

URBIS

KINLEY AFFORDABLE HOUSING PROPOSITION

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INTRODUCTION

This document presents the key findings of a review of affordable housing need in the Yarra Ranges LGA. Analysis of this need has been used to target an appropriate response that can be delivered to the local market to make a positive contribution against local affordable housing requirements.

The quantum and delivery of this contribution has been framed against recent major rezoning precedents while taking into consideration the significant infrastructure contribution the Kinley development will make to the local community and economy.

COVID-19 and the potential impact on data information

The data and information that informs and supports our opinions, estimates, surveys, forecasts, projections, conclusion, judgments, assumptions and recommendations contained in this report (Report Content) are predominantly generated over long periods, and is reflective of the circumstances applying in the past. Significant economic, health and other local and world events can, however, take a period of time for the market to absorb and to be reflected in such data and information. In many instances a change in market thinking and actual market conditions as at the date of this report may not be reflected in the data and information used to support the Report Content.

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The effects (both directly and indirectly) of the COVID-19 Outbreak on the Australian real estate market and business operations is currently unknown and it is difficult to predict the quantum of the impact it will have more broadly on the Australian economy and how long that impact will last. As at March 2020, the COVID-19 Outbreak is materially impacting global travel, trade and near-term economic growth expectations. Some business sectors, such as the retail, hotel and tourism sectors, are already reporting material impacts on trading performance now and potentially into the future. For example, Shopping Centre operators are reporting material reductions in foot traffic numbers, particularly in centres that ordinarily experience a high proportion of international visitors.

The Report Content and the data and information that informs and supports it is current as at the date of this report and (unless otherwise specifically stated in the Report) necessarily assumes that, as at the date of this report, the COVID-19 Outbreak has not materially impacted the Australian economy, the asset(s) and any associated business operations to which the report relates and the Report Content. However, it is not possible to ascertain with certainty at this time how the market and the Australian economy more broadly will respond to this unprecedented event. It is possible that the market conditions applying to the asset(s) and any associated business operations to which the report relates and the business sector to which they belong could be (or has been) materially impacted by the COVID-19 Outbreak within a short space of time and that it will have a lasting impact. Clearly, the COVID-19 Outbreak is an important risk factor you must carefully consider when relying on the report and the Report Content.

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1. AFFORDABLE HOUSING NEED

The Planning and Environment Act (1987) defines affordable housing as:

“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”*

A Governor in Council Order (the Order) forms part of the definition of Affordable Housing. The Order, published in the Government Gazette, specifies the income ranges for very low, low- and moderate-income households for Affordable Housing that is not social housing. These income ranges are useful in identifying different levels of affordability on the spectrum, and are as follows:

Table 1: Qualifying Household Income Ranges for Affordable Housing

	Very low income range (annual)	Low income range (annual)	Moderate income range (annual)
Single adult	Up to \$25,970	\$25,971 to \$41,550	\$41,551 to \$62,310
Couple, no dependant	Up to \$38,950	\$38,951 to \$62,320	\$62,321 to \$93,470
Family (with one or two parents) and dependent children	Up to \$54,520	\$54,521 to \$87,250	\$87,251 to \$130,870

A consolidated review of affordable housing need has been prepared using statistics from both the Yarra Ranges background report in June 2019 and the April 2020 Urbis Housing Needs Analysis. A summary of affordable housing need by type is presented in the table below.

Table 2: Merged Requirement Assumptions and Intervention Levels

Need Spectrum	Impact on Viability	Yarra Ranges Need 16	Yarra Ranges Need in 2019	Yarra Ranges Need in 2036	Total Additional Need 19-36	Annual Additional Need / Demand 2019 to 2036	Annual Delivery to Meet All 2036 Need
Crisis Accommodation , Transitional Housing, Rooming House Accommodation	High	1,839	1,899	2,237	338	20	132
Social Rental Housing	High						
Affordable Rental Housing	Medium	2,600	2,700	3,200	500	30	188
Shared Equity	Medium						
Affordable home purchase (low to no subsidy)	Low	4,200	4,300	5,200	900	50	306
'Additional'* Key Worker Housing Requirements	Low					142**	142

*Additional since there are likely existing key worker households that could qualify for affordable housing, while also reflecting they could be met in a range of housing products on the spectrum.

**Annual demand based on additional key workers per annum 2019-2029

2. TARGETING DELIVERY TO MEET NEED IN THE INTERESTS OF THE COMMUNITY

The housing need is both broad and diverse. We propose to respond to the assessed need as directly as possible. Therefore, the table below highlights key points from the Yarra Ranges Background report and the Urbis Housing Needs Analysis updated to April 2020 on where need should be targeted.

Table 3: Yarra Ranges Affordable Housing Delivery Considerations

Consideration	Yarra Ranges Background	Urbis Need Analysis	Solution Options
Housing Need	<p>Need is greatest for lower income households, particularly singles and couples for whom one and two-bedroom rental housing is required</p> <p>There is a gap in affordability of home purchase for moderate income singles, couples and families</p>	<p>Affordability is more acute for these lower income households.</p> <p>The volume of households in need of affordable housing is arguably higher across other parts of the spectrum.</p> <p>Therefore, the contribution ought to target both as well as key workers that are critical to local economic development.</p>	<p>Options for Social Rented/Affordable Rented Housing Managed by Housing Association</p> <p>Density & Price Point Purchase – Affordable for purchase / Shared Equity</p>
Location	<p>Accessible activity centres that can support density</p> <p>Greater distribution across other activity centres should also be encouraged since Lilydale and Mooroolbark have higher existing social housing supply.</p> <p>Council or state land also priority areas.</p>	N/A	<p>JV partnership could pay equivalent contribution to Housing Agency or Council to use for affordable housing purposes elsewhere to satisfy these objectives (wider distribution and public sector land assets)</p>
Type	<p>One- and two-bedrooms priority</p> <p>A percentage should be fully accessible for people with a disability or adaptable to ageing population.</p>	<p>There is a scarcity of smaller dwelling types. Adding diversity and affordability more broadly as well as in specific dedicated affordable housing will assist with these objectives.</p>	<p>High Density Product more broadly including subsidised affordable housing.</p> <p>Options for retirement/aged care accommodation.</p>
Tenure	<p>Affordable Rental for lower income households</p> <p>Ownership also required for moderate</p>	<p>Sizeable volume gains can be made by providing lower cost housing stock for rent and for purchase even at levels close to market price.</p>	<p>Options to gift or sell to Housing Association.</p> <p>Shared equity also an option targeting key workers if it can be viably delivered.</p>

<p>Affordability</p>	<p>An ‘acceptable benchmark’ is that very low, low or moderate income households should not pay more than 30% of their household income on housing costs.</p> <p>Evidence that sale price or shared equity model will be affordable for intended target groups required for any proposed purchase model.</p>	<p>Housing affordability relies firstly on delivery of more housing overall, density/diversity as well as subsidy.</p> <p>Greater density offers the potential to provide a substantial boost to the volume of housing available at prices below the median detached price which has dominated supply to date.</p> <p>Subsidy can either be targeted at meeting a limited volume of acute need or a greater volume of moderate need.</p>	<p>The Housing Association will be responsible (legally) for monitoring and managing affordability unless the JV partnership opts to pursue an alternative shared equity/sales price strategy – in which case the JV partnership/entity may be required to demonstrate evidence of affordability.</p> <p>It is worth noting that the Urbis analysis of key worker incomes indicates that a high proportion would have moderate incomes or above.</p>
<p>Longevity</p>	<p>Long term intended use for affordable housing with specific terms expected to be determined by investment/funding/legal requirements.</p>	<p>N/A</p>	<p>To be determined in consultation with Housing Association, funding or investment partners</p>
<p>Integration</p>	<p>Support integration unless single location is promoted by Registered Housing Agency or due to nature of tenure e.g. aged care.</p> <p>Clustering may be appropriate close to transport.</p>	<p>N/A</p>	<p>To be determined in consultation with Housing Association/provider partners</p>
<p>Allocation</p>	<p>Allocation required in line with income bands with a clear and accountable process to determine/check incomes.</p> <p>Ownership or Management by a Registered Housing Agency will meet this requirement.</p>	<p>N/A</p>	<p>To be determined in consultation with Housing Association/provider partners</p>

3. QUANTUM OF PROVISION BASED ON REZONING PRECEDENTS

The Yarra Ranges Affordable Housing Background paper provided in June 2019 refers to some highly relevant precedent examples. These are included below and set a precedent of 5-6% affordable housing contributions on comparable rezoning scale with varying degrees of flexibility in how to deliver this.

This is also consistent with the level of provision targeted in a City of Melbourne urban renewal context at Fishermans Bend and West Melbourne at 6%.

Applying a consistent lens to Kinley at Lilydale Quarry would imply 161 affordable dwellings as 5% of 3,216 dwellings, consistent with the larger rezoning examples below of 3,000 or more dwellings.

Table 4: Precedent of Recent Examples

	Housing	Glen Eira	City of Yarra	Hobsons Bay
	Dwellings	3,000	2,500	3,000
	Affordable Contribution %	5%	6%	5%
	Affordable Contribution Volume	150 or 28 (either / or)	151	150
Composition	To be built to be Transferred to Registered Housing Agency	150		
	Dwellings required to be sold at 25% discount to a Registered Housing Provider - or if a sale cannot be realised Developer pays equivalent of 25% of market value to a housing agency or council to use for Affordable Housing purposes			150
	Construction & Gifting of dwellings to a Registered Housing Agency	28		
	Gifting of units to Registered Housing Agency for Social Housing in Perpetuity		10	
	Affordable Rental Housing under a 10-year lease		141	

4. AFFORDABLE HOUSING OPPORTUNITY & VIABILITY CONTEXT AT KINLEY

Kinley, once developed, presents a unique opportunity to make provision for a range of housing options that are affordable to the growing local community. This opportunity arises due to the creation of viable developable land within close proximity to the Lilydale Town Centre, Box Hill Institute, existing train stations at Lilydale and Mooroolbark inc. associated bus connections, plus the provision of direct road, cycle and footpath connections to these facilities.

The project is making land provision for a future train station to be delivered by Government in alignment with its long running commitment to duplicate the train lines between Mooroolbark and Lilydale stations. This land provision underpins the site's ability to deliver a diverse level of housing stock not readily available to other segments of the catchment whilst also meeting affordable housing thresholds.

An opportunity exists to increase the volume, diversity and affordability of housing units delivered, but it is dependent on Government commitment to a train station. The resultant yield increases would positively impact development densities and intensify supporting uses (retail, commercial mixed use) that would in turn allow an improved response to providing housing supply that is appropriate and affordable for the catchment.

The ability to deliver a high value affordable housing proposition from the project is entirely dependent on the infrastructure investment being made by the developer. This investment includes filling the quarry to deliver developable land, land provision under PAO for future state delivered bypass roads and train stations, its commitment to heritage, transport and open space outcomes for the benefit of a rich future community, in addition to the general in street infrastructure scale required to support increased density.

It is appropriate to take this high level of investment into consideration when determining the manner in which affordable housing is to be delivered across the site. It is also appropriate to consider the highest value delivery proposition in context of the site's specific attributes.

Kinley is best placed to deliver unassisted purchase opportunities in being able to deliver affordable housing to target income ranges. This currently represents a significant gap in the existing market and it is therefore appropriate for Kinley delivery strategies to target this outcome to maximise value.

5. PROPOSED AFFORDABLE HOUSING RESPONSE AT KINLEY

Considering the priority needs identified in both Urbis and Yarra Ranges reports, the joint venture partners propose to respond in the following manner.

A total of 5% of dwellings are to be delivered as affordable in accordance with the precedent rezoning examples in Victoria, emerging policy in Melbourne and taking into consideration the significant wider infrastructure contributions (and associated costs) to deliver renewal of the quarry into a vibrant community.

Very Low- and Low-Income Options

We believe it is important to acknowledge the challenges faced by single and couple low-income households who tend to find themselves in the most acute level of affordable housing need.

Social Rented / Crisis Accommodation

- In direct response to that need we propose to include **28 units** of social rented or crisis accommodation, targeting the scarcity of one-bedroom units and high incidence of lone person very low-income households in Lilydale. This was highlighted as a priority area of need in the Yarra Ranges Background Report June 2019.
- Delivering on this commitment could comprise setting aside land to allow a third-party specialist entity to deliver this outcome on the project. This will be delivered via the Planning process.
- Note in the City of Yarra precedent example, 10 units were agreed to be gifted to a Registered Housing Agency for Social Housing in Perpetuity. The gifting of land to accommodate a higher volume (without constructing could be viewed as a similar contribution).

Low- and Moderate-Income Options

Affordable Rental Accommodation

- We also recognise the need for more rental accommodation and the opportunity to deliver affordable rental accommodation to meet the need of a broad cross section of households, notably with provision of one- and two-bedroom units that are relatively scarce in the local housing market.
- The table below highlights that affordable rental accommodation could be effective at bridging the gap for low income single households and very low couple income households in a one-bedroom unit.
- More widely the affordable rental proposition would cater to the needs of very low- and low-income households across a spectrum of unit types as recommended by the Yarra Ranges Background report in June 2019.
- In direct response we propose to deliver **40 affordable rental dwellings**.
- Delivering this commitment could comprise selling to a Registered Housing Provider at a discount – or if a sale cannot be realised paying the equivalent value (of the discount) as a contribution to a **housing agency or council to use for Affordable Housing purposes**. This was the condition applied in the Hobsons Bay precedent example above (with a 25% discount). This will be delivered through the Planning process.
- Alternatively, the units could be leased for the purposes of affordable rent for the long term (expect this would be 20 years, although the City of Yarra example above does provide a precedent of 10 years. More recent policy guidance is promoting longer term requirements).

Table 5: Affordable Threshold of Income by Range Against Weekly Market Rents by Locality

		Single Person	Couple (One Bedroom)	Couple (Two Bedrooms)	Family (Two Bedrooms)	Family (Three Bedrooms)
Croydon-Lilydale	Very Low	27%	40%	31%	44%	37%
		54%	80%	62%	87%	73%
	Low	70%	104%	81%	114%	95%
		86%	128%	100%	140%	117%
	Moderate	107%	150%	117%	175%	146%
		128%	193%	150%	210%	176%
Yarra Ranges	Very Low	26%	39%	31%	44%	38%
		52%	77%	62%	87%	76%
	Low	67%	101%	81%	114%	99%
		83%	124%	100%	140%	121%
	Moderate	103%	145%	117%	175%	152%
		124%	186%	150%	210%	182%
Greater Melbourne	Very Low	20%	30%	24%	34%	30%
		40%	60%	49%	68%	59%
	Low	52%	78%	63%	88%	77%
		64%	96%	78%	109%	95%
	Moderate	80%	113%	91%	136%	118%
		97%	145%	116%	163%	142%

Source: DHHS, Planning & Environment Act 1987, Urbis

Affordable Dwelling Purchaser criteria targets

A similar analysis of affordable purchase opportunities reveals that the existing local median unit price is already affordable to couples and families, while family housing for families is also affordable for moderate income family households.

This provides a sound basis to offer targeted price points that can satisfy affordable home ownership in this location. Shared equity options would broaden this access to home ownership further, helping to bridge the gap for either single moderate-income households or even potentially lower income couple and family households.

Table 6: Affordable Threshold of Income by Range Against Monthly Mortgage Payments by Dwelling Type

		Single Person	Couple	Family
Lilydale (Units)	Very Low	17%	25%	35%
		34%	51%	71%
	Low	44%	66%	92%
		54%	81%	113%
	Moderate	67%	95%	142%
		81%	121%	170%
Lilydale (Houses)	Very Low	12%	18%	26%
		24%	36%	51%
	Low	32%	47%	66%
		39%	58%	82%
	Moderate	49%	68%	102%
		58%	87%	122%

Source: DHHS, Planning & Environment Act 1987, Urbis

Assessing serviceable monthly mortgage payments over a 30-year term provides an indication of the price points that could be delivered and meet the affordability thresholds of different household types by income band.

Again, this highlights the opportunities to meet affordable price points for moderate income households as well as potentially broadening access with shared equity options.

Table 7: Affordable Price Threshold by Income Range by Dwelling Type

		Single Person	Couple	Family
Lilydale	Very Low	\$83,830	\$125,730	\$175,980
		\$167,650	\$251,450	\$351,970
	Low	\$217,950	\$326,600	\$457,620
		\$268,230	\$401,740	\$563,260
	Moderate	\$335,250	\$470,300	\$704,060
		\$402,260	\$603,420	\$844,860

Source: Pricfinder, Planning & Environment Act 1987, Urbis

Moderate Income Housing Opportunities

Shared Equity / Affordable Purchase

- Given the broadest and deepest overall need identified in the municipality we believe this need can be targeted with appropriate stock provision and therefore propose to provide **65 units** that are affordable for purchase or shared equity within the income and affordability definitions of the Planning Act and Order of the Council.
- The income to price (based on mortgage serviceability) analysis demonstrates that the current median unit price particularly is already able to meet the affordability threshold of some qualifying household groups. A more defined price point analysis has been presented above to enable flexibility in the response according to market need over time.
- Delivery of this option is likely to require the JV partnership to demonstrate that targeted price points meet the affordability test as the income bands and market prices evolve over time. This could include updating the affordable price by income threshold analysis prior to each release. Qualifying residents can be validated by proof of income statements alongside written confirmation of household type (single, couple, family) purchasing a property at discount to market price.

Key Worker Housing

- In addition to the contribution noted above, providing first right of opportunity to key workers for an additional **30 units** at affordable price points for purchase (either sole or shared equity) would support this essential group and provide a much needed boost to the employment related requirements in this area of Melbourne.
- Delivery of this option is likely to require the JV partnership to demonstrate that targeted price points meet the affordability test as the income bands and market prices evolve over time as well as satisfying the key worker qualification. Qualifying residents can be validated by proof of employment and income statements and can be compared to updated affordable price analysis for each release.

6. SUMMARY OF AFFORDABLE HOUSING PROPOSITION AT KINLEY

A summary of the proposition is presented below. As noted in this paper, the 5% contribution has been put forward in line with the recent precedent examples at Hobsons Bay, City of Yarra and Glen Eira which are aligned with emerging policy in inner areas of Melbourne.

An affordable housing contribution of 162 units would equal 5% of the current assumed yield of 3,241 dwellings.

This has been allocated as follows in order to cater to a broad cross section of need, the unique opportunities presented at this site, while also acknowledging the substantial investment in infrastructure and other development contributions required to realise the potential of this asset as an economic and social lever for the local community.

Delivering affordable housing in this way would **expand the existing supply of affordable housing by 26%** from the supply reported in the Yarra Ranges Housing Background Report.

The cross section proposed also acknowledges both the most acute need of the very low- and low-income households and the broadest source of need from moderate income households, while supporting key workers in their essential role of the economy and community.

Table 8: Summary of Affordable Housing Contribution

Composition of 5% provision of affordable housing	%	Total
Crisis, Social Rented	17%	28
Affordable Rental	24%	40
Shared Equity, Affordable Purchase	40%	65
Key Worker	18%	30
	100%	162

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