

## POLICY THREE: HOUSING AFFORDABILITY AND AFFORDABLE HOUSING



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Housing affordability is a key determinant in the role and function of housing in the community. Housing affordability not only impacts on households but also has major implications on the wider economy and social cohesion within communities.

### **POLICY AREAS:**

- 3.1 Housing affordability
- 3.2 Affordable housing
- 3.3 Homelessness
- 3.4 Empty homes

Hobsons Bay, like many areas around Melbourne, has experienced an increase in housing prices and rents in recent years. The decline in housing affordability has placed increased pressure on the need for more affordable housing and affordable living.

Hobsons Bay is reasonably desirable given its proximity to the CBD, access to freeways, open space and the coast. Hobsons Bay has been a relatively affordable location for housing although this has changed over the years, particularly with the gentrification of the eastern and central parts of the municipality. Household incomes have struggled to keep up with this increase in market house prices and private rentals, thus decreasing housing affordability in Hobsons Bay.

While the rising cost of houses has shown signs of abating in the broader metropolitan Melbourne market, house prices are not affected equally across the metropolitan area. With the forecasted increase in population over the next 20 years it remains important to be attentive to levels of housing stress and

increasing demand for affordable housing, which may be influenced by other economic factors such as low wage growth and tighter lending conditions.

### **KEY CHALLENGES:**

- declining housing affordability for purchasing and renting
- the cost of living is increasing which impacts on housing stress
- increasing the supply of affordable housing in the absence of mandatory requirements in State policy
- reducing the levels of homelessness through increasing the supply of affordable housing
- reducing the number of long-term empty homes



### **POLICY THREE: HOUSING AFFORDABILITY AND AFFORDABLE HOUSING**

To improve housing affordability in Hobsons Bay and increase the supply of affordable housing in the municipality.

Many residents in the municipality are experiencing issues with housing affordability and potential opportunities and actions are required to help improve housing affordability and to match housing to residents' needs.

### **Difference between housing affordability and affordable housing**

Housing affordability refers to the relationship between expenditure on housing (prices, mortgage payments or rents) and household incomes, whereas affordable housing refers to housing which is affordable to particular income groups (e.g. low and moderate incomes). Hobsons Bay Affordable Housing definitions are explained in Figure 31.

### 3.1 Housing affordability

Housing affordability is important as it impacts on households, the economy (national, regional and local), social equity and social cohesion within communities.

The key housing affordability issues in Hobsons Bay include<sup>9</sup>:

- residents/households in housing stress and declining rental affordability
- residents/households that are vulnerable in the housing market
- economic implications and impacts on key workers
- rates of homelessness and issues with rooming houses
- high proportion of empty homes in the municipality

Residents in housing stress

Around **9.4 per cent** (3,221) of households in Hobsons Bay were experiencing housing stress (in 2016), with more than 23.9 per cent of renting households in housing stress and 8.4 per cent in mortgage stress<sup>10</sup>.

#### Mortgage stress

- mortgage stress in Hobsons Bay was most common amongst couples with children and single parent households

- the highest level was in Altona North and Brooklyn, where around 17 per cent of households with a mortgage were in stress (these areas had high proportions of low income households)

#### Rental stress

- rental stress in Hobsons Bay was most common amongst lone person and single parent households
- the lone person households in rental stress were mostly those aged over 45 years – this is of some concern as the effects of rental stress will be harder felt if these households age and move onto the aged pension
- the highest level was in Laverton where around 28 per cent of rental households were in stress – while Laverton is often seen to be the most affordable suburb in the municipality, it attracts a high proportion of low income households

Housing affordability affects everybody who needs to rent or purchase a home but there are groups/household types more impacted by affordability than others.

The Background Report identified the vulnerable groups/households that are considered more 'at risk' to housing affordability in Hobsons Bay, including:

- low income households
- people with a disability
- older people (aged 60 years and above who do not fully own their own home)
- single parent families (particularly women escaping Family Violence)

<sup>9</sup> As identified in the Housing Strategy Background Report (Volume One), Section 7.4.6.

<sup>10</sup> This reflects ABS 2016 Census data, noting the Housing Strategy Background Report (Volume One) was completed in 2016, using 2011 data

Generally, high rent and high mortgage households are located in the eastern part of Hobsons Bay. Most of the dwellings which are affordable are confined to the western suburbs of Altona Meadows and Laverton.

A key issue in Hobsons Bay is the decline in rental affordability. There are around 2,309 low income households in the rental stress (2016), paying near median rents who will be struggling to afford to stay in Hobsons Bay. A significant component of low income renters were single parent families<sup>11</sup>.

### Affordable living

There is a link between housing affordability and affordable living. Households experiencing housing stress usually need to make compromises on areas of expenditure in order to meet housing costs. Severe housing stress leads to a constant juggle of household expenditure in order to meet mortgage/rent payments. Failure to make these housing payments can lead to homelessness.

If the cost of living is reduced so that a household has less expenditure on transport and utility costs such as gas and electricity, then this can assist with the capacity to meet housing costs .

The broader planning and built form considerations that have a role in affordable living include:

- reducing the cost of living by increasing housing supply near services, jobs and public transport<sup>12</sup>
- improving the environmental performance of buildings through incorporating ESD into new homes

<sup>11</sup> This reflects ABS 2016 Census data, noting the Housing Strategy Background Report (Volume One) was completed in 2016, using 2011 data

<sup>12</sup> Direction 5.1, Plan Melbourne (2017).

### Economic implications

Housing affordability also impacts on the local economy, particularly on employment. If employees are unable to afford to live close to work then there are a number of impacts including:

- local industries facing additional costs and impacts on competitiveness (e.g. job retention, recruitment costs, etc.)
- workers facing additional costs in the form of transport or housing, resulting in a fall of disposable income
- workers may change their place of work to be closer to home, further reducing the labour force pool available

Hobsons Bay plays an important regional role, providing a range of job opportunities for the wider western subregion. This issue is most pressing for Hobsons Bay strategic industries which are expected to drive employment growth, these include:

- transport, postal and warehousing
- construction
- health care and assistance
- manufacturing

The ability to attract skills and labour in these industries will be a key requirement for the Hobsons Bay economy. Housing affordability is one consideration to attract and retain skills.

In 2016 29.6 per cent of Hobsons Bay City’s workforce were local residents. This means **70.4 per cent of the Hobson’s Bay workforce live outside of Hobsons Bay.**

In terms of the strategic industries, Health Care and Social Assistance and Safety has a relatively high share of workers who live in Hobsons Bay. This highlights the preference of workers to live locally, meaning that they will be more impacted by changes to house prices and rents in Hobsons Bay.

Transport, Postal and Warehousing however has a very low self-sufficiency (the proportion of workers who live and work in the municipality) meaning that the Transport sector in Hobsons Bay relies on labour from other areas of Melbourne.

#### Key workers

Another key consideration in regards to the local workforce and housing is the impact on key workers. Key workers can be defined as employees providing an essential service (e.g. teachers, police, nurses). As key workers find themselves unable to buy housing, further demand is placed on providing private rental and this demand translates to higher rents.

### Opportunities to address housing affordability

At the State level, there is assistance for first home buyers to enter the property market with the First Home Owners Grant<sup>13</sup>.

At the local government level, there is little opportunity to directly influence private market housing (private purchases and rentals). The opportunities that have been identified in this strategy are outlined in Table 14.

**Table 14: Opportunities to address housing affordability for market (private) housing**

#### Market Housing

Opportunity	Description
<b>Increase housing diversity (housing types) across the municipality</b>	Increasing housing diversity across the municipality in terms of housing types and the number of bedrooms is important as it encourages the supply of housing at different price points, this allows opportunities for first home buyers and low-middle income households to access private market housing.
<b>Encourage infill development in well located areas</b>	New housing which is well located to public transport facilities and existing services and community infrastructure promotes active transport and reduces the expenditure associated with owning a car.
<b>Encourage environmentally sustainable design within new dwellings</b>	Housing which incorporates environmentally sustainable design reduces household expenditure on utility bills, promoting affordable living.
<b>Increasing the supply of houses through reducing the number of empty homes</b>	Empty homes are a wasted resource and can negatively impact on housing affordability as they fuel an ‘under supply’ of housing. It is estimated that around nine per cent (3,417 homes) in Hobsons Bay are empty or underutilised. Whilst the Victorian Government recently introduced a Vacant Residential Land Tax, it is not known at this stage how effective this mechanism will be. There is an opportunity for Council to advocate to the Victorian Government for increased monitoring of the extent of empty homes and how it is being tackled.

<sup>13</sup> In 2018 the FHOG was \$10,000 in metropolitan areas for homes valued up to \$750,000.

**Advocate for mechanisms to reduce private market rents** The National Rental Affordability Scheme (NRAS) was a mechanism introduced by the Federal and State governments to address the shortage of affordable private rental housing to allow low and moderate income households to rent at a rate at least 20 per cent below the market value rent. The scheme played an important role in preventing homelessness by providing secure housing to many people at risk. The scheme was abolished in 2014. Council should advocate to the Federal government to reintroduce a similar tool to reduce market rents for those at risk to prevent homelessness and take the pressure off the demand for social housing.

### Recommendation

It is recommended that Council implement the opportunities identified in Table 14 to assist housing affordability in Hobsons Bay.

## 3.2 Affordable housing

A definition of affordable housing was introduced into the *Planning and Environment Act 1987* on the 1 June 2018 as follows:

*'...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.'

The thresholds for the income ranges are specified by a Governor in Council Order.

There was previously no single definition of affordable housing prior to the introduction of the new definition into the Act. In the absence of an agreed definition, Hobsons Bay adopted its own in the Affordable Housing Policy Statement (2016), as provided in Figure 31. This policy statement calls for 10 per cent affordable housing within Strategic Redevelopment Sites and encourages affordable housing in activity centres and established suburbs.

Affordable housing consistent with this definition refers to both market (private) housing and non-market (social) housing. Council's Affordable Housing Policy Statement is primarily concerned with increasing the provision of social (non-market) housing in the municipality given the limited legislation within Victoria to support market affordable housing.

### Social housing in Hobsons Bay

There are around 1,250 social housing dwellings in Hobsons Bay with the highest proportions of households in social housing occurring in Williamstown, Altona North and Williamstown North. Social housing properties are dispersed across the rest of the suburbs.

In 2011, 991 households in Hobsons Bay were living in social housing, accounting for around 2.9 per cent of total households, this is the same as the Greater Melbourne average. Victoria has a massive undersupply of affordable housing dwellings with over 30,000 of people on the housing waitlist.

### Opportunities to increase affordable housing

There are no mandatory mechanisms within the planning framework in Victoria (pursuant to the *Planning and Environment Act 1987*) to directly increase the supply of affordable housing stock. There are a number of policies within the SPP that relate to the provision of affordable housing, namely in Clause 16 (Housing) and Clause 11 (Settlement).

Whilst these State policies set the intention for planning to address affordable housing, the Victorian Planning Provisions do not explicitly provide for the use of

specific planning mechanisms to protect existing supplies of affordable housing, or require contributions to or inclusion of affordable housing or social housing stock. Council has been successful in negotiating the provision of affordable housing in Strategic Redevelopment Areas, notably the Precinct 15, Altona North Strategic Site, Precinct 13 (former Hobsons Bay Caravan Park) and Precinct 16 (the former Caltex site).

There are however opportunities emerging for local government to explore to increase the provision of non-market housing (social housing). The new amendments to the Act to facilitate the provision of affordable housing as part of new development applications (based on voluntary agreements), have been introduced to formalise the voluntary agreement arrangements that a number of councils have been using (with varying success) to secure new affordable housing. Hobsons Bay has achieved this within a number of development sites across the municipality.

Council is a strong advocate of affordable housing and has been successful in securing a number of affordable housing outcomes within developments.

As per Council's Affordable Housing Policy Statement, Council is also investigating the development of an Affordable Housing Trust to further support the implementation and perpetuity of affordable housing within Hobsons Bay, as well as looking at innovating opportunities for increasing affordable housing on Council-owned land.

### **Recommendation**

In the absence of Statewide Inclusionary Zoning to support the implementation of affordable housing, Council has adopted an updated Affordable Housing Policy Statement (2016) and is committed to its implementation. It is recommended that Council continue to review the opportunities available at the local level to increase the supply of social housing in the municipality and review the affordable housing policy statement as required.

It is recommended that Council continue to advocate to the Victorian government for Inclusionary Zoning to increase affordable housing supply rather than relying on voluntary agreements.

Figure 31: Hobsons Bay Affordable Housing definition

**Affordable housing definition (Hobsons Bay Affordable Housing Policy Statement):**

Market and non-market affordable housing that is occupied by households in the lower 40 per cent of the income distribution scale including key workers.

**Affordable market housing (private housing)**

- Private home ownership where the purchasers mortgage costs do not exceed 30 per cent of the gross income of the occupant.
- Rental housing that is owned and managed by private individuals or corporations and where rent does not exceed 30 per cent of the gross income of the household.

**Non-market housing (social housing)**

- Rental housing that is owned and managed by the Director of Housing.
- Rental housing that is owned and managed by a not for profit housing organisation.

**Affordable market and non-market housing provide**

housing choices, which are of appropriate size, liveable, accessible and incorporating the principles of universal design, secure in tenure and located in good proximity to employment services and critical infrastructure such as transport

**are**

managed under tenant selection and rent setting policies that ensure occupants do not pay more than 30 per cent of their income on rent

**and are**

delivered and managed by not for profit organisations in a manner intended to implement the aims of Council’s Municipal Public Health and Wellbeing Plan as amended from time to time.

<sup>14</sup> Based on Plan Melbourne Metropolitan Melbourne regions

### 3.3 Homelessness

It is inherently difficult to accurately determine the number of people experiencing homelessness. The 2016 census identified an estimated total of **3,987 people experiencing homelessness in Melbourne’s Wester Region<sup>14</sup>**. This constitutes 16 per cent of Victoria’s homeless population. Around eight per cent of those experiencing homelessness in Melbourne’s West were in Hobsons Bay (in 2016).

Homelessness is an issue which needs to be addressed at the broader level with proactive measures that prevent homelessness in the first place.

#### Recommendation

Council should address homelessness as part of the affordable housing agenda including exploring the actions and opportunities in the Affordable Housing Policy Statement to increase the supply of social housing.

#### Rooming Houses

Rooming houses are classed as a form of homelessness due to their insecure tenure<sup>15</sup>. Council has a regulatory role in the operation of rooming houses. It is a legal requirement (under the provision of the *Public Health and Wellbeing Act 2008*) that operators of rooming houses need to register the rooming house with the local council and they must meet various building regulations and health and safety regulations (such as overcrowding, cleanliness and hygiene).

There are 11 registered rooming houses within Hobsons Bay (2016).

Whilst rooming houses have traditionally accommodated disadvantaged and vulnerable people, there is evidence that this profile is changing with other sections of the community such as international and domestic students,

<sup>15</sup> Based on ABS classifications of homelessness.

travellers, low-income earners and some type of key workers<sup>16</sup>, turning to rooming houses as a cheaper accommodation option as private rental costs rise.

Tenancy mix can be an issue in rooming houses as they house some of society's most excluded and vulnerable individuals, often on a legally insecure or 'non-tenured' basis. There is often a high turnover of tenants and some neighbourhood disturbance and complaints to local councils<sup>17</sup>. Councils have a responsibility to carry out inspections of any properties to make sure they are safe, properly registered and meeting the minimum standards<sup>18</sup>.

Whilst the current number of registered rooming houses in the municipality is relatively low in Hobsons Bay, there has been a rather high proportion of prosecutions which have been a burden to Council's resources. There has also been a number of unsuccessful prosecutions primarily due to the existing legal framework which makes it difficult to get powers of entry to the property to collect the necessary evidence.

### Recommendation

It is recommended that the number of rooming houses in the municipality are monitored as well as any enforcement incidents. Council should explore the opportunities to advocate for changes to legislation on rooming houses which could alleviate some of the identified issues.

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<sup>16</sup> AHURI, Victoria Discussion Paper *Rooming house futures: governing for growth, transparency and fairness* (Feb 2015).

<sup>17</sup> *ibid*

## 3.4 Empty Homes

Empty homes is an issue which can impact on affordable housing. Hobsons Bay has **around 1,000 homes (almost three per cent) that are empty** and a further 2,390 homes that were underutilised in 2013<sup>19</sup>.

There are many disadvantages to empty homes, not only do they create more housing demand, fuel the 'under supply' of housing and impact on affordability but they also impact on an area. Homes left vacant for a long period of time can become unsightly if not maintained and attract crime/vandalism which impacts on the neighbourhood.

The Victorian Government introduced a Vacant Residential Land Tax<sup>20</sup> which came into effect on 1 January 2018. The Vacant Residential Land Tax is a tax on residential properties in Melbourne's inner and middle suburbs (including Hobsons Bay) which are unoccupied for more than six months a year.

Whilst the introduction of the tax marks a step in the right direction to help alleviate the issue of empty homes, it is unknown how effective the tax will be as there are a number of exemptions and employs a self-reporting model (so owners of vacant residential property will be required to notify the State Revenue Office of any vacant properties that they own).

<sup>18</sup> The Minimum Standards were introduced under the *Residential Tenancies Act 1997*.

<sup>19</sup> As identified in Background Report (Volume One).

<sup>20</sup> Also referred to as the Vacant Residential Land Tax.

## Recommendation

There is an opportunity to address the empty homes issue as part of the housing affordability agenda, in particular to monitor the rates of empty homes in Hobsons Bay and the effectiveness of the new Vacant Residential Land Tax.

Table 15: Recommended Actions – Policy Three: Housing affordability & affordable housing

POLICY THREE: HOUSING AFFORDABILITY & AFFORDABLE HOUSING	
<p><b>OBJECTIVE: To improve housing affordability in Hobsons Bay and increase the supply of affordable housing in the municipality.</b></p>	<p><b>OVERVIEW:</b> Housing affordability has been declining in Hobsons Bay and over nine per cent of households are in housing stress, particularly for households in the private rental market. Despite the recent slowing of the broader housing market in metropolitan Melbourne, it remains important to be attentive to levels of housing stress and increasing demand for affordable housing, including social housing.</p>
<p><b>Recommended Actions:</b></p>	
<p><b>3.1: Housing affordability - Market (private) housing</b></p>	
<ul style="list-style-type: none"> <li>▪ update the Hobsons Bay Planning Scheme to include the key strategies and objectives regarding housing affordability (where appropriate)</li> <li>▪ support the increase in housing diversity (housing types) across the municipality to encourage the supply of housing at different price points</li> <li>▪ monitor housing affordability to understand the levels of housing stress (for both renters and purchasers) in the municipality</li> <li>▪ assist in reducing the levels of housing stress through reducing the cost of living for households by directing housing growth to areas with access to good public transport and community facilities in order to reduce car dependency</li> <li>▪ assist in reducing the levels of housing stress through reducing the cost of living for households through incorporating ESD measures into new dwellings to reduce ongoing utility costs</li> <li>▪ advocate to the Federal and Victorian government for the introduction of schemes and/or taxation tools to reduce market rents for households at the risk of homelessness and take the pressure off the demand for social housing</li> </ul>	
<p><b>Rooming Houses</b></p>	

- monitor the number of rooming houses and any enforcement incidents in the municipality and explore opportunities to advocate for changes to legislation which could alleviate some of the identified issues

### **3.2: Affordable housing – Non market (social) housing**

- update the Hobsons Bay Planning Scheme to include the key strategies and objectives regarding affordable housing (where appropriate)
- review the Hobsons Bay Affordable Housing Policy Statement (2016) when required to adapt to best practice and legislative changes
- include the Hobsons Bay Affordable Housing Policy Statement as a Background Document in the Hobsons Bay Planning Scheme
- support the implementation of affordable housing in the municipality through exploring the actions as recommended in the Affordable Housing Policy Statement (2016) including actions relating to: land use planning, service provision, establishing a Housing Trust, advocacy and leadership and partnering to maintain existing public housing stock

### **3.3: Homelessness**

- reduce levels of homelessness through implementation of the Hobsons Bay Affordable Housing Policy Statement to increase the supply of affordable housing

### **3.4: Empty Homes**

- monitor the rates of empty homes to gauge the effectiveness of the new Vacant Residential Land Tax and advocate to the Victorian government for further mechanisms to tackle this issue if required