver and need to be located within towns, close to services etc.

The co-ordination of the occupancy in a continuous cyclical manner will provide confidence that there is sufficient need and occupancy to attract investors. The land for such developments will need to be within a reasonable commute of the required industries. This could be land that is on Council land either under a long term lease arrangement or by sale.

Findings

    J. **The Tourism North East project is complete. Council has received all reports from the project. To progress the project further, significant investment is required to enable the development and includes the provision of land at no cost.**

Idea 16: Facilitate temporary housing for seasonal key workers

Council can consider where it could provide designated land for temporary housing for seasonal workers. The securing of designated land with infrastructure would allow for co-contribution by industry on housing types.

This could lead to investment in relocatable dwellings that could be used throughout the year for seasonal agricultural and tourism workers. If these are partially or fully off grid, they can potentially be moved around as temporary villages where the various workforces are located (e.g., Myrtleford for harvest, and locations at other times of the year for agricultural workers).

Council and/or State Government could potentially provide vacant land they may have available or help identify locations where the dwellings could be located (including future development sites or sites only used part time such as the show grounds). Council could also assist with any planning approvals needed if it is determined that these temporary villages require permits. Private landowners could also be encouraged to provide relocatable dwellings on their properties (e.g., single units in back yards) to increase the availability of such accommodation.

Ideas that are already being pursued by Council are:

- Identifying on-farm accommodation that could be used for key workers when not in use
- Working with caravan park owners to identify any temporary key worker housing (eg cabins) that could be made available outside of peak season

Findings

K. **Council is investigating options for use of parts of Council caravan parks for seasonal worker accommodation.**

Opportunities

13. **Council could facilitate the provision of temporary accommodation for key workers on suitable sites (such as Council caravan parks).**

8.4 Advocacy to government

Idea 17: Develop an advocacy group with other Councils in North East Victoria

The situation of a shortage of affordable and appropriate housing for key workers is an issue felt across most parts of regional and rural Victoria. In other regions, Councils have formed coalitions to advocate for funding and change.

Councils in the region are already connected through groups like the Ovens Murray Partnership and through the project currently being delivered by Tourism North East.

There is an opportunity to work through these groups, or form a new group to advocate collectively for affordable housing that meets the needs of the region. This could include attracting social housing and key worker housing as well as improving infrastructure and land use planning practice to make the release of land more efficient and less costly.

If Council were to take the lead on this, it would need to establish the purpose, goals and resources required for this group.

Opportunities

14. **Council should work with regional partners to establish an affordable housing specific advocacy program.**

Idea 18:   Advocate for a regional settlement and infrastructure plan

While providing *affordable and appropriate* housing is a complex issue, ensuring there is sufficient serviced land for residential development is a foundational issue. The lack of enabling infrastructure such as power, sewage and water can be cost prohibitive or simply not possible within the constraints of the respective networks, or within the timeframes required.

It can be prohibitively expensive to service housing lots with water or sewerage infrastructure; there is a mismatch between the planned infrastructure delivery and the current population growth rates and the prescribed cost/revenue structure of the water authorities limits their ability to bring forward or expand their capital expenditure to meet this demand. The timelines associated with significant infrastructure projects is itself a challenge in meeting unanticipated demand.

A comprehensive regional settlement and infrastructure plan for North East Victoria would assist in dealing with this problem and ensure that land can and is serviced before it is available for residential development. This would save substantial resources in the form of holding costs for developers and coordination costs to government and agencies, and have the effect of reducing the cost of delivering housing.

This sort of process would mean that a development contribution towards provision of affordable housing or servicing of affordable housing could be considered at a regional level.

Opportunities

15.   **Council could advocate to other councils in the North East, statutory service agencies and State Government to collaborate and develop a detailed regional settlement and infrastructure plan.**

Idea 19: Advocate for more resources for rural and regional strategic planning

The availability of land in a timely and expedient manner for residential development in rural towns is important, including for affordable and key worker housing. The time and resources needed to carry out strategies and rezone land is extensive.

There are inadequate resources across the North East Region for strategic planning both at a Council and State level. Planning scheme amendments take a lot of time and need to be supported by costly strategic work.

There are a lot of checks and balances in place, but not much actual practical support to fund and resource good strategic work to support sustainable growth in Alpine Shire.

Opportunities

16.   Council should continue to engage with the State Government to provide feedback about the difficulties with resourcing strategic planning and articulate the delays to planning processes to release and develop land for housing, and what financial support and expertise is needed to overcome this.

Idea 20: Advocate to State and Federal Government for a build to rent program

The broader property industry and its representative industry bodies have been advocating for a national Build to Rent program for affordable housing to house key workers. Making this model attractive to investors requires contributions or subsidy from Federal or State Government. (This was the former National Rental Affordability Scheme).

Studies have shown the need for the development of quality, appropriate and affordable housing for key workers, but in almost all areas there is a need for a subsidy to make the housing affordable to rent by key workers, on the basis that they are paying no more than 30% of their oncome on housing costs. Councils could participate in this advocacy campaign with an emphasis on achieving outcomes within the Alpine Shire. The low number of dwellings for rent emphasises the need for rental housing within the Alpine Shire. A national scheme would also ensure appropriate governance arrangements on eligibility and rental costs.

Opportunities

17.   Council could advocate to State and Federal Government for a build to rent program to increase the supply of affordable and key worker housing.

Idea 21: Advocate for visa holders to purchase dwellings without financial penalty

Key business stakeholders identified a problem with visa holders being deterred from purchasing dwellings because of additional government charges that made the purchase financially unviable. These visa holders working in the region are renting housing

because if they purchase dwellings there is a significant financial penalty added to the purchase price. Allowing visa holders in regional areas to purchase dwellings, as owner occupiers only, without the additional financial implications imposed would free up more rental housing within the regions.

Opportunities

18.   Council could advocate to government to address current financial penalties applied to visa holders purchasing property to live in while working in rural areas.

8.5   Education of developers and community

Idea 22:   Prepare guidance material and engage with developers

Council could leverage off work undertaken by other Councils in preparing guidance material on specific key worker typologies and affordable housing projects. Council could engage with local developers to encourage proposals for key worker and affordable housing and assist developers in the preparation of any necessary approval application documentation.

Council could actively engage with developers who work within Alpine Shire and region to ensure that Council Officers understand commercial matters and literacy.

Opportunities

19.   Council should invest in and prepare a range of guidance materials for developers and run information sessions to encourage the development of alternative and affordable forms of housing.

Idea 23:   Educate the community on the need for key worker and affordable housing

Explaining the importance and challenges of providing key worker and affordable housing to the community will assist when there are future development proposals for key worker housing, especially if that housing takes a different form to current housing typologies. It is critical to personalise the message to remove the current stigmas involved.

Informed developers and local communities are more willing to accept different key worker housing solutions and affordable housing if they understand the need for it and have any concerns allayed regarding what types of tenants may live in the dwellings. Increasing community awareness of and support for affordable housing could potentially also help to create greater pressure on developers to commit to voluntary affordable housing provision.

This action could include the release of publications and articles and the use of public relations opportunities to promote key worker and affordable housing in a positive

manner to residents in the region. For example, including articles on key workers who have struggled to find appropriate and affordable housing or businesses facing staff shortages because they cannot attract workers due to the lack of appropriate and affordable housing.

In some municipalities where there has been community resistance to change, this has formed part of a wider education campaign on the importance of providing diverse housing typologies and price points that include medium density housing options.

Council has already completed community education work through a communication campaign delivered in 2021 as part of the "Key Worker Housing Pilot" project. Community feedback indicates that there is a high level of understanding of the housing affordability issues in Alpine Shire.

In relation to social housing, most will be built under the Big Housing Build planning provisions at Clause 52.30 Housing on or on behalf of the Director of Housing, and so there is a low risk of social housing projects being prevented because of community protest.

However, it will be important for Council to deal with social housing developments on a case-by-case basis to ensure local communities are informed and engaged with what is planned for their local area.

Findings

    L. **Council has completed work to inform and educate the community about the issues associated with the lack of affordable housing and key worker housing and has effectively raised community awareness of the complexities.**

Opportunities

20. **Council should continue to engage with community including throughout delivery of any housing.**

ADDENDUM

Analysis and research

Prepared by:

URBANXCHANGE

1. Background

Alpine Shire is located in North East Victoria in the Hume region. Townships and villages throughout the Alpine Shire have seen significant population growth in recent years that is not yet reflected in official government data. This was interrupted by the COVID-19 pandemic, but early indications post COVID are the tourism economy is continuing to flourish. A growing tourism economy (increase in properties available for short-term rental) coupled with growth in the number of people moving to the Alpine Shire (because of the COVID-19 pandemic) has created a housing availability and affordability issue across communities in the Alpine Shire.

The Alpine Shire covers an area of 4,788 square kilometres and in June 2018 had a population of 12,730. It includes the towns of Bright, Dinner Plain, Mount Beauty and Myrtleford. There are two unincorporated areas within the Alpine Shire: the Alpine Resorts of Mount Hotham and Falls Creek.

Bright is the centre of commerce for the Alpine Shire and would be considered a moderate growth centre. [20]

The key industries in the Alpine Shire are based on agriculture production and processing, tourism and construction.

The Alpine Shire has, prior to COVID-19, experienced low population growth with an identified ageing population. COVID-19 has seen growth in the population. There is a need to support investment in higher quality large dwellings that can house multiple occupants and medium density dwellings and housing for key workers and temporary workers.

The recent Economic Development Strategy for the Alpine Shire identified the availability and affordability of housing as a key requirement to assist in the economic growth of the area.

The demographics for Alpine Shire highlight:

- Between 2012-19, the Alpine Shire experienced relatively low rates of population growth, increasing by +631 residents (or 0.7% p.a.). The growth was uneven, with some centres having higher growth and others declining

- The age profile is of an ageing community with the median age at 49 and almost a quarter of the population over 65

- The housing stock is low density

- Occupancy rates of 75%

- Low unemployment rates at 2.6% (Mar 2020)

- Only 1.4% of housing is social housing

The projections for the Alpine Shire indicate:

- Future population growth is projected to be low, increasing to 13,510 by 2036, representing growth of +707 residents (0.3% p.a.)

- The population is expected to continue to age over time, with the number of residents aged 65 years and over forecast to increase by +753 residents (+25%) between 2016- 36

- Private dwellings are projected to increase by +815 (0.5% p.a.) between 2016-36

- Demand for low density housing is high

- Housing sales average 188 p.a

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[20] Moderate Growth centres are regional towns that have key services such as health and education and are experiencing population growth

The key issues are:

- The region has experienced minimal growth in housing stock
- There is a high proportion of unoccupied and underutilised dwellings that are now short term rentals, particularly in tourism destinations (approximately 25% of the housing across the municipality is used for short term rentals)
- There has been a 12% or 3,000 bed increase to short term accommodation availability from 2017 to 2021/21
- There is a strong correlation between high house prices and holiday homes across the region
- The decrease in the number of available rental properties means key workers are less likely to access suitable rental properties within the region
- The increase in median rent indicates a lack of supply of rental properties across the region
- A portion of each LGA's workforce is travelling large distances for employment
- The cost of developing land and buildings in some locations is such that it does not allow for commercial returns
- There is minimal housing options available for the seasonal workforce associated with the key agriculture of the municipality

It is noted that the population growth is based upon pre-pandemic data from Victorian Futures. It is recognised that Regional Victoria has experienced considerable population growth in the past 24 months, which is at odds with the Victorian Futures data.

The key workers and housing needs identified for Alpine Shire are outlined below:

- Agriculture and production/manufacturing
- Retail
- Accommodation and food services
- Healthcare and social assistance
- Education
- Tourism workers

The Alpine Shire is made up of a number of small towns and settlements including the three largest townships of:

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[21] Fusion Research

- Bright

- Myrtleford

- Mount Beauty and Tawonga South (these separate towns are located adjacent to each other and function as one settlement)
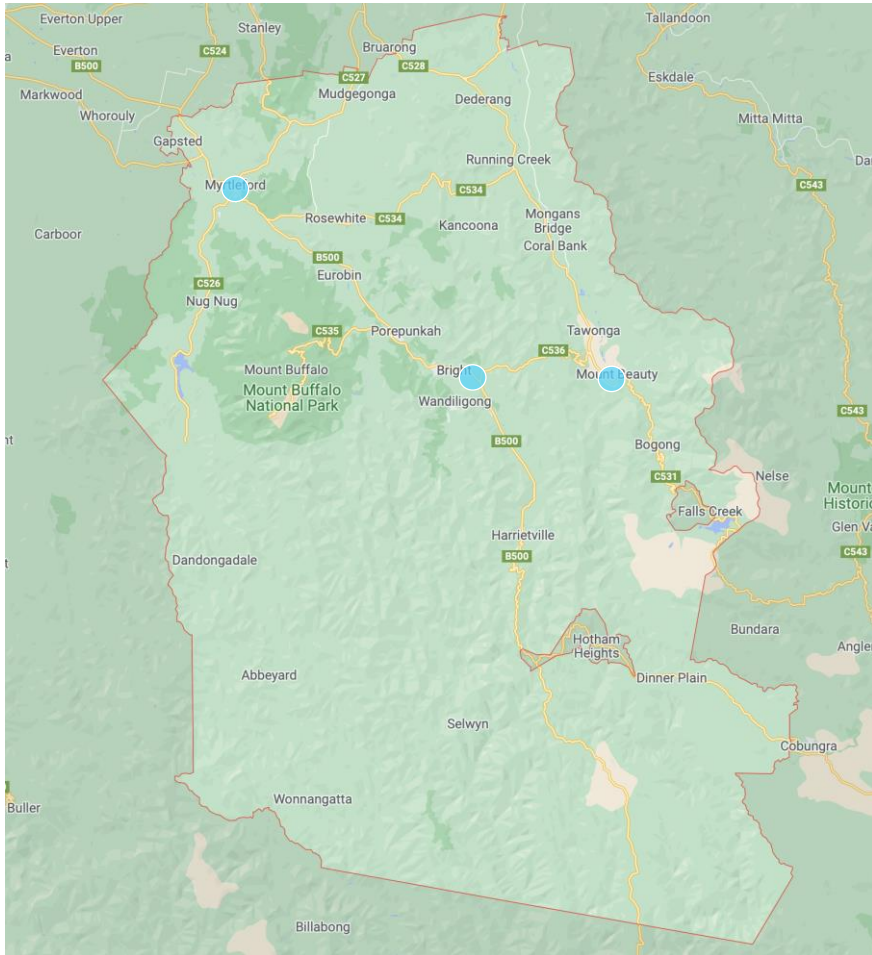
2. Definitions and strategic context

The role of housing in the growth and function of productivity and its impact on labour markets, congestion, human capital development and business agglomeration are not well understood nor adequately provisioned for in public policy.[22]

The ageing of the Australian population has concealed a greater fall in home-ownership rates during the past 20 years for all but the oldest households. Younger Australians have always had lower incomes and less accumulated savings, hence lower home-ownership rates. But between 1981 and 2016, home ownership rates among 25–34-year-olds fell from more than 60%to 45%%. Key workers have been identified as a group that has previously entered home ownership, but are no longer able to do so.

Key worker housing is identified by many government jurisdictions in Europe as essential to a functioning and civil society. While Victoria does not have a definition of key worker, this report adopts the definition used in the United Kingdom of a key worker as follows:

> **An employee who provides a vital service, especially in the essential services, health, or education sectors.[23]**

In the study area, this includes:

- Providers of services to residents – e.g., teachers, doctors, nurses, health care workers, pharmacists, Council staff

- Providers of services to visitors/tourists – e.g., hospitality, retail, workers at tourist attractions

- Workers in key local industries – e.g., agriculture and associated industries, and construction.

The inclusion of workers in the visitor/tourism and local industries sector is appropriate because in regional areas these workers are essential to the economic activities of the region.

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

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

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[22] AHURI, McLennan, Ong, Wood 2015

[23] Town and Country Act 1990, Section 106

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

- Public Housing

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

- Community Housing

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

- Social Housing

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

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

 (1) For the purposes of this Act, affordable housing is housing, including social housing, that is appropriate for the housing needs of any of the following—
 (a) very low income households;
 (b) low income households;
 (c) moderate income households.
 (2) For the purposes of determining what is appropriate for the housing needs of very low income households, low income households and moderate income households, regard must be had to the matters specified by the Minister by notice published in the Government Gazette.

Urbanxchange recommends that Council may want to expand the definition of affordable housing to define market and non-market housing and its application to key workers. We would suggest the following position:

Housing that is owned or rented that is
- occupied by households in the lower 120 % of the income distribution scale and/or an identified key worker in the region providing housing choices, which are of appropriate size, liveable, affordable to occupy, accessible, secure in tenure and located in good proximity to employment services and critical infrastructure such as transport

The housing can be:
- Private home ownership where the purchaser's mortgage costs do not exceed 35 % of the gross household income of the occupant

- Rental housing that is owned and managed by private individuals or corporations and where rent does not exceed 30 % of the income of the gross household occupant
- Rental housing that is owned and managed by the state housing authority
- Rental housing that is owned or managed by a not for profit housing organisation.

3. Alpine Shire community

While demographic data provides a quantitative review of the affordable housing situation, discussions with local businesses, housing associations and service providers allows for further insights into whether there is a housing shortage, where this shortage might be and how it effects either businesses, the provision of services or the overall general well-being of the community.

On this basis, discussions were undertaken with local businesses, service providers and housing associations; an overview of these discussions is outlined below.

Urbanxchange engaged in a conversation about the housing needs of key workers within the respective business. To allow the participants to speak freely, each of the participants was assured of confidentiality and the non-attribution of comments. This included no naming of individuals or businesses in the reports.

3.1 Engagement with Alpine Shire businesses

Urbanxchange engaged with 7 business representatives, ranging from service provision, education, agriculture and tourism sectors. Participants were provided with a brief overview of the work being undertaken and then asked to outline their business and how housing issues in the region had affected their workers.

The conversations took the following structure:

- The area that the project covered

- An outline of how the project arose

- An overview of the work Urbanxchange was undertaking

- Discussion of the needs that have arisen for staff in trying to achieve housing, experiences of staff in the housing market and any potential loss of staff because of housing

- A note that the outcomes will be delivered to Council at the end of February 2022 and that any follow-up by the business on the outcomes of the project could be done through Council.

The main themes of the feedback were:

- Quality of housing available

- Quantum of housing

- Housing options in terms of size and amenity

- Slowness and detailed process in dealing with approvals for development

- Lack of imagination or drive to solve the problem

The quality of housing was a significant discussion. The matters that arose were the same for both rental and purchase.

1. Rental

The message was consistent across all participants that the quality of the long term rental stock was okay, but could be improved. The issues that were consistently identified were as follows:

- Thermal qualities

- Multiple participants noted that attention and timing of repairs by landlords was slow and difficult. This was primarily because of challenges in accessing trades

- The majority of stock available for rent was 3-bedroom houses on traditional size lots and there was little variety in stock available

2. Purchase

The existing dwellings (as opposed to new builds) for purchase were limited and expensive.

Securing tradesmen to complete renovations was highlighted as a significant constraint for both rental and purchase. There is a shortage of tradesmen in most of regional Victoria. The tradesmen were also often travelling between towns to meet demand, which slowed the pace of both new build and renovations because of lost time in travel.

Housing hindering employment - Lack of affordable housing is a significant factor for many groups including seasonal workers and new workers to the area.

Professionals – Many employers who were seeking to draw new professionals to the region noted that the quality and quantity of the rental and for-purchase housing was a significant deterrent for applicants.

The quantum of housing is a significant factor – to the extent that for many professionals working in the area, a mortgage was cheaper than rent because of the high demand for limited rental stock.

However, purchase is not possible for those people who were on visas – some visas prohibit purchase and other visa categories require a significant contribution via a tax as a foreigner. Anecdotally, many visa holders would be prepared to purchase if these hurdles were removed. It is noted that this is a Federal Government jurisdiction matter.

Employers noted that professionals who they were seeking to attract were younger people who had spent time in capital cities and had expectations about the type of housing that would be suitable. Many discussed the potential for alternate housing types

such as town houses, quality large apartments and refurbished shop tops. It was also noted that many of these young professionals wanted to live within a short walk, if not actually in, the centre of the towns in which they were relocating to.

Employers noted that Council could help facilitate the alternate housing types. They also noted that the Council may receive backlash from existing residents but action is required to help attract professionals to towns that had considerable ageing problems.

Seasonal workers – this is a broad category and includes those who work in tourism, hospitality and agriculture, and also maintenance crews who move across manufacturing businesses undertaking both responsive and programmed maintenance to plant and equipment.

Without exception, each of the businesses represented noted that the lack of appropriate housing in towns was a fundamental problem. It would appear from discussions that many operators were prepared to be agile in timing for works around tourism and the seasonal harvest to ensure they could access appropriate accommodation in key towns. Industries could have planned maintenance shutdowns in the offpeak tourism season.

Nearly all employers noted that the accommodation should be in towns with services and that transport to the employment/job location could be managed – that is, the accommodation should not be on the job site (primarily this was about issues relating to socialising/alcohol consumption/driving). Ideally, small accommodation such as single bedrooms with shared facilities or tiny homes were what was nominated, with small communal areas. Council has a role to facilitate a coordinated schedule of workers. Council could also work with industry to seek an investor for tiny homes on a model that is similar to Student Housing.

The problem is significant and well known with many seasonal maintenance and agriculture worker business nominating that the employer must source suitable housing. This places additional strains on businesses.

New permanent workers – it was noted by multiple employers that rental housing was not available for new workers. Many of the employers had resorted to renting properties through AirBnB or having direct relationships with real estate agents where the offer was to pay slightly above market to secure housing.

Another matter that has arisen from the lack of rental housing is the displacement of some of the very low and low income workers out of housing with landlords knowing that they can achieve higher rents from the professional market. Several businesses reported that labouring and lower paid workers had been displaced on many occasions and, on the verge of homelessness, if not actually homeless. Some of the manufacturing businesses noted that their labouring employees had spent time in caravan parks because they had been displaced from rental accommodation on more than one occasion.

Providing choice - In essence, the lack of imagination in the development of housing is tied to the quality, quantum and housing options. Multiple employers noted that existing community members were afraid of losing the essence of their towns, but failed to realise that, unless the towns adapted, the towns would be lost because key workers would not want to relocate to the Alpine Shire. Many noted that Council needed to take a leading role in helping the community understand that the need for alternate housing types (in both form and tenure) as a part of keeping the communities as vibrant and great places to live.

Overwhelmingly, all the participants felt that Council needed to take a very active role in trying to solve what was seen as an increasing problem. All the participants felt, as a minimum, that Council could be semi interventionalist in the creation of housing options and outcomes.

A brief survey of rentals through real estate.com and AirBnB demonstrated that the return to an owner of a rental property using AirBnB versus a long-term rentals was between 100-200 % more.

3.2   Engagement with community housing

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

Housing Associations are not-for-profit corporations that own and/or manage community housing and are registered by Federal and/or State Housing Regulators.

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

- Own, manage and develop affordable rental housing

- Provide housing support and assistance to clients

- Are viable businesses, partnering with government and the community

- Have met registration criteria and meet ongoing regulatory compliance against performance standards.

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

To qualify to be a Housing Association or Provider in Victoria, the organisation must be a registered entity. In Victoria there are:

- 10 Housing Associations (Tier 1)

- 33 Housing Providers (Tier 2)

Housing Associations are established for growth and development.

The Housing Associations who are active in the North East catchment are:

- Aboriginal Housing Victoria

- Beyond Housing

- Community Housing Limited

- Haven Homesafe

- Women's Housing Limited (WHL).

Discussions were held with each organisation to understand:

- What the housing needs are

- What incentives, etc. do they need to add housing in Alpine Shire?

- Hidden areas of need (those who are not registered but would qualify) on the Victorian Housing Register (VHR).

The need for housing for members of the community was great and all believe that the need is not clearly captured on the VHR. Many people requiring urgent housing will be registered only to be removed once the housing is allocated and so that the actual total number on the VHR in need does not change significantly. Further, to register on the VHR you can only register in areas where there are actual dwellings. For some members of the community there are no dwellings in the area they live and so they will not register. This is problem in Alpine Shire as the community is aware that there is limited social housing available, so they do not register as requiring housing.

For Housing Associations to be able to commit to developing social housing in any municipality there will be an element of funding required. This applies to Alpine Shire. Any property transaction would be dependent upon the amount of funding and the cost of development. The less the funding and the higher the development costs will have an impact on the type of tenants that could be housed at a site. For example, if there is limited funding there would be more affordable rents and fewer social rents. The current funding rounds are focused on 75 % of tenants in the new dwellings being from the high priority waiting list.

The Housing Associations noted that the VHR was not comprehensive and does not capture the full extent of need. Areas that are not captured on the VHR include women and children escaping family violence (as they only register once they have left the household). WHL noted that it had undertaken qualitative research with the partner organisations during the development of its strategy to place resources in the North East and noted a significant need for housing for women escaping family violence. WHL will further pursue properties in the North East for future rounds of social housing funding and grants.

Other areas that were not fully captured were low income workers who often do not realise that they qualify or are too embarrassed to apply. Housing Associations noted that the VHR is a representation, but the need is far greater than the supply. The need for

social housing is also growing in several groups, including those over 55 years of age who have had paying work and rented while a member of the working community but in retirement can no longer afford a private rental.

Other groups noted were low paid families and women and children from separation.

The clear feedback from all of the Housing Associations is that the VHR is not reflective of the actual need for housing. How big is the hidden demand? Some have suggested that it could be as high as 20 %.

3.3 Engagement with support services

Interviews were held with key service providers within the Alpine Shire. The clear outcome was the overwhelming requirement for affordable housing. Each agency had a slightly different take on the needs as follows:

3.3.1 Mind

Mind is one of the country's leading community-managed specialist mental health service providers with a range of residential, mobile outreach, centre-based and online services. Mind support people living with the day-to-day impacts of mental illness, as well as their families, friends and carers.

Mind provide practical and motivational support that helps people to develop the skills they need to move on, thrive and improve the quality of their lives. This includes helping people with the things that make them feel strong and healthy, such as being in control of their life, being resilient and participating in their community. Mind also work with people to address poverty, housing, education and employment. It is an approach to mental health and wellbeing that is based on a foundation of human rights and looks at the whole person in the context of their daily life.

Mind noted that there was an increasing need for appropriate and affordable housing for its client base. The rising cost of rents and not income for many of Minds clients meant that they were quite often priced out of housing. That, coupled with some of its clients having challenging behaviours, has seen many struggle for affordable and secure housing.

The problem is widespread and does include its clients in the Alpine Shire. Mind noted that clients who were in rural and regional towns surrounded by family had higher success rates with housing and health than those who were not surrounded by family and friend support networks.

Mind notes that the need for additional social housing providing those with a disability with long-term security is critical to its clients living happy and full lives.

Mind has suggested that the shortfall of housing for its clients in Alpine Shire would be in the vicinity of 10 – 15 dwellings, some of which would need to be specifically designed to meet its client needs.

3.3.2 Anglicare

Anglicare is the social services delivery of the Anglican Church. It delivers a broad range of services including but not limited to:

- Homelessness Support Service

- Housing Services

- Mental Health Services

- Community and Advocacy

- Victims Assistance

- Employment Services

- Counselling and Family relationships

- Children, Youth and Family Services.

The need for appropriate and affordable housing is great in the North East of Victoria. The increased employment in areas such as agriculture and other areas means that those employees can pay much higher rents, which is forcing those on low incomes out of housing. This is compounded by not building enough housing.

Anglicare delivers a wide range of services and it needs housing for both its clients and staff. In the past they have had staff travel long distances because they cannot find appropriate housing in the preferred employment location. Where is housing needed:

- Youth housing –safe and secure housing for young people who are leaving difficult family dynamics

- Mental health – housing that is secured for those with mental illness – quite often a person with mental health issues will not be able to secure rentals

- Family violence – a range of crisis, transitional and long-term options.

4. Demographic analysis

4.1 Australian context

Australian dwelling prices have grown much faster than incomes, particularly since the mid-1990s. Long-term, prices have risen rapidly in all cities and most regions, although

there are variations from year to year.[24] Average prices have increased from about two to three times' average disposable incomes in the 1980s and early 1990s, to about five times more recently[25]. Median prices have increased from around four times' median incomes in the early 1990s to more than seven times today (and more than eight times in Sydney)[26].

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

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

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

But the ageing of the Australian population has concealed a greater fall in home-ownership rates during the past 20 years for all but the oldest households. Younger Australians have always had lower incomes and less accumulated savings, hence lower home-ownership rates. But between 1981 and 2016, home ownership rates among 25–34-year-olds fell from more than 60 % to 45 % (see Figure 1). Only some of this is the result of people starting work, forming long-term partnerships, and having children later in life. Ownership of one's own home has also fallen for middle-age households, suggesting that most of the fall in home ownership is due to higher dwelling prices rather than changing preferences for home ownership among the young.

Consequently, without intervention, home ownership rates are unlikely to bounce back over time. For 35–44-year-olds, home ownership has fallen fast – from 74 % in 1991 to around 62 % today – and home ownership is also declining for 45-54 year olds. These

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[24] Stapledon (2012).

[25] C. Kent (2013); Ellis (2017a); and Fox and Finlay (2012).

[26] The median dwelling price compared with median household disposable income is the best price-to-income measure, but median measures are often not as readily available as average measures: CoreLogic (2016). Other price-to-income measures are even higher due to differences in measuring incomes and prices (for example, Demographia (2017) calculates Sydney has a price-to-income ratio of 12).

trends are expected to translate into a 10-percentage point fall in home-ownership rates for over-65s by 2046.
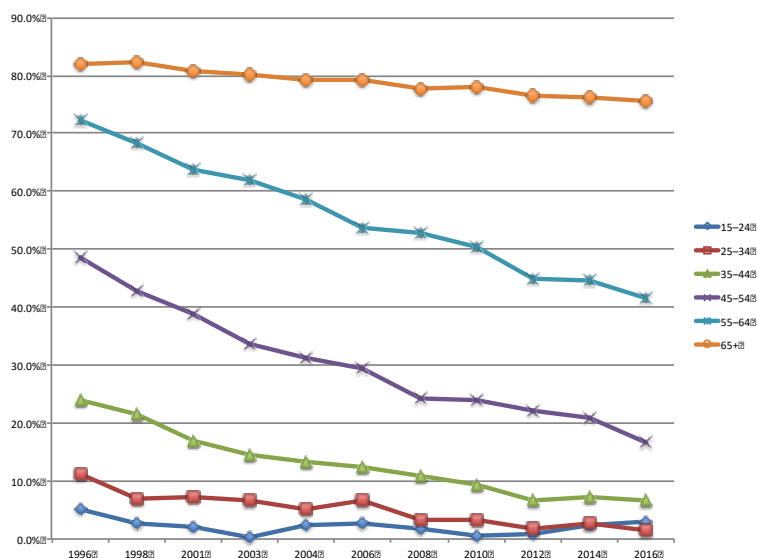
Figure 4 - Home ownership rates via age groups (%)

If this is further extrapolated to home ownership rates by age and income in 1981 and 2016 and reviewed against the quintiles as was done by Burke[27], the resultant information shows a dramatic fall in home ownership among the 25-34 age group, particularly for those at or below the median, as shown Table 4.

Table 10. Home ownership rates by age and income, 1981 and 2016 (%)

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

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

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

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

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

Table 11. Percentages of households that own their home outright, by age group

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

The Grattan Institute report *The wealth of generations*[28] showed that today's generation of young Australians are at increasing risk of being worse off than their parents. Older Australians are capturing a growing share of the nation's resources.

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

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[28] Daley et al. (2014). Daley, J., Wood, D., Weidmann, B. and Harrison, C. *The wealth of generations.* Report No. 2014-13. Grattan Institute

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

Table 12. Percentage of 20-34 year olds who are the head of their household

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

The 2016 ABS Census provides an overview of the existing community within Alpine. It is noted data was collected in 2021 for Census, but this information is yet to be released at the time of writing this report.

The scope of this report is to identify current and future demographic and economic trends that are likely to impact upon the availability of housing for key workers in the study region and identify key worker groups and implications to the economy and housing.

4.2 Overview of population and housing issues in the Alpine Shire Council

Analysis of the five-year age groups of Alpine Shire in 2016 compared with Regional Victoria shows that there was a higher proportion of people aged 40 years and above and a lower percentage in the younger age groups (under 15, with the distribution as shown below.

Table 13. Population of Alpine/Regional Victoria via age categories (2016)

Five year age groups (years)	Number	%	Regional VIC %
0 to 4	519	4.2%	5.8
5 to 9	714	5.8%	6.3
10 to 14	713	5.8%	6.1
15 to 19	665	5.4%	6.1
20 to 24	427	3.5%	5.5
25 to 29	452	3.7%	5.4
30 to 34	485	3.9%	5.5

35 to 39	565	4.6%	5.4
40 to 44	810	6.6%	6.1
45 to 49	844	6.8%	6.6
50 to 54	968	7.8%	6.8
55 to 59	1,083	8.8%	7.1
60 to 64	1,059	8.6%	6.9
65 to 69	975	7.9%	6.6
70 to 74	745	6.0%	4.9
75 to 79	533	4.3%	3.6
80 to 84	382	3.1%	2.6
85 and over	386	3.1%	2.7
Total population	12,337	100	100

An analysis of the jobs held by the resident population of Alpine Shire in 2016 shows the three most popular occupations were:

- Managers (984 people or 17.9%)

- Technicians and Trades Workers (865 people or 15.8%)

- Professionals (801 people or 14.6%).

In combination, these three occupations accounted for 2,650 people in total or 48.3% of the employed resident population. The 2016 Census data shows that 55% of all workers in Alpine Shire would be classified as key workers.

In comparison, Regional Victoria employed 17.4% in Professionals; 14.8% in Technicians and Trades Workers; and 14.6% in Managers.

The major differences between the jobs held by the population of Alpine Shire and Regional Victoria were:

- A *larger* percentage of persons employed as Technicians and Trades Workers (15.8% compared with 14.8%)

- A *smaller* percentage of persons employed as Sales Workers 9.2% compared with 9.7%)

Analysis of **individual** income levels in Alpine Shire in 2016 compared with Regional Victoria shows that there was a lower proportion of people earning a high income (those earning $1,750 per week or more) and a higher proportion of low income people (those earning less than $500 per week). Overall, 5.8% of the population earned a high income, and 45.6% earned a low income, compared with 6.9% and 40.2% respectively for Regional Victoria.

The **individual** income in age categories is shown below. The income distribution across age groups highlights the needs for affordable housing on the basis of the associated purchasing/renting capacity or ability to access other forms of entry to affordable housing as may be available.
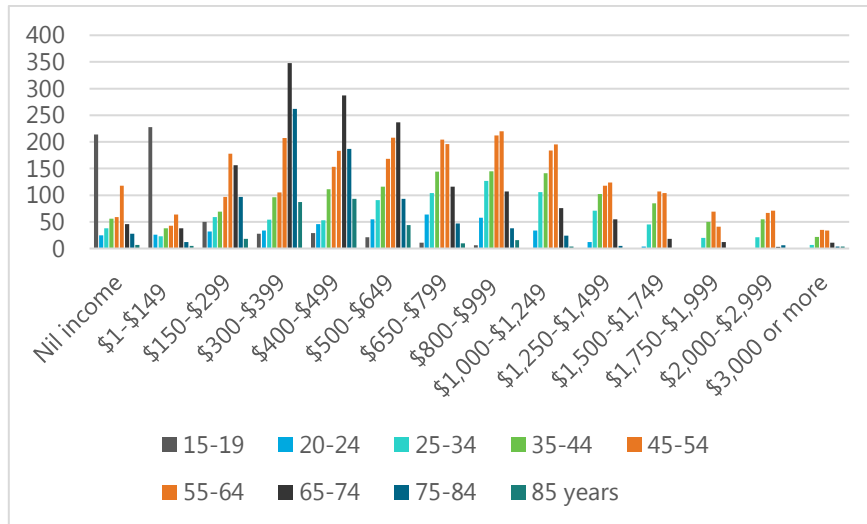
Figure 5. Income per week per age Alpine Shire (2016)

Analysis of **household** income levels in Alpine Shire in 2016 compared with Regional Victoria shows that there was a lower proportion of high income households (those earning $2,500 per week or more) and a higher proportion of low income households (those earning less than $650 per week).

Overall, 9.8% of the **households** earned a high income and 25.2% were low income households, compared with 12.5% and 22.9% respectively for Regional Victoria.

The income distribution is shown below and then across household groups. This is relevant when considering those eligible for affordable housing.
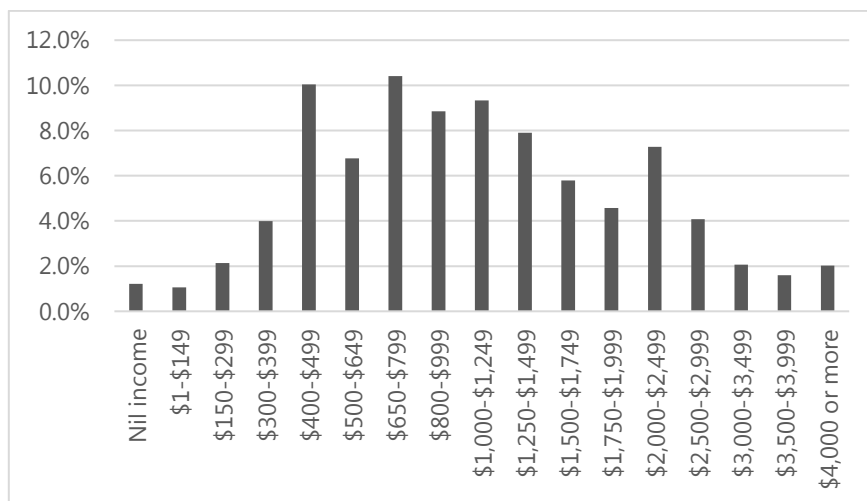
Figure 6 - Income per week per household types in Alpine Shire (2016)
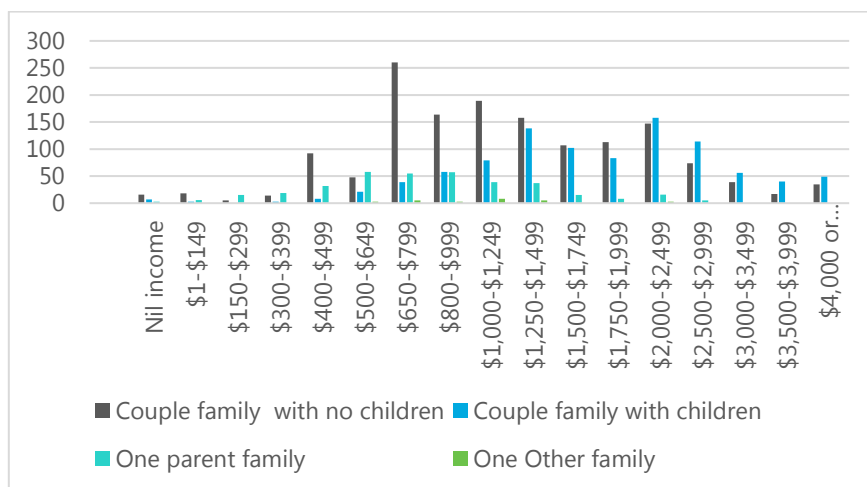
Figure 7. Income distribution across family types in Alpine Shire (2016)

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

Table 14. Housing tenure in Alpine Shire compared with Regional Victoria (2016)

Tenure	Alpine %	Regional Victoria %
Owned	44.5	35.7
Mortgage	29.7	31.2
Rent	21.7	23.9

It is noted that social housing represents only 1.4% of the housing stock in Alpine Shire. The household sizes in the Alpine Shire are shown below as percentages of the total households:

Table 15. Household sizes in Alpine Shire compared with Regional Victoria (2016)

Number of persons usually resident	Alpine %	Regional Victoria %
1 person	30.9	29
2 persons	40.1	36.2
3 persons	11.4	13.6
4 persons	10.8	12.9
5 persons	5.1	5.9
6 or more persons	1.6	2.4

Table 16. Household compositions in Alpine Shire compared with Regional Victoria (2016)

Households by type	%	Regional Victoria %
Couples with children	35.1	25.3
Couples without children	50.7	27.1
One parent families	13	10.1

It is also noted that the household size per dwelling has fallen over the period from the 2011 to 2016 Census data. This means that there has been growth in the number of people, however, each dwelling has fewer people, increasing demand for new dwellings.

4.3 Overview of towns

Analysis of the five year age groups of across the towns of Alpine Shire in 2016 shows:

- Bright was the most evenly distributed in age groups, but does have an ageing community

- Dinner Plain was a place of young families with larger number of those aged under 19 and between 40 and 50 years of age

- Mount Beauty was a place of young families with larger number of those aged under 19 and between 30 and 45 years of age

- Myrtleford was an ageing community.
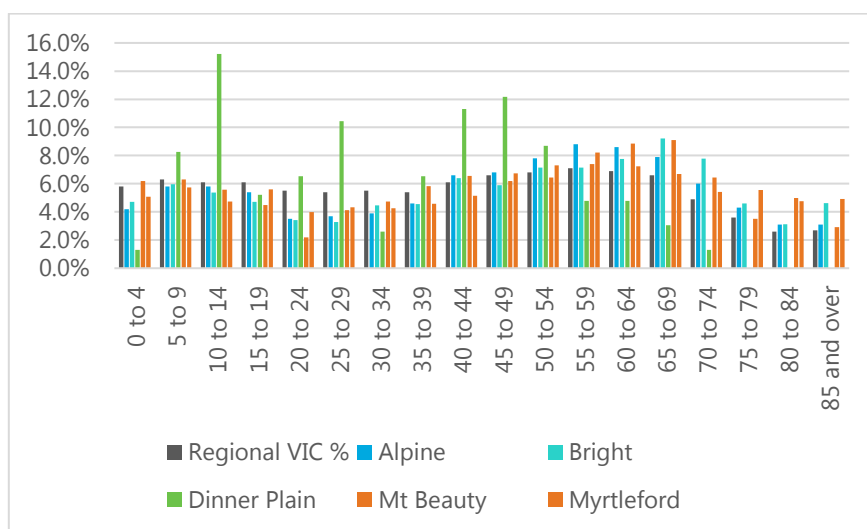
Figure 8. Five year age groups across towns

Analysis of **individual income levels** in the Alpine Shire towns compared with Regional Victoria shows that:

- Bright has a considerable amount of its individuals who are very low and low income earners

- Dinner Plain – while a very small population and workforce - has moderate to high income individuals

- Mount Beauty – is dominated by low to moderate income earners

- Myrtleford – is a blend of very low, low to moderate income earners.
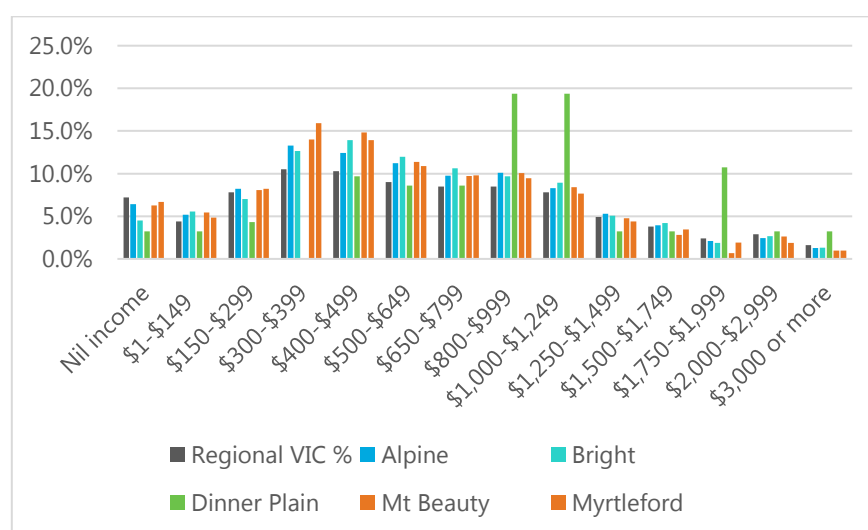
Figure 9. Individual incomes distribution across towns

Analysis of **household income levels** in the Alpine Shire towns compared with Regional Victoria shows that:

- Bright has a considerable amount of its households that are low to moderate earners

- Dinner Plain – while a very small population and workforce – has a significant number of high income households

- Mount Beauty – is dominated by households are low to moderate earners

- Myrtleford – is a blend from households are low to moderate earners

It is also noted that the Census is undertaken in August when Dinner Plain would be experiencing full capacity. The permanent population (who occupy year round) is small and estimated at circa 100 people.
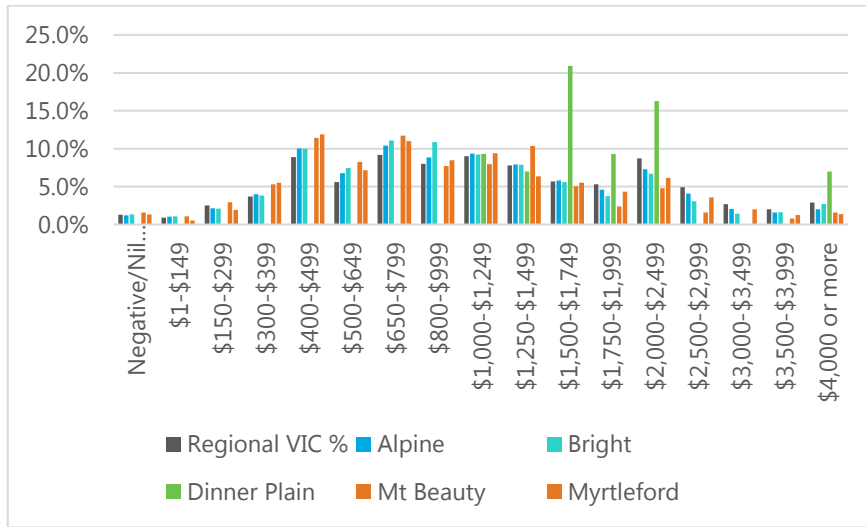
Figure 10. Household income distribution across towns

The tenure of majority owner occupied suggests that rental properties are required.

Table 17. Housing tenure (as a percentage) across towns

Tenure type	Regional Victoria	Alpine Shire	Bright	Dinner Plain	Mount Beauty	Myrtleford
	%	%	%	%	%	%
Owned	35.7	44.5	44.4	18.6	41.5	43.6
Mortgage	31.2	29.7	24.6	41.9	29	27.3
Renting	23.9	21.7	26.6	25.6	27.7	23.9

The household occupancy rates indicate that there is a higher percentage of one and two person households.

Table 18. Household composition across the towns

No of persons usually resident	Regional Victoria	Alpine Shire	Bright	Dinner Plain	Mount Beauty	Myrtleford
	%	%	%	%	%	%
1	29	30.9	32.9	14.0	43.9	33.4
2	36.2	40.1	40.2	41.9	33.5	37.6
3	13.6	11.4	10.2	16.3	8.5	10.9
4	12.9	10.8	10.4	23.3	8.5	10.4
5	5.9	5.1	4.9	7.0	1.9	4.9
6 or more	2.4	1.6	1.3	7.0	2.4	2.2

4.4 Property values and supply

The Victorian Valuer General collates data on the sales in quarters over a 12-month period to monitor escalation in house, unit and land prices. The latest available data is April 2020 – June 2021.

The data all demonstrates that house prices have risen considerably. There is only data on unit sales in both Bright and Dinner Plain, as detailed below. It is difficult to assess the data and could be affected by smaller units being sold. Only small amounts of land have been sold and again the data may not be a direct comparison.

Table 19: Victorian Valuer General data on house sales April 2020 - June 2021

Town	Apr- Jun 20	Jul - Sep 20	Oct - Dec 20	Jan - Mar 21	Apr- Jun 21	No of sales	No of Sales	Change in values as a %	Change in values as a %
								Apr- Jun 20	Jan - Mar 21
						Apr- Jun 21	YTD	Apr- Jun 21	Apr- Jun 21
Bright	650,000	620,000	758,000	770,000	920,000	23	41	41.5	19.5
Dinner Plain	557500	599,500	600,000	630,000	705,000	9	17	26.5	11.9
Mount Beauty	317,500	309,000	355,500	411,000	435,000	7	19	37.0	5.8
Myrtleford	370,000	396,500	385,000	430,000	501,000	17	28	35.4	16.5

Table 20: Victorian Valuer General data on unit sales April 2020 - June 2021

Town	Apr- Jun 20	Jul - Sep 20	Oct - Dec 20	Jan - Mar 21	Apr- Jun 21	No of sales	No of Sales	Change in values as a %	J Change in values as a %
								Apr- Jun 20	an - Mar 21
						Apr- Jun 21	YTD	Apr- Jun 21	Apr- Jun 21
Bright	419,000	492,500	465,000	579,000	432,500	4	18	3.2	-25.3
Dinner Plain	270,000	385,000	385,000	390,000	494,500	4	9	83.1	26.8

Table 21: Victorian Valuer General data on land sales April 2020 - June 2021

Town	Apr- Jun 20	Jul - Sep 20	Oct - Dec 20	Jan - Mar 21	Apr- Jun 21	No of sales	No of Sales	Change in values as a %	Change in values as a %
								Apr- Jun 20	Jan - Mar 21
						Apr- Jun 21	YTD	Apr- Jun 21	Apr- Jun 21
Bright	449,000	336,500	379,500	350,000	300,000	1	6	-33.2	-14.3
Dinner Plain	104,400	112,000	145,000	145,000	265,000	6	13	153.8	82.8
Myrtleford	154,000	155,000	191,000	219500	257,000	1	7	66.9	17.1

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

As detailed in chapter 5 of the addendum and detailed in Table , for housing to be affordable for occupants, Urbanxchange adopts the position that households should be paying no more than 30% of their income on the cost of housing.

Assuming that purchasers would be required to have at least 10% deposit plus all outgoings (noting quite often it is 20%) and that the 30% income is required and subject to a commercial yield of 5%, then the capacity of households to purchase is outlined below:

Table 22: House costs for affordability against annual wage income

Income per annum $	Price of housing $
30,000	180,000
35,000	210,000
40,000	240,000
45,000	270,000
50,024	300,140
55,016	330,100
60,008	360,040
65,000	390,000
69,992	419,960
74,984	449,900
79,976	479,860
85,020	510,120
90,012	540,080
95,004	570,020
99,996	599,980
104,988	629,920
109,980	659,880
115,024	690,140
120,016	720,100
125,008	750,040
130,000	780,000
135,000	810,000
140,000	840,000
145,000	870,000
150,000	900,000

Income per annum $	Price of housing $
155,000	930,000
160,000	960,000
165,000	990,000
170,000	1,020,000
175,000	1,050,000

Adopting the 30% of household income being spent on housing, a review of housing and unit price across the towns reveals that the earning capacity of a household (whether that is an individual or a family) required to purchase a property is:

Table 23. Required earning capacity of a household to purchase a dwelling in Alpine Shire towns

Town	House	Unit
Bright	$155,000	$75,000
Dinner Plan	$120,000	$85,000
Mount Beauty	$75,000	n/a
Myrtleford	$85,000	n/a

If this is compared with the actual average earning of households, the price that dwellings should be to be affordable is:

Table 24. Average earnings and required house prices

Town	Average household incomes	Purchasing capacity
Bright	$65,000	$390,000
Dinner Plan	$120,000	$720,000
Mount Beauty	$55,000	$360,000
Myrtleford	$62,000	$380,000

The planning data and building permit data provided by Council indicates that some 88% of dwellings for which planning permits are issued are subsequently issued with a building permit. However, in reviewing the data there appears to be no significant subdivisions being approved to increase the number of dwellings and stabilise house prices.

The availability of land for development is as follows:

- Bright – one large land parcel is, under single ownership – a development plan is required before subdivision or development of the land can commence.

- Mt Beauty– one large land parcel is, under single ownership – a development plan is required before subdivision or development of the land can commence.

- Myrtleford – small portions of land available, two owners – not overlayed for development.

The town of Bright is further constrained by bushfire and flooding overlays.

4.5 Projections

In determining the projections for future growth in Alpine Shire, Victoria in Future 2019 (VIF2019) is the official state government projection of population and households. It is noted that the population projections are estimates of the future size, distribution, and composition of the population.

The VIF projects continuing growth across Victoria and all household structures, but it notes faster growth in lone and two person households at the expense of family households.

It is noted that the VIF projections in Alpine Shire are from 12,730 in 2018 to 13,510 in 2036 or 0.3%. However, the data predates COVID-19 and the migration that Alpine Shire has experienced because of this. Across regional Victoria, growth in the order of 2 – 3% has been experienced in 2020/21.

The number of individuals and households that identified as very low, low or moderate income households in Alpine Shire in the 2016 Census data on the basis of the GIC Orders is shown below:

Table 25. Individuals and Households who classify in GIC Orders within Alpine Shire

Income	Individuals		Households	
	$ per week	% of individuals	$ per week	% of households
Very Low	368	33.1	770	35.6
Low	590	23.7	1,235	18.2
Moderate	880	19.9	1,850	18.3
TOTAL %		76.7		72.1

The need for social housing moving forward can be forecast. From the 2016 Census data, Alpine had 33.1% of individuals and 35.6% of households that would be classified as very low income against the requirements of Table 25. Individuals and Households who classify in GIC Orders within Alpine Shire. There were some 73 social housing dwellings and 12.1% of private dwellings were rented at an affordable price.

However, the predicted growth within Alpine Shire means that the requirements for affordable housing for the very low income will also grow. Some Victorian municipalities have established housing and growth projections of 20%, which enable them to predict requirements for affordable housing for the very low income.

Alpine Shire's historical low growth rates makes projecting future growth difficult. However, if the growth in low income households is the same as a percentage, we can predict the

number of social housing dwellings required in the future. On this basis, there will be an estimated shortfall of 1,196 dwellings by 2041.

Table 26. Estimated shortfall in social housing dwellings

Year and population	Forecast dwelling no.	2016 census 35.6% of households would be very low income and require social housing	No. of social housing dwellings as at 2016 Census 73	As at 2016 Census 12.1% of private dwellings were affordable	% of dwellings for very low income	Possible Shortfall of social housing
2016 12,337	4,832	1,740	73	585	14%	1,082
2018 12,730	4,986	1,795	73	603	14%	1,119
2036 13,510	5,292	1,905	73	640	13%	1,192
2041 13,551	5,308	1,911	73	642	13%	1,196

5. Affordable housing

5.1 The definition under 'Homes for Victorians' and the Victorian Planning and Environment Act 1987

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

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

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

• Public Housing

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

• Community Housing

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

- Social Housing

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

Section 3AA of the *Victorian Planning and Environment Act 1987* was amended in 2018 to adopt the *Homes for Victorians* definition of affordable housing, as follows:

> (1) For the purposes of this Act, affordable housing is housing, including social housing, that is appropriate for the housing needs of any of the following—
> (a) very low income households;
> (b) low income households;
> (c) moderate income households.
> (2) For the purposes of determining what is appropriate for the housing needs of very low income households, low income households and moderate income households, regard must be had to the matters specified by the Minister by notice published in the Government Gazette.

5.2   Affordable housing in the Planning and Environment Act 1987

In 2018, the Planning and Environment Act (the Act) was amended to include a new objective to "facilitate the provision of affordable housing in Victoria" and to include a definition of affordable housing (as described in chapter 2 of this report).

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

The first instrument is the specification of the income levels associated with very low, low and moderate income households for affordable housing that is not social housing. A Governor in Council Order setting out these income levels has been published and will be updated annually in the Government Gazette (refer to Table 28 and 29 for the current rates).

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

- Allocation
- Affordability (in terms of the capacity for very low income, low income and moderate income households that it is intended for)
- Longevity (in terms of the public benefit of the provision)
- Tenure
- Type of housing, in terms of form and quality
- Location, in terms of site location and proximity to amenities, employment and transport
- Integration, in terms of the physical build and local community
- Overview of housing need

Various supporting materials have also been prepared by the State Government to assist with the application of the legislative reforms. These include an example (template) Section 173 Agreement for affordable housing, and guidelines for seeking and negotiating the agreements.

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

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

Further guidance from Department of Environment, Land, Water and Planning (DELWP) outlines the requirements for a Responsible Authority to: [29]

- establish strategic justification for an affordable housing request,
- identify value to support the delivery,
- ensure clear land-owner agreement,
- not unduly impact commerciality of the development,
- give regard to a registered housing agencies support for the proposal, and
- test it against the definition and list of matters (as outlined by the Minister for Planning).

5.3   Income Ranges

The Victorian Government, under Section 3AB of the Planning and Environment Act 1987, has specified the following income ranges for Greater Melbourne with respect to affordable housing that is not social housing:

Table 27. Governor in Council Orders for metropolitan Melbourne, July 2021

	Very low income range (annual)	Low income range (annual)	Moderate income range (annual)
Single adult	Up to $26,200	$26,201 to $41,920	$41,921 to $62,860
Couple, no dependents	Up to $39,290	$39,291 to $62,870	$62,871 to $94,300

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[29] Available at: https://www.planning.vic.gov.au/policy-and-strategy/affordable-housing including Ministerial Notice 'Specified Matters under Section 3AA(2)', (Accessed 17 May 2018)

Family (with one or two parents) and dependent children	Up to $55,000	$55,001 to $88,020	$88,021 to $132,030

The income ranges are shown in Table 28 for three types of households. The Victorian Government publishes income bands for Greater Melbourne and the rest of Victoria. The income ranges as detailed in Table are applicable to Alpine Shire.

Table28. Annual income ranges - households eligible for Affordable Housing, rest of Victoria, July 2021

Household Type	Very low income range (annual)	Low income range (annual)	Moderate income range (annual)
Single Adult	Up to $19,090	$19,091 - $30,550	$30,551 - $45,820
Couple, no dependents	Up to $28,640	$28,641 - $45,820	$45,821 - $68,730
Family (one or two parents and dependent children)	Up to $40,090	$40,091 - $64,150	$64,151 - $96,220

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

Table 29: Housing cost to incomes based on low to moderate ranges on $5,000 increments

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

Income ($)		Housing cost @ 30% of income ($)		
Per week	Per annum	Per week	Per month	Per annum
2,500	130,000	750	3,250	39,000

5.4   What does affordable housing look like?

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

The models identified in Figure provide a simple conceptual framework for considering the relationship between income groups, tenure types and the relative level of government subsidy that might be needed for each model to be applied.
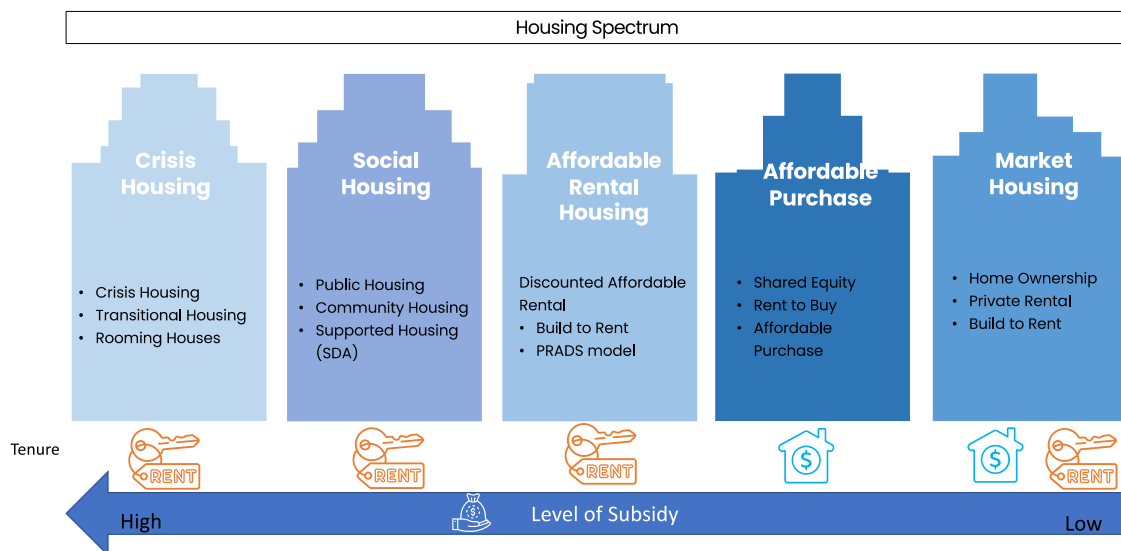
Figure 11. Income ranges to affordable housing models and depth of subsidy

In applying any affordable housing outcomes, they are different depending on the identified occupiers as shown in Figure 12.
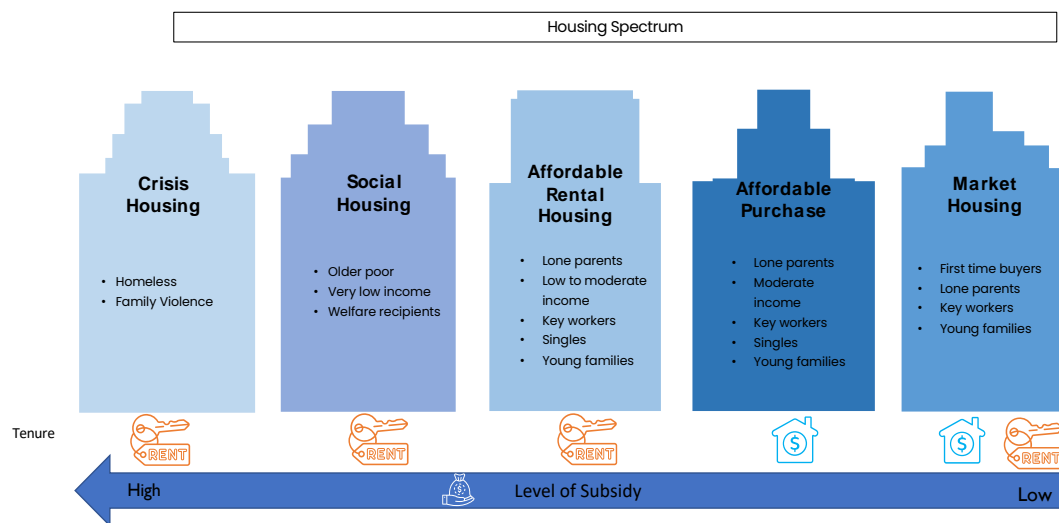
Figure 12 - Occupiers of affordable housing

It is on this basis that affordable purchase mechanisms need to be considered. An outline of some of these models is provided:

Affordable by design – This is small lot housing that is designed to be affordable to purchasers.

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

- The dwelling must be offered for sale at or below a nominated "affordable" price

- The dwelling must be offered for sale to eligible buyers who meet the GIC criteria as outlined above

- The discount for affordable housing for the first purchaser is preserved for future purchasers.

In Victoria, The Nightingale housing model has a transparent process for documenting land purchase and development costs[30]. The purchase price is based on the development achieving a return of 15 %.

The price of housing in the Nightingale model is not always "affordable" as defined under Victorian Government's definition (although some of the projects under this model do have

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[30] Nightingale Housing is a not-for-profit organisation that provides apartments that are socially, financially and environmentally sustainable.

an explicit affordable housing component). However, it is delivering "high value for money" housing by reallocating the cost-savings associated with removing items such as car-parking, marketing costs, etc. into other design and building features. The principle of price control for the first and subsequent purchasers is established.

Under this model, there is a system to control purchase price as well as mechanisms to prevent the first purchaser having a windfall gain at the expense of future owners. Title covenants have been developed that provide a formula for the resale of the property. The model recognises capital growth for each progressive purchaser/seller, and it also recognises that the market opportunity provided to the first purchaser should be transferred. The time period of the covenant must be considered, but usually covenants have a life of 15 to 20 years.

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

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

For those who will require affordable rental consideration needs to be given to both build to rent and social housing, both of which are described below.

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

There are two scenarios to be considered with the private build to rent model: one is the institutional investor who will build a whole building for 100% build to rent; the other option to be considered is the developer who retains or sells a portion of the dwellings to be rented at a below market rent to eligible renters.

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

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

Table 30. Application of affordable housing models and required discounts

Category	Model	Target Group	Discount to market price
Assisted home ownership	• Shared equity • Rent to buy • Restricted purchase	• Moderate income earners – 25–39 years	• Usually 10 – 20%
Below market rental	• Build to rent (below market) • NDIS/SDA	• Low to Moderate income earners - 25– 45 years • Disability housing	• Usually 25%
Public, community or indigenous housing	• Public/state housing and associated renewal programmes • Housing Associations, including bond aggregators	• Low to very low income groups – all age groups – particularly the ageing community and those with disabilities	• Usually 50%

5.5 Options for the application of key worker housing delivery models to meet the needs of different income groups in Alpine Shire

The variety of housing models should be considered in terms of their potential to assist different income groups, as illustrated in the following table:

Table 31, Application of housing models to income groups

Type	Very Low Income	Low Income	Moderate Income	Key Workers
Alternative models (co-housing, relocatable housing etc)		✔	✔	✔
Affordable Purchase			✔	✔
Affordable by Design			✔	✔
Shared Equity			✔	✔
Build to Rent		✔	✔	✔
Rent to Buy			✔	✔
Community Land Trusts	✔	✔	✔	✔
Social Housing	✔	✔		✔

6. Literature review

To explore potential options for key worker housing, a literature review was undertaken to identify how this issue is being addressed elsewhere in Australia and globally. The review is grouped around four themes as follows:

- How other jurisdictions address key worker housing

- How the use of housing for short term accommodation is being addressed elsewhere (to counteract the "Airbnb effect")

- How specialist workforces are housed, using tourism and mining staff accommodation as examples

- How residential development in regional locations can be facilitated

- Other potentially relevant housing trends.

6.1 How key worker housing is being addressed elsewhere

Bowden Brompton, SA

Bowden Urban Village (BUV) is one of South Australia's flagship urban renewal projects. The project is being delivered through the Urban Renewal Authority (URA). The URA is acting as the master developer and selling super lots to developers. The site includes the Unity Housing apartments, which are being sold to key workers on moderate incomes who meet affordability criteria set by the government.

The affordable housing within the BUV Project has not been concentrated into any one area. The affordable housing is covering many tenures – community rental, (social rental through a Housing Association), private rental at a discount to market, financial products such as shared equity, low-cost purchase and for purchase. This was seen as important to recognise that the various tenure types will allow various sections of the community access to housing to meet their needs. It was also considered important that any affordable housing be indistinguishable in quality from all other housing in the community. The financial and low-cost purchase options in recent releases have been purchased almost exclusively by healthcare workers at the nearby new Adelaide Hospital.

City of Ryde, NSW

The City of Ryde's Affordable Housing Policy focuses on "Council's determination to address housing affordability for essential key workers" by:

- Identifying what is meant by affordable housing

- Identifying which segments of the community are classified as key workers

- Detailing the extent of the housing affordability issue for these people in Ryde

- Setting out the role of local government to advocate for, facilitate and provide affordable housing and some of the mechanisms available

- Identifying 21 projects to support the Policy's vision and goals under the following themes:

  – State Government Affordable Housing Stock Program

  – Council-Facilitated Affordable Housing Stock Program

  – Planning Controls Review Program

  – Affordable Housing Planning Incentives Program

  – Affordable Housing Policy Review Program

  – Affordable Housing Communication Program

  – Affordable Housing Partnership Program.

Pilbara Cities, WA

"Pilbara Cities" is the Western Australian Government's vision to transform two mining towns into vibrant urban areas. The initiatives include the following:

- General Practitioner Housing Project, where seven 3- and 4-bedroom dwellings were constructed in Port Hedland and rented to general and medical practitioners at a subsidised rate. The project has increased the retention of medical staff in the area

- City of Karratha Staff Housing Project, where twelve dwellings were constructed to provide guaranteed accommodation for highly qualified technical and professional City of Karratha staff.

City of Melbourne, VIC

City of Melbourne's "Homes for People" housing strategy recognises that housing prices affect even higher paid key workers and that subsidised housing is necessary. One method that City of Melbourne use to incentivise the provision of affordable housing is via development bonuses.

The City of Melbourne Central City Built Form Controls (Amendment C270) include a mechanism to allow developments to exceed the specific Floor Area Ratio (FAR 18:1) where it is demonstrated that the development provides a demonstrable benefit to the broader community. This is known as a Floor Area Uplift (FAU), and the nominated categories of "public benefit" under this policy include affordable housing within the proposed building.

The value of the FAU of is measured as 10 % of the gross realisation value per square metre (GRV/m²) for all additional floor area above the allowable 18:1 floor area ratio. The scheme requires that planning permits include a condition(s) requiring the public benefit to be secured under a Section 173 Agreement.

Byron Shire Council, NSW

Byron Shire Council is currently exploring a wide range of solutions for housing affordability within its municipality. For its key workers, especially those in the tourism industry, they are considering:

- Group accommodation (co-living, "dorms for grownups" and boarding houses)

- Relocatable homes

- Community land trusts.

Noosa Council, QLD

Noosa Council recently prepared a Housing Needs Assessment that recognises that key workers in its tourism industry need to be located in proximity to or with good all hours public transport. It identifies that single person accommodation with communal kitchens may be a solution.

6.2 How the use of housing for short term accommodation is being addressed elsewhere (to counteract the "AirBnB effect")

NSW

NSW is implementing a new regulatory framework for short-term accommodation. Dwellings that are not located on bushfire prone land or a flood control lot, and where the host is not present, requires that properties that are used for more than 180 to 365 days per calendar year as short-term accommodation (with each Council to decide its own timeframe) in regional areas will require planning approval. However, some Councils are concerned these thresholds are too generous.

France

Hosts can only rent out their primary residences for up to 120 nights per year, but their secondary residences can be rented all year long provided this has been declared to the city.

London

Hosts can rent out their homes for 90 days a year without being considered a "change of use".

6.3 How specialist workforces are housed

Isaac Regional Council Adaptive Communities, QLD

The "adaptive communities" process arose after the refusal of approval for urban expansion areas, which delayed the construction of housing stock when 2,500 workers were coming into the area for the Caval Ridge Mine development near Moranbah. The community consultation process considered options for mine worker accommodation, including the following:

- Permanent or temporary dwellings

- Self-contained (e.g. on-site retail, mess) or core services only

- Dispersed (multiple locations) or single location

- Located either in an existing urban area, on the urban fringe or adjacent to a rural highway.

The approved Buffel Park Accommodation Village has been constructed adjacent to the Peak Downs Highway and is a self-contained temporary village.

Mt Hotham/Mt Buller/Falls Creek, VIC

Victoria's ski fields provide dorm-style staff accommodation for staff, with rent being automatically taken out of their pay. There are on-site and off-site options, with some providing staff buses for the off-site accommodation.

Milford Sound, NZ

Milford Sound includes a number of tourism businesses operating from within a national park. The distance from the nearest town (Te Anau) means that it is not feasible for staff to live off-site, so staff accommodation is provided by private companies on land leased from the government. Once such company (Real Journeys) is proposing to redevelop a 1950s staff housing block to provide group accommodation for seasonal/junior staff and micro units for managers/long-term staff.

Whistler ski resort, Canada

The Whistler Housing Authority, which is an independent municipally-owned corporation of the Resort Municipality of Whistler, provides affordable rental and ownership housing options for workers.

6.4 How residential development in regional locations can be facilitated

Building Better Regional Cities Program

This federal program, which ended in 2014, aimed to facilitate the provision of affordable housing in regional Australia by providing funding to local councils for infrastructure projects to expedite the release of land and support an increase in affordable housing. Local councils were required to co-contribute to the project by providing discounts/rebates on the sale price for eligible purchasers.

6.5 Other potentially relevant housing models

Escalante Tiny House Village, USA

This tiny home neighbourhood in Durango, Colorado provides 24 dwellings with a shared communal space. With a median house price of $430,000(USD) in Durango, the village offers an affordable option for tiny homeowners to lease a site for $500 a month. There are also tiny homes on the site available for rent for $1,000 to $1,250 per month.

UKO Co-Living

The UKO development in Stanmore, Sydney was opened in 2019 as Australia's first co-living facility. It offers furnished studio apartments for rent, and features communal spaces and amenities, an on-site host, and community activities. The apartments are around 25 to 30sqm in area, and the rent covers bills, Internet, bed linen, smart TV and kitchenware. UKO now have four more facilities open or under development.

Homeshare

Homeshare (homeshare.com.au) assists people seeking affordable accommodation to live with older households or householders with a disability who are seeking practical assistance and companionship. The householder provides a bedroom and shared facilities, and the homesharer provides approximately 10 hours per week of practical assistance such as cooking, cleaning, shopping and gardening, as well as providing company and a sense of security to the householder(s) from having other people present in the dwelling.

Homeshare does not provide a matching service, but provides coordinators who help parties to match up, including interviews, police checks and written agreements tailored to each individual situation.

This approach could be relevant to the Alpine Shire where older households may not be incentivised to downsize their dwellings due to stamp duty implications. Where key workers do not have time to provide practical assistance, they could instead pay rent and provide companionship only.

7. Council's role in facilitating housing

The opportunity for Council to derive housing outcomes for key workers will be dependent upon the level of intervention that the Council are prepared to leverage in the market. Urbanxchange has categorised each option within this report as passive, semi- intervention or proactive, which is defined as follows:

- Passive: Council facilitates the key worker housing by others

- Semi-intervention: Council contributes to the development of key worker housing

- Proactive: Council is actively involved in the development of key worker housing.

This section will examine what options may be available through, passive, semi and proactive interventions.

There are many ways that Alpine Shire can influence the supply of key worker housing in the municipality, ranging from indirect methods such as advocacy right through to direct investment in housing. Table 32: Options for Councils to influence the supply sets out the options and is followed by a discussion of each of these of the key worker housing in the Alpine Shire context. Further explanations of some options are provided in the discussion of housing models (chapter 5) and the literature review (chapter 6).

Table 32: Options for Councils to influence the supply key worker housing

Area of Influence	Action
Advocacy, research and information	Advocacy
	Research
	Collation of data
	Developer education
	Community engagement

Area of Influence	Action
Planning	Land supply and availability
	Planning policies and strategies
	Streamlined approval processes
	Planning concessions
	Limit the duration of time that dwellings can be used as short term accommodation
	Voluntary key worker/affordable housing contributions (Section 173)
Financial	Reduced development contributions, planning charges and Council rates
	Increasing rates on unoccupied properties
	Use of Council land to facilitate development
	Creation of housing trusts
	Direct investment in housing supply

7.1 Advocacy, research and information

Regarding **advocacy** and **research**, while the primary policy and funding levers for housing are managed by State and Commonwealth Government, many councils are active in the debate around future housing policy – either individually or through industry associations and groups. The current project is an example of a research project that quantifies the issue and explores potential solutions; with the resultant action plan able to then be used for lobbying regarding key worker housing issues.

Council can also provide information in the form of **community engagement**. Explaining the importance and challenges of providing key worker housing to the community will assist when there are future development proposals for key worker housing, especially if that housing takes a different form to current housing typologies.

Guidelines on specific key worker housing typologies can provide **education for developers** who may be looking to develop these (e.g. co-living group accommodation, tiny house villages).

7.2 Planning

It is recommended that, at a basic level, Council positively influence the development of housing by ensuring an efficient housing market operates through providing a sufficient and ongoing **supply of land for residential development**. It can also encourage the creation of a diversity of housing and the location of medium density housing (town houses) near transport and services.

Specifically mentioning the importance of key worker housing in **planning policies and strategies** will signal to developers that these kinds of development proposals will be welcomed and will assist Council in prioritising these projects.

There is a range of **planning concessions** that Council could provide for key worker and affordable housing proposals. The most effective of these are building height and density bonuses, but these have limited applicability in the Alpine Shire, which has lower scale and lower density built form than Victoria's larger cities.

Council could offer **streamlined approval processes** for key worker housing projects, such as through fast-tracked applications, the processing of applications by senior staff, and informal rather than formal public advertising processes. Quick turnarounds on planning permits can reduce holding costs and thus enable applicants to direct more funds to providing dwellings. Noting that any social housing funded by the State Government has a modified planning approval process.

Some jurisdictions are considering **limiting the duration of time that dwellings can be used as short-term accommodation**. Chapter 6 identifies the limits being used or considered elsewhere in Australia and other countries. However, there is potentially limited applicability of this approach. The short-term use of dwellings in the region is highly seasonal, and it is feasible for owners to earn significantly more by renting their dwellings for just a few weeks at peak times that they may potentially obtain via a permanent rental agreement.

The Planning and Environment Act now provides for responsible authorities to enter into **voluntary agreements with developers for the provision of affordable housing**. This could conceivably be used for key worker housing in the Alpine Shire; however, councils generally only have leverage to seek contributions where an uplift in development capacity is provided (e.g. via rezonings or increases to density/height planning controls). Also, given the smaller scale of developments in the region, any contributions would be minimal (e.g. a 5% contribution from a 10-dwelling development would result in one key worker dwelling).

7.3 Financial

Council can provide reduced development contributions, planning charges and Council rates concessions to key worker housing developers, providers and/or tenants.

Council can also increase rates on unoccupied properties to discourage their use for holiday dwellings and thus encourage their use for permanent rental housing (that can then potentially be used by key workers).

To facilitate development on sites, Council could provide funds to provide infrastructure to development sites. For example, Council could construct or upgrade roads to a site if the developer agrees that key worker housing will be built.

Council has few parcels of Council land that are both free from other competing uses and are suitable for residential housing. However, other opportunities exist and often may not be readily apparent, being in the form of air space above Council-owned car parks or similar.

Regarding housing trusts, projects involving Council funds or assets generally involve development, sales, finance and counter-party risks, as well as debt and joint venture partners. Council's involvement is regulated by the Victorian Local Government Act, adding

administrative complexity to individual projects. It is also important to understand that Trusts require a financial threshold of approximately $6 million to be viable.

Further, complex development projects are by their nature specialised and medium-to-high risk and Councils are often neither experienced or well suited vehicles for a direct involvement.

In recognition of these and other issues, as one example, the City of Port Phillip has transferred their affordable housing assets to a discretionary services management trust that is both a public benevolent institution (charity exempt from land tax and stamp duty); a tax concession charity (exempt from income tax, goods and services tax); and a deductible gift recipient (entitled to receive tax deductible donations).

The trust deed has specific provisions that ensure the assets are used for the designated charitable purpose – being the provision of housing to low income Port Phillip residents who are also on the Office of Housing waiting list for social housing.

The Council exercises a strategic level of control through the terms of the trust deed, the appointment of the trustee (which is a registered Housing Association) and a reporting framework against financial and social outcomes for the City of Port Phillip.

The establishment of a legally compliant housing trust is complex and the outcome must also meet the policy objectives of DFFH if it is to have any prospect of leveraging State and Commonwealth funding.

Notwithstanding this, the Port Phillip Trust has been highly successful in drawing in funding for low income housing and overcoming difficulties faced by Council in pursuing these aims itself.

Finally, some councils have chosen to invest directly in affordable housing, with the best Victorian example being Port Phillip, which has invested $13 million in affordable housing over 21 years to leverage about $39 million of other funding. It also provides a 10-year capacity building grant of $400,000 a year to the local Housing Association (Port Phillip Housing Association).

Where a Council has not had a traditional interest and role in affordable housing, this is a challenging concept for Councillors attempting to meet the escalating service and infrastructure costs facing local government.

The principle of the Port Phillip Housing Trust is that Trust vehicles can be a beneficial vehicle for Council to provide property that is then held in Trust to deliver housing outcomes for designated groups. The risk and responsibility for the development and management are removed from Council and managed independently according to the Trust Deeds.

7.4   Catagorisation of opportunities

The table below categorises each opportunity into passive, semi-intervention and proactive to enable Council to consider which will be best suited to their preferred level of involvement. Opportunities that apply to several or all levels are indicated in multiple columns – for example, a Council that takes a proactive approach may consider both direct interventions

(such as housing trusts) and passive methods (such as advocacy). There are also varying levels within some opportunities – for example, with housing trusts, a semi-intervention approach would see the establishment of a trust, and a proactive approach would see Council transfer its own assets into a trust vehicle. Further details of these are provided in chapter 5 of this report.

Table 33. Categorisation of opportunities - passive, semi-intervention and proactive

	Opportunities to participate	Passive	Semi Intervention	Proactive
Advocacy, research and information	Advocacy	✓	✓	✓
	Research	✓	✓	✓
	Education for developers	✓	✓	✓
	Community engagement	✓	✓	✓
Planning	Land supply and availability	✓	✓	✓
	Planning policies and strategies	✓	✓	✓
	Streamlined approval processes	✓	✓	✓
	Planning concessions	✓	✓	✓
	Limit the duration of time that dwellings can be used as short-term accommodation	✓	✓	✓
	Voluntary affordable housing contributions		✓	✓
Financial	Reduced development contributions, planning charges and Council rates		✓	✓
	Use of Council funds to provide infrastructure to development sites		✓	✓
	Use of Council land to facilitate development		✓	✓
	Creation of housing trusts		✓	✓
	Direct investment in housing supply			✓

8. Commercial models

If Council has land to develop, there are several ways that Council can engage in the development. In the broadest possible sense, there are five commercial models for Council to consider as follows:

- Direct sale to the market
- Deliberative development

- Development Agreement

- Community land trust

- Council as the developer.

Direct sale to the market – Council would arrange for the sale of the property; it may include some restrictions or required outcomes, which would be managed via a covenant on title.

Deliberative Development – Council identifies the key outcomes it is seeking, including land release, affordable housing and urban design. Council then tenders for a developer to sell the site to, who enters the required agreements to meet Council's identified objectives.

Development Agreement - Council identifies the key outcomes it is seeking, including land release, affordable housing and urban design. Council then seeks a partner to develop the site; this could include the land remaining with Council and the developer undertaking the sales and construction of the land. The development agreements would be designed to meet Council's identified objectives.

Community land trust – A CLT is a form of land ownership – Council establishes a CLT with clearly defined objectives and KPIs. The site is transferred to the CLT who undertake the development.

Council as developer – Council undertakes all the development and carries all the risk.

The aspects of each model that vary are:

- Capital requirements and finance implications

- Risk allocation

- Ensuring that the housing meets Council's agreed housing position

Table reviews each of the five commercial models against the above criteria from Councils perspective:

Table 34. Commercial models against Council outcomes

Development Type	Council capital in development	Council risk exposure	Meeting Council policy
Direct sale	Not required	Very low risk	Not achieved
Deliberative Development	Not required	Low risk	Likely to be achieved
Development Agreement	Not required	Low risk	Can be achieved
CLT	Maybe required	Moderate risk	Likely to be achieved
Council as developer	Council to fund	High risk	Will be achieved

Additional mechanisms / processes that can support outcomes:

- EOI process with associated KPIs and Probity Plan

- Staged release based on achieving identified milestones

- Site/asset specific mechanisms:

    - Section 173 Agreements

    - Caveats

    - Covenants

8.1 Governance considerations

Governance is how you organise to achieve intended value i.e. "**outcomes**". To achieve these policy outcomes, a range of generic **governance functions** are often performed, which can be **structured** in a number of ways.

In summary, the outcomes that Council is seeking are:

- Provide opportunity for new housing growth in the municipality that is staged in a manner that reflects a steady and constant opportunity for land supply for new housing

- Grow levels of social and affordable housing in the municipality that is targeted at identified areas of need being key workers

- Maintain in perpetuity housing assets within the municipality with a long-term view to have existing government housing stock better managed and growing the social housing by Housing Associations

- Maximise the leverage of Council resources through co-contribution

- Ensure quality assurance of urban design and housing outcomes from investment (development and on-going management).

To support the desired outcomes, governance functions need to be complied with in the areas of:

- Policy and strategy development as well as review

- Resource commitment and allocation principles

- Resource allocation: land - who/how project and procurement approach

- Management of risk, probity and equity

- Development parameters, quality standards and quality assurance

- Accountability and monitoring

8.2 Council objectives

In reviewing the objectives against the commercial models types:

Table 35. Commercial models and achieving affordable housing

Commercial Model	Progressive land sales	Developer accountability	Urban design	Affordable housing
Straight Sale	X	X	X	?
Deliberative Development	√	√	√	√
Development Agreement	√	√	√	√
CLT	X	√	?	√
Council as developer	√	√	√	√

Table 36: The application of affordable housing via the commercial models:

	Direct sale to market	Deliberative Development	Development Agreement	Community Land Trust	Council as developer
Affordable by Design	√	√	√	X	√
Affordable Purchase	X	√	√	X	√
Shared Equity	X	X	X	√	√
Rent to buy	X	X	X	X	√
Build to rent	X	√	√	√	√
Social Housing	X	√	√	√	√

8.3 Assessment

The following table provides an assessment of the effectiveness of the different development types by outcomes.

Table 37. Commercial development types and achieving Council objectives

Outcomes	Development Types				
	Direct sale to market	Deliberative Development	Development Agreement	Community Land Trust	Council as developer
Housing growth in the municipality	No control over the staged release or any urban design outcomes	Opportunity to manage (through agreement) key aspects: • Land release • Urban design • Affordable housing	Opportunity to manage key aspects: • Land release • Urban design • Affordable housing	Opportunity to input into key aspects: • Land release • Urban design • Affordable housing	Council control all key aspects: • Land release • Urban design • Affordable housing
Grow levels of social and affordable housing in the municipality	Opportunities would be very limited and would only get affordable housing by design	Opportunity to grow known affordable housing in affordable purchase and affordable rentals	Opportunity to grow known affordable housing in affordable purchase and affordable rentals	Council with the Agreement call for EOI to maximise outcomes. Would require Council to participate in maximising growth but allow Council oversight	Council could facilitate all the affordable housing types – however this is a significant risk for Council
Maintain in perpetuity housing assets within the municipality	No opportunity to retain affordability	The company would use: Section 173 Agreements, Covenants on title or Caveats on title	The company would use: Section 173 Agreements, Covenants on title or Caveats on title	Trust Deeds would need to be explicit and require affordability be maintained	The company would use: Section 173 Agreements, Covenants on title or Caveats on title
Maximise the leverage of Council resources through co-contribution	Can Council insist – no	Developer will deliver affordable housing outcomes from the discount on Council land	Developer can raise debt and leverage assets through applying funds. Can Council insist – no	New Trust can raise debt and leverage assets through applying funds. Can Council insist – no	Yes – Council can raise debt and undertake development to achieve desired outcomes
Ensure quality assurance of housing outcomes from investment (development and on-going management	No opportunity for Council	S173 mechanism could require reporting mechanism on design of new and maintenance	S173 mechanism could require reporting mechanism on design of new and maintenance	S1Trust Deed would state KPIs and require reporting on design of new and maintenance. Once established, limited or no opportunity to change in the future	S173 mechanism could require reporting mechanism on design of new and maintenance

Outcomes	Development Types				
	Direct sale to market	Deliberative Development	Development Agreement	Community Land Trust	Council as developer
Ensure quality assurance of housing outcomes from investment (development and on-going management	Company would manage all development risk and management of properties Reputational risk	Developer would manage all development risk and management of properties	Developer would manage all development risk and management of properties	Trust or partners would manage all development risk and management of properties	Risk for development and management sits with Council

The following table provides an assessment of the effectiveness of the different development types by governance function:

Table 38. Commercial development models and meeting Council Governance requirements

Outcomes	Development Types				
	Direct sale to market	Deliberative Development	Development Agreement	Community Land Trust	Council as developer
Policy and strategy development as well as review	No opportunity for Council	Agreement with developer reporting and review can be altered to reflect Council changes in position	Agreement with developer reporting and review can be altered to reflect Council changes in position	Limited ability to influence how trust assets are used. KPIs included but once Trust is established, opportunities for significant change are very limited	Council as owner and developer establishes policy and strategy
Resource commitment and allocation principles	Cost of establishing Agreements and reviewing EOI submissions	Cost of establishing Agreements and reviewing EOI submissions	Cost of establishing Agreements and reviewing EOI submissions	Costs involved in establishing new trust	Resource and administrative cost carried by Council
Resource allocation: land /who/which project and procurement approach	All resources allocated to the Agreement via developer and outlined in EOI	All resources allocated to the Agreement via developer and outlined in EOI Monitoring and liaison on key aspects	All resources allocated to the Agreement via developer and outlined in EOI Monitoring and liaison on key aspects	All resources allocated to the Trust. Trust uses resources as per charter Council or new Trust can operate	Council allocate or direct allocation of its own outcomes

Outcomes	Development Types				
	Direct sale to market	Deliberative Development	Development Agreement	Community Land Trust	Council as developer
Management of risk, probity and equity	No opportunity for Council	Removes risk from Council – risk is with developer	Organisation would establish own process to do this and Council may have limited oversight – removes risk from Council – risk is with developer	Trust would establish own process to do this and Council may have limited oversight unless established in initial phase – removes risk from Council as Trust is independent	Council would bear full risk but have oversight of probity and equity
Development parameters, Quality standards and Quality assurance	Council would rely on the planning scheme only	Agreement with developer Council may have limited oversight	Agreement with developer allocated funds would establish own process to do this and Council may have limited oversight	Trust would establish own process to do this and Council may have limited detailed oversight	Council would have complete control of development parameters but needs to accept all risk
Accountability and monitoring	No opportunity for Council	Council can set overview and accountability in Agreement	Council can set overview and accountability in Agreement	Annual reports to Council on KPIs	Full overview and accountability

The following table provides an assessment of the effectiveness of the different development types to deliver Council's desired outcomes:

Table 39. Effectiveness of commercial models in achieving Council objectives

Development Type	Commentary
Direct sale to market	A direct sale would be undertaken on commercial terms and not provide Council with the opportunity to influence the staged timing release, key urban design aspects or source affordable housing outcomes
Deliberative Development	With a sale through a deliberative development, Council sets the parameters as a part of the sale and secures staged timing release (set via key milestones), key urban design aspects and affordable housing outcomes via a S173 or some other mechanism. Council policy requirements including leverage and affordable housing outcomes are a part of the sale process. No risk to Council. Council would have monitoring role of finished developments with assistance of a S173
Development Agreement	The establishment of a set of Development Agreements that meets Council policy requirements including leverage and affordable housing outcomes – the Agreement can be developed to reflect Council's position. Council will transfer risk on development and management to developer. Council would have an accountability and monitoring role including staged release and urban design and of finished developments with assistance of a S173 or other restrictions on title. Flexibility to manage changes in direction. Matters rest with Council

Development Type	Commentary
Community Land Trust	Establishing and maintaining a new Trust will be an additional expense and offer no revenue to Council. Advantage is that a Trust can leverage assets and debt and remove any development risk from Council. Council limited capacity for reporting against an established set of KPIs - the requirements for periodic reporting would need to be established at the outset and a mechanism of enforcement established. Limited scope for changes for future flexibility
Council as developer	Council would have full control but also carry full risk of development and housing. It would require additional resources to allow management. Full compliance with policy and procedure – flexible for future changes

9. Private investment

A key aspect in the delivery of any housing - whether it be by private or not for profit operators - is to create an environment that attracts investor interest.

The following types of investment criteria (or combinations thereof) will be relevant to developers or investors in determining whether or not to undertake residential development in the region:

- Ability to realise attractive commercial returns or yields within reasonable timeframes

- Availability of a sizeable development opportunities (either larger development sites or a pipeline of development projects) that warrants making a sizable capital investment in development in the region – for example, an active pipeline of 100 dwellings per year for 3 – 5 years

- Sufficient depth of market and likely trading volumes to justify mobilising capital and development resources in a given location

- Certainty over development yields and approvals process

- Government policy that is supporting growth.

However, the small size of the housing markets in many locations often means that there is insufficient interest amongst developers and investors to undertake development. As a result, there is often a scarcity of supply of new or contemporary housing, and the limited stock that is available may be old and not suitable or attractive to the prospective key workers who are seeking housing.

Other reasons that certain types of households may not be able to access housing in the region might be explained as follows:

- Younger purchasers – the requirement for steady savings pattern to achieve a mortgage with a reputable financial institution could be a defining factor

- Visa holders - some categories of visa do not allow the visa holder to purchase properties and other visas put a considerable tax on the purchase of the dwellings

- Investors – whilst the annual yields may be acceptable, the available stock may not offer potential for long term capital growth.

To attract investors for both the capital development and long term, market interventions are required. The interventions to attract long-term investors require contributions. It is noted that is the case in most geographical areas in Australia. The report notes that in most cases the supply of land could assist in achieving the required financial returns for long-term investment.

There are two aspects to property development that need to be considered, being:

- The capital development costs, i.e., the cost to develop and (maybe) then sell the dwellings

- Operational costs - some of the housing tenures not only require capital development but will require operational costs to deliver the housing long term.

In reviewing the housing tenures, they can be divided as follows:

Table 40. Housing Tenure Capital/Operational requirements

Type	Capital Development	Operation Costs
Alternative models	✔	X
Affordable Purchase	✔	X
Affordable by Design	✔	X
Shared Equity	✔	X
Build to Rent	✔	✔
Rent to Buy	✔	✔
Community Land Trusts	✔	✔
Social Housing	✔	✔

All the housing tenures outlined above will require capital to develop and deliver housing. For those tenures that are outlined as also having operational costs, the costs of developing, in the form of debt, will be carried over to the operating business. The only opportunity in all cases to achieve satisfactory financial outcomes, as would be dictated by financial institutions, is in the capital development phase through either savings in development costs or grants. The grants can be in the form of land or cash.

The operational costs and the debt associated with the business will be subject to a set of criteria by financial institutions that enables business to get loans to operate. The operational costs include rates and taxes but also maintenance and due allowance for replacements over the life of the property – this is referred to as asset maintenance.

The key outcomes that are required to make investment in housing in Alpine Shire are:

- Attractive yields

- Constant income streams

- Sizable investment opportunities

- Active approval process

- Government policy that is supporting growth

- Potential for development activity

- Active pipeline of 50 dwellings over a 3 – 5 year period (provided by a recognised developer in the North East).

9.1 Capital Development Overview

When considering a potential development, developers (whether Housing Associations or private developers; the term "developer" is generic), review revenue and costs.

The revenue or value/market price must be relative to prices in surrounding geographical areas; the development pricing must be consistent. The pricing strategy can be developed in several ways, as this table demonstrates.

Table 41. Market pricing strategy

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

Developers and valuers generally adopt a price parity strategy. To move housing stock, sometimes developers will price their product at the lower range and take on a penetration or discount strategy. For the purposes of reviewing a development as a commercial developer would, it is important to ensure that whatever is delivered will meet market requirements for two reasons:

1. It is a requirement of achieving borrowings from a financial institution.
2. Future asset management, if and when the dwellings need to be sold.

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

- **Design costs**. Generally, 8-10 % of any development costs.

- **Construction costs**. These are fixed for the areas of development. Multi-storey construction costs vary according to height and finishes, but these reflect market expectations and pricing.

- **Authority charges**. There is little variation in the charges imposed across any development type and no room for negotiation.

- **Finance costs.** The rate at which finance is charged and the required hurdle rates will remain constant across project types. In the current economic climate, and despite interest rates, most developers cannot achieve full funding for projects.

The variable cost factor is the price paid for the land.

In the current financial environment, developers would typically require the following to secure finance for a development project:

- 65 % debt/35 % equity

- Demonstrate a return or profit of 20 % before overheads and corporate costs

- 85 % presales contracts on residential (of which only 30 % can be to overseas buyers and no person can purchase more than one)

- 70 % plus sales or lease on commercial/retail components.

Key aspects to note from the initial development costs are that:

- The pre-development costs are those associated with achieving a planning permit, a construction contract and presales. This is at-risk money and must be spent by the developer before applying to a lender for finance. If the development does not get planning or presales, the money invested in predevelopment costs are lost

- The equity - prior to being able to draw down the finance being provided by a financial institution, the developer would be required to have spent all their required equity. This equity would be a combination of the land value plus the predevelopment costs and authority fees.

9.2 Purchasers

Low to moderate income earners will need to meet a number of criteria set out by financial institutions. Meeting these criteria will determine whether they have capacity to purchase a property.

Current banking practices in terms of eligibility for mortgages are applied as follows:

- In general, the existing requirements for a potential purchaser who is at, or above the 50 % of income earners nationally include:

  – Steady savings pattern for 12 months

  – Funds to service all purchase costs (stamp duty, insurance, rates and conveyancing)

  – A minimum deposit of 10 % of value

  – A full-time employment history of five years.

  – However, for potential individual purchasers who earn below the 50 % income benchmark (generally considered $54,000), financial institutions require:

    - A steady savings pattern for 18-24 months
    - Funds to service all purchase costs (stamp duty, insurance, rates and conveyancing)
    - A minimum deposit of 20-25 % of value
    - Full-time employment history of five years.

It is reasonable to argue that it is exceptionally unlikely that a person earning less than $54,000 per year is in the market to purchase because they will have considerable difficulty in raising finance.

9.3 Operation Costs

On the basis that Council considers having rental housing as a part of a portfolio of housing that is available for key workers, operational costs are considered via life cycle feasibilities. The life cycle feasibility is undertaken to ensure that the property would be able to achieve finance for the long term. If long-term finance cannot be achieved, then it may be possible with the use of funds and the delivery of affordable housing outcomes for key workers.

Financial institutions will require that the following items are considered:

- Interest coverage ratio – this is a factor of income over operating costs (including maintenance) and the usual requirement is for income at least 1.5 times the operating costs

- Loan to value ration – this is the value of property against the loan value

- Payback period – in most instances, debt is required to be paid back in a maximum of 20 years

- Maintenance surplus – this is sometimes called a sinking fund to allow for the upkeep of the building and replacement of key elements to ensure that the value of the property is retained.

This financial assessment would consider the following:

- Combine the funding elements

- Estimate the project income

- Estimate the long-term project ownership costs

- Forecast the likely future cash flows, based upon assumptions outlined below

- Undertake sensitivity analysis of key variables that could have an impact on future cash flows.

The cash flow model provides an analysis of key financial health indicators to establish that the investment of equity by either a private investor or Housing Association will result in a financial and legal interest in a portfolio of dwellings. It seeks to demonstrate that:

- Who the housing can be provided to is based on their income

- It is financially sustainable as the long-term ownership costs (including maintenance) can be paid from the tenant's income.

10. Housing register

The Victorian Housing Register (VHR) is the common wait list for social housing in Victoria and is managed by Homes Victoria.

The Register has two categories:

Priority Access:

this is for people:

- Who are homeless and receiving support
- Are escaping or have escaped family violence
- With a disability or significant support needs
- With special housing needs.

Register of Interest:

This is for all eligible applicants to register their interest in social housing.

The length of time to access housing is dependent upon household circumstances. Factors that affect the length of time a household spends on the wait list include:

- The preferred location chosen
- The number of applications already on the register
- People who have demonstrated a housing need under one of the Priority Access categories
- The number of homes in demand in a given area and how often properties become vacant
- If the applicant has special location requirements or need a particular type of property (for example, one with modifications), it may take longer.

The Alpine Shire LGA is located in the East Division of the Hume region. This is a significant sector and includes:

- Moira
- Indigo
- Glenrown
- Murrindindi
- Mitchell
- Strathbogie
- Greater Shepparton
- Towong
- Wangaratta
- Wodonga
- Benalla
- Mansfield

A flaw in the VHR is that you can only register for housing in the areas where housing is available.

The VHR applications for the eastern region of Victoria incorporating Alpine Shire for June 2021 is outlined in the table below:

Table 42: VHR Data as at June 2021

Area (office)	Priority Access	Register of Interest	Total
Goulburn (Shepparton)	779	708	1,487
Ovens Murray (Benalla/Wangaratta)	400	392	792
Ovens Murray (Wodonga)	303	396	699
Total applications	1,482	1,496	2,978

Homes Victoria has 73 dwellings in Alpine Shire.

11. Details on affordable housing models

11.1 Alternative housing models

Group accommodation such as co-living, "dorms for grownups", and boarding houses provide private bedrooms (with ensuites or shared bathrooms) or micro-apartments with shared living rooms and cooking facilities. In large cities where there are high rents and a lack of housing choice, this provides flexible, community-driven housing and is attractive to a young, urban, professional and mobile population. The co-living model continues to move further away from long-term commitment with the model evolving from signing a lease to being provided only with a "membership" to provide access to a furnished bedroom and common areas.

Staff accommodation in the tourism industry (refer to the Mt Hotham/Mt Buller/Falls Creek and Milford Sounds case studies at chapter 6) and agricultural industry has traditionally been provided via this group accommodation model.

Relocatable housing has also been traditionally provided in the resources industries. A newer trend for relocatable housing is tiny houses on wheels ('THOWs'), many of which are designed to be "off-grid" from any reticulated services. Tiny houses can provide temporary or longer term affordable housing options and can be suitable for location in urban areas (in backyards or on separate titles), on rural properties, or on vacant land prior to its development for other purposes. There is also a growing interest in creating tiny house communities where several dwellings are clustered together in rural or urban settings.

In Victoria, it is often unclear via planning schemes and local by-laws where THOWs can be located and how long they can be used for (noting that many by-laws would restrict their occupation to just a few weeks a year if they are parked in a permanent location).

11.2 Affordable Purchase

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

Rarely a developer has the straight equity (cash) to undertake a development without seeking finance. Developers need to satisfy their financiers' requirements generally being, in the current financial environment, for a development project:

- 65% debt/35% equity (developers on money)

- Return or profit of 20% before overheads and corporate costs

- 70% presales contracts on residential (of which only 30 % can be to overseas buyers)

- 70+% sales or lease on commercial/retail components.

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

- Design costs

- Construction costs

- Statutory authority charges

- Finance costs.

The variable cost factor is the price paid for the land. Just about all affordable housing outcomes require a subsidy and, in providing affordable housing, the developer will remove the subsidy cost of supplying the affordable housing from the cost paid for the land.

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

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

- Steady savings pattern for 12 months

- Funds to service all purchase costs (stamp duty, insurance, rates and conveyancing)

- A minimum deposit of 10 % of value

- A full-time employment history of five years

- However, for potential individual purchasers who earn below the 50 % income benchmark (generally considered $54,000), financial institutions require:

  - A steady savings pattern for 18-24 months

  - Funds to service all purchase costs (stamp duty, insurance, rates and conveyancing)

  - A minimum deposit of 20-25 % of value

  - Full-time employment history of five years.

It is reasonable to argue that it is exceptionally unlikely that a person earning less than $52,000 per year is in the market to purchase because they will have considerable difficulty in raising finance from a reputable financial institution. The amount of $52,000 for an individual exceeds the current Victorian Government GIC Orders as outlined in chapter 5.

The criteria for designating housing to a key worker might be:

- Be over 18 years of age

- Be a resident of the area

- Be a key worker employed in an identified industry in the local area

- Be an owner occupier

- Be living in rental accommodation (public or private), or with family or friends, or be homeless.

11.3 Affordable by design

Affordable by design dwellings are developed using a standard development process to create small lots and compact dwelling designs that can be delivered at lower price points. Given that there are many fixed costs in the development process and that the quality of dwellings also needs to be maintained, there are limitations as to how far the price can be lowered. Design costs, construction costs, finance costs and statutory authority charges are relatively fixed, and the most variable cost factor is the price paid for the land. Including sustainable design features should also be a consideration to enable lower running costs for all kinds of affordable housing.

The benefit for the Alpine Shire is that it will provide alternate housing types within a small market.

11.4 Community Land Trusts

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

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

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

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

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

Application

CLTs may have potential application in Alpine Shire, but only if it can develop an asset base of $6million to address affordable home ownership concerns, increase the range of housing tenure options available, foster community development and social capital, and maintain a stock of perpetually affordable housing options.

The key features of the CLT that must be met for successful implementation are:

- Non-profit, tax-exempt corporation
- Dual ownership
- Leased land
- Perpetual affordability
- Community
- Tripartite governance
- Flexible
- Resale formulae
- Maintenance and improvements.

11.5 Shared Equity

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

- Compared with conventional mortgage arrangements, shared equity can enhance affordability for homebuyers by reducing both deposit requirements and ongoing housing costs
- It may provide mortgage lenders with opportunities to expand into new markets and offer equity investors a more flexible opportunity to invest in residential real estate other than through direct investment

- More broadly, shared equity approaches can contribute to policy reform and offer a means of leveraging in more, and more appropriate, forms of affordable housing. To achieve this outcome, equity investment is required.

Inevitably, these benefits have risks associated with them, and the viability and relative attractiveness of shared equity depends upon favourable financial and housing market contexts.

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

Community equity arrangements seek to preserve affordability over time within the housing stock and, arguably, a distinct sub-market would be established tied to that supply.

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

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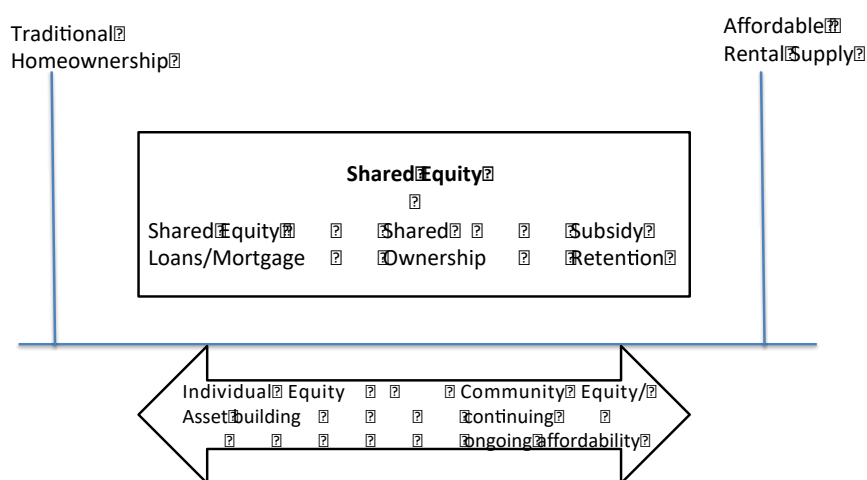
These concepts are outlined in this diagram:

Figure 13. Shared equity – market positioning

11.6 Build to Rent

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

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

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

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

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

Systems

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

Another option is the model that some of the inner Melbourne Councils are considering, a model developed by Robert Pradolin (Prads model). The rent would be charged at 75 % of market rent of the local area (being either the LGA or ABS Geographic Statistical Division). Renters would be those defined as low to moderate income earners, on the basis of the legislative framework. The maximum returns the investor would get would be 75 % of the full market rent. The affordability would remain on the dwellings for the economic life of the building (usually 25 years).

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

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

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

Management

One consideration in any future build to rent scheme would be management of the properties. Council may consider that a Registered Housing Association manage them.

However, a private rent to build could have an entity such as a registered real estate agent manage the properties. The key considerations for Council are:

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

11.7 Rent to Buy

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

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

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

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

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

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

- Sizable investment opportunities and product base. The model is easily replicable across inner and middle ring suburbs in major cities

- Active asset management

- Potential for development activity.

11.8 Social Housing

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

Housing Associations are not-for-profit corporations that own and/or manage community housing and are registered by Federal and/or State Housing Regulators.

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

- Own, manage and develop affordable rental housing

- Provide housing support and assistance to clients

- Are viable businesses, partnering with government and the community

- Have met registration criteria and meet ongoing regulatory compliance against performance standards.

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

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

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

- They do not pay GST on the cost of constructing housing

- They have greater flexibility in the sale and re-investment of property

- Their tenants are eligible for Commonwealth Rent Assistance whereas State Government housing tenants are not.

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

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

- The tenant profile, as dwellings are leased at a submarket rent and thus income to repay is greatly reduced

- The requirement by financial institutions for the Housing Associations to meet commercial hurdles of two times earnings; that is, they must cover repayments with

double the income) to achieve funding. Consequently, this reduces the amount that can be borrowed.

The Housing Associations in Victoria have limited equity and have multiple calls on that equity.

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

- Acquisition of newly built dwellings on the open market when they reach completion (at a considerably reduced price)

- Acquisition of existing units, which may require upgrade work (at a considerably reduced price)

- Purchase of dwellings from a developer/builder with progress payments made during construction

- Development of new dwellings by the Housing Associations themselves, involving land purchase, financial approval, engagement of consultants, design, approvals, tendering and construction, all under the control of the Association and at the Association's risk.

However, with the restrictions in rents to income appropriate rents and escalating costs, the opportunities are exceptionally restricted.

While key workers are unlikely to be tenants of social housing, increasing the supply of this housing in the region will help address wider housing affordability issues.

12. Details on planning options

12.1 Overview

An incentive approach is one which encourages developers to include affordable housing within their developments by reducing other project costs or increasing the allowable yield for a site. It can also be utilised for wholly affordable housing projects to increase project viability and potentially increase the number of units that can be provided on a site.

However, there are limits on what incentives can reasonably be offered, and it is important to ensure that more intense development outcomes do not have adverse impacts on adjoining properties, or that substandard housing is built. There also needs to be a clear strategic basis for how the base level of development rights is defined, and for the extent of any incentive parameters.

It is also important that any incentives are attractive enough so that developers will give them consideration. If an incentive will only provide a very nominal "bonus" to the developer, they may not see it as worthwhile and the take-up may be minimal. From our experience with other feasibility studies, the most material incentive to a development will be increases in floorspace and yield. Whilst fast-tracked processes save some cost, unless there is a guarantee over approval times (via removing third party rights) then the saving is marginal. Reduced carparking or open space requirements can materially save costs but, depending on

the location, there are likely to be practical limits (for both the developer and Council) to how far this might be applied.

Given that development within Alpine Shire is likely to be low-scale in nature, there may be limited opportunities to offer incentives to developers to include affordable housing in their developments where they may not have otherwise done so. However, incentives for the developers of affordable housing (i.e., Housing Associations) will assist them to get better "bang for buck". Given the number of affordable housing units that may need to be built in Alpine Shire in the coming years as it accommodates the planned growth, this could result in significant efficiencies.

The following sections discuss and provide examples of the following incentives:

- Approval process advantages and cost reduction strategies

- Reduced development contributions, planning charges and Council rates

- Additional building height

- Reduced building setbacks

- Reduced car parking

- Reduced open space requirements.

Some incentives relate to encouraging the inclusion of affordable housing units in a private development, and others relate to planning concessions and reduced costs for both projects that wholly constitute affordable housing and that include a mix of private and affordable dwellings.

It is important to ensure there is a clear set of Design Guidelines as an outcome to each of the below incentives to ensure aesthetic impact to community and neighbours have all been considered in design. This may also include sustainable design outcomes to reduce operating/living costs.

12.2 Approval process advantages and cost reduction strategies

Potential delays in the planning process and associated expenditure on VCAT processes and holding costs can have significant impacts on projects that include affordable housing. Streamlined approval processes that advantage certain forms of affordable housing and/or Housing Associations or Providers can help to minimise project costs and deliver affordable housing more quickly to the community. Maintaining transparency is important and obtaining local feedback can improve project outcomes, so an "all or nothing" approach does not need to be adopted in regard to involvement by third parties.

Potential processes include:

- Removing appeal rights or limiting these to defined parties only (such as adjoining properties)

- Utilising a Standard Advisory Committee process to maintain independent review process

- Allowing applications to be determined under delegation rather than going to a planning committee or Council meeting

- Running local consultation processes that seek informal feedback rather than formal objections

- Running consultation processes at the early stages of project development to allow the subsequent formal planning approval process to proceed in an expedited manner

- Providing fast-tracked application processes within set timeframes

- Ensuring applications are processed by experienced senior staff

- Ministerial call-ins – the Minister for Housing can advise the Minister for Planning to call in not-for-profit applications

- Design codes for certain kinds of affordable dwellings such as granny flats, secondary suites, and laneway housing, with developments that meet the codes potentially being provided with fast-tracked application processes

- Providing Council or State Government land for moveable housing projects to reduce costs (e.g., Transition Housing)

- Council or State Government assistance in assembling land parcels

- Council or State Government assistance for infrastructure installation.

Examples of some of the above include:

- Clause 52.41 was inserted into the Victorian Planning Provisions in 2009 (via Amendment VC56) to support the development of social housing projects funded under the Commonwealth Economic Stimulus Plan. The provisions removed appeal rights for projects that complied with the clause. An independent review process was maintained via a Standing Advisory Committee

- The Atherton Gardens estate renewal project undertaken by the Department of Human Services included early consultation with the community that fed into the development of the Masterplan

- Moreland Council is considering providing streamlined approvals processes for developments that satisfy its Design Excellence Scorecard.

Griffith University has identified that interest in "tiny houses" (which are usually "tiny houses on wheels (THOWs)" that can be moved and which may or may not be connected to reticulated services) is growing especially for older women, a demographic that is experiencing a marked increase in homelessness. Tiny houses can provide temporary or longer term affordable housing options, and can be suitable for location in urban areas (in backyards or on separate titles), on rural properties, or on vacant land prior to its development for other purposes. There is also a growing interest in creating tiny house communities where several dwellings are clustered together in rural or urban settings.

ESC Consulting have identified that there are a number of barriers to the construction of tiny houses in Victoria and other states and recommend that a design code with set standards be considered to provide certainty for the planning process. Ideally, negating the need for a

planning permit or providing a low-cost approval process would be utilised in recognition that the primary concern for people constructing a tiny house is financial.

It is recommended that Alpine Shire consider several approval process advantage and cost reduction strategies to achieve the best "bang for buck" discussed above. Exploring ways to become a "tiny house friendly" municipality could also keep Alpine at the forefront of this new model of affordable housing.

Key Considerations:

- Should Council provide a fast track planning permit process for affordable housing?

- Is Council willing to provide approval process incentives for affordable housing projects such as using informal consultation processes (i.e. no formal advertising, removing VCAT appeals)

- Is there land that Council could provide for affordable housing projects, either for permeant dwellings or movable dwellings?

- Should Alpine Shire become a "tiny housing" friendly municipality?

12.3 Reduced development contributions, planning charges and Council rates

Another option for increasing project viability is to reduce or waive the payments that developers and affordable housing providers are usually required to make. This can include reductions in or waivers of development contributions, planning application fees, and Council rates.

Some examples of how this approach is currently being applied in Melbourne include the following:

- City of Melbourne provides a 35% rate reduction to affordable housing providers

- City of Yarra's proposed Amendment C238 seeks to implement a Development Contributions Plan Overlay across the municipality but to exempt land developed for social (but not private) housing delivered by or for the DFFH and registered Housing Associations

- City of Knox provides discounts to rates to properties owned by registered Housing Associations

- City of Hobsons Bay provides rates discounts to pensioners, war veterans and widows, and cases of hardship.

Subject to Council being satisfied that this would not impact on its wider budgetary goals, using one or more of the above approaches would assist Housing Associations with the development and/or ongoing costs of their dwellings, and potentially their tenants.

Key considerations:

- Should Council provide reduced or waived development contributions for affordable housing projects?

- Should Council waive planning permit and/or building permit fees for affordable housing projects?
- Should Council provide rates reductions for Housing Associations/Providers?

12.4 Additional building height/floorspace

Allowing additional building floorspace via increased building heights (otherwise expressed as density bonuses in other jurisdictions that utilise plot ratios) can provide developers with additional yield to incentivise their delivery of affordable housing. Intensity or floor space bonuses probably function most effectively in planning systems that utilise capped floor space ratios. As Melbourne's planning system is more focused on building height, there is an argument that many sites have a justifiable maximum height based on their context. Providing a "preferred" and "mandatory maximum" height bonus may be perceived as artificially constraining yields on sites that do not provide affordable housing, or alternatively, that overdevelopment will occur if the bonus height option is exercised.

However, given that buildings in Alpine Shire towns are unlikely to consist of anything higher than low-rise apartments, this incentive may only have limited applicability.

Key consideration:

- Would Council be willing to allow greater building height for projects that include affordable housing?

12.5 Reduced building setbacks

Like increased building heights, reduced building setbacks can increase the development yield on a site. However, avoiding impacts on neighbouring properties should still be the key planning consideration.

Key consideration:

- Would Council be willing to allow reduced building setbacks for projects that include affordable housing?

12.6 Reduced car parking

Empirical research shows that social and community housing tenants have low car ownership rates, so developments that include this kind of housing can be provided with parking dispensations. However, the sites need to have good access to public transport to ensure residents are still able to access services. It is also recognised that there are wider trends towards reduced car ownership in locations well served by public transport for all residents, not just social housing residents.

Clause 52.06 provides for dispensations to the car parking rates where it can be shown that the demand will be lower than the statutory rate. The recent changes to Clause 52.06 have introduced lower car parking rates in the Principal Public Transport Network Area (with visitor

parking no longer required for multi-unit developments). In the Alpine Shire context, this is unlikely.

Some municipalities such as City of Moreland are also seeking to remove minimum parking requirements for developments in activity centres.

Key consideration:

- Would Council be willing to allow reduced car parking rates for projects that include affordable housing?

12.7 Reduced open space requirements

Allowing smaller yards or balconies can provide another mechanism to encourage the development of affordable units.

Council could use its discretion when assessing applications to approve developments that do not meet Residental Code (ResCode) and Better Apartment Design Standards (BADS) standards relating to private open space as long as they are satisfied that the relevant objectives are met.

Key consideration:

- Would Council be willing to allow reduced open space for projects that include affordable housing?